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As filed with the Securities and Exchange Commission on March 3, 2011

Registration No. 333-171700

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1

to

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Kosmos Energy Ltd.
(Exact name of registrant as specified in its charter)

Bermuda	**1311**	**98-0686001**
(State or other jurisdiction of Incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Clarendon House
2 Church Street
Hamilton HM 11, Bermuda
(441) 295-5950
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Brian F. Maxted, Chief Executive Officer
c/o Kosmos Energy, LLC
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(214) 445-9600
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Copies to:

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New York, NY 10017	New York, NY 10022
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Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities

Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 3, 2011

Shares

Kosmos Energy Ltd.

Common Shares

This is an initial public offering of common shares of Kosmos Energy Ltd. Prior to this offering, there has been no public market for our common shares. The initial public offering price of the common shares is expected to be between $ and $ per share. We have applied for our common shares to be listed on the New York Stock Exchange under the symbol "KOS."

The underwriters have an option to purchase a maximum of additional common shares from us to cover over-allotments of common shares. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.

Investing in our common shares involves risks. See "Risk Factors" on page 16.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us
Per Common Share	$	$	$
Total	$	$	$

Delivery of the common shares will be made on or about , 2011.

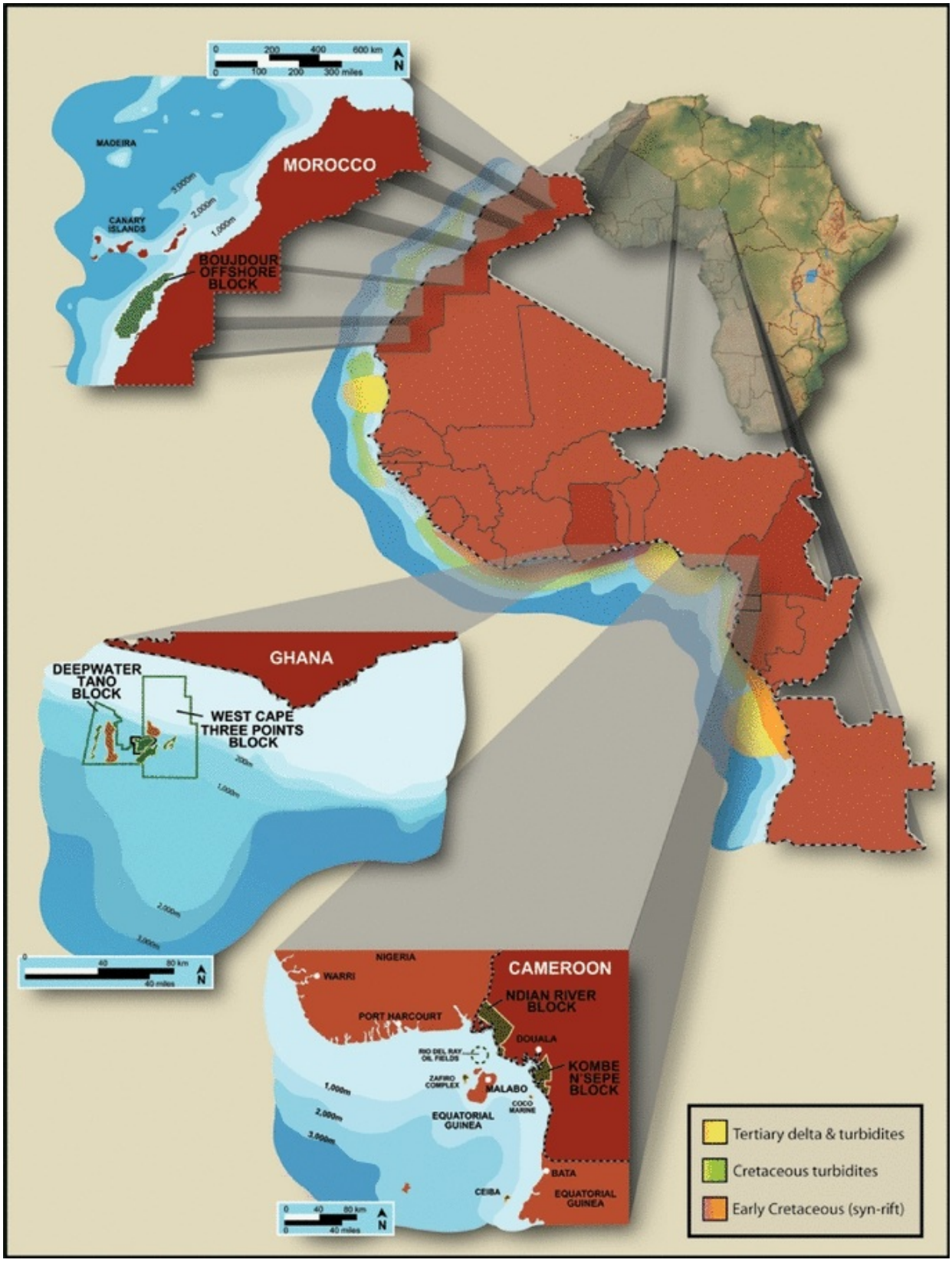
Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Consent under the Exchange Control Act 1972 (and its related regulations) has been obtained from the Bermuda Monetary Authority for the issue and transfer of the common shares to persons resident and non-resident of Bermuda for exchange control purposes provided our common shares remain listed on an appointed stock exchange, which includes the New York Stock Exchange. This prospectus will be filed with the Registrar of Companies in Bermuda in accordance with Bermuda law. In granting such consent and in accepting this prospectus for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for our financial soundness or the correctness of any of the statements made or opinions expressed in this prospectus.

Credit Suisse **Citi**

Barclays Capital

The date of this prospectus is , 2011.


MADEIRA
MOROCCO
CANARY ISLANDS
BOUJDOUR OFFSHORE BLOCK
GHANA
DEEPWATER TANO BLOCK
WEST CAPE THREE POINTS BLOCK
NIGERIA
WARRI
PORT HARCOURT
CAMEROON
NDIAN RIVER BLOCK
DOUALA
KOMBE N'SEPE BLOCK
RIO DEL REY OIL FIELDS
ZAFIRO COMPLEX
MALABO
COCO MARINE
EQUATORIAL GUINEA
BATA
CEIBA
EQUATORIAL GUINEA
Tertiary delta & turbidites
Cretaceous turbidites
Early Cretaceous (syn-rift)

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We have not authorized anyone to provide any information other than that contained in this document or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information which others may give you. This document may only be used where it is legal to sell securities. The information in this document may only be accurate on the date of this document.

Dealer Prospectus Delivery Obligation

Until , 2011, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights certain information appearing elsewhere in this prospectus. As this is a summary, it does not contain all of the information that you should consider in making an investment decision. You should read the entire prospectus carefully, including the information under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included in this prospectus, before investing. Unless otherwise stated in this prospectus, references to "Kosmos," "we," "us" or "our company" refer to Kosmos Energy Holdings and its subsidiaries prior to the completion of our corporate reorganization, and Kosmos Energy Ltd. and its subsidiaries as of the completion of our corporate reorganization and thereafter. Although we believe that the estimates and projections included in this prospectus are based on reasonable assumptions, investors should be aware that these estimates and projections are subject to many risks and uncertainties as described in "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements." Unless we tell you otherwise, the information in this prospectus assumes that the underwriters will not exercise their over-allotment option. We have provided definitions for some of the industry terms used in this prospectus in the "Glossary of Selected Oil and Natural Gas Terms" beginning on page 160.

Overview

We are an independent oil and gas exploration and production company focused on under-explored regions in Africa. Our current asset portfolio includes world-class discoveries and partially de-risked exploration prospects offshore the Republic of Ghana, as well as exploration licenses with significant hydrocarbon potential onshore the Republic of Cameroon and offshore from the Kingdom of Morocco. This portfolio, assembled by our experienced management and technical teams, will provide investors with differentiated access to both high-impact exploration opportunities as well as defined, multi-year visibility in the reserve and production growth of our existing discoveries.

Following our formation in 2003, we acquired our current exploration licenses and established a new, major oil province in West Africa with the discovery of the Jubilee Field in 2007. This was the first of our six discoveries offshore Ghana; it was one of the largest oil discoveries worldwide in 2007 and the largest find offshore West Africa in the last decade. Oil production from the Jubilee Field offshore Ghana commenced on November 28, 2010, and we received our first oil revenues in early 2011. We expect gross oil production from the Jubilee Field to reach the designcapacity of the floating, production, storage and offloading ("FPSO") facility used to produce from the field of 120,000 barrels of oil per day ("bopd") in mid 2011. At that rate, the share of this gross oil production net to us is expected to be 28,200 bopd.

Since our inception, over two-thirds of our exploration and appraisal wells have encountered hydrocarbons in quantities that we believe will ultimately be commercially viable. These successes, all of which are offshore Ghana, include the Jubilee Field, Mahogany East (which includes the Mahogany Deep discovery) and four other discoveries in the appraisal and pre-development stage: Odum, Tweneboa, Enyenra (formerly known as Owo) and Teak. To date we have identified 48 undrilled prospects within our existing license areas, including 19 prospects across three play types offshore Ghana, 10 prospects across three play types in Cameroon and 19 prospects across three play types

offshore Morocco. The following table summarizes our existing licenses and their current development status.

License	Gross Acreage	Location	Discovered Fields (Year of Discovery)	Wells Drilled (Successful/ Total)	Number of Additional Prospects Identified	Kosmos Working Interest
Ghana						
West Cape Three Points ("WCTP")(1)	369,917	Gulf of Guinea's Tano Basin	Jubilee (2007)(3) Odum (2008) Mahogany East (2009) Teak (2011)	14/15	12	30.875%(4)
Deepwater Tano ("DT")	205,345	Gulf of Guinea's Tano Basin	Jubilee (2007)(3) Tweneboa (2009) Enyenra (2010)	14/15	7	18.000%(5)
Cameroon						
Kombe-N'sepe	747,741	Coastal strip of Douala Basin bordering the Gulf of Guinea	—	0/1	6	35.000%(6)
Ndian River(1)	434,163	Coastal strip of Rio del Rey Basin bordering the Gulf of Guinea	—	—	4	100.000%(7)
Morocco						
Boujdour Offshore(1)	10,869,654(2)	Northwest Africa's Aaiun Basin	—	—	19	75.000%(8)

(1) Kosmos is the operator under these licenses.

(2) This reflects the acreage covered by the original Boujdour Offshore Petroleum Agreement which expired on February 26, 2011. We have entered a memorandum of understanding with the Office National des Hydrocarbures et des Mines ("ONHYM"), the national oil company of Morocco, to enter a new petroleum agreement covering the highest potential areas of this block under essentially the same terms as the original license. See "Risk Factors—Under the terms of our various license agreements, we are contractually obligated to drill wells and declare any discoveries in order to retain exploration and production rights. In the competitive market for our license areas, failure to declare any discoveries and thereby establish development areas may result in substantial license renewal costs or loss of our interests in the undeveloped parts of our license areas, which may include certain of our prospects."

(3) The Jubilee Field straddles the boundary between the WCTP Block and the DT Block offshore Ghana. Consistent with the Ghanaian Petroleum Law, the WCTP and DT Petroleum Agreements and as required by Ghana's Ministry of Energy, in order to optimize resource recovery in this field, we entered into the Unitization and Unit Operating Agreement (the "UUOA") on July 13, 2009 with the Ghana National Petroleum Corporation ("GNPC") and the other block partners in each of these two blocks. The UUOA governs the interests in and development of the Jubilee Field and created the Jubilee Unit from portions of the WCTP Block and the DT Block. Kosmos is the technical operator for development ("Technical Operator") and an affiliate of Tullow Oil plc ("Tullow") is the unit operator ("Unit Operator") of the Jubilee Unit. The Technical Operator plans and executes the development of the unit whereas the Unit Operator manages the day-to-day production operations of the unit. Our unit participation interest in the Jubilee Unit is 23.4913% (subject to potential redetermination among the unit partners in this field; see "Risk Factors—The unit partners' respective interests in the Jubilee Unit are subject to redetermination and our interests in such unit may decrease as a result" and "Business—Material Agreements—Exploration Agreements—Ghana—Jubilee Field Unitization"). The other Jub Unit partners include: an affiliate of Tullow with a 34.7047% unit participation interest, an affiliate of Anadarko Petroleum Corp. ("Anadarko") with a 23.4913% unit participation interest, GNPC with a 13.75% unit participation interest, Sabre Oil and Gas Holdings Limited ("Sabre") with a 2.8127% unit participation interest and EO Group Limited ("EO Group") with a 1.75% unit participation interest. GNPC has exercised its option with respect to the Jubilee Unit to acquire an additional paying interest of 3.75% in the unit. These interest percentages give effect to the exercise of that option.

(4) The other WCTP Block partners include: an affiliate of Anadarko with a 30.875% working interest, an affiliate of Tullow with a 22.896% working interest, GNPC with a 10.0% carried working interest, EO Group with a 3.5% carried working interest and an affiliate of Sabre with a 1.854% working interest. GNPC will be carried through the exploration and development phases and has an option to acquire an additional paying interest of 2.5% in a commercial discovery in the WCTP Block. These interest percentages do not give effect to the exercise of such option.

(5) The other DT Block partners include: an affiliate of Tullow with a 49.95% working interest, an affiliate of Anadarko with an 18.0% working interest, GNPC with a 10.0% carried working interest and an affiliate of Sabre with a 4.05% working interest. GNPC will be carried through the exploration and development phases and has an option to acquire an additional paying interest of 5.0% in a commercial discovery in the DT Block. These interest percentages do not give effect to the exercise of such option.

(6) The other Kombe-N'sepe Block partners include: Société Nationale des Hydrocarbures ("SNH"), the national oil company of Cameroon, with a 25.0% working interest and an affiliate of Perenco with a 40.0% working interest. The Republic of Cameroon will back-in for a 60.0% revenue interest and a 50.0% carried paying interest in a commercial discovery on the Kombe-N'sepe Block, with Kosmos then holding a 35.0% interest in the remaining interests of the block partners, which would result in Kosmos holding a 14.0% net revenue interest and a 17.5% paying interest. In addition, Kosmos and its block partners are reimbursed for 100% of the carried costs paid out of 35.0% of the total gross production coming from the Republic of Cameroon's entitlement. This interest percentage does not give effect to this back-in.

(7) Cameroon has an option to acquire an interest of up to 15.0% in a commercial discovery on the Ndian River Block. If the Republic of Cameroon elects to acquire an interest, they will be carried for their share of the exploration and appraisal costs. This interest percentage does not give effect to the exercise of such option.

(8) ONHYM is the only other Boujdour Offshore Block partner and has a 25% participating interest, which will be carried through the exploration phase.

As a result of our exploration and development success, we have an asset portfolio that is well-balanced between producing assets, near-term development projects, medium-term appraisal

opportunities and exploration prospects with significant hydrocarbon potential. The Kosmos-led execution of the Jubilee Field Phase 1 Development Plan (the "Jubilee Phase 1 PoD") resulted in the commencement of oil production from the Jubilee Field on November 28, 2010, which we refer to as "first oil." This 42-month timeline from discovery to first oil is a record for a deepwater development at this water depth in West Africa. We believe the Jubilee Field, currently our main development project, will ultimately be developed in four distinct phases to maximize hydrocarbon recovery. We recently submitted a notice to Ghana's Ministry of Energy to declare our second discovery, Mahogany East, commercially viable. Also, we and our WCTP and DT Block partners are currently evaluating appraisal and development plans for the Odum, Tweneboa, Enyenra and Teak discoveries. We expect these discoveries will provide a continuum of new developments coming on stream from our offshore Ghana assets over the near-to-mid term. These license areas contain prospects with significant hydrocarbon potential which we believe have been de-risked because of their proximity to our other Ghanaian discoveries, with which they share similar geologic characteristics.

We plan to drill two exploratory wells in Cameroon, one on our Kombe-N'sepe Block, which was spud in early 2011, and the other on our Ndian River Block in early 2012. Our exploration prospects in both Cameroon and Morocco have geologic characteristics similar to those of our license areas in Ghana and we believe these prospects hold significant hydrocarbon potential. Going forward, we intend to use our expertise to selectively acquire additional licenses to maintain a high-quality exploration and new ventures portfolio to replace and grow reserves.

Our History

Kosmos was founded in 2003 when several members of our senior management team, backed by private equity firms Warburg Pincus and The Blackstone Group (together with their respective affiliates, our "Investors"), sought to replicate and build upon the success they had at Triton Energy Ltd. ("Triton") exploring for and developing oil and gas reserves in West Africa's Gulf of Guinea. Africa, the Gulf of Mexico and Brazil are widely recognized as possessing the world's greatest large-scale, deepwater oil resource potential. Among these regions, we believe West Africa possesses some of the world's most prolific and least developed petroleum systems, a highly competitive industry cost structure and supportive governments eager to develop their countries' natural resources.

In the last five years, Africa has entered a new phase in its petroleum history, with numerous large oil and natural gas discoveries made in formerly unexplored and undeveloped regions. The exploration of these regions has been historically constrained by industry assessments of political and technical risk. We intend to leverage our extensive experience in Africa, as well as the experience of our management team prior to forming Kosmos, to successfully manage these risks and profitably produce hydrocarbon resources in these regions.

We were led to West Africa by our exploration approach, which is deeply grounded in a fundamentals-oriented, geologically based process geared towards the identification of misunderstood, under-explored or overlooked basins, plays and fairways. This process begins with detailed geologic studies that methodically assess a particular region's subsurface in terms of attributes that lead to working petroleum systems. This includes basin-specific modeling to predict oil charge and fluid migration combined with detailed stratigraphic mapping and structural analysis to identify quality reservoir fairways and attractive trapping geometries. This same approach was successfully employed by members of our management team while at Triton.

In compiling our asset portfolio, we considered exploration opportunities spanning the entire Atlantic margin of Africa, from Morocco to South Africa. Due to our management team's successful exploration history in the Gulf of Guinea in West Africa during their tenure at Triton, our focus was on acquiring exploration licenses in the same geographical area. We currently hold five licenses from Ghana, Cameroon and Morocco, and we are the operator under three of these licenses.

We established a new, major oil province in West Africa with the discovery of the Jubilee Field offshore Ghana in 2007. Subsequently, Kosmos participated in the discovery of five additional discoveries offshore Ghana. Kosmos' leadership of the Jubilee Unit partners enabled the Jubilee Field Phase 1 PoD to be approved by Ghana's Ministry of Energy in July 2009. The Jubilee Phase 1 PoD committed to delivering an approximately $3.3 billion project capable of producing 120,000 bopd. The Kosmos-led execution of the Jubilee Phase 1 PoD resulted in first oil on November 28, 2010. This 42-month timeline from discovery to first oil is a record for a deepwater development at this water depth in West Africa.

In 2009, Kosmos entered into a commercial agreement to sell our Ghanaian assets to Exxon Mobil Corporation ("ExxonMobil"). On August 16, 2010, ExxonMobil terminated the Sale and Purchase Agreement ("SPA") we had entered with them on June 28, 2010, in accordance with the terms of the SPA. ExxonMobil provided no explanation for the termination and was not contractually obligated to do so under the terms of the SPA. From the date of the commercial agreement with ExxonMobil through December 31, 2010, we have spent approximately $630 million developing Jubilee Phase 1 and de-risking these assets, made the Enyenra and Teak discovery offshore Ghana and drilled six successful appraisal wells on our Mahogany East, Odum and Tweneboa discoveries. With regard to the Jubilee Field, our de-risking activities have included the drilling of development wells, successful completion of fabrication, installation, hook-up and commissioning of the Jubilee Phase 1 facilities and initiation of production. With regard to our Ghanaian discoveries, our de-risking activities have included the drilling of successful appraisal wells. With regard to our Ghanaian prospects, these have been partially de-risked due to their similarity and proximity to our existing discoveries.

Our Competitive Strengths

World-class asset portfolio situated along the Atlantic Coast Margin of West Africa

We targeted the Atlantic margin of Africa as a focus area for exploration following a multi-year assessment of numerous exploration opportunities across a broad region. Our assessment was driven by our interpretation of geological and seismic data and by our internationally experienced technical, operational and management teams.

We also make an in-depth evaluation of regional political risk, economic conditions and fiscal terms. Ghana, for example, enjoys relative political stability, overall sound economic management, a low crime rate, competitive wages and an educated, English-speaking workforce. The country also scores well among its peers on various measures of corruption, ranking 62nd out of 178 countries in Transparency International's 2010 Corruption Perceptions Index, vastly ahead of each of its peers according to a peer group selected by Standard & Poor's. Ghana is also the highest ranked among such peer group in the World Bank's Doing Business 2011 report, at fifth out of 46 sub-Sahara African countries included in such report.

Our asset portfolio consists of six discoveries including the Jubilee Field, which was one of the largest oil discoveries worldwide in 2007 and the largest find offshore West Africa in the last decade. Our other discoveries include Mahogany East, Odum, Tweneboa, Enyenra and Teak offshore Ghana, which have geologic characteristics similar to the Jubilee Field. In addition, we have identified 19 additional prospects offshore Ghana, 10 additional prospects in Cameroon and 19 additional prospects offshore Morocco. We expect to make new discoveries and to define additional prospects as our team continues to develop our current asset portfolio and identify and pursue new high-potential assets.

Well-defined production and growth plan

Our plan for developing the Jubilee Field provides highly visible, near-term cash generation and long-term growth opportunities. We estimate Jubilee Field Phase 1 daily gross production to reach the 120,000 bopd design capacity of the FPSO facility used to produce from the field, in mid 2011. Within the next few years, we intend to expand upon the Jubilee Field Phase 1 development with three

additional phases that are designed to maintain production and cash flow from partially de-risked locations. A phased development program allows us to develop Jubilee Phase 1 on a faster timeline and allowed us to achieve first oil production at an earlier date than traditional development techniques. See "—Our Strategy—Focus on rapidly developing discoveries to initial production." In addition to Jubilee, we are currently in the development planning stage for Mahogany East, the pre-development planning stage for the Odum discovery, and the appraisal stage for the Tweneboa, Enyenra and Teak discoveries. We believe these assets provide additional mid-term production and cash flow opportunities to supplement the phased Jubilee Field development.

Significant upside potential from exploratory assets

Since our inception we have focused on acquiring exploratory licenses in emerging petroleum basins in West Africa. This led to the assembly of a hydrocarbon asset portfolio of five licenses with significant upside potential and attractive fiscal terms. In Ghana, we believe our existing licenses offer substantial opportunities for significant growth in shareholder value as a result of numerous high value exploration prospects that are partially de-risked due to their similarity and proximity to our existing discoveries. We plan to drill two exploratory wells in Cameroon, one on our Kombe-N'sepe Block, which was spud in early 2011, and the other on our Ndian River Block in early 2012.

Oil-weighted asset portfolio in key strategic regions

Our portfolio of assets consists primarily of oil discoveries and prospects. Oil comprises approximately 94% of our proved reserves that are associated with the Jubilee Field Phase 1 development. Due to its high quality and strategic geographic location, we expect oil from the Jubilee Field will ultimately command a premium to Dated Brent, its reference commodity price. We expect our other Ghana discoveries and prospects, as well as our Cameroon and Morocco prospects, to maintain a primarily oil-weighted composition. We believe that global petroleum supply and demand fundamentals will continue to provide a strong market for our oil, and therefore we intend to continue targeting oil exploration and development opportunities. Furthermore, our geographic location in West Africa enables broad access to the major consuming markets of North America, Asia and Europe, providing marketing flexibility. The ability to supply oil to global markets with reasonable transportation costs reduces localized supply/demand risks often associated with various international oil markets.

New ventures group focused on expanding our high-quality asset portfolio

Our existing asset portfolio has already delivered large scale drill-bit success in Ghana and provided the opportunity for near- to mid-term reserve and production growth. While substantial exploration potential remains in our portfolio, we are also focused on renewing, replenishing and expanding our prospect inventory through the work of our new ventures group, which is tasked with executing a high-impact acquisition program to replicate this success. We believe this will permit timely delivery of further oil and natural gas discoveries for continued long-term reserve and production growth. We aim to leverage our unique exploration approach to maintain our successful track record with these new ventures.

Seasoned and incentivized management and technical team with demonstrable track record of performance and value creation

We are led by an experienced management team with a track record of successful exploration and development and public shareholder value creation. Our management team's average experience in the energy industry is over 20 years. Members of the senior management team successfully worked together both at and since their tenure at Triton, where they contributed to transforming Triton into one of the largest internationally focused independent oil and gas companies headquartered in the United States, prior to the sale of Triton to Hess Corporation ("Hess") for approximately $3.2 billion in 2001. Members of our management and senior technical team participated in discovering and developing

multiple large scale upstream projects around the world, including the deepwater Ceiba Field, which was developed on budget and in record time offshore Equatorial Guinea, in West Africa in 2000. In the course of this work, the team acquired a track record for successful identification, acquisition and development of large offshore oil fields, and has been involved in discovering and developing over five billion barrels of oil equivalent ("Bboe"). We believe our unique experience, industry relationships, and technical expertise have been critical to our success and are core competitive strengths.

Furthermore, our management team has considerable experience in managing the political risks present when operating in developing countries, including working with the host governments to achieve mutually beneficial results, while at all times protecting the company's rights and asserting investors' interests.

Our management team currently owns and will continue to own a significant direct ownership interest in us immediately following the completion of this offering. We believe our management team's direct ownership interest as well as their ability to increase their holdings over time through our long-term incentive plan aligns management's interests with those of our shareholders. This long-term incentive plan will also help to attract and retain the talent to support our business strategy.

Strong financial position

Since inception we have been backed by our Investors, namely Warburg Pincus and The Blackstone Group, each supporting our initial growth with substantial equity investments. Each Investor will retain a significant interest in Kosmos following this offering. With the proceeds from this offering, our cash on hand and our commercial debt commitments, we believe we will possess the necessary financial strength to implement our business strategy through early 2013. As of December 31, 2010, we had approximately $212 million of total cash on hand, including $112 million of restricted cash, and $205 million of committed undrawn capacity under our commercial debt facilities. In addition, we have demonstrated the ability to raise capital, having secured commitments for approximately $1.1 billion of private equity funding and $1.25 billion of commercial debt commitments in the last seven years. Furthermore, we received our first oil revenues in early 2011 from the Jubilee Field, and accordingly a portion of these revenues will be used to fund future exploration and development activities.

Our Strategy

In the near-term, we are focused on maximizing production from the Jubilee Field Phase 1 development, as well as accelerating the development of our other discoveries. Longer term, we are focused on the successful acquisition, exploration, appraisal and development of existing and new opportunities in Africa, including identifying, capturing and testing additional high-potential prospects to grow reserves and production. By employing our competitive advantages, we seek to increase net asset value and deliver superior returns to our shareholders. To this end, our strategy includes the following components:

Grow proved reserves and production through accelerated exploration, appraisal and development

In the near-term, we plan to develop and produce our current discoveries offshore Ghana, including Jubilee and Mahogany East, and upon a declaration of commerciality and approval of a plan of development, Odum, Tweneboa, Enyenra and Teak. Additionally, we plan to drill-out our portfolio of exploration prospects offshore Ghana, which have been partially de-risked by our successful drilling program to date. If successful, these prospects will deliver proved reserve and production growth in the medium term. In the longer term, we plan to drill-out our existing prospect inventory on our other licenses in West Africa and to replicate our exploratory success through new ventures in other regions of the African continent.

Apply our technically-driven culture, which fosters innovation and creativity, to continue our successful exploration and development program

We differentiate ourselves from other E&P companies through our approach to exploration and development. Our senior-most geoscientists and development engineers are pivotal to the success of our business strategy. We have created an environment that enables them to focus their knowledge, skills and experience on finding and developing oil fields. Culturally, we have an open, team-oriented work environment that fosters both creative and contrarian thinking. This approach allows us to fully consider and understand risk and reward and to deliberately and collectively pursue strategies that maximize value. We used this philosophy and approach to unlock the Tano Basin offshore Ghana, a significant new petroleum system that the industry previously did not consider either prospective or commercially viable.

Focus on rapidly developing our discoveries to initial production

We focus on maximizing returns through phasing the appraisal and development of discoveries. There are numerous benefits to pursuing a phased development strategy to support our production growth plan. Importantly, a phased development strategy provides for first oil production earlier than what would otherwise be possible using traditional development techniques, which are disadvantaged by more time-consuming, costly and sequential appraisal and pre-development activities. This approach optimizes full-field development and maximizes net asset value by refining appraisal and development plans based on experience gained in initial phases and by leveraging existing infrastructure as we implement subsequent phases of development. Other benefits include minimizing upfront capital costs, reducing execution risks through smaller initial infrastructure requirements, and enabling cash flow from the initial phase of production to fund a portion of capital costs for subsequent phases.

First oil from the Jubilee Field commenced on November 28, 2010 and we received our first oil revenues in early 2011. This development timeline from discovery to first oil is significantly less than the industry average of seven to ten years and is a record for a deepwater development at this water depth in West Africa. This condensed timeline reflects the lessons learned by members of our seasoned management while at Triton and during their time at other major deepwater operators. At Triton, the team took the 50,000 bopd Ceiba Field offshore Equatorial Guinea from discovery to first oil in fourteen months. Additionally, members of our development team have led other larger scale

deepwater developments, such as Neptune and Mensa in the U.S. Gulf of Mexico. These experiences drove the 42-month record timeline from discovery to first oil achieved by the significantly larger Jubilee Field Phase 1 development.

Identify, access and explore emerging exploratory regions and hydrocarbon plays

Our management and exploration team have demonstrated an ability to identify regions and hydrocarbon plays that will yield multiple large commercial discoveries. We will continue to utilize our systematic and proven geologically focused approach to emerging petroleum systems where source rocks and reservoirs have been established by previous drilling and where seismic data suggests hydocarbon accumulations are likely to exist, but where commercial discoveries have yet to be made. We believe this approach reduces the exploratory risk in poorly understood, under-explored or otherwise overlooked hydrocarbon basins that offer significant oil potential. This was the case with respect to the Late Cretaceous stratigraphy of West Africa, the niche in which we chose to build our asset portfolio between 2004 and 2006. Our licenses in Ghana, Cameroon and Morocco share similar geologic characteristics focused on untested structural-stratigraphic traps. This exploration focus has proved extremely successful, with the discovery of the Jubilee Field ushering in a new level of industry interest in Late Cretaceous petroleum systems across the African continent, including play types that had previously been largely ignored.

This approach and focus, coupled with a first-mover advantage, provide us a significant competitive advantage in identifying and accessing new strategic growth opportunities. We expect to continue to seek new opportunities where oil has not been discovered or produced in meaningful quantities by leveraging the skills of our experienced technical team. This includes our existing areas of interest as well as selectively expanding our reach into other locations in Africa or beyond that offer similar geologic characteristics.

Acquire additional exploration assets

We intend to utilize our experience and expertise and leverage our reputation and relationships to selectively acquire additional exploration licenses and maintain a high-quality portfolio of undrilled exploration prospects. We plan to farm-in to new venture opportunities as well as to undertake exploration in emerging basins, plays and fairways to enhance and optimize our position in Africa. In addition, we plan to expand our geographic footprint in a focused and systematic fashion. Consistent with this strategy, we also evaluate potential corporate acquisition opportunities as a source of new ventures to replenish and expand our asset portfolio.

Jubilee Phase 1 Reserve and Development Information

Jubilee Field Phase 1 is the first of our discoveries to have been determined to have proved reserves. As of December 31, 2010, Netherland, Sewell & Associates, Inc. ("NSAI"), our independent reserve engineers, evaluated the Jubilee Field Phase 1 development to hold gross proved reserves of 250 Mmboe. We currently hold a 23.4913% unit participation interest in this development (subject to any redetermination among the unit partners in this field. See "Risk Factors—The unit partners' respective interests in the Jubilee Unit are subject to redetermination and our interests in such unit may decrease as a result" and "Business—Material Agreements—Exploration Agreements—Ghana—Jubilee Field Unitization"). NSAI estimated our net proved reserves to be approximately 60 Mmboe as of December 31, 2010, consisting of approximately 94% oil. All of our proved reserves are currently located in the Jubilee Field Phase 1 development. Our other discoveries outside of the Jubilee Field Phase 1, including Mahogany East, Odum, Tweneboa, Enyenra, Teak and other Jubilee Field phases, do not yet have approved plans of development ("PoDs") and therefore cannot be classified as proved reserves.

The Jubilee Field Phase 1 development employs safe, industry standard deepwater equipment with conventional "off-the-shelf" technologies. We believe such technologies and development infrastructure meet industry safety standards and have been consistently used in deepwater oilfield development, with appropriate advancements in recent years. The Jubilee Field Phase 1 development was designed to provide suitable flexibility and expandability in order to minimize capital expenditures associated with subsequent phases of development. The FPSO facility used at the field was delivered and moored to the seabed in July 2010. Planning is underway for the development of additional reservoirs and subsequent phases of the Jubilee Field.

Our drilling rigs, the Atwood Hunter and the Deepwater Millenium along with the Eirik Raude, once the drilling and completion activity associated with the Jubilee Field Phase 1 development is complete, will test other high-potential identified prospects and appraise our other discoveries offshore Ghana. Additionally we will work with our block partners, GNPC and Ghana's Ministry of Energy to advance PoDs for approval for the staged and timely development of the Mahogany East, Odum, Tweneboa, Enyenra and Teak discoveries over the next three years.

Discovery Information

Information about our discoveries is summarized in the following table.

Discoveries	License	Kosmos Working Interest	Block Operator(s)	Stage	Type	Expected Year of PoD Submission
Ghana						
Jubilee Field Phase 1(1)(2)	WCTP/DT(3)	23.4913%(5)	Tullow/Kosmos(6)	Production	Deepwater	2008(2)
Jubilee Field subsequent phases(2)	WCTP/DT(3)	23.4913%(5)	Tullow/Kosmos(6)	Development	Deepwater	2011
Mahogany East	WCTP(4)	30.8750%	Kosmos	Development planning	Deepwater	2011
Odum	WCTP(4)	30.8750%	Kosmos	Development planning	Deepwater	2011
Teak	WCTP(4)	30.8750%	Kosmos	Appraisal	Deepwater	2013
Tweneboa	DT(4)	18.0000%	Tullow	Appraisal	Deepwater	2012(7)
Enyenra	DT(4)	18.0000%	Tullow	Appraisal	Deepwater	2013

(1) For information concerning our estimated proved reserves in the Jubilee Field as of December 31, 2010, see "Business—Our Reserves."

(2) The Jubilee Phase 1 PoD was submitted to Ghana's Ministry of Energy on December 18, 2008 and was formally approved on July 13, 2009. The Jubilee Phase 1 PoD details the necessary wells and infrastructure to develop the UM3 and LM2 reservoirs. Oil production from the Jubilee Field offshore Ghana commenced on November 28, 2010, and we received our first oil revenues in early 2011. We intend to submit or amend PoDs for other reservoirs within the unit for subsequent Jubilee Field phases to Ghana's Ministry of Energy for approval in order to extend the production plateau of the Jubilee Field.

(3) The Jubilee Field straddles the boundary between the WCTP Block and the DT Block offshore Ghana. Consistent with the Ghanaian Petroleum Law, the WCTP and DT Petroleum Agreements and as required by Ghana's Ministry of Energy, in order to optimize resource recovery in this field, we entered into the UUOA on July 13, 2009 with GNPC and the other block partners of each of these two blocks. The UUOA governs the interests in and development of the Jubilee Field and created the Jubilee Unit from portions of the WCTP Block and the DT Block.

(4) GNPC has the option to acquire additional paying interests in a commercial discovery on the WCTP Block and the DT Block of 2.5% and 5.0%, respectively. In order to acquire the additional paying interest, GNPC must notify the contractor of its intention to acquire such interest within sixty to ninety days of the contractor's notice to Ghana's Ministry of Energy of a commercial discovery. These interest percentages do not give effect to the exercise of such options.

(5) These interest percentages are subject to redetermination of the working interests in the Jubilee Field pursuant to the terms of the UUOA. See "Risk Factors—The unit partners' respective interests in the Jubilee Unit are subject to redetermination and our interests in such unit may decrease as a result" and "Business—Material Agreements—Exploration Agreements—Ghana—Jubilee Field Unitization." GNPC has exercised its options, with respect to the Jubilee Unit, to acquire an additional unitized paying interest of 3.75% in the Jubilee Field. The Jubilee Field interest percentages give effect to the exercise of such option.

(6) Kosmos is the Technical Operator and Tullow is the Unit Operator of the Jubilee Unit. See "Business—Material Agreements—Exploration Agreements—Ghana—Jubilee Field Unitization."

(7) Appraisal of the Tweneboa oil and gas condensate reservoirs is expected to continue through 2011. As outlined by the petroleum agreement covering the DT Block, a submission of a PoD would be required for an oil development by 2012, while the submission of a PoD related to a natural gas development would be required by 2013.

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Prospect Information

Information about our prospects is summarized in the following table.

Prospect	License	Kosmos Working Interest (%)	Block Operator	Type	Projected Spud Year(4)
Ghana(1)					
Banda Campanian	WCTP	30.875	Kosmos	Deepwater	2011
Banda Cenomanian	WCTP	30.875	Kosmos	Deepwater	2011
Makore	WCTP	30.875	Kosmos	Deepwater	2011
Odum East	WCTP	30.875	Kosmos	Deepwater	2011
Sapele	WCTP	30.875	Kosmos	Deepwater	2012
Funtum	WCTP	30.875	Kosmos	Deepwater	2012
Assin	WCTP	30.875	Kosmos	Deepwater	2012
Okoro	WCTP	30.875	Kosmos	Deepwater	Post 2012
Late Cretaceous WCTP Play (4 identified targets)	WCTP	30.875	Kosmos	Deepwater	Post 2012
Tweneboa Deep	DT	18.000	Tullow	Deepwater	2012
Walnut	DT	18.000	Tullow	Deepwater	2012
DT Sapele	DT	18.000	Tullow	Deepwater	2012
Wassa	DT	18.000	Tullow	Deepwater	Post 2012
Adinkra	DT	18.000	Tullow	Deepwater	Post 2012
Oyoko	DT	18.000	Tullow	Deepwater	Post 2012
Ananta	DT	18.000	Tullow	Deepwater	Post 2012
Cameroon(2)					
N'gata	Kombe-N'sepe	35.000	Perenco	Onshore	2011(5)
N'donga	Kombe-N'sepe	35.000	Perenco	Onshore	Post 2012
Disangue	Kombe-N'sepe	35.000	Perenco	Onshore	Post 2012
Pongo Songo	Kombe-N'sepe	35.000	Perenco	Onshore	Post 2012
Bonongo	Kombe-N'sepe	35.000	Perenco	Onshore	Post 2012
Coco East	Kombe-N'sepe	35.000	Perenco	Onshore	Post 2012
Liwenyi	Ndian River	100.000	Kosmos	Onshore	2012
Liwenyi South	Ndian River	100.000	Kosmos	Onshore	Post 2012
Meme	Ndian River	100.000	Kosmos	Onshore	Post 2012
Bamusso	Ndian River	100.000	Kosmos	Onshore	Post 2012
Morocco(3)					
Gargaa	Boujdour Offshore	75.000	Kosmos	Deepwater	Post 2012
Argane	Boujdour Offshore	75.000	Kosmos	Deepwater	Post 2012
Safsaf	Boujdour Offshore	75.000	Kosmos	Deepwater	Post 2012
Aarar	Boujdour Offshore	75.000	Kosmos	Deepwater	Post 2012
Zitoune	Boujdour Offshore	75.000	Kosmos	Deepwater	Post 2012
Al Arz	Boujdour Offshore	75.000	Kosmos	Deepwater	Post 2012
Felline	Boujdour Offshore	75.000	Kosmos	Deepwater	Post 2012
Nakhil	Boujdour Offshore	75.000	Kosmos	Deepwater	Post 2012
Barremian Tilted Fault Block Play (11 identified structures)	Boujdour Offshore	75.000	Kosmos	Deepwater	Post 2012

(1) GNPC has the option to acquire additional paying interests in a commercial discovery on the WCTP Block and the DT Block of 2.5% and 5.0%, respectively. In order to acquire the additional paying interests, GNPC must notify the contractor of its intention to do so within sixty to ninety days of the contractor's notice to Ghana's Ministry of Energy of a commercial discovery. These interest percentages do not give effect to the exercise of such options.

(2) The Republic of Cameroon will back-in for a 60.0% revenue interest and a 50.0% carried paying interest in a commercial discovery on the Kombe-N'sepe Block, with Kosmos then holding a 35.0% interest in the remaining interests of the block partners. This would result in Kosmos holding a 14.0% net revenue interest and a 17.5% paying interest. The Republic of Cameroon has an option to acquire an interest of up to 15.0% in a commercial discovery on the Ndian River Block. These interest percentages do not give effect to the exercise of such options.

(3) We have not yet made a decision as to whether or not to drill our Moroccan prospects. We have entered a memorandum of understanding with ONHYM to enter a new license covering the highest potential areas of this block under essentially the same terms as the original license. If we decide to continue into the drilling phase of such license, we anticipate that the first well to drill within the Boujdour Offshore Block will be post 2012.

(4) See "Risk Factors—Our identified drilling locations are scheduled out over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling" and "Risk Factors—Under the terms of our various license agreements, we are contractually obligated to drill wells and declare any discoveries in order to retain exploration and production rights. In the competitive market for our license areas, failure to declare any discoveries and thereby establish development areas may result in substantial license renewal costs or loss of our interests in the undeveloped parts of our license areas, which may include certain of our prospects."

(5) The N'gata-1 exploration well was spud in early 2011 and is currently being drilled.

Recent Events

In February 2011, we announced that the "Teak-1" exploration well had made a hydrocarbon discovery on the WCTP Block. Results of drilling, wireline logs and reservoir fluid samples show the Teak-1 well penetrated net oil-and-gas-bearing pay of 239 feet (73 meters) in five Campanian and Turonian zones of high-quality stacked reservoir sandstones consisting of 154 feet (47 meters) of gas and gas-condensate and 85 feet (26 meters) of oil. This is the second-highest net pay count encountered by any well on Kosmos' WCTP or DT Blocks after the company's Mahogany-1 exploration well, which discovered the Jubilee Field on the WCTP Block in 2007.

In February 2011, we announced that Chris Tong has been appointed to the Kosmos board of directors, subject to certain corporate formalities.

In January 2011, we announced that the "Tweneboa-3" appraisal well in the DT Block had successfully confirmed the Greater Tweneboa Area's (comprising the Tweneboa-1 and Tweneboa-2 oil and gas-condensate fields and the neighboring Enyenra light oil field (formerly known as the Owo Field)) resource base potential. The results of drilling, wireline logs and reservoir fluid samples show the Tweneboa-3 appraisal well encountered approximately 29 feet (9 meters) of gas-condensate pay before the well was sidetracked. The sidetrack encountered approximately 112 feet (34 meters) of net gas-condensate pay in high-quality stacked reservoir sandstones in two zones.

In January 2011, we announced that John R. Kemp III had been named Chairman and Brian F. Maxted, one of the founding partners of Kosmos, had been promoted from Chief Operating Officer to President and Chief Executive Officer and made a member of the Kosmos board of directors, following the retirement of James C. Musselman, Kosmos' former Chairman and Chief Executive Officer.

In September 2010, we announced that the Owo-1ST appraisal sidetrack well had successfully confirmed a significant column of high quality, light oil in the Enyenra Field, which lies wholly within the DT Block. The results of drilling, wireline logs and reservoir fluid samples show the Owo-1ST appraisal sidetrack well penetrated net oil pay of approximately 63 feet (19 meters) in two zones of high-quality stacked reservoir sandstones. In addition, the Owo-1ST encountered approximately 52 feet (16 meters) of natural gas condensate in two new pools not previously encountered.

In September 2010, we announced our second declaration of commerciality in Ghana with Mahogany East in the WCTP Block and are currently performing a Front End Engineering and Design ("FEED") study for final selection of the development concept to be included in a PoD submission. As operator of Mahogany East, we intend to submit a PoD for the field to Ghana's Ministry of Energy in 2011, with the potential to achieve first production from the development in early 2014.

In August 2010, we announced the execution of definitive documentation to increase our commercial debt facilities by $350 million, raising the total amount of our debt commitments to $1.25 billion. Along with the proceeds from this offering, these funds will support our share of the Jubilee Field Phase 1 development, appraisal of additional discoveries, and ongoing exploration activities.

In July 2010, Tullow announced that the "Owo-1" exploration well had successfully discovered hydrocarbons in the Enyenra Field in the DT Block. The results of drilling, wireline logs and reservoir fluid samples showed the Owo-1 exploration well encountered hydrocarbon-bearing net pay of approximately 174 feet (53 meters) in two zones of high-quality stacked reservoir sandstones.

In May 2010, we drilled the "Mahogany-5" appraisal well, the final appraisal well for Mahogany East. Such field lies wholly within the WCTP Block and has previously been appraised by the "Mahogany-3", "Mahogany-4" and "Mahogany Deep-2" wells.

In January 2010, we announced that the "Tweneboa-2" well in the DT Block had successfully appraised our Tweneboa discovery. The results of drilling, wireline logs and reservoir fluid samples

confirmed the well has a gross hydrocarbon column of approximately 502 feet (153 meters) and penetrated combined net hydrocarbon-bearing pay of at least 105 feet (32 meters) in stacked sandstone reservoirs.

In December 2009, we announced that the "Odum-2" well in the WCTP Block had successfully appraised the "Odum-1" oil discovery with drilling, wireline logs and reservoirs fluid samples showed the well penetrated new hydrocarbon-bearing net pay of approximately 66 feet (20 meters) in high-quality stacked sandstone reservoirs over a gross interval of approximately 597 feet (182 meters).

Risks Associated with our Business

There are a number of risks you should consider before buying our common shares. These risks are discussed more fully in the section entitled "Risk Factors" beginning on page 16 of this prospectus. These risks include, but are not limited to:

- We have limited proved reserves and areas that we decide to drill may not yield oil and natural gas in commercial quantities or quality, or at all;
- We face substantial uncertainties in estimating the characteristics of our unappraised discoveries and our prospects;
- Drilling wells is speculative, often involving significant costs that may be more than our estimates, and may not result in any discoveries or additions to our future production or reserves. Any material inaccuracies in drilling costs, estimates or underlying assumptions will materially affect our business;
- A substantial or extended decline in both global and local oil and natural gas prices may adversely affect our business, financial condition and results of operations;
- Our operations may be adversely affected by political and economic circumstances in the countries in which we operate;
- We may be subject to risks in connection with acquisitions and the integration of significant acquisitions may be difficult; and
- Our business plan requires substantial additional capital, which we may be unable to raise on acceptable terms in the future, which may in turn limit our ability to develop our exploration, appraisal, development and production activities.

Corporate Information

We were incorporated pursuant to the laws of Bermuda as Kosmos Energy Ltd. in January 2011 to become a holding company for Kosmos Energy Holdings. Kosmos Energy Holdings was formed as an exempted company limited by guarantee on March 5, 2004 pursuant to the laws of the Cayman Islands. Pursuant to the terms of a corporate reorganization that will be completed simultaneously with, or prior to, the closing of this offering, all of the interests in Kosmos Energy Holdings will be exchanged for newly issued common shares of Kosmos Energy Ltd. and as a result Kosmos Energy Holdings will become wholly-owned by Kosmos Energy Ltd.

We maintain a registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The telephone number of our registered offices is (441) 295-5950. Our U.S. subsidiary maintains its headquarters at 8176 Park Lane, Suite 500, Dallas, Texas 75231 and its telephone number is (214) 445-9600. Our web site is *www.kosmosenergy.com*. The information on our web site does not constitute part of this prospectus.

The Offering

Issuer	Kosmos Energy Ltd.
Common shares offered by us	common shares
Common shares to be issued and outstanding after this offering	common shares
Over-allotment option	We have granted to the underwriters an option, exercisable upon notice to us, to purchase up to additional common shares at the offering price to cover over-allotments, if any, for a period of 30 days from the date of this prospectus.
Use of Proceeds	We intend to use the net proceeds from this offering and other resources available to us to fund our capital expenditures, and in particular our exploration and appraisal drilling program and development activities through early 2013 and associated operating expenses, and for general corporate purposes. See "Use of Proceeds" on page 51 of this prospectus for a more detailed description of our intended use of the proceeds from this offering.
Listing	We have applied for our common shares to be listed on the New York Stock Exchange (the "NYSE") under the symbol "KOS."

Except as otherwise indicated, all information in this prospectus assumes:

- the completion, simultaneously with or prior to the closing of this offering, of our corporate reorganization pursuant to which all of the interests of Kosmos Energy Holdings will be exchanged for common shares of Kosmos Energy Ltd. and as a result Kosmos Energy Holdings will become wholly-owned by Kosmos Energy Ltd.;
- an initial public offering price of $ per common share, the midpoint of the estimated public offering price range set forth on the cover page of this prospectus. In the event that the initial public offering price in this offering is less than $ per common share, the aggregate number of common shares issuable as a result of the exchange of the Series A Preferred Units of Kosmos Energy Holdings will be increased and the aggregate number of common shares issuable as a result of the exchange of the Series B and Series C Preferred Units and the Common Units of Kosmos Energy Holdings will be decreased. The exact amount of any such adjustments, if any, will be based on the actual per share initial public offering price. However, any such adjustments will not result in any change to the aggregate number of common shares issuable in exchange for preferred units, nor any change in the aggregate number of common shares issued and outstanding after this offering (other than any increase or decrease resulting from the elimination of fractional shares); and
- no exercise of the underwriters' over-allotment option to purchase additional common shares.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

The summary historical financial data set forth below should be read in conjunction with the sections entitled "Corporate Reorganization", "Selected Historical and Pro Forma Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with Kosmos Energy Holdings' financial statements and the notes to those financial statements included elsewhere in this prospectus. Kosmos Energy Holdings has been a development stage company. The consolidated statements of operations and cash flows for the years ended December 31, 2006, 2007, 2008, 2009 and 2010 and for the period April 23, 2003 (Inception) through December 31, 2010, and the consolidated balance sheets as of December 31, 2005, 2006, 2007, 2008, 2009 and 2010 were derived from Kosmos Energy Holdings' audited consolidated financial statements. The summary unaudited pro forma financial data set forth below is derived from Kosmos Energy Holdings' audited consolidated financial statements appearing elsewhere in this prospectus and is based on assumptions and includes adjustments as explained in the notes to the tables.

Consolidated Statements of Operations Information:

	Year Ended December 31					Period April 23, 2003 (Inception) through December 31
	2006	2007	2008	2009	2010	2010
	(In thousands)					
Revenues and other income:						
Oil and gas revenue	$ —	$ —	$ —	$ —	$ —	$ —
Interest income	445	1,568	1,637	985	4,231	9,142
Other income	3,100	2	5,956	9,210	5,109	26,699
Total revenues and other income	3,545	1,570	7,593	10,195	9,340	35,841
Costs and expenses:						
Exploration expenses, including dry holes	9,083	39,950	15,373	22,127	73,126	166,450
General and administrative	9,588	18,556	40,015	55,619	98,967	236,165
Depletion, depreciation and amortization	401	477	719	1,911	2,423	6,505
Amortization—debt issue costs	—	—	—	2,492	28,827	31,319
Interest expense	—	8	1	6,774	59,582	66,389
Derivatives, net	—	—	—	—	28,319	28,319
Equity in losses of joint venture	9,194	2,632	—	—	—	16,983
Doubtful accounts expense	—	—	—	—	39,782	39,782
Other expenses, net	7	17	21	46	1,094	1,949
Total costs and expenses	28,273	61,640	56,129	88,969	332,120	593,861
Loss before income taxes	(24,728)	(60,070)	(48,536)	(78,774)	(322,780)	(558,020)
Income tax expense (benefit)	—	718	269	973	(77,108)	(75,148)
Net loss	$(24,728)	$(60,788)	$(48,805)	$ (79,747)	$(245,672)	$ (482,872)
Accretion to redemption value of convertible preferred units	(4,019)	(8,505)	(21,449)	(51,528)	(77,313)	(165,262)

Net loss attributable to common unit holders	$(28,747)	$(69,293)	$(70,254)	$(131,275)	$(322,985)	$ (648,134)
Pro forma net loss (unaudited)(1):						
Pro forma basic and diluted net loss per common share(2)					$	
Pro forma weighted average number of shares used to compute pro forma net loss per share, basic and diluted(3)						

(1) Pursuant to the terms of a corporate reorganization that will be completed simultaneously with, or prior to, the closing of this offering, all of the interests in Kosmos Energy Holdings will be exchanged for newly issued common shares of Kosmos Energy Ltd. based on these interests' relative rights as set forth in Kosmos Energy Holdings' current operating agreement. This includes convertible preferred units of Kosmos Energy Holdings which are

redeemable upon the consummation of a qualified public offering (as defined in the current operating agreement) into common shares of Kosmos Energy Ltd. based on the pre-offering equity value of such interests. Consequently, pro forma basic and diluted net loss per common share is presented above, giving effect to the additional shares of common stock issuable to the pro forma shareholders upon consummation of this offering.

(2) Any stock options, restricted share units and share appreciation rights that are out of the money will be excluded as they will be anti-dilutive.

(3) The weighted average common shares outstanding have been calculated as if the ownership structure resulting from the corporate reorganization was in place since inception.

Consolidated Balance Sheets Information:

	As of December 31					Pro Forma as Adjusted as of December 31 2010(1)
	2006	2007	2008	2009	2010	
	(In thousands)					(Unaudited)
Cash and cash equivalents	$ 9,837	$ 39,263	$ 147,794	$ 139,505	$ 100,415	$
Total current assets	10,334	65,960	205,708	256,728	559,920	
Total property and equipment	1,567	18,022	208,146	604,007	998,000	
Total other assets	3,704	3,393	1,611	161,322	133,615	
Total assets	15,605	87,375	415,465	1,022,057	1,691,535	
Total current liabilities	1,436	28,574	68,698	139,647	482,057	
Total long-term liabilities	—	—	444	287,022	845,383	
Total convertible preferred units	61,952	167,000	499,656	813,244	978,506	
Total unit holdings	(47,783)	(108,199)	(153,333)	(217,856)	(614,411)	
Total liabilities, convertible preferred units and unit holdings/shareholders' equity	15,605	87,375	415,465	1,022,057	1,691,535	

(1) Includes the effect of our corporate reorganization and the effect of this offering as described in "Corporate Reorganization," "Capitalization" and "Dilution."

Consolidated Statements of Cash Flows Information:

	Year Ended December 31					Period April 23, 2003 (Inception) through December 31 2010
	2006	2007	2008	2009	2010	
	(In thousands)					
Net cash provided by (used in):						
Operating activities	$ (9,617)	$ (17,386)	$ (65,671)	$ (27,591)	$ (191,800)	$ (331,009)
Investing activities	(14,663)	(58,161)	(156,882)	(500,393)	(589,975)	(1,329,026)

Financing activities	19,768	104,973	331,084	519,695	742,685	1,760,450

RISK FACTORS

An investment in our common shares involves a high degree of risk. You should consider and read carefully all of the risks and uncertainties described below, together with all of the other information contained in this prospectus, including the consolidated financial statements and the related notes appearing at the end of this prospectus, before deciding to invest in our common shares. If any of the following risks actually occurs, our business, business prospects, financial condition, results of operations or cash flows could be materially adversely affected. In any such case, the trading price of our common shares could decline, and you could lose all or part of your investment. The risks below are not the only ones facing our company. Additional risks not currently known to us or that we currently deem immaterial may also adversely affect us. This prospectus also contains forward-looking statements, estimates and projections that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks described below.

Risks Relating to Our Business

We have limited proved reserves and areas that we decide to drill may not yield oil and natural gas in commercial quantities or quality, or at all.

We have limited proved reserves. The majority of our oil and natural gas portfolio consists of discoveries without approved PoDs and with limited well penetrations, as well as identified yet unproven prospects based on available seismic and geological information that indicates the potential presence of hydrocarbons. However, the areas we decide to drill may not yield oil or natural gas in commercial quantities or quality, or at all. Most of our current discoveries and prospects are in various stages of evaluation that will require substantial additional analysis and interpretation. Even when properly used and interpreted, 2D and 3D seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not enable the interpreter to know whether hydrocarbons are, in fact, present in those structures. Exploratory wells have been drilled on a limited number of our prospects and while we have drilled appraisal wells on all of our discoveries, additional wells may be required to fully appraise these discoveries. Accordingly, we do not know if any of our discoveries or prospects will contain oil or natural gas in sufficient quantities or quality to recover drilling and completion costs or to be economically viable. Even if oil or natural gas is found on our discoveries or prospects in commercial quantities, construction costs of gathering lines, subsea infrastructure and floating production systems and transportation costs may prevent such discoveries or prospects from being economically viable, and approval of PoDs by various regulatory authorities, a necessary step in order to designate a discovery as "commercial," may not be forthcoming. Additionally, the analogies drawn by us using available data from other wells, more fully explored discoveries or producing fields may not prove valid with respect to our drilling prospects. We may terminate our drilling program for a discovery or prospect if data, information, studies and previous reports indicate that the possible development of a discovery or prospect is not commercially viable and, therefore, does not merit further investment. If a significant number of our discoveries or prospects do not prove to be successful, our business, financial condition and results of operations will be materially adversely affected.

The deepwater offshore Ghana, an area in which we focus a substantial amount of our exploration, appraisal and development efforts, has only recently been considered potentially economically viable for hydrocarbon production due to the costs and difficulties involved in drilling for oil at such depths and the relatively recent discovery of commercial quantities of oil in the region. Likewise, the deepwater offshore Morocco has not yet proved to be an economically viable production area as to date there has not been a commercially successful discovery or production in this region. We have limited proved reserves and we may not be successful in developing additional commercially viable production from our other discoveries and prospects in Africa.

We face substantial uncertainties in estimating the characteristics of our unappraised discoveries and our prospects.

In this prospectus we provide numerical and other measures of the characteristics, including with regard to size and quality, of our discoveries and prospects. These measures may be incorrect, as the accuracy of these measures is a function of available data, geological interpretation and judgment. To date, a limited number of our prospects have been drilled. Any analogies drawn by us from other wells, discoveries or producing fields may not prove to be accurate indicators of the success of developing proved reserves from our discoveries and prospects. Furthermore, we have no way of evaluating the accuracy of the data from analog wells or prospects produced by other parties which we may use.

It is possible that few or none of our wells to be drilled will find accumulations of hydrocarbons in commercial quality or quantity. Any significant variance between actual results and our assumptions could materially affect the quantities of hydrocarbons attributable to any particular prospect. In this prospectus, we refer to the "mean" of the estimated data. This measurement is statistically calculated based on a range of possible outcomes of such estimates, with such ranges being particularly large in scope. Therefore, there may be large discrepancies between the mean estimate provided in this prospectus and our actual results.

Drilling wells is speculative, often involving significant costs that may be more than our estimates, and may not result in any discoveries or additions to our future production or reserves. Any material inaccuracies in drilling costs, estimates or underlying assumptions will materially affect our business.

Exploring for and developing hydrocarbon reserves involves a high degree of operational and financial risk, which precludes definitive statements as to the time required and costs involved in reaching certain objectives. The budgeted costs of planning, drilling, completing and operating wells are often exceeded and can increase significantly when drilling costs rise due to a tightening in the supply of various types of oilfield equipment and related services or unanticipated geologic conditions. Before a well is spud, we incur significant geological and geophysical (seismic) costs, which are incurred whether a well eventually produces commercial quantities of hydrocarbons, or is drilled at all. Drilling may be unsuccessful for many reasons, including geologic conditions, weather, cost overruns, equipment shortages and mechanical difficulties. Exploratory wells bear a much greater risk of loss than development wells. In the past we have experienced unsuccessful drilling efforts; having drilled one dry hole on a license area we previously held in Benin and two dry holes on our current license areas in Ghana, and also having drilled one well in Nigeria and one in Cameroon, both of which encountered hydrocarbons in sub-commercial quantities and accordingly were not subsequently developed. Furthermore, the successful drilling of a well does not necessarily result in the commercially viable development of a field. A variety of factors, including geologic and market-related, can cause a field to become uneconomic or only marginally economic. Many of our prospects that may be developed require significant additional exploration and development, regulatory approval and commitments of resources prior to commercial development. The successful drilling of a single well may not be indicative of the potential for the development of a commercially viable field. In Africa we face higher above-ground risks necessitating higher expected returns, the requirement for increased capital expenditures due to a general lack of infrastructure and underdeveloped oil and gas industries, and increased transportation expenses due to geographic remoteness, which either require a single well to be exceptionally productive, or the existence of multiple successful wells, to allow for the development of a commercially viable field. See "—Our operations may be adversely affected by political an economic circumstances in the countries in which we operate." Furthermore, if our actual drilling and development costs are significantly more than our estimated costs, we may not be able to continue our business operations as proposed and would be forced to modify our plan of operation.

Our identified drilling locations are scheduled out over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling.

Our management team has identified and scheduled drilling locations on our license areas over a multi-year period. Our ability to drill and develop these locations depends on a number of factors, including the availability of equipment and capital, approval by block partners and regulators, seasonal conditions, oil prices, assessment of risks, costs and drilling results. The final determination on whether to drill any of these locations will be dependent upon the factors described elsewhere in this prospectus as well as, to some degree, the results of our drilling activities with respect to our established drilling locations. Because of these uncertainties, we do not know if the drilling locations we have identified will be drilled within our expected timeframe or at all or if we will be able to economically produce hydrocarbons from these or any other potential drilling locations. As such, our actual drilling activities may be materially different from our current expectations, which could adversely affect our results of operations and financial condition.

Under the terms of our various license agreements, we are contractually obligated to drill wells and declare any discoveries in order to retain exploration and production rights. In the competitive market for our license areas, failure to declare any discoveries and thereby establish development areas may result in substantial license renewal costs or loss of our interests in the undeveloped parts of our license areas, which may include certain of our prospects.

In order to protect our exploration and production rights in our license areas, we must meet various drilling and declaration requirements. In general, unless we make and declare discoveries within certain time periods specified in our various petroleum agreements and licenses, our interests in the undeveloped parts of our license areas may lapse. Should the prospects we have identified in this prospectus under the license agreements currently in place (or, with respect to the Boujdour Offshore Block, expected to be entered shortly) yield discoveries, we cannot assure you that we will not face delays in drilling these prospects or otherwise have to relinquish these prospects. The costs to maintain licenses over such areas may fluctuate and may increase significantly since the original term, and we may not be able to renew or extend such licenses on commercially reasonable terms or at all. Our actual drilling activities may therefore materially differ from our current expectations, which could adversely affect our business.

Regarding our licenses in Ghana, the petroleum agreement covering the WCTP Block (the "WCTP Petroleum Agreement") extends for a period of 30 years from its effective date; however, in July 2011, the end of the exploration phase, we are required to relinquish the parts of the WCTP Block that we have not declared a discovery area or a development area over. We and the other block partners have a right to negotiate a new petroleum agreement with respect to these undeveloped parts of the WCTP Block, but we cannot assure you that any such new agreement will either be entered into or be on the same terms as the current WCTP Petroleum Agreement. The petroleum agreement covering the DT Block (the "DT Petroleum Agreement") also extends for a period of 30 years from its effective date and contains similar relinquishment provisions to the WCTP Petroleum Agreement, but with the end of the exploration phase occurring in January 2013. We and the other block partners also have a right to negotiate a new petroleum agreement with respect to the undeveloped parts of the DT Block, but we cannot assure you that any such new agreement will either be entered into or be on the same terms as the current DT Petroleum Agreement.

Regarding our licenses in Cameroon, under the existing permit, contract of association and convention of establishment which we assigned into (together, the "Kombe-N'sepe License Agreements"), the exploration phase to the Kombe-N'sepe Block expires on June 30, 2011. The Kombe-N'sepe License Agreements provide for a subsequent two-year exploration period, but whether we enter such period will not be determined until after we analyze the results of our second exploration well on the Kombe-N'sepe Block spud in early 2011 and currently being drilled. Under the

production sharing contract covering the Ndian River Block (the "Ndian River Production Sharing Contract"), the initial exploration phase to the Ndian River Block expired on November 20, 2010. On September 16, 2010, in compliance with the Ndian River Production Sharing Contract, we applied to Cameroon's Minister of Industry, Mines, and Technological Development for a two-year renewal of the exploration period (the first of two additional exploration periods of two years each). This application suspends the termination of the license until approval is obtained and upon submission of the application we were required to relinquish 30% of the original license area of the Ndian River Block.

Regarding our license in Morocco, under the petroleum agreement covering the Boujdour Offshore Block (the "Boujdour Offshore Petroleum Agreement"), the most recent exploration phase expired on February 26, 2011, however, we entered a memorandum of understanding with ONHYM to enter a new petroleum agreement covering the highest potential areas of this block under essentially the same terms as the original license. Accordingly, the acreage covered by any new petroleum agreement will be less than the acreage covered by the original Boujdour Offshore Petroleum Agreement.

For each of these license areas, we cannot assure you that any renewals or extensions will be granted or whether any new agreements will be available on commercially reasonable terms, or, in some cases, at all.

The inability of one or more third parties who contract with us to meet their obligations to us may adversely affect our financial results.

We may be liable for certain costs if third parties who contract with us are unable to meet their commitments under such agreements. We are currently exposed to credit risk through joint interest receivables from our block and/or unit partners. If any of our partners in the blocks or unit in which we hold interests are unable to fund their share of the exploration and development expenses, we may be liable for such costs. In the past, certain of our WCTP and DT Block partners have not paid their share of block costs in the time frame required by the joint operating agreements for these blocks. This has resulted in such party being in default, which in return requires Kosmos and its non-defaulting block partners to pay their proportionate share of the defaulting party's costs during the default period. Should a default not be cured, Kosmos could be required to pay its share of the defaulting party's costs going forward.

Furthermore, MODEC, Inc. ("MODEC"), the contractor for the FPSO we are using to produce hydrocarbons from the Jubilee Field, has made a disclosure regarding matters which may give rise to potential violations by MODEC under the U.S. Foreign Corrupt Practices Act ("FCPA") and other similar anti-corruption legislation. The Jubilee Unit partners as well as the International Finance Corporation ("IFC") are working with MODEC and its legal advisors to investigate this matter. As a result of these concerns, MODEC's long-term funding from a syndicate of international banks for the repayment of funds originally loaned by us, Tullow and Anadarko for the financing of the construction of such FPSO has been suspended pending this investigation. If MODEC cannot access such funding arrangements or otherwise source alternative funding, we may not be repaid for these amounts owed to us. In addition, in order to continue the production activities on the Jubilee Unit, we may be required to contribute further funds before September 15, 2011 in order to purchase the FPSO or find an alternative funding source or buyer. If we were unable to do so and lost access to the MODEC FPSO, we would be unable to produce hydrocarbons from the Jubilee Field unless and until we arranged access to an alternative FPSO.

Our principal exposure to credit risk will be through receivables resulting from the sale of our oil, which we plan to market to energy marketing companies and refineries, and to cover our commodity derivatives contracts. The inability or failure of our significant customers or counter-parties to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results. In

addition, our oil and natural gas derivative arrangements expose us to credit risk in the event of nonperformance by counterparties. Joint interest receivables arise from our block partners. The inability or failure of third parties we contract with to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results.

The unit partners' respective interests in the Jubilee Unit are subject to redetermination and our interests in such unit may decrease as a result.

The interests in and development of the Jubilee Unit are governed by the terms of the UUOA. The parties to the UUOA, the collective interest holders in each of the WCTP and DT Blocks, initially agreed that interests in the Jubilee Unit will be shared equally, with each block deemed to contribute 50% of the area of such unit. The respective interests in the Jubilee Unit were therefore determined by the respective interests in such contributed block interests. Pursuant to the terms of the UUOA, the percentage of such contributed interests is subject to a process of redetermination once sufficient development work has been completed in the unit. The redetermination process is currently underway, however, we do not expect it to be concluded in the near term. We cannot assure you that any redetermination pursuant to the terms of the UUOA will not negatively affect our interests in the Jubilee Unit or that such redetermination will be satisfactorily resolved.

We are not, and may not be in the future, the operator on all of our license areas and do not, and may not in the future, hold all of the working interests in certain of our license areas. Therefore, we will not be able to control the timing of exploration or development efforts, associated costs, or the rate of production of any non-operated and to an extent, any non-wholly owned, assets.

As we carry out our exploration and development programs, we have arrangements with respect to existing license areas and may have agreements with respect to future license areas that result in a greater proportion of our license areas being operated by others. Currently, we are not the Unit Operator on the Jubilee Field and do not hold operatorship in one of our two blocks offshore Ghana (the DT Block) or on one of our two blocks in Cameroon (the Kombe-N'sepe Block). In addition, the terms of the UUOA governing the unit partners' interests in the Jubilee Field require certain actions be approved by at least 80% of the unit voting interests and the terms of our other current or future license or venture agreements may require at least the majority of working interests to approve certain actions. As a result, we may have limited ability to exercise influence over the operations of the discoveries or prospects operated by our block or unit partners, or which are not wholly owned by us, as the case may be. Dependence on block or unit partners could prevent us from realizing our target returns for those discoveries or prospects. Further, it may be difficult for us to pursue one of our key business strategies of minimizing the cycle time between discovery and initial production with respect to discoveries on license areas which we do not operate or wholly own. The success and timing of exploration and development activities operated by our block partners will depend on a number of factors that will be largely outside of our control, including:

- the timing and amount of capital expenditures;
- the operator's expertise and financial resources;
- approval of other block partners in drilling wells;
- the scheduling, pre-design, planning, design and approvals activities and processes;
- selection of technology; and
- the rate of production of reserves, if any.

This limited ability to exercise control over the operations on some of our license areas may cause a material adverse effect on our financial condition and results of operations.

We have been, until recently, a development stage entity and our future performance is uncertain.

We were a development stage entity until we first generated revenue in early 2011. Development stage entities face substantial businessrisks and may suffer significant losses. We have generated substantial net losses and negative cash flows from operating activities since our inception and expect to continue to incur substantial net losses as we continue our exploration and appraisal program. We face challenges and uncertainties in financial planning as a result of the unavailability of historical data and uncertainties regarding the nature, scope and results of our future activities. As a new public company, we will need to develop additional business relationships, establish additional operating procedures, hire additional staff, and take other measures necessary to conduct our intended business activities. We may not be successful in implementing our business strategies or in completing the development of the facilities necessary to conduct our business as planned. In the event that one or more of our drilling programs is not completed, is delayed or terminated, our operating results will be adversely affected and our operations will differ materially from the activities described in this prospectus. There are uncertainties surrounding our future business operations which must be navigated as we transition from a development stage entity and commence generating revenues, some of which may cause a material adverse effect on our results of operations and financial condition.

Our estimated proved reserves are based on many assumptions that may turn out to be inaccurate. Any significant inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

The process of estimating oil and natural gas reserves is technically complex. It requires interpretations of available technical data and many assumptions, including those relating to current and future economic conditions and commodity prices. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of reserves shown in this prospectus. See "Business —Our Reserves" for informationabout our estimated oil and natural gas reserves and the PV-10 and Standardized Measure of discounted future net revenues as of December 31, 2010.

In order to prepare our estimates, we must project production rates and the timing of development expenditures. We must also analyze available geological, geophysical, production and engineering data. The process also requires economic assumptions about matters such as oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves will vary from our estimates. Any significant variance could materially affect the estimated quantities and present value of reserves shown in this prospectus. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development, prevailing oil and natural gas prices and other factors, many of which are beyond our control.

The present value of future net revenues from our proved reserves will not necessarily be the same as the current market value of our estimated oil and natural gas reserves.

You should not assume that the present value of future net revenues from our proved reserves is the current market value of our estimated oil and natural gas reserves. In accordance with new U.S. Securities and Exchange Commission ("SEC") requirements, we have based the estimated discounted future net revenues from our proved reserves on the 12-month unweighted arithmetic average of the first-day-of-the-month price for the preceding twelve months without giving effect to derivative transactions. Actual future net revenues from our oil and natural gas assets will be affected by factors such as:

- actual prices we receive for oil and natural gas;

- actual cost of development and production expenditures;
- derivative transactions;
- the amount and timing of actual production; and
- changes in governmental regulations or taxation.

The timing of both our production and our incurrence of expenses in connection with the development and production of oil and natural gas assets will affect the timing and amount of actual future net revenues from proved reserves, and thus their actual present value. In addition, the 10% discount factor we use when calculating discounted future net revenues may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and gas industry in general.

Actual future prices and costs may differ materially from those used in the present value estimates included in this prospectus. If oil prices decline by $1.00 per bbl, then the present value of our net revenues at a 10% discount rate ("PV-10") and the after income tax amount of our PV-10 ("Standardized Measure") as of February 3, 2011 would decrease by approximately $36.0 million and $23.0 million, respectively. See "Business—Ou Reserves."

We are dependent on certain members of our management and technical team.

Investors in our common shares must rely upon the ability, expertise, judgment and discretion of our management and the success of our technical team in identifying, discovering, evaluating and developing reserves. Our performance and success are dependent, in part, upon key members of our management and technical team, and their loss or departure could be detrimental to our future success. In making a decision to invest in our common shares, you must be willing to rely to a significant extent on our management's discretion and judgment. A significant amount of the pre-offering interests in Kosmos held by members of our management and technical team will be vested at the time of this offering. While a new equity incentive plan will be in place following this offering, there can be no assurance that our management and technical team will remain in place. The loss of any of our management and technical team members could have a material adverse effect on our results of operations and financial condition, as well as on the market price of our common shares. See "Management."

Our business plan requires substantial additional capital, which we may be unable to raise on acceptable terms in the future, which may in turn limit our ability to develop our exploration, appraisal, development and production activities.

We expect our capital outlays and operating expenditures to be substantial over the next several years as we expand our operations. Obtaining seismic data, as well as exploration, appraisal, development and production activities entail considerable costs, and we expect that we will need to raise substantial additional capital, through future private or public equity offerings, strategic alliances or additional debt financing.

Our future capital requirements will depend on many factors, including:

- the scope, rate of progress and cost of our exploration, appraisal, development and production activities;
- oil and natural gas prices;
- our ability to locate and acquire hydrocarbon reserves;
- our ability to produce oil or natural gas from those reserves;

- the terms and timing of any drilling and other production-related arrangements that we may enter into;
- the cost and timing of governmental approvals and/or concessions; and
- the effects of competition by larger companies operating in the oil and gas industry.

We do not currently have any commitments for future external funding beyond the capacity of our commercial debt facilities. Additional financing may not be available on favorable terms, or at all. Even if we succeed in selling additional securities to raise funds, at such time the ownership percentage of our existing shareholders would be diluted, and new investors may demand rights, preferences or privileges senior to those of existing shareholders. If we raise additional capital through debt financing, the financing may involve covenants that restrict our business activities. If we choose to farm-out interests in our licenses, we would dilute our ownership interest subject to the farm-out and any potential value resulting therefrom, and may lose operating control or influence over such license areas.

Assuming we are able to commence exploration, appraisal, development and production activities or successfully exploit our licenses during the exploratory term, our interests in our licenses (or the development/production area of such licenses as they existed at that time, as applicable) would extend beyond such term for a fixed period or life of production, depending on the jurisdiction. If we are unable to meet our well commitments and/or declare development of the prospective areas of our licenses during this time, we may be subject to significant potential forfeiture of all or part of the relevant license interests. If we are not successful in raising additional capital, we may be unable to continue our exploration and production activities or successfully exploit our license areas, and we may lose the rights to develop these areas upon the expiration of exploratory terms. See "—Under the terms of our various license agreements, we are contractually obligated to drill wells and declare any discoveries in order to retain exploration and production rights. In the competitive market for our license areas, failure to declare any discoveries and thereby establish development areas may result in substantial license renewal costs or loss of our interests in the undeveloped parts of our license areas, which may include certain of our prospects."

A substantial or extended decline in both global and local oil and natural gas prices may adversely affect our business, financial condition and results of operations.

The prices that we will receive for our oil and natural gas will significantly affect our revenue, profitability, access to capital and future growth rate. Historically, the oil and natural gas markets have been volatile and will likely continue to be volatile in the future. The prices that we will receive for our production and the levels of our production depend on numerous factors. These factors include, but are not limited to, the following:

- changes in supply and demand for oil and natural gas;
- the actions of the Organization of the Petroleum Exporting Countries ("OPEC");
- speculation as to the future price of oil and natural gas and the speculative trading of oil and natural gas futures contracts;
- global economic conditions;
- political and economic conditions, including embargoes in oil-producing countries or affecting other oil-producing activities, particularly in the Middle East, Africa, Russia and South America;

- the continued threat of terrorism and the impact of military and other action, including U.S. military operations in the Middle East;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil inventories and oil refining capacities;
- weather conditions and natural disasters;
- technological advances affecting energy consumption;
- governmental regulations and taxation policies;
- proximity and capacity of transportation facilities;
- the price and availability of competitors' supplies of oil and natural gas; and
- the price and availability of alternative fuels.

Lower oil prices may not only decrease our revenues on a per share basis but also may reduce the amount of oil that we can produce economically. A substantial or extended decline in oil and natural gas prices may materially and adversely affect our future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures.

If oil and natural gas prices decrease, we may be required to take write-downs of the carrying values of our oil and natural gas assets and this could result in reduced availability under our commercial debt facilities.

We will review our proved oil and natural gas assets for impairment whenever events and circumstances indicate that a decline in the recoverability of their carrying value may have occurred. Based on specific market factors and circumstances at the time of prospective impairment reviews, and the continuing evaluation of appraisal and development plans, production data, economics and other factors, we may be required to write down the carrying value of our oil and natural gas assets. A write-down constitutes a non-cash charge to earnings.

In addition, our bank borrowing base is subject to periodic redeterminations. We could be forced to repay a portion of our bank borrowings due to redeterminations of our borrowing base. Redeterminations may occur as a result of a variety of factors, including the commodity price assumptions, assumptions regarding future production from our oil and natural gas assets, or assumptions concerning our future holdings of proved reserves. If we are forced to do so, we may not have sufficient funds to make such repayments. If we do not have sufficient funds and are otherwise unable to negotiate renewals of our borrowings or arrange new financing, we may have to sell significant assets. Any such sale could have a material adverse effect on our business and financial results.

We may not be able to commercialize our interests in any natural gas produced from our license areas in West Africa.

The development of the market for natural gas in West Africa is in its early stages. Currently the infrastructure to transport and process natural gas on commercial terms is limited and the expenses associated with constructing such infrastructure ourselves may not be commercially viable given local prices currently paid for natural gas. Accordingly, there may be limited or no value derived from any natural gas produced from our West African license areas.

Our inability to access appropriate equipment and infrastructure in a timely manner may hinder our access to oil and natural gas markets or delay our oil and natural gas production.

Our ability to market our oil production will depend substantially on the availability and capacity of processing facilities, oil tankers and other infrastructure, including FPSOs, owned and operated by

third parties. Our failure to obtain such facilities on acceptable terms could materially harm our business. We also rely on continuing access to drilling rigs suitable for the environment in which we operate. The delivery of drilling rigs may be delayed or cancelled, and we may not be able to gain continued access to suitable rigs in the future. We may be required to shut in oil wells because of the absence of a market or because access to processing facilities may be limited or unavailable. If that were to occur, then we would be unable to realize revenue from those wells until arrangements were made to deliver the production to market, which could cause a material adverse effect on our financial condition and results of operations.

Additionally, the future exploitation and sale of associated and non-associated natural gas and liquids will be subject to timely commercial processing and marketing of these products, which depends on the contracting, financing, building and operating of infrastructure by third parties. The Government of Ghana has expressed an intention to build a gas pipeline from the Jubilee Field to transport such natural gas to the mainland for processing and sale, however, to date, the planning and execution of such pipeline is in its early stages. Even if such pipeline is constructed, it would only give us access to a limited natural gas market. In addition, in connection with the approval of the Jubilee Phase 1 PoD, we granted the first 200 Bcf of natural gas produced from the Jubilee Field Phase 1 development to Ghana at no cost. We have not been issued a permit from the Ghana Environmental Protection Agency ("Ghana EPA") to flare natural gas produced from the Jubilee Field in the long-term. The Jubilee Phase 1 PoD provided an initial period during commencement of production for which natural gas could be flared. Subsequent to such period, the Jubilee Phase 1 PoD provided that a portion of the natural gas would be reinjected and the balance of the natural gas would be transported to shore via the pipeline to be built. While reinjection improves the recoverability of oil from such reservoirs in the short term, in order to maintain maximum oil production levels, eventually we will need to either flare excess natural gas or otherwise remove it from the reservoirs' production system. In the absence of construction of a natural gas pipeline or if we do not receive a permit to flare such natural gas for the long-term prior to reaching the Jubilee Field Phase 1's reinjection capacity, the field's oil production capacity may be adversely affected.

We are subject to numerous risks inherent to the exploration and production of oil and natural gas.

Oil and natural gas exploration and production activities involve many risks that a combination of experience, knowledge and interpretation may not be able to overcome. Our future will depend on the success of our exploration and production activities and on the development of infrastructure that will allow us to take advantage of our discoveries. Additionally, many of our license areas are located in deepwater, which generally increases the capital and operating costs, chances of delay, planning time, technical challenges and risks associated with oil and natural gas exploration and production activities. As a result, our oil and natural gas exploration and production activities are subject to numerous risks, including the risk that drilling will not result in commercially viable oil and natural gas production. Our decisions to purchase, explore or develop discoveries, prospects or licenses will depend in part on the evaluation of seismic data through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations.

Furthermore, the marketability of expected oil and natural gas production from our discoveries and prospects will also be affected by numerous factors. These factors include, but are not limited to, market fluctuations of prices, proximity, capacity and availability of processing facilities, transportation vehicles and pipelines, equipment availability and government regulations (including, without limitation, regulations relating to prices, taxes, royalties, allowable production, domestic supply requirements, importing and exporting of oil and natural gas, environmental protection and climate change). The effect of these factors, individually or jointly, may result in us not receiving an adequate return on invested capital.

In the event that our currently undeveloped discoveries and prospects are developed and become operational, they may not produce oil and natural gas in commercial quantities or at the costs anticipated, and our projects may cease production, in part or entirely, in certain circumstances. Discoveries may become uneconomic as a result of an increase in operating costs to produce oil and natural gas. Our actual operating costs may differ materially from our current estimates. Moreover, it is possible that other developments, such as increasingly strict environmental, climate change, health and safety laws and regulations and enforcement policies thereunder and claims for damages to property or persons resulting from our operations, could result in substantial costs and liabilities, delays, an inability to complete the development of our discoveries or the abandonment of such discoveries, which could cause a material adverse effect on our financial condition and results of operations.

We are subject to drilling and other operational environmental hazards.

The oil and natural gas business involves a variety of operating risks, including, but not limited to:

- fires, blowouts, spills, cratering and explosions;
- mechanical and equipment problems, including unforeseen engineering complications;
- uncontrolled flows or leaks of oil, well fluids, natural gas, brine, toxic gas or other pollution;
- gas flaring operations;
- marine hazards with respect to offshore operations;
- formations with abnormal pressures;
- pollution, other environmental risks, and geological problems; and
- weather conditions and natural disasters.

These risks are particularly acute in deepwater drilling and exploration. Any of these events could result in loss of human life, significant damage to property, environmental or natural resource damage, impairment, delay or cessation of our operations, adverse publicity, substantial losses and civil or criminal liability. In accordance with customary industry practice, we expect to maintain insurance against some, but not all, of these risks and losses. The occurrence of any of these events, whether or not covered by insurance, could have a material adverse effect on our financial position and results of operations.

The development schedule of oil and natural gas projects, including the availability and cost of drilling rigs, equipment, supplies, personnel and oilfield services, is subject to delays and cost overruns.

Historically, some oil and natural gas development projects have experienced delays and capital cost increases and overruns due to, among other factors, the unavailability or high cost of drilling rigs and other essential equipment, supplies, personnel and oilfield services. The cost to develop our projects has not been fixed and remains dependent upon a number of factors, including the completion of detailed cost estimates and final engineering, contracting and procurement costs. Our construction and operation schedules may not proceed as planned and may experience delays or cost overruns. Any delays may increase the costs of the projects, requiring additional capital, and such capital may not be available in a timely and cost-effective fashion.

Our offshore and deepwater operations will involve special risks that could adversely affect our results of operations.

Offshore operations are subject to a variety of operating risks specific to the marine environment, such as capsizing, sinking, collisions and damage or loss to pipeline, subsea or other facilities or from weather conditions. We could incur substantial expenses that could reduce or eliminate the funds

available for exploration, development or license acquisitions, or result in loss of equipment and license interests.

Deepwater exploration generally involves greater operational and financial risks than exploration in shallower waters. Deepwater drilling generally requires more time and more advanced drilling technologies, involving a higher risk of equipment failure and usually higher drilling costs. In addition, there may be production risks of which we are currently unaware. If we participate in the development of new subsea infrastructure and use floating production systems to transport oil from producing wells, these operations may require substantial time for installation or encounter mechanical difficulties and equipment failures that could result in significant liabilities, cost overruns or delays. Furthermore, deepwater operations generally, and operations in West Africa in particular, lack the physical and oilfield service infrastructure present in other regions. As a result, a significant amount of time may elapse between a deepwater discovery and the marketing of the associated oil and natural gas, increasing both the financial and operational risks involved with these operations. Because of the lack and high cost of this infrastructure, further discoveries we may make in West Africa may never be economically producible.

We had disagreements with the Republic of Ghana and the Ghana National Petroleum Corporation regarding certain of our rights and responsibilities under the WCTP and DT Petroleum Agreements.

All of our proved reserves and our discovered fields are located offshore Ghana. The WCTP Petroleum Agreement and the DT Petroleum Agreement cover the two blocks that form the basis of our exploration, development and production operations in Ghana. Pursuant to these petroleum agreements, most significant decisions, including our plans for development and annual work programs, must be approved by GNPC and/or Ghana's Ministry of Energy. We previously had disagreements with Ghana and GNPC regarding certain of our rights and responsibilities under these petroleum agreements and the Petroleum Law of 1984 (PNDCL 84) (the "Ghanaian Petroleum Law"). These included disagreements over sharing information with prospective purchasers of our interests, pledging our interests to finance our development activities, potential liabilities arising from discharges of small quantities of drilling fluids into Ghanaian territorial waters and the failure to approve the proposed sale of our Ghanaian assets. In addition, we were requested to provide information to Ghana's Ministry of Justice in connection with its investigation of the EO Group, however, we are not a subject of this investigation. These past disagreements have been resolved and did not and are not expected to materially affect our operations, exploration or development activities.

There can be no assurance that future disagreements will not arise with any host government and/or national oil companies that may have a material adverse effect on our exploration or development activities, our ability to operate, our rights under our licenses and local laws or our rights to monetize our interests.

The geographic concentration of our licenses in West Africa subjects us to an increased risk of loss of revenue or curtailment of production from factors specifically affecting West Africa.

Our current exploration licenses are concentrated in one principal region: West Africa. Some or all of these licenses could be affected should such region experience any of the following factors (among others):

- severe weather or natural disasters or other acts of God;
- delays or decreases in production, the availability of equipment, facilities, personnel or services;
- delays or decreases in the availability of capacity to transport, gather or process production; and/or
- military conflicts.

For example, oil and natural gas operations in Africa may be subject to higher political and security risks than those operations under the sovereignty of the United States. We plan to maintain insurance coverage for only a portion of risks we face from doing business in these regions. There also may be certain risks covered by insurance where the policy does not reimburse us for all of the costs related to a loss.

Due to the concentrated nature of our portfolio of licenses, a number of our licenses could experience any of the same conditions at the same time, resulting in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of licenses.

Our operations may be adversely affected by political and economic circumstances in the countries in which we operate.

Oil and natural gas exploration, development and production activities are subject to political and economic uncertainties (including but not limited to changes in energy policies or the personnel administering them), changes in laws and policies governing operations of foreign based companies, expropriation of property, cancellation or modification of contract rights, revocation of consents or approvals, obtaining various approvals from regulators, foreign exchange restrictions, currency fluctuations, royalty increases and other risks arising out of foreign governmental sovereignty, as well as risks of loss due to civil strife, acts of war, guerrilla activities, terrorism, acts of sabotage, territorial disputes and insurrection. In addition, we are subject both to uncertainties in the application of the tax laws in the countries in which we operate and to possible changes in such tax laws (or the application thereof), each of which could result in an increase in our tax liabilities. These risks may be higher in the developing countries in which we conduct our activities.

Our operations in these areas increase our exposure to risks of war, local economic conditions, political disruption, civil disturbance, expropriation, piracy, tribal conflicts and governmental policies that may:

- disrupt our operations;
- require us to incur greater costs for security;
- restrict the movement of funds or limit repatriation of profits;
- lead to U.S. government or international sanctions; or
- limit access to markets for periods of time.

Some countries in West Africa have experienced political instability in the past. Disruptions may occur in the future, and losses caused by these disruptions may occur that will not be covered by insurance. Consequently, our offshore West Africa exploration, development and production activities may be substantially affected by factors which could have a material adverse effect on our results of operations and financial condition. Furthermore, in the event of a dispute arising from non-U.S. operations, we may be subject to the exclusive jurisdiction of courts outside the United States or may not be successful in subjecting non-U.S. persons to the jurisdiction of courts in the United States, which could adversely affect the outcome of such dispute.

Our operations may also be adversely affected by laws and policies of the jurisdictions, including Ghana, Cameroon, Morocco, the United States, the United Kingdom, Bermuda and the Cayman Islands and other jurisdictions in which we do business, that affect foreign trade and taxation. Changes in any of these laws or policies or the implementation thereof, could materially and adversely affect our financial position, results of operations and cash flows.

A portion of our asset portfolio is in Western Sahara, and we could be adversely affected by the political, economic, and military conditions in that region. Our exploration licenses in this region conflict with exploration licenses issued by the Sahrawai Arab Democratic Republic.

Morocco claims the territory of Western Sahara, where our Boujdour Offshore Block is geographically located, as part of the Kingdom of Morocco, and it has *de facto* administrative control of approximately 80% of Western Sahara. However, Western Sahara is on the United Nations list of Non-Self-Governing territories, and the territory's sovereignty has been in dispute since 1975. The Polisario Front, representing the Sahrawai Arab Democratic Republic (the "SADR"), has a conflicting claim of sovereignty over Western Sahara. No countries have formally recognized Morocco's claim to Western Sahara, although some countries implicitly support Morocco's position. Other countries have formally recognized the SADR, but the UN has not. A UN-administered cease-fire has been in place since 1991, and while there have been intermittent UN-sponsored talks, the dispute remains stalemated. It is uncertain when and how Western Sahara's sovereignty issues will be resolved.

We own a 75% working interest in the Boujdour Offshore Block located geographically offshore Western Sahara. Our license was granted by the government of Morocco. The SADR has issued its own offshore exploration licenses which conflict with our licenses. As a result of SADR's conflicting claim of rights to oil and natural gas licenses granted by Morocco, and the SADR's claims that Morocco's exploitation of Western Sahara's natural resources violates international law, our interests could decrease in value or be lost. Any political instability, terrorism, changes in government, or escalation in hostilities involving the SADR, Morocco, or neighboring states could adversely affect our operations and assets. In addition, Morocco has recently experienced political and social disturbances that could affect its legal and administrative institutions. A change in U.S. foreign policy or the policies of other countries regarding Western Sahara could also adversely affect our operations and assets. We are not insured against political or terrorism risks because management deems the premium costs of such insurance to be currently prohibitively expensive.

Furthermore, various activist groups have mounted public relations campaigns to force companies to cease and divest operations in Western Sahara, and we could come under similar public pressure. Some investors have refused to invest in companies with operations in Western Sahara, and we could be subject to similar pressure, particularly as we become a public company. Any of these factors could have a material adverse effect on our results of operations and financial condition.

Maritime boundary demarcation between Côte D'Ivoire and Ghana may affect a portion of our license areas.

In early 2010, Ghana's western neighbor, the Republic of Côte d'Ivoire, petitioned the United Nations to demarcate the Ivorian territorial maritime boundary with Ghana. In response to the petition, Ghana established a Boundary Commission to undertake negotiations in order to determine Ghana's land and maritime boundaries. Meetings between the Ghanaian Boundary Commission and Ivorian delegates concerning the boundary demarcation occurred in April 2010, although the results of the meeting were not announced and the issue remains unresolved at present. The Ghanaian-Ivorian maritime boundary forms the western boundary of the DT Block offshore Ghana. Uncertainty remains with regard to the outcome of the boundary demarcation between Ghana and Côte d'Ivoire and we do not know if the maritime boundary will change, therefore affecting our rights to explore and develop our discoveries or prospects within such areas.

The oil and gas industry, including the acquisition of exploratory licenses in West Africa, is intensely competitive and many of our competitors possess and employ substantially greater resources than us.

The international oil and gas industry, including in West Africa, is highly competitive in all aspects, including the exploration for, and the development of, new license areas. We operate in a highly competitive environment for acquiring exploratory licenses and hiring and retaining trained personnel. Many of our competitors possess and employ financial, technical and personnel resources substantially

greater than us, which can be particularly important in the areas in which we operate. These companies may be better able to withstand the financial pressures of unsuccessful drill attempts, sustained periods of volatility in financial markets and generally adverse global and industry-wide economic conditions, and may be better able to absorb the burdens resulting from changes in relevant laws and regulations, which would adversely affect our competitive position. Our ability to acquire additional prospects and to find and develop reserves in the future will depend on our ability to evaluate and select suitable licenses and to consummate transactions in a highly competitive environment. Also, there is substantial competition for available capital for investment in the oil and gas industry. As a result of these and other factors, we may not be able to compete successfully in an intensely competitive industry, which could cause a material adverse effect on our results of operations and financial condition.

Participants in the oil and gas industry are subject to numerous laws that can affect the cost, manner or feasibility of doing business.

Exploration and production activities in the oil and gas industry are subject to local laws and regulations. We may be required to make large expenditures to comply with governmental laws and regulations, particularly in respect of the following matters:

- licenses for drilling operations;
- tax increases, including retroactive claims;
- unitization of oil accumulations;
- local content requirements (including the mandatory use of local partners and vendors); and
- environmental requirements and obligations, including remediation or investigation activities.

Under these and other laws and regulations, we could be liable for personal injuries, property damage and other types of damages. Failure to comply with these laws and regulations also may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Moreover, these laws and regulations could change, or their interpretations could change, in ways that could substantially increase our costs. These risks may be higher in the developing countries in which we conduct our operations, where there could be a lack of clarity or lack of consistency in the application of these laws and regulations. Any resulting liabilities, penalties, suspensions or terminations could have a material adverse effect on our financial condition and results of operations.

For example, Ghana's Parliament is considering the enactment of a new Petroleum Act and a new Petroleum Revenue Management Act. There can be no assurance that the final laws will not seek to retroactively modify the terms of the agreements governing our license interests in Ghana, including the WCTP and DT Petroleum Agreements and the UUOA, require governmental approval for transactions that effect a direct or indirect change of control of our license interests or otherwise affect our current and future operations in Ghana. Any such changes may have a material adverse affect on our business. See "Business—Other Regulation of the Oil and Gas Industry—Ghana."

Furthermore, the explosion and sinking in April 2010 of the *Deepwater Horizon* oil rig during operations on the Macondo exploration well in the Gulf of Mexico, and the resulting oil spill, may have increased certain of the risks faced by those drilling for oil in deepwater regions, including, without limitation, the following:

- increased industry standards, governmental regulation and enforcement of our and our industry's operations in a number of areas, including health and safety, financial responsibility, environmental, licensing, taxation, equipment specifications and training requirements;
- increased difficulty or delays in obtaining rights to drill wells in deepwater regions;
- higher operating costs;

- higher insurance costs and increased potential liability thresholds under environmental laws;
- decreased access to appropriate equipment, personnel and infrastructure in a timely manner;
- higher capital costs as a result of any increase to the risks we or our industry face; and
- less favorable investor perception of the risk-adjusted benefits of deepwater offshore drilling.

The occurrence of any of these factors, or the continuation thereof, could have a material adverse effect on our business, financial position or future results of operations.

We and our operations are subject to numerous environmental, health and safety regulations which may result in material liabilities and costs.

We and our operations are subject to various international, foreign, federal, state and local environmental, health and safety laws and regulations governing, among other things, the emission and discharge of pollutants into the ground, air or water, the generation, storage, handling, use and transportation of regulated materials and the health and safety of our employees. We are required to obtain environmental permits from governmental authorities for our operations, including drilling permits for our wells. We have not been or may not be at all times in complete compliance with these permits and the environmental laws and regulations to which we are subject, and there is a risk that these laws and regulations could change in the future or become more stringent. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators, including through the revocation of our permits or the suspension or termination of our operations. If we fail to obtain permits in a timely manner or at all (due to opposition from community or environmental interest groups, governmental delays or any other reasons), or if we face additional requirements imposed as a result of changes in or enactment of laws or regulations, such failure to obtain permits or such changes in or enactment of laws could impede or affect our operations, which could have a material adverse effect on our results of operations and financial condition.

We, as an interest owner or as the designated operator of certain of our current and future discoveries and prospects, could be held liable for some or all environmental, health and safety costs and liabilities arising out of our actions and omissions as well as those of our block partners, third-party contractors or other operators. To the extent we do not address these costs and liabilities or if we do not otherwise satisfy our obligations, our operations could be suspended or terminated. We have contracted with and intend to continue to hire third parties to perform services related to our operations. There is a risk that we may contract with third parties with unsatisfactory environmental, health and safety records or that our contractors may be unwilling or unable to cover any losses associated with their acts and omissions. Accordingly, we could be held liable for all costs and liabilities arising out of the acts or omissions of our contractors, which could have a material adverse effect on our results of operations and financial condition.

We are not fully insured against all risks and our insurance may not cover any or all environmental claims that might arise from our operations or at any of our license areas. If a significant accident or other event occurs and is not covered by insurance, such accident or event could have a material adverse effect on our results of operations and financial condition.

Releases into deepwater of regulated substances may occur and can be significant. Under certain environmental laws, we could be held responsible for all of the costs relating to any contamination at our facilities and at any third party waste disposal sites used by us or on our behalf. In addition, offshore oil and natural gas exploration and production involves various hazards, including human exposure to regulated substances, which include naturally occurring radioactive and other materials. As such, we could be held liable for any and all consequences arising out of human exposure to such substances or for other damage resulting from the release of hazardous substances to the environment, property or to natural resources, or affecting endangered species.

In addition, we expect continued and increasing attention to climate change issues. Various countries and regions have agreed to regulate emissions of greenhouse gases, including methane (a primary component of natural gas) and carbon dioxide (a byproduct of oil and natural gas combustion). The regulation of greenhouse gases and the physical impacts of climate change in the areas in which we, our customers and the end-users of our products operate could adversely impact our operations and the demand for our products.

Environmental, health and safety laws are complex, change frequently and have tended to become increasingly stringent over time. Our costs of complying with current and future climate change, environmental, health and safety laws, the actions or omissions of our block partners and third party contractors and our liabilities arising from releases of, or exposure to, regulated substances may adversely affect our results of operations and financial condition. See "Business—Environmental Matters."

We may be exposed to liabilities under the U.S. Foreign Corrupt Practices Act and other anti-corruption laws, and any determination that we violated the U.S. Foreign Corrupt Practices Act or other such laws could have a material adverse effect on our business.

We are subject to the FCPA and other laws that prohibit improper payments or offers of payments to foreign government officials and political parties for the purpose of obtaining or retaining business. We do business and may do additional business in the future in countries and regions in which we may face, directly or indirectly, corrupt demands by officials. We face the risk of unauthorized payments or offers of payments by one of our employees or consultants. Our existing safeguards and any future improvements may prove to be less than effective in preventing such unauthorized payments, and our employees and consultants may engage in conduct for which we might be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the U.S. government may seek to hold us liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

In January 2009, the U.S. Department of Justice ("DOJ") was notified of an alleged possible violation of the FCPA by Kosmos and EO Group and its principals in connection with securing the WCTP Petroleum Agreement. We and our outside FCPA counsel undertook a thorough investigation and found no basis for such allegations and cooperated fully with the DOJ in its investigation. On May 12, 2010, the DOJ notified us through a letter of declination and on June 2, 2010 the DOJ notified EO Group and its principals that they presently do not intend to take any enforcement action and have closed their inquiry into this matter. In addition, we were required to provide information to Ghana's Ministry of Justice in connection with its investigation of the EO Group, however, we are not a subject of this investigation.

MODEC, the contractor for the FPSO for the Jubilee Field Phase 1 development, is being investigated by its legal advisors, the Jubilee Unit partners and the syndicate of international banks who had committed to refinance the construction costs of the FPSO (a portion of such costs were originally loaned by the Jubilee Unit partners, including Kosmos) regarding matters which may give rise to

certain FCPA violations. See "Risk Factors—The inability of one or more third parties who contract with us to meet their obligations to us may adversely affect our financial results." While we had no prior knowledge of the matters under investigation, should the DOJ launch a formal investigation into these matters, there can be no assurance that the Jubilee Unit partners, including us, would not be subject to enforcement actions which may have a material adverse affect on our business.

We may incur substantial losses and become subject to liability claims as a result of future oil and natural gas operations, for which we may not have adequate insurance coverage.

We intend to maintain insurance against risks in the operation of the business we plan to develop and in amounts in which we believe to be reasonable. Such insurance, however, may contain exclusions and limitations on coverage. For example, we are not insured against political or terrorism risks. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect our business, financial condition and results of operations.

Our derivative activities could result in financial losses or could reduce our income.

To achieve more predictable cash flows and to reduce our exposure to adverse fluctuations in the prices of oil and natural gas, we have and may in the future enter into derivative arrangements for a portion of our oil and natural gas production, including puts, collars and fixed-price swaps. In addition, we currently, and may in the future, hold swaps designed to hedge our interest rate risk. We do not currently designate any of our derivative instruments as hedges for accounting purposes and record all derivative instruments on our balance sheet at fair value. Changes in the fair value of our derivative instruments are recognized in earnings. Accordingly, our earnings may fluctuate significantly as a result of changes in the fair value of our derivative instruments.

Derivative arrangements also expose us to the risk of financial loss in some circumstances, including when:

- production is less than the volume covered by the derivative instruments;
- the counter-party to the derivative instrument defaults on its contract obligations; or
- there is an increase in the differential between the underlying price in the derivative instrument and actual prices received.

In addition, these types of derivative arrangements limit the benefit we would receive from increases in the prices for oil and natural gas or beneficial interest rate fluctuations and may expose us to cash margin requirements.

Our commercial debt facilities contain certain covenants that may inhibit our ability to make certain investments, incur additional indebtedness and engage in certain other transactions, which could adversely affect our ability to meet our future goals.

Our commercial debt facilities include certain covenants that, among other things, restrict:

- our investments, loans and advances and certain of our subsidiaries' payment of dividends and other restricted payments;
- our incurrence of additional indebtedness;
- the granting of liens, other than liens created pursuant to the commercial debt facilities and certain permitted liens;
- mergers, consolidations and sales of all or a substantial part of our business or licenses;

- the hedging, forward sale or swap of our production of crude oil or natural gas or other commodities;
- the sale of assets (other than production sold in the ordinary course of business); and
- our capital expenditures that we can fund with our commercial debt facilities.

Our commercial debt facilities require us to maintain certain financial ratios, such as debt service coverage ratios. All of these restrictive covenants may limit our ability to expand or pursue our business strategies. Our ability to comply with these and other provisions of our commercial debt facilities may be impacted by changes in economic or business conditions, our results of operations or events beyond our control. The breach of any of these covenants could result in a default under our commercial debt facilities, in which case, depending on the actions taken by the lenders thereunder or their successors or assignees, such lenders could elect to declare all amounts borrowed under our commercial debt facilities, together with accrued interest, to be due and payable. If we were unable to repay such borrowings or interest, our lenders, successors or assignees could proceed against their collateral. If the indebtedness under our commercial debt facilities were to be accelerated, our assets may not be sufficient to repay in full such indebtedness.

Our level of indebtedness may increase and thereby reduce our financial flexibility.

As of December 31, 2010 we had $1.05 billion of indebtedness outstanding under our $1.25 billion commercial debt facilities. In the future, we may incur significant indebtedness in order to make future investments or acquisitions or to explore, appraise or develop our oil and natural gas assets.

Our level of indebtedness could affect our operations in several ways, including the following:

- a significant portion of our cash flows, when generated, could be used to service our indebtedness;
- a high level of indebtedness would increase our vulnerability to general adverse economic and industry conditions;
- the covenants contained in the agreements governing our outstanding indebtedness will limit our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments;
- a high level of indebtedness may place us at a competitive disadvantage compared to our competitors that are less leveraged and therefore, may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing;
- our debt covenants may also affect our flexibility in planning for, and reacting to, changes in the economy and in our industry;
- additional hedging instruments may be required as a result of our indebtedness;
- a high level of indebtedness may make it more likely that a reduction in our borrowing base following a periodic redetermination could require us to repay a portion of our then-outstanding bank borrowings; and
- a high level of indebtedness may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes.

A high level of indebtedness increases the risk that we may default on our debt obligations. Our ability to meet our debt obligations and to reduce our level of indebtedness depends on our future performance. General economic conditions, risks associated with exploring for and producing oil and natural gas, oil and natural gas prices and financial, business and other factors affect our operations and our future performance. Many of these factors are beyond our control. We may not be able to generate sufficient cash flows to pay the interest on our indebtedness and future working capital,

borrowings or equity financing may not be available to pay or refinance such indebtedness. Factors that will affect our ability to raise cash through an offering of our equity securities or a refinancing of our indebtedness include financial market conditions, the value of our assets and our performance at the time we need capital.

Our operations could be adversely impacted by our block partner, whose affiliate is involved in the Macondo Gulf of Mexico oil spill.

In April 2010, an explosion occurred on the *Deepwater Horizon* oil rig during operations on the Macondo exploration well, following which the oil rig sank and hydrocarbons flowed into the Gulf of Mexico. In response to this event, certain U.S. federal agencies and governmental officials ordered additional inspections of deepwater operations in the Gulf of Mexico. The full cause of the explosion, the extent of the environmental impact and the ultimate costs associated with this event are not yet known.

Anadarko WCTP Company ("Anadarko WCTP"), an affiliate of Anadarko, which holds a participating interest in the Macondo well, also owns working interests in the WCTP and DT Blocks, including the Jubilee Unit. See "Prospectus Summary—Overview." As a 25% non-operating interest owner in the Macondo well, Anadarko may incur liability under environmental laws and may be required to contribute to the significant and ongoing remediation expenses in the Gulf of Mexico. This event and its aftermath could result in substantial costs to Anadarko and could in turn affect Anadarko WCTP's ability to meet its obligations under the UUOA or the WCTP and DT Petroleum Agreements or related agreements, as the case may be, or necessitate delays in our development activities, which could cause a material adverse effect on our business, results of operations and financial condition.

We may be subject to risks in connection with acquisitions and the integration of significant acquisitions may be difficult.

We periodically evaluate acquisitions of prospects and licenses, reserves and other strategic transactions that appear to fit within our overall business strategy. The successful acquisition of these assets requires an assessment of several factors, including:

- recoverable reserves;
- future oil and natural gas prices and their appropriate differentials;
- development and operating costs; and
- potential environmental and other liabilities.

The accuracy of these assessments is inherently uncertain. In connection with these assessments, we perform a review of the subject assets that we believe to be generally consistent with industry practices. Our review will not reveal all existing or potential problems nor will it permit us to become sufficiently familiar with the assets to fully assess their deficiencies and potential recoverable reserves. Inspections may not always be performed on every well, and environmental problems are not necessarily observable even when an inspection is undertaken. Even when problems are identified, the seller may be unwilling or unable to provide effective contractual protection against all or part of the problems. We may not be entitled to contractual indemnification for environmental liabilities and could acquire assets on an "as is" basis. Significant acquisitions and other strategic transactions may involve other risks, including:

- diversion of our management's attention to evaluating, negotiating and integrating significant acquisitions and strategic transactions;

- the challenge and cost of integrating acquired operations, information management and other technology systems and business cultures with those of ours while carrying on our ongoing business;

- difficulty associated with coordinating geographically separate organizations; and

- the challenge of attracting and retaining personnel associated with acquired operations.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of our business. Members of our senior management may be required to devote considerable amounts of time to this integration process, which will decrease the time they will have to manage our business. If our senior management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could suffer.

If we fail to realize the anticipated benefits of a significant acquisition, our results of operations may be adversely affected.

The success of a significant acquisition will depend, in part, on our ability to realize anticipated growth opportunities from combining the acquired assets or operations with those of ours. Even if a combination is successful, it may not be possible to realize the full benefits we may expect in estimated proved reserves, production volume, cost savings from operating synergies or other benefits anticipated from an acquisition or realize these benefits within the expected time frame. Anticipated benefits of an acquisition may be offset by operating losses relating to changes in commodity prices, or in oil and gas industry conditions, or by risks and uncertainties relating to the exploratory prospects of the combined assets or operations, or an increase in operating or other costs or other difficulties, including the assumption of environmental or other liabilities in connection with the acquisition. If we fail to realize the benefits we anticipate from an acquisition, our results of operations may be adversely affected.

Because we are a relatively small company, the requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes-Oxley Act, may strain our resources, increase our costs and distract management; and we may be unable to comply with these requirements in a timely or cost-effective manner.

As a public company with listed equity securities, we will need to comply with additional laws, regulations and requirements, certain corporate governance provisions of the Sarbanes-Oxley Act of 2002, related regulations of the SEC and the requirements of the NYSE, with which we are not required to comply as a private company. Complying with these statutes, regulations and requirements will occupy a significant amount of time of our board of directors and management and will significantly increase our costs and expenses. We will need to:

- institute a more comprehensive compliance function;

- design, establish, evaluate and maintain a system of internal controls over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board;

- comply with rules promulgated by the NYSE;

- prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws;

- establish new internal policies, such as those relating to disclosure controls and procedures and insider trading;

- involve and retain to a greater degree outside counsel and accountants in the above activities; and

- establish an investor relations function.

In addition, we also expect that being a public company subject to these rules and regulations will require us to accept less director and officer liability insurance coverage than we desire or to incur substantial costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers.

Our bye-laws contain a provision renouncing our interest and expectancy in certain corporate opportunities, which could adversely affect our business or future prospects.

Our bye-laws provide that, to the fullest extent permitted by applicable law, we renounce any interest or expectancy in, or in being offered an opportunity to participate in, any business opportunity that may be from time to time be presented to the Investors or any of their respective officers, directors, agents, shareholders, members, partners, affiliates and subsidiaries (other than us and our subsidiaries) or business opportunities that such parties participate in or desire to participate in, even if the opportunity is one that we might reasonably have pursued or had the ability or desire to pursue if granted the opportunity to do so, and no such person shall be liable to us for breach of any fiduciary or other duty, as a director or officer or controlling shareholder or otherwise, by reason of the fact that such person pursues or acquires any such business opportunity, directs any such business opportunity to another person or fails to present any such business opportunity, or information regarding any such business opportunity, to us unless, in the case of any such person who is our director or officer, any such business opportunity is expressly offered to such person solely in his or her capacity as our director or officer.

As a result, our directors and Investors and their affiliates may become aware, from time to time, of certain business opportunities, such as acquisition opportunities, and may direct such opportunities to other businesses in which they or their affiliates have invested, in which case we may not become aware of or otherwise have the ability to pursue such opportunity. Further, such businesses may choose to compete with us for these opportunities. As a result, our renouncing our interest and expectancy in any business opportunity that may be from time to time presented to our directors and Investors and their affiliates could adversely impact our business or future prospects if attractive business opportunities are procured by such parties for their own benefit rather than for ours. See "Description of Share Capital—Corporate Opportunities."

We receive certain beneficial tax treatment as a result of being an exempted company incorporated pursuant to the laws of Bermuda. Changes in that treatment could have a material adverse effect on our net income, our cash flow and our financial condition.

We are an exempted company incorporated pursuant to the laws of Bermuda and operate through subsidiaries in a number of countries throughout the world. Consequently, we are subject to changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in the United States, Bermuda, Ghana, Cameroon, Morocco and other jurisdictions in which we or any of our subsidiaries operate or are resident. Recent legislation has been introduced in the Congress of the United States that is intended to reform the U.S. tax laws as they apply to certain non-U.S. entities and operations, including legislation that would treat a foreign corporation as a U.S. corporation for U.S. federal income tax purposes if substantially all of its senior management is located in the United States. If this or other legislation is passed that ultimately changes our U.S. tax position, it could have a material adverse effect on our net income, our cash flow and our financial condition.

We may become subject to taxes in Bermuda after March 28, 2016, which may have a material adverse effect on our results of operations and your investment.

The Bermuda Minister of Finance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, as amended, has given us an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to us or any of our operations, shares, debentures or other obligations until March 28, 2016, except insofar as such tax applies to persons ordinarily resident in Bermuda or to any taxes payable by us in respect of real property owned or leased by us in Bermuda. See "Certain Tax Considerations—Bermuda Tax Considerations." Given the limited duration of the Bermuda Minister of Finance's assurance, we cannot assure you that we will not be subject to any Bermuda tax after March 28, 2016.

The impact of Bermuda's letter of commitment to the Organization for Economic Cooperation and Development to eliminate harmful tax practices is uncertain and could adversely affect our tax status in Bermuda.

The Organization for Economic Cooperation and Development ("OECD") has published reports and launched a global initiative among member and non-member countries on measures to limit harmful tax competition. These measures are largely directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world. According to the OECD, Bermuda is a jurisdiction that has substantially implemented the internationally agreed tax standard and as such is listed on the OECD "white" list. However, we are not able to predict whether any changes will be made to this classification or whether such changes will subject us to additional taxes.

The recent adoption of The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price and other risks associated with our business.

We use derivative instruments to manage our commodity price risk. The United States Congress recently adopted comprehensive financial reform legislation that establishes federal oversight and regulation of the over-the-counter derivatives market and entities that participate in that market. The Dodd-Frank Act requires the Commodities Futures Trading Commission (the "CFTC") and the SEC to promulgate rules and regulations implementing the new legislation within 360 days from the date of enactment. The CFTC has also proposed regulations to set position limits for certain futures and option contracts in the major energy markets, although it is not possible at this time to predict whether or when the CFTC will adopt those rules or include comparable provisions in its rulemaking under the new legislation. The financial reform legislation may also require us to comply with margin requirements and with certain clearing and trade-execution requirements in connection with our derivative activities, although the application of those provisions to us is uncertain at this time. The financial reform legislation may also require the counterparties to our derivative instruments to spin off some of their derivatives activities to a separate entity, which may not be as creditworthy as the current counterparty. The new legislation and any new regulations could significantly increase the cost of derivative contracts (including through requirements to post collateral which could adversely affect our available liquidity), materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks we encounter, reduce our ability to monetize or restructure our existing derivative contracts, and increase our exposure to less creditworthy counterparties. If we reduce our use of derivatives as a result of the legislation and regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. In addition, the legislation was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative

trading in derivatives and commodity instruments related to oil and natural gas. Our revenues could therefore be adversely affected if a consequence of the legislation and regulations is to lower commodity prices. Lastly, the Dodd-Frank Act requires, no later than 270 days after the enactment of the Act, the SEC to promulgate rules requiring SEC reporting companies that engage in the commercial development of oil, natural gas or minerals, to include in their annual reports filed with the SEC disclosure about all payments (including taxes, royalties, fees and other amounts) made by the issuer or an entity controlled by the issuer to the United States or to any non-U.S. government for the purpose of commercial development of oil, natural gas or minerals. As these rules are not yet effective, we are unable to predict what form these rules may take and whether we will be able to comply with them without adversely impacting our business, or at all. Any of these consequences could have a material adverse effect on us, our financial condition and our results of operations.

We may be a "passive foreign investment company" for U.S. federal income tax purposes, which could create adverse tax consequences for U.S. investors.

U.S. investors that hold stock in a "passive foreign investment company" ("PFIC") are subject to special rules that can create adverse U.S. federal income tax consequences, including imputed interest charges and recharacterization of certain gains and distributions. Based on management estimates and projections of future revenue, we do not believe that we will be a PFIC for the current taxable year and we do not expect to become one in the foreseeable future. However, if we do not generate significant amounts of gross income from such activities when expected, we may be a PFIC for the current taxable year and for one or more future taxable years. Because PFIC status is a factual determination that is made annually and thus is subject to change, there can be no assurance that we will not be a PFIC for any taxable year. See "Certain Tax Considerations—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

Risks Relating to This Offering

An active and liquid trading market for our common shares may not develop.

Prior to this offering, our common shares were not traded on any market. An active and liquid trading market for our common shares may not develop or be maintained after this offering. Liquid and active trading markets usually result in less price volatility and more efficiency in carrying out investors' purchase and sale orders. The market price of our common shares could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the market price of our common shares, you could lose a substantial part or all of your investment in our common shares. The initial public offering price will be negotiated between us and representatives of the underwriters and may not be indicative of the market price of our common shares after this offering. Consequently, you may not be able to sell our common shares at prices equal to or greater than the price paid by you in the offering.

Our share price may be volatile, and purchasers of our common shares could incur substantial losses.

Our share price may be volatile. The stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may not be able to sell their common shares at or above the initial public offering price. The market price for our common shares may be influenced by many factors, including, but not limited to:

- the price of oil and natural gas;
- the success of our exploration and development operations, and the marketing of any oil and natural gas we produce;
- regulatory developments in Bermuda, the United States and foreign countries where we operate;
- the recruitment or departure of key personnel;
- quarterly or annual variations in our financial results or those of companies that are perceived to be similar to us;
- market conditions in the industries in which we compete and issuance of new or changed securities;
- analysts' reports or recommendations;
- the failure of securities analysts to cover our common shares after this offering or changes in financial estimates by analysts;
- the inability to meet the financial estimates of analysts who follow our common shares;
- the issuance of any additional securities of ours;
- investor perception of our company and of the industry in which we compete; and
- general economic, political and market conditions.

A substantial portion of our total issued and outstanding shares may be sold into the market at any time. This could cause the market price of our common shares to drop significantly, even if our business is doing well.

All of the shares being sold in this offering will be freely tradable without restrictions or further registration under the federal securities laws, unless purchased by our "affiliates" as that term is defined in Rule 144 under the Securities Act. The remaining common shares issued and outstanding upon the closing of this offering are restricted securities as defined in Rule 144 under the Securities

Act. Restricted securities may be sold in the U.S. public market only if registered or if they qualify for an exemption from registration, including by reason of Rules 144 or 701 under the Securities Act. All of our restricted shares will be eligible for sale in the public market beginning in 2011, subject in certain circumstances to the volume, manner of sale and other limitations under Rule 144, and also the lock-up agreements described under "Underwriting" in this prospectus. Additionally, we intend to register all our common shares that we may issue under our employee benefit plans. Once we register these shares, they can be freely sold in the public market upon issuance, unless pursuant to their terms these share awards have transfer restrictions attached to them. Sales of a substantial number of our common shares, or the perception in the market that the holders of a large number of shares intend to sell common shares, could reduce the market price of our common shares.

The concentration of our share capital ownership among our largest shareholders, and their affiliates, will limit your ability to influence corporate matters.

After our offering, we anticipate that our two largest shareholders will collectively own approximately % of our issued and outstanding common shares. Consequently, these shareholders have significant influence over all matters that require approval by our shareholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership will limit your ability to influence corporate matters, and as a result, actions may be taken that you may not view as beneficial.

If you purchase our common shares in this offering, you will suffer immediate and substantial dilution of your investment.

The initial public offering price of our common shares is substantially higher than the net tangible book value per common share. Therefore, if you purchase our common shares in this offering, your interest will be diluted immediately to the extent of the difference between the initial public offering price per common share and the net tangible book value per common share after this offering. See "Dilution."

We have broad discretion in the use of our net proceeds from this offering and may not use them effectively.

Our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not improve our operating results or enhance the value of our common shares. Our shareholders may not agree with the manner in which our management chooses to allocate and spend the net proceeds. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business and cause the price of our common shares to decline. Pending their use, we may invest our net proceeds from this offering in a manner that does not produce income or that loses value. See "Use of Proceeds".

We will be a "controlled company" within the meaning of the NYSE rules and, as a result, will qualify for and will rely on exemptions from certain corporate governance requirements.

Upon completion of this offering, funds affiliated with Warburg Pincus LLC and The Blackstone Group L.P., respectively, will continue to control a majority of the voting power of our issued and outstanding common shares, after giving effect to our corporate reorganization, and we will be a "controlled company" within the meaning of the NYSE corporate governance standards. Under the NYSE rules, a company of which more than 50% of the voting power is held by another person or group of persons acting together is a "controlled company" and may elect not to comply with certain NYSE corporate governance requirements, including the requirements that:

- a majority of the board of directors consist of independent directors;

- the nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;

- the compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and

- there be an annual performance evaluation of the nominating and corporate governance and compensation committees.

Following this offering, we intend to elect to be treated as a controlled company and utilize these exemptions, including the exemption for a board of directors composed of a majority of independent directors. In addition, although we will have adopted charters for our audit, nominating and corporate governance and compensation committees and intend to conduct annual performance evaluations for these committees, none of these committees will be composed entirely of independent directors immediately following the completion of this offering. We will rely on the phase-in rules of the SEC and the NYSE with respect to the independence of our audit committee. These rules permit us to have an audit committee that has one member that is independent upon the effectiveness of the registration statement of which this prospectus forms a part, a majority of members that are independent within 90 days thereafter and all members that are independent within one year thereafter. Accordingly, you may not have the same protections afforded to shareholders of companies that are subject to all of the NYSE corporate governance requirements.

We do not intend to pay dividends on our common shares and, consequently, your only opportunity to achieve a return on your investment is if the price of our shares appreciates.

We do not plan to declare dividends on shares of our common shares in the foreseeable future. Additionally, certain of our subsidiaries are currently restricted in their ability to pay dividends to us pursuant to the terms of our commercial debt facilities unless they meet certain conditions, financial and otherwise. Consequently, your only opportunity to achieve a return on your investment in us will be if the market price of our common shares appreciates, which may not occur, and you sell your shares at a profit. There is no guarantee that the price of our common shares that will prevail in the market after this offering will ever exceed the price that you pay.

We are a Bermuda company and a significant portion of our assets are located outside the United States. As a result, it may be difficult for shareholders to enforce civil liability provisions of the federal or state securities laws of the United States.

We are a Bermuda exempted company. As a result, the rights of holders of our common shares will be governed by Bermuda law and our memorandum of association and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. One of our directors is not a resident of the United States, and a substantial portion of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process on that person in the United States or to enforce in the United States judgments obtained in U.S. courts against us or that person based on the civil liability provisions of the U.S. securities laws. It is doubtful whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the United States, against us or our directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against us or our directors or officers under the securities laws of other jurisdictions.

Bermuda law differs from the laws in effect in the United States and might afford less protection to shareholders.

Our shareholders could have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction of the United States. As a Bermuda company, we are

governed by the Companies Act 1981 of Bermuda (the "Bermuda Companies Act"). The Bermuda Companies Act differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including the provisions relating to interested directors, mergers and acquisitions, takeovers, shareholder lawsuits and indemnification of directors. Set forth below is a summary of these provisions, as well as modifications adopted pursuant to our bye-laws, which differ in certain respects from provisions of Delaware corporate law. Because the following statements are summaries, they do not discuss all aspects of Bermuda law that may be relevant to us and our shareholders. See "Description of Share Capital."

Interested Directors. Under Bermuda law and our bye-laws, as long as a director discloses a direct or indirect interest in any contract or arrangement with us as required by law, such director is entitled to vote in respect of any such contract or arrangement in which he or she is interested, unless disqualified from doing so by the chairman of the meeting, and such a contract or arrangement will not be voidable solely as a result of the interested director's participation in its approval. In addition, the director will not be liable to us for any profit realized from the transaction. In contrast, under Delaware law, such a contract or arrangement is voidable unless it is approved by a majority of disinterested directors or by a vote of shareholders, in each case if the material facts as to the interested director's relationship or interests are disclosed or are known to the disinterested directors or shareholders, or such contract or arrangement is fair to the corporation as of the time it is approved or ratified. Additionally, such interested director could be held liable for a transaction in which such director derived an improper personal benefit.

Mergers and Similar Arrangements. The amalgamation of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation agreement to be approved by the company's board of directors and by its shareholders. Unless the company's bye-laws provide otherwise, the approval of 75% of the shareholders voting at such meeting is required to approve the amalgamation agreement, and the quorum for such meeting must be two persons holding or representing more than one-third of the issued shares of the company. Our bye-laws provide that an amalgamation (other than with a wholly owned subsidiary) that has been approved by the board must only be approved by shareholders owning a majority of the issued and outstanding shares entitled to vote. Under Bermuda law, in the event of an amalgamation of a Bermuda company with another company or corporation, a shareholder of the Bermuda company who is not satisfied that fair value has been offered for such shareholder's shares may, within one month of notice of the shareholders meeting, apply to the Supreme Court of Bermuda to appraise the fair value of those shares. Under Delaware law, with certain exceptions, a merger, consolidation or sale of all or substantially all the assets of a corporation must be approved by the board of directors and a majority of the issued and outstanding shares entitled to vote thereon. Under Delaware law, a shareholder of a corporation participating in certain major corporate transactions may, under certain circumstances, be entitled to appraisal rights pursuant to which such shareholder may receive cash in the amount of the fair value of the shares held by such shareholder (as determined by a court) in lieu of the consideration such shareholder would otherwise receive in the transaction.

Shareholders' Suit. Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company.

Our bye-laws contain a provision by virtue of which we and our shareholders waive any claim or right of action that they have, both individually and on our behalf, against any director or officer in relation to any action or failure to take action by such director or officer, except in respect of any fraud or dishonesty of such director or officer. Class actions and derivative actions generally are available to shareholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In such actions, the court has discretion to permit the winning party to recover attorneys' fees incurred in connection with such action.

Indemnification of Directors. We may indemnify our directors and officers in their capacity as directors or officers for any loss arising or liability attaching to them by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which a director or officer may be guilty in relation to the company other than in respect of his own fraud or dishonesty. Under Delaware law, a corporation may indemnify a director or officer of the corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in defense of an action, suit or proceeding by reason of such position if such director or officer acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, such director or officer had no reasonable cause to believe his or her conduct was unlawful. In addition, we have entered into customary indemnification agreements with our directors and officers.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Forward-Looking Statements

This prospectus contains estimates and forward-looking statements, principally in "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry" and "Business." Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Many important factors, in addition to the factors described in this prospectus, may adversely affect our results as indicated in forward-looking statements. You should read this prospectus and the documents that we have filed as exhibits to the registration statement of which this prospectus is a part completely and with the understanding that our actual future results may be materially different from what we expect.

Our estimates and forward-looking statements may be influenced by the following factors, among others:

- our ability to find, acquire or gain access to other discoveries and prospects and to successfully develop our current discoveries and prospects;
- uncertainties inherent in making estimates of our oil and natural gas data;
- the successful implementation of our and our block partners' prospect discovery and development and drilling plans;
- projected and targeted capital expenditures and other costs, commitments and revenues;
- termination of or intervention in concessions, rights or authorizations granted by the Ghanaian, Cameroon or Moroccan governments or national oil companies, or any other federal, state or local governments, to us;
- our dependence on our key management personnel and our ability to attract and retain qualified technical personnel;
- the ability to obtain financing and the terms under which such financing may be available;
- the volatility of oil and natural gas prices;
- the availability and cost of developing appropriate infrastructure around and transportation to our discoveries and prospects;
- the availability and cost of drilling rigs, production equipment, supplies, personnel and oilfield services;
- other competitive pressures;
- potential liabilities inherent in oil and natural gas operations, including drilling risks and other operational and environmental hazards;
- current and future government regulation of the oil and gas industry;
- cost of compliance with laws and regulations;
- changes in environmental, health and safety or climate change laws, greenhouse gas regulation or the implementation, or interpretation, of those laws and regulations;
- environmental liabilities;

- geological, technical, drilling and processing problems;

- military operations, terrorist acts, wars or embargoes;
- the cost and availability of adequate insurance coverage;
- our vulnerability to severe weather events; and
- other risk factors discussed in the "Risk Factors" section of this prospectus.

The words "aim," "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "plan," "should," "will" and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date they were made, and, except to the extent required by law, we undertake no obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. As a result of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this prospectus might not occur and our future results and our performance may differ materially from those expressed in these forward-looking statements due to, including, but not limited to, the factors mentioned above. Because of these uncertainties, you should not place undue reliance on these forward-looking statements when making an investment decision.

DIVIDEND POLICY

At the present time, we intend to retain all of our future earnings, if any, generated by our operations for the development and growth of our business. Additionally, we are subject to Bermuda legal constraints that may affect our ability to pay dividends on our common shares and make other payments. Under the Bermuda Companies Act, we may not declare or pay a dividend if there are reasonable grounds for believing that we are, or would after the payment be, unable to pay our liabilities as they become due or that the realizable value of our assets would thereafter be less than the aggregate of our liabilities, issued share capital and share premium accounts. Certain of our subsidiaries are also currently restricted in their ability to pay dividends to us pursuant to the terms of our commercial debt facilities unless we meet certain conditions, financial and otherwise. Any decision to pay dividends in the future is at the discretion of our board of directors and depends on our financial condition, results of operations, capital requirements and other factors that our board of directors deems relevant.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of common shares in this offering will be approximately $ million after deducting estimated offering expenses payable by us of $ million and underwriting discounts and commissions and assuming an initial public offering price of $ per common share (the midpoint of the estimated public offering price range set forth on the cover of this prospectus). If the over-allotment option is exercised in full, we estimate that our net proceeds will be approximately $ million.

We intend to use the net proceeds from this offering, available cash and borrowings under our commercial debt facilities to fund our capital expenditures, and in particular our exploration and appraisal drilling program and development activities through early 2013, our related operating expenses, and for general corporate purposes. As a result, management will retain broad discretion over the allocation of the net proceeds from this offering. Pending use of the net proceeds of this offering, we intend to invest the net proceeds in interest bearing, investment-grade securities.

We estimate we will incur approximately $400.0 million of capital expenditures for the year ending December 31, 2011. This capital expenditure budget consists of:

- $135.0 million for development in Ghana;
- $175.0 million for exploration and appraisal in Ghana;
- $25.0 million for exploration and appraisal in Cameroon;
- $25.0 million for new ventures to expand our license portfolio (including geological and geophysical expenses); and
- $40.0 million in unallocated funds which are available for additional drilling and licensing costs and activities.

The ultimate amount of capital we will expend may fluctuate materially based on market conditions and the success of our drilling results. Our future financial condition and liquidity will be impacted by, among other factors, our level of production of oil and natural gas and the prices we receive from the sale thereof, the success of our exploration and appraisal drilling program, the number of commercially viable oil and natural gas discoveries made and the quantities of oil and natural gas discovered, the speed with which we can bring such discoveries to production, and the actual cost of exploration, appraisal and development of our oil and natural gas assets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

A $1.00 increase (decrease) in the assumed public offering price of $ per common share would increase (decrease) our expected net proceeds by approximately $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

CORPORATE REORGANIZATION

Kosmos Energy Ltd. is a Bermuda exempted company that was formed for the purpose of making this offering. Pursuant to the terms of a corporate reorganization that will be completed simultaneously with, or prior to, the closing of this offering, all of the interests in Kosmos Energy Holdings will be exchanged for newly issued common shares of Kosmos Energy Ltd. and as a result Kosmos Energy Holdings will become wholly-owned by Kosmos Energy Ltd. Therefore, investors in this offering will only receive, and this prospectus only describes the offering of, common shares of Kosmos Energy Ltd. Our business will continue to be conducted through Kosmos Energy Holdings.

The reorganization will consist of a series of internal transactions and changes followed by an exchange of the common and preferred units in Kosmos Energy Holdings for common shares in Kosmos Energy Ltd. Upon completion of the reorganization, Kosmos Energy Ltd. will directly own all of the equity interests in Kosmos Energy Holdings, and the former holders of the common and preferred units in Kosmos Energy Holdings will own an aggregate of common shares based on their relative rights as set forth in Kosmos Energy Holdings' operating agreement. Any increase or decrease in the actual initial public offering price as compared to the assumed initial public offering price of $ (the midpoint of the estimated public offering price range set forth on the cover of this prospectus) will change the relative percentages of common shares owned by the former holders of common and preferred units, but will not change the aggregate number of shares outstanding following the completion of this offering. See "Description of Share Capital" for additional information regarding the terms of our memorandum of association and bye-laws as will be in effect upon the closing of this offering.

Upon the completion of the reorganization, Kosmos Energy Holdings' current operating agreement will be amended and restated to remove the various classes of units and terminate the rights and obligations of Kosmos Energy Holdings' current unitholders, including the rights of our Investors and management to appoint directors to the board of Kosmos Energy Holdings and the rights of Kosmos Energy Holdings to make any additional capital calls.

We refer to the reorganization pursuant to which Kosmos Energy Ltd. will acquire all of the interests in Kosmos Energy Holdings in exchange for common shares of Kosmos Energy Ltd. and the amendment of Kosmos Energy Holding's current operating agreement as our "corporate reorganization."

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2010 on an actual basis, pro forma to give effect to our corporate reorganization and pro forma as adjusted for the effect of this offering.

You should read this table together with "Use of Proceeds," "Selected Historical and Pro Forma Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and related notes included elsewhere in this prospectus.

	As of December 31, 2010		
	Actual	Pro Forma to Give Effect to our Corporate Reorganization(1)	Pro Forma as Adjusted for the Effect of this Offering(1)(2)
	(In thousands, except per share data)		
Cash and cash equivalents	$ 100,415	$	$
Restricted cash	112,000		
Total cash	$ 212,415	$	$
Current maturities of long-term debt	$ 245,000	$	$
Long-term debt	800,000		
Total debt	1,045,000		
Series A Convertible Preferred Units; 30,000,000 units outstanding, actual	383,246	—	—
Series B Convertible Preferred Units; 20,000,000 units outstanding, actual	568,163	—	—
Series C Convertible Preferred Units; 884,956 units outstanding, actual	27,097	—	—
Total Convertible Preferred Units	978,506	—	—
Common units; 19,069,662 units outstanding, actual	516	—	—
Common shares, $0.01 par value per share; shares issued and outstanding, pro forma to give effect to our corporate reorganization(3); shares issued and outstanding, pro forma as adjusted for the effect of this offering(4)	—		
Additional paid-in capital	—		
Deficit accumulated during development stage/Retained deficit	(615,515)		
Accumulated other comprehensive income (loss)	588		
Total unit holdings/shareholders' equity	(614,411)		
Total capitalization	$ 1,409,095	$	$

(1) Gives effect to the exchange of all of the interests in Kosmos Energy Holdings for newly issued common shares of Kosmos Energy Ltd. pursuant to the terms of a corporate reorganization that will be completed simultaneously with, or prior to, the closing of this offering.

(2) Also gives effect to the issuance of common shares contemplated by this offering at an assumed initial public offering price of $ per common share (the midpoint of the estimated public offering price range set forth on the cover page of this prospectus) less underwriting discounts and commissions and expenses payable by us. A $1.00 decrease or increase in the

assumed initial public offering price would result in approximately a $ million decrease or increase in each of the following pro forma as adjusted (i) cash and cash equivalents, (ii) additional paid-in capital, (iii) total unit holdings' capital/shareholders' equity and (iv) total capitalization, assuming the total number of common shares offered by us remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(3) Pursuant to the operating agreement, all of the preferred units and common units of Kosmos Energy Holdings, including (i) units issued to management and employees in connection with our corporate reorganization, (ii) all unvested units and (iii) any units reserved for future issuance, will be exchanged into common shares based on the pre-offering equity value of such interests. This results in the Series A, Series B, and Series C Preferred Units and the Common Units being exchanged into ; ; and common shares, respectively, or common shares in the aggregate. common shares issued and outstanding, pro forma to give effect to our corporate reorganization, excludes (i) unvested shares granted to management and employees in connection with our corporate reorganization and (ii) common shares which were reserved for issuance pursuant to our long-term incentive plan. Any increase or decrease in the initial public offering price from the assumed offering price of $ per common share will change the relative interest percentages of common shares owned by the different classes of unit holders but will not change the aggregate number of shares owned by all of the unit holders.

(4) common shares issued and outstanding, pro forma as adjusted for the effect of this offering, includes common shares issued pursuant to this offering and excludes (i) unvested common shares granted to management and employees in connection with our corporate reorganization and (ii) common shares which were reserved for issuance pursuant to our long-term incentive plan.

DILUTION

If you invest in our common shares, your interest will be diluted to the extent of the difference between the initial public offering price per common share and the pro forma as adjusted net tangible book value per common share after this offering. We calculate net tangible book value per share by dividing the net tangible book value (tangible assets less total liabilities) by the number of issued and outstanding common shares.

Our pro forma net tangible book value at December 31, 2010 after giving effect to our corporate reorganization was $ or $ per common share, based on common shares issued and outstanding prior to the closing of this offering. After giving effect to our corporate reorganization and the sale of common shares by us in this offering at an assumed initial public offering price of $ per common share (the midpoint of the estimated public offering price range set forth on the cover page of this prospectus), less the estimated underwriting discounts and commissions and the estimated offering expenses payable by us, our pro forma as adjusted net tangible book value at December 31, 2010, would be $, or $ per share. This represents an immediate increase in the pro forma net tangible book value of $ per share to existing shareholders and an immediate dilution of $ per share to new investors purchasing common shares in this offering. The following table illustrates this per share dilution:

Assumed initial public offering price		$
Pro forma net tangible book value per share as of December 31, 2010 after giving effect to our corporate reorganization	$	
Increase per share attributable to this offering	$	
Pro forma net tangible book value per share after giving effect to our corporate reorganization and this offering		$
Dilution per share to new investors in this offering		$

The following table shows, at December 31, 2010, on a pro forma basis as described above, the difference between the number of common shares purchased from us, the total consideration paid to us and the average price paid per share by existing shareholders and by new investors purchasing common shares in this offering:

	Common Shares Purchased		Total Consideration		Average Price Per Common Share
	Number	Percentage	Amount	Percentage	
Existing shareholders		%$	(1)	%$	
New investors		%$		%$	
Total		100.00%$		100.00%$	

(1) Represents the total amount of capital contributions made by the Kosmos Energy Holdings unit holders.

Assuming the underwriters' over-allotment option is exercised in full, sales by us in this offering will reduce the percentage of common shares held by existing shareholders to % and will increase the number of common shares held by new investors to , or %. This information is based on common shares issued and outstanding as of December 31, 2010, after giving effect to our corporate reorganization. No material change has occurred to our equity capitalization since December 31, 2010, after giving effect to our corporate reorganization and this offering.

Each $1.00 increase (decrease) in the assumed public offering price per common share would increase (decrease) the pro forma net tangible book value by $ per share (after giving effect to our corporate reorganization and assuming no exercise of the underwriters' option to purchase additional shares) and the dilution to investors in this offering by $ per share, assuming the number of common shares offered by us, as set forth on the cover page of this prospectus, remains the same.

SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

The selected historical financial information set forth below should be read in conjunction with the sections entitled "Corporate Reorganization", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with Kosmos Energy Holdings' financial statements and the notes to those financial statements included elsewhere in this prospectus. Kosmos Energy Holdings has been a development stage company. The consolidated statements of operations and cash flows for the years ended December 31, 2006, 2007, 2008, 2009 and 2010 and for the period April 23, 2003 (Inception) through December 31, 2010, and the consolidated balance sheets as of December 31, 2006, 2007, 2008, 2009 and 2010 were derived from Kosmos Energy Holdings' audited consolidated financial statements. The unaudited pro forma information is derived from Kosmos Energy Holdings' audited consolidated financial statements appearing elsewhere in this prospectus and is based on assumptions and includes adjustments as explained in the notes to the table.

Other than as indicated under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies," all accounting policies in effect for Kosmos Energy Holdings and described in this prospectus will remain in effect upon completion of the corporate reorganization and will be utilized by Kosmos Energy Ltd.

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Consolidated Statements of Operations Information:

	Year Ended December 31					Period April 23, 2003 (Inception) through December 31
	2006	2007	2008	2009	2010	2010
	(In thousands)					
Revenues and other income:						
Oil and gas revenue	$ —	$ —	$ —	$ —	$ —	$ —
Interest income	445	1,568	1,637	985	4,231	9,142
Other income	3,100	2	5,956	9,210	5,109	26,699
Total revenues and other income	3,545	1,570	7,593	10,195	9,340	35,841
Costs and expenses:						
Exploration expenses, including dry holes	9,083	39,950	15,373	22,127	73,126	166,450
General and administrative	9,588	18,556	40,015	55,619	98,967	236,165
Depletion, depreciation and amortization	401	477	719	1,911	2,423	6,505
Amortization —debt issue costs	—	—	—	2,492	28,827	31,319
Interest expense	—	8	1	6,774	59,582	66,389
Derivatives, net	—	—	—	—	28,319	28,319
Equity in losses of joint venture	9,194	2,632	—	—	—	16,983
Doubtful accounts expense	—	—	—	—	39,782	39,782
Other expenses, net	7	17	21	46	1,094	1,949
Total costs and expenses	28,273	61,640	56,129	88,969	332,120	593,861
Loss before income taxes	(24,728)	(60,070)	(48,536)	(78,774)	(322,780)	(558,020)
Income tax expense (benefit)	—	718	269	973	(77,108)	(75,148)
Net loss	$ (24,728)	$ (60,788)	$ (48,805)	$ (79,747)	$ (245,672)	$ (482,872)
Accretion to redemption value of convertible						

preferred units	(4,019)	(8,505)	(21,449)	(51,528)	(77,313)	(165,262)
Net loss attributable to common unit holders	$ (28,747)	$ (69,293)	$ (70,254)	$ (131,275)	$ (322,985)	$ (648,134)
Pro forma net loss (unaudited)(1):						
Pro forma basic and diluted net loss per common share(2)					$	
Pro forma weighted average number of shares used to compute pro forma net loss per share, basic and diluted(3)						

(1) Pursuant to the terms of a corporate reorganization that will be completed simultaneously with, or prior to, the closing of this offering, all of the interests in Kosmos Energy Holdings will be exchanged for newly issued common shares of Kosmos Energy Ltd. based on these interests' relative rights as set forth in Kosmos Energy Holdings' current operating agreement. This includes convertible preferred units of Kosmos Energy Holdings which are redeemable upon the consummation of a qualified public offering (as defined in the current operating agreement) into common shares of Kosmos Energy Ltd. based on the pre-offering equity value of such interests. Consequently, pro forma basic and diluted net loss per common share is presented above, giving effect to the additional shares of common stock issuable to the pro forma shareholders upon consummation of this offering.

(2) Any stock options, restricted share units and share appreciation rights that are out of the money will be excluded as they will be anti-dilutive.

(3) The weighted average common shares outstanding have been calculated as if the ownership structure resulting from the corporate reorganization was in place since inception.

Consolidated Balance Sheets Information:

	As of December 31					Pro Forma as Adjusted as of December 31 2010(1)
	2006	2007	2008	2009	2010	(Unaudited)
	(In thousands)					
Cash and cash equivalents	$ 9,837	$ 39,263	$ 147,794	$ 139,505	$ 100,415	$
Total current assets	10,334	65,960	205,708	256,728	559,920	
Total property and equipment	1,567	18,022	208,146	604,007	998,000	
Total other assets	3,704	3,393	1,611	161,322	133,615	
Total assets	15,605	87,375	415,465	1,022,057	1,691,535	
Total current liabilities	1,436	28,574	68,698	139,647	482,057	
Total long-term liabilities	—	—	444	287,022	845,383	
Total convertible preferred units	61,952	167,000	499,656	813,244	978,506	
Total unit holdings	(47,783)	(108,199)	(153,333)	(217,856)	(614,411)	
Total liabilities, convertible preferred units and unit holdings/shareholders' equity	15,605	87,375	415,465	1,022,057	1,691,535	

(1) Includes the effect of our corporate reorganization and the effect of this offering as described in "Corporate Reorganization," "Capitalization" and "Dilution."

Consolidated Statements of Cash Flows Information:

	Year Ended December 31					Period April 23, 2003 (Inception) through December 31 2010
	2006	2007	2008	2009	2010	
	(In thousands)					
Net cash provided by (used in):						
Operating activities	$ (9,617)	$ (17,386)	$ (65,671)	$ (27,591)	$ (191,800)	$ (331,009)
Investing activities	(14,663)	(58,161)	(156,882)	(500,393)	(589,975)	(1,329,026)
Financing activities	19,768	104,973	331,084	519,695	742,685	1,760,450

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in "Risk Factors," "Cautionary Note Regarding Forward-Looking Statements" and the other matters set forth in this prospectus. The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto included elsewhere in this prospectus, as well as the information presented under "Selected Historical and Pro Forma Financial Information." Due to the fact that we have not yet generated any revenues, we believe that the financial information contained in this prospectus is not indicative of, or comparable to, the financial profile that we expect to have once we begin to generate revenues. Except to the extent required by law, we undertake no obligation to publicly update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

Overview

We are an independent oil and gas exploration and production company focused on under-explored regions in Africa. Our current asset portfolio includes world-class discoveries and partially de-risked exploration prospects offshore Ghana, as well as exploration licenses with significant hydrocarbon potential onshore Cameroon and offshore from Morocco. This portfolio, assembled by our experienced management and technical teams, will provide investors with differentiated access to both high-impact exploration opportunities as well as defined, multi-year visibility in the reserve and production growth of our existing discoveries.

We were incorporated pursuant to the laws of Bermuda as Kosmos Energy Ltd. in January 2011 to become a holding company for Kosmos Energy Holdings. Kosmos Energy Holdings is a privately held Cayman Islands company that was formed March 5, 2004. As a holding company, its management operations are conducted through a wholly-owned subsidiary, Kosmos Energy, LLC. Kosmos Energy, LLC is a privately held Texas limited liability company that was formed April 23, 2003. Kosmos Energy, LLC became a wholly-owned subsidiary of Kosmos Energy Holdings on March 9, 2004. Pursuant to the terms of a corporate reorganization that will be completed simultaneously with, or prior to, the closing of this offering, all of the interests in Kosmos Energy Holdings will be exchanged for newly issued common shares of Kosmos Energy Ltd. and as a result Kosmos Energy Holdings will become wholly-owned by Kosmos Energy Ltd.

Exploration and Other Agreements

Each of our five exploration licenses is governed by related petroleum or license agreements. In July 2004, Kosmos signed the WCTP Petroleum Agreement. In July 2006, Kosmos signed the DT Petroleum Agreement. In 2006, Anadarko farmed in to the WCTP Block and DT Block while Tullow and Sabre farmed in to the WCTP Block. Following the discovery of the Jubilee Field, on July 13, 2009 Kosmos and the other WCTP and DT block partners signed the UUOA, which governs the interests in and development of the Jubilee Field and created the Jubilee Unit from portions of the WCTP Block and the DT Block. In November 2005, Kosmos farmed in to the Kombe-N'sepe License Agreements. In November 2006, Kosmos signed the Ndian River Production Sharing Contract. In May 2006, Kosmos signed the Boujdour Offshore Petroleum Agreement and in September 2010, we entered a memorandum of understanding with ONHYM to enter a new petroleum agreement covering the highest potential areas of this block under essentially the same terms as the original petroleum agreement. Kosmos has also entered numerous agreements ancillary to the operation of the above license agreements or otherwise necessary to conduct Kosmos' oil and natural gas exploration, development and production activities.

Factors Affecting Comparability of Future Results

This management's discussion and analysis of our financial condition and results of operations should be read in conjunction with our historical financial statements included elsewhere in this prospectus. Below are the period-to-period comparisons of our historical results and the analysis of our financial condition. Our future results could differ materially from our historical results due to a variety of factors, including the following:

Success in the Discovery and Development of Oil and Natural Gas Reserves. Because we have limited operating history in the production of oil and natural gas, our future results of operations and financial condition will be directly affected by our ability to discover and develop reserves through our drilling activities. The calculation of our geological and petrophysical estimates is complex and imprecise, and it is possible that our future exploration will not result in additional discoveries, and, even if we are able to successfully make such discoveries, there is no certainty that the discoveries will be commercially viable to produce. Our results of operations will be adversely affected in the event that our estimated oil and natural gas asset base does not result in additional reserves that may eventually be commercially developed.

Oil and Gas Revenue. We commenced oil and natural gas production on November 28, 2010, and received our first revenues from such production in early 2011. No oil and gas revenue is reflected in our historical financial statements.

Production Costs. We have recently commenced oil and natural gas production and will accordingly incur production costs. Production costs are the costs incurred in the operation of producing and processing our production and are primarily comprised of lease operating expense, workover costs and production taxes. No production costs are reflected in our historical financial statements.

General and Administrative. We expect general and administrative expenses to increase as a result of commencing production from the Jubilee Field on November 28, 2010 and as a result of becoming a publicly traded company. Public company costs include expenses associated with our annual and quarterly reporting, investor relations, registrar and transfer agent fees, incremental insurance costs, and accounting and legal services. In addition, we expect to incur certain non-recurring expenses related to the offering in the quarter in which the offering occurs. For a discussion of these expenses incurred in connection with this offering, see "Underwriting." These differences in general and administrative expenses are not reflected in our historical financial statements.

Depletion, Depreciation and Amortization. We recently commenced oil and natural gas production and deplete the costs of successful exploration, appraisal, drilling and field development using the unit-of-production method based on estimated proved developed oil and natural gas reserves.

Other Income. Our amounts of other income earned will depend on whether we are the operator of any future blocks we acquire. As operator of a block, we bill portions of our general and administrative expenses to the other block partners in accordance with their working interests. These billings are recorded as other income.

Income Taxes. The Kosmos Ghana valuation allowance, reducing the deferred tax asset to zero, was removed in December 2010. Based upon various factors including the commencement of start-up operations, the placing into service of the equipment and infrastructure necessary to lift and store oil, the lifting of oil beginning on November 28, 2010, our forecast of future production and our estimates of future taxable income from the related oil sales, we believe it is more likely than not that the deferred tax asset will be realized in the future.

We entered into the Boujdour Offshore Petroleum Agreement in May 2006. This agreement provides for a tax holiday, at a 0% tax rate, for a period of 10 years beginning on the date of first production from the Boujdour Offshore Block. We currently have recorded deferred tax assets of $6.8 million, recorded at the Moroccan statutory rate of 30%, with an offsetting valuation allowance of $6.8 million. Once we enter into the tax holiday period (when production begins) we will re-evaluate our deferred tax position and at such time may reduce the statutory rate applied to the deferred tax assets in Morocco to the extent those deferred tax assets are realized within the tax holiday period.

Demand and Price. The demand for oil and natural gas is susceptible to volatility based on, among other factors, the level of global economic activity, and may also fluctuate depending on the performance of specific industries.

We expect to earn income from:

- oil and natural gas sales to international markets; and
- other sources, including technical services, investment income and foreign exchange gains.

We expect that our expenses will include:

- costs of sales (which include production costs, insurance, sales expenses and costs associated with the drilling and operation of our wells and related facilities);
- maintenance and repair of property and equipment;
- depreciation of fixed assets;
- depletion of oilfields and associated abandonment costs;
- exploration and appraisal costs;
- costs of acquiring seismic or other geological and geophysical data;
- selling expenses and general and administrative expenses; and
- financing expenses, interest expense and foreign exchange losses.

We expect that fluctuations in our financial condition and results of operations will be driven by a combination of factors, including:

- the volume of oil and natural gas we produce and sell;
- changes in the market prices of oil and natural gas;
- changes in fair value of derivative financial instruments;
- our success in obtaining new licenses and other acquisitions;
- the successful implementation of our drilling and appraisal and development plans;
- political and economic conditions in the countries in which we conduct our business activities; and
- the amount of taxes and duties that we are required to pay with respect to our future operations.

Results of Operations

The discussion of the results of operations and the period-to-period comparisons presented below analyze our historical results. The following discussion may not be indicative of future results.

Year Ended December 31, 2010 vs. 2009

	Years Ended December 31		Increase (Decrease)
	2009	2010	
		(In thousands)	
Revenues and other income:			
Oil and gas revenue	$ —	$ —	$ —
Interest income	985	4,231	3,246
Other income	9,210	5,109	(4,101)
Total revenues and other income	10,195	9,340	(855)
Costs and expenses:			
Exploration expenses, including dry holes	22,127	73,126	50,999
General and administrative	55,619	98,967	43,348
Depletion, depreciation and amortization	1,911	2,423	512
Amortization—debt issue costs	2,492	28,827	26,335
Interest expense	6,774	59,582	52,808
Derivatives, net	—	28,319	28,319
Doubtful accounts expense	—	39,782	39,782
Other expenses, net	46	1,094	1,048
Total costs and expenses	88,969	332,120	243,151
Loss before income taxes	(78,774)	(322,780)	(244,006)
Income tax expense (benefit)	973	(77,108)	(78,081)
Net loss	$ (79,747)	$ (245,672)	$ (165,925)

Oil and gas revenue. We have recently commenced oil and natural gas production. We did not realize any oil and gas revenue during the years ended December 31, 2009 and 2010.

Interest income. Interest income increased by $3.2 million during the year ended December 31, 2010, as compared to the year ended December 31, 2009, due to interest accrued on receivables—joint interest billings.

Other income. Other income decreased by $4.1 million during the year ended December 31, 2010, as compared to the year ended December 31, 2009, primarily due to a decrease in technical services fees and overhead charges billed to the Unit Operator as a result of the Jubilee Field Phase 1 development nearing completion.

Exploration expenses. Exploration expenses increased by $51.0 million during the year ended December 31, 2010, as compared to the year ended December 31, 2009, primarily due to unsuccessful well costs of $28.4 million and $26.0 million for the Ghana Dahoma-1 well and Cameroon Mombe-1 well, respectively, and an increase in purchases of seismic data for Ghana of $5.6 million offset by a decrease in purchases of seismic data for Morocco of $12.9 million.

General and administrative. General and administrative costs increased by $43.3 million during the year ended December 31, 2010, as compared to the year ended December 31, 2009, due to increases in professional fees and expenses, unit-based compensation and operator charges offset by increases in capitalized technical service fees.

Amortization—debt issue costs. Amortization—debt issue costs increased by $26.3 million during the year ended December 31, 2010, as compared to the year ended December 31, 2009, due to the amortization of the fees which were capitalized in connection with the initial draw on the commercial debt facilities in November 2009.

Interest expense. Interest expense increased by $52.8 million during the year ended December 31, 2010, as compared to the year ended December 31, 2009, $49.6 million due to draws on the commercial debt facilities beginning in November 2009 and $12.4 million for realized and unrealized losses on interest rate swaps offset by $9.2 million of capitalized interest.

Derivatives, net. During the year ended December 31, 2010, we recorded $28.3 million of unrealized losses on commodity derivatives, due to exposure to continuing market risk.

Income tax expense (benefit). Income tax decreased by $78.1 million during the year ended December 31, 2010, as compared to the year ended December 31, 2009, due to the release of the Ghana valuation allowance at December 31, 2010. This release was warranted as it was determined it is more likely than not that Kosmos Ghana will utilize its net deferred tax asset due to the beginning of oil production in late November 2010 and future projected taxable income to be generated from oil sales.

Year Ended December 31, 2009 vs. 2008

	Years Ended December 31		Increase (Decrease)
	2008	2009	
	(In thousands)		
Revenues and other income:			
Oil and gas revenue	$ —	$ —	$ —
Interest income	1,637	985	(652)
Other income	5,956	9,210	3,254
Total revenues and other income	7,593	10,195	2,602
Costs and expenses:			
Exploration expenses, including dry holes	15,373	22,127	6,754
General and administrative	40,015	55,619	15,604
Depreciation and amortization	719	1,911	1,192
Amortization—debt issue costs	—	2,492	2,492
Interest expense	1	6,774	6,773
Other expenses, net	21	46	25
Total costs and expenses	56,129	88,969	32,840
Loss before income taxes	(48,536)	(78,774)	(30,238)
Income tax expense	269	973	704
Net loss	$ (48,805)	$ (79,747)	$ (30,942)

Oil and gas revenue. We have recently commenced oil and natural gas production. We did not realize any oil and gas revenue during the years ended December 31, 2008 and 2009.

Other income. Other income increased by $3.3 million during the year ended December 31, 2009, as compared to the year ended December 31, 2008, primarily due to an increase of $3.6 million in technical services fees and overhead charges billed to the Unit Operator for the Jubilee Field Phase 1 development.

Exploration expenses. Exploration expenses increased by $6.8 million during the year ended December 31, 2009, as compared to the year ended December 31, 2008, due to an increase of $14.5 million in purchases of seismic data for Cameroon and Morocco offset by a decrease of $7.7 million in purchases of seismic data for Ghana and Nigeria.

General and administrative. General and administrative costs increased by $15.6 million during the year ended December 31, 2009, as compared to the year ended December 31, 2008, due to increases in professional fees and expenses and office-related costs offset by increases in capitalized technical service fees and billings to block partners.

Depreciation and amortization. Depreciation and amortization, which relates primarily to non-oil and natural gas properties and equipment, increased by $1.2 million during the year ended December 31, 2009, as compared to the year ended December 31, 2008, due to acquisitions of depreciable leasehold improvements and office furniture and equipment.

Amortization—debt issue costs. Amortization—debt issue costs increased by $2.5 million during the year ended December 31, 2009, as compared to the year ended December 31, 2008, due to the amortization of the fees which were capitalized in connection with the initial draw on the commercial debt facilities in November 2009.

Interest expense. Interest expense increased by $6.8 million during the year ended December 31, 2009, as compared to the year ended December 31, 2008, due to the draws on the commercial debt facilities beginning in November 2009.

Liquidity and Capital Resources

As we have, until recently, been a development stage entity, we are actively engaged in an ongoing process to anticipate and meet our funding requirements related to exploring for and developing oil and natural gas resources in Africa. To meet our ongoing liquidity requirements, we have historically secured funding from equity commitments and from commercial debt facilities. We have a proven ability to raise capital, having secured commitments for approximately $2.3 billion of private equity funding and commercial debt funding in the last seven years. In addition, we received our first oil revenues in early 2011 from production from Jubilee Field Phase 1. Accordingly, the cash generated from our operating activities will provide an additional source of funding going forward. We believe that our available cash, together with the net proceeds from this offering and borrowings under our commercial debt facilities, will be sufficient to meet our operating needs, service our existing debt, finance internal growth and fund capital expenditures through early 2013.

Significant Sources of Capital

To date all of our equity has been provided by funds affiliated with either Warburg Pincus or The Blackstone Group, as well as the management group, certain accredited employee investors and directors. We have received three rounds of equity funding commitments aggregating $1.1 billion.

During 2009, we secured commercial debt facilities from a number of financial institutions, including the IFC, for up to $900.0 million to be used in funding our share of Jubilee Field Phase 1 development. The facilities were amended in August 2010 to increase the total commercial debt facilities amount to $1.25 billion and to add additional lenders.

The revised $1.25 billion of commercial debt facilities are divided among a senior facility of $950.0 million, a junior facility of $200.0 million and additional facilities of $100.0 million ($50.0 million senior facility and $50.0 million junior facility) from the IFC. The senior and junior facilities of $950.0 million and $200.0 million include a syndicate of institutions led by Standard Chartered Bank, the Global Coordinator for the facilities. Standard Chartered Bank is also the Co-Technical and Modeling Bank and Senior Facility Agent, BNP Paribas SA is the Security Trustee, Junior Facility

Agent, and has the role of Hedging Coordinator Bank, and Société Générale is the Lead Technical and Modeling Bank. The senior facilities have a final maturity date of December 15, 2015, while the junior facilities have a final maturity date of June 15, 2016.

The interest is the aggregate of the applicable margin (5% to 6% on the senior facilities and 9% to 9.5% on the junior facilities); LIBOR; and mandatory cost (if any, as defined in the relevant documentation). Interest on each loan is payable on the last day of each interest period (and, if the interest period is longer than six months, on the dates falling at six-month intervals after the first day of the interest period). Kosmos pays commitment fees on the undrawn and uncancelled portion of the total commitments. Commitment fees for the senior and junior lenders are equal to 50% per annum of the then-applicable respective margin.

Certain facilities contain certain financial covenants, which include:

- Before project completion, maintenance of the funding sufficiency ratio, not less than 1:1x; and;
- After project completion, maintenance of:

(i) the debt service coverage ratio, not less than 1.2x;

(ii) the field life cover ratio, not less than 1.35x; and

(iii) the loan life cover ratio, not less than 1.15x

in each case, as calculated on the basis of all available information. The "funding sufficiency ratio" is broadly defined, for each applicable calculation period, as the ratio of (x) available funding through the assumed completion date, being the sum of the total available commitments under our commercial debt facilities, the balance of certain accounts securing our commercial debt facilities and the amount of any additional indebtedness permitted under our commercial debt facilities, to (y) total costs through the assumed completion date, being the forecasted project costs, interests and principal payments on, and costs in connection with, our commercial debt facilities, hedging payments in connection with required hedges under our commercial debt facilities, taxes payable and any other costs, fees and expenses incurred in connection with carrying out the Jubilee Field Phase 1 development. The "debt service coverage ratio" is broadly defined, for each applicable forecast period, as the ratio of (x) net cash flow for that period, to (y) aggregate costs of financing the project under our commercial debt facilities, including interest, principal, fees and expenses payable for such period. The "field life cover ratio" is broadly defined, for each applicable forecast period, as the ratio of (x) net present value of net cash flow through the depletion of the Jubilee Field plus the net present value of capital expenditures incurred in relation to the Jubilee Phase I development and funded under our commercial debt facilities, to (y) the aggregate loan amounts outstanding under the senior facility. The "loan life cover ratio" is broadly defined, for each applicable forecast period, as the ratio of (x) net present value of net cash flow through the maturity date of the commercial debt facilities plus the net present value of capital expenditures incurred in relation to the Jubilee Phase I development and funded under our commercial debt facilities, to (y) the aggregate loan amounts outstanding under the senior facility.

Kosmos has the right to cancel all the undrawn commitments under the facilities if such cancellation is simultaneous with the full repayment of all outstanding loans made under the facilities. The amount of funds available to be borrowed under the senior facilities, also known as the borrowing base amount, is determined on June 15 and December 15 of each year as part of a forecast that is prepared and agreed by Kosmos and the Technical and Modeling Banks. The formula to calculate the borrowing base amount is based, in part, on the sum of the net present values of net cash flows and relevant capital expenditures reduced by certain percentages. As of December 31, 2010, borrowings against the commercial debt facilities totaled $1.05 billion, of which $970.0 million is senior debt and $75.0 million is junior debt. As of December 31, 2010, the availability under our commercial debt facilities was $203.0 million, with $205.0 million of committed undrawn capacity provided for in such facilities (the difference being the result of borrowing base constraints).

If an event of default exists under the facilities, the lenders will be able to accelerate the maturity and exercise other rights and remedies.

Capital Expenditures and Investments

We expect to incur substantial expenses and generate significant operating losses as we continue to develop our oil and natural gas prospects and as we:

- complete our current exploration and appraisal drilling program through 2011 for our offshore Ghana licenses;
- drill two exploration wells in Cameroon;
- purchase and analyze seismic and other geological and geophysical data in order to identify future prospects;
- invest in additional oil and natural gas leases and licenses; and
- develop our discoveries which we determine to be commercially viable.

Oil production from the Jubilee Field commenced on November 28, 2010, and we received our first oil revenues in early 2011. We expect gross oil production from the Jubilee Field to reach the design capacity of the FPSO facility used to produce from the field of 120,000 bopd in mid 2011. At that rate, the share of this gross oil production net to us is expected to be 28,200 bopd.

In budgeting for our future activities, we have relied on a number of assumptions, including with regard to our discovery success rate, the number of wells we plan to drill, our working interests in our prospects, the costs involved in developing or participating in the development of a prospect, the timing of third party projects and the availability of both suitable equipment and qualified personnel. These assumptions are inherently subject to significant business, political, economic, regulatory, environmental and competitive uncertainties, contingencies and risks, all of which are difficult to predict and many of which are beyond our control. We may need to raise additional funds more quickly if one or more of our assumptions prove to be incorrect or if we choose to expand our hydrocarbon asset acquisition, exploration, appraisal or development efforts more rapidly than we presently anticipate, and we may decide to raise additional funds even before we need them if the conditions for raising capital are favorable. We may seek to sell equity or debt securities or obtain additional bank credit facilities. The sale of equity securities could result in dilution to our shareholders. The incurrence of additional indebtedness could result in increased fixed obligations and could also result in additional covenants that could restrict our operations.

Furthermore, if MODEC, the contractor for the FPSO we are using to produce hydrocarbons from the Jubilee Field, is unable to secure long-term financing for the cost of such FPSO in order to repay amounts originally loaned by us and certain other Jubilee Unit partners under an Advance Payments Agreement (which we are not a signatory of, as Tullow entered such agreement as Unit Operator of the Jubilee Unit) and a construction loan from a third-party for the financing of the construction of such FPSO, the Jubilee Unit partners may need to directly purchase the FPSO or find an alternative funding source or buyer. MODEC is required to repay amounts advanced on the earlier of September 15, 2011 or the date of the first drawdown under MODEC's long-term financing. Tullow is required, based on the terms of the joint operating agreement for the Jubilee Unit, to reimburse us the amounts MODEC reimburses to Tullow within ten business days of repayment by MODEC. The Advance Payments Agreement grants to the Jubilee Unit partners the option to purchase the FPSO from MODEC on or before that same date, at a discount to the market value of the FPSO. We have a letter agreement with certain of our partners in which they agree that should they be required to purchase the vessel they will use all reasonable endeavors to lease it back to the Jubilee Unit partners on similar terms to the current lease governing the use of the vessel. Should we elect to participate in any purchase of the vessel, our share of the remaining balance of cost to make such purchase is an

amount up to approximately $120.0 million. See "Risk Factors—The inability of one or more third parties who contract with us to meet their obligations to us may adversely affect our financial results."

We estimate we will incur approximately $400.0 million of capital expenditures for the year ending December 31, 2011. This capital expenditure budget consists of:

- $135.0 million for development in Ghana;
- $175.0 million for exploration and appraisal in Ghana;
- $25.0 million for exploration and appraisal in Cameroon;
- $25.0 million for new ventures to expand our license portfolio (including geological and geophysical expenses); and
- $40.0 million in unallocated funds which are available for additional drilling and licensing costs and activities.

The ultimate amount of capital we will expend may fluctuate materially based on market conditions and the success of our drilling results. Our future financial condition and liquidity will be impacted by, among other factors, our level of production of oil and natural gas and the prices we receive from the sale thereof, the success of our exploration and appraisal drilling program, the number of commercially viable oil and natural gas discoveries made and the quantities of oil and natural gas discovered, the speed with which we can bring such discoveries to production, and the actual cost of exploration, appraisal and development of our oil and natural gas assets.

Cash Flows

	Year Ended December 31			Period April 23, 2003 (Inception) through December 31 2010
	2008	2009	2010	(Unaudited)
	(In thousands)			
Net cash provided by (used in):				
Operating activities	$ (65,671)	$ (27,591)	$(191,800)	$ (331,009)
Investing activities	(156,882)	(500,393)	(589,975)	(1,329,026)
Financing activities	331,084	519,695	742,685	1,760,450

Operating activities. Net cash used in operating activities in 2010 was $191.8 million compared with net cash used in operating activities of $27.6 million and $65.7 million in 2009 and 2008, respectively. The increase in cash used in 2010 when compared to 2009 is mainly due to changes in working capital related to receivables of $66.1 million, primarily joint interest billings, timing of payments of $15.1 million, prepaid drilling costs of $12.5 million, increases in interest expense of $45.7 million and $28.3 million of general and administrative expenses. The decrease in cash used in 2009 when compared to 2008 is primarily attributed to timing of payments related to working capital expenditures offset by increases in seismic exploration costs of $6.7 million and $6.8 million of interest expense.

Investing activities. Net cash used in investing activities in 2010 was $590.0 million compared with net cash used in investing activities of $500.4 million and $156.9 million in 2009 and 2008, respectively. The increase in cash used in 2010 when compared to 2009 is primarily attributable to increases in restricted cash of $29.0 million related to the commercial bank facilities and $23.0 million for the cash collateralized irrevocable letter of credit associated with the Eirik Raude drilling rig and increases of $32.8 million in expenditures for oil and gas assets primarily in Ghana for exploration and appraisal wells and development activities. The increase in cash used in 2009 when compared to 2008 is primarily attributed to increased expenditures in Ghana for exploration and appraisal wells and development activities.

Financing activities. Net cash provided by financing activities in 2010 was $742.7 million compared with net cash provided by financing activities of $519.7 million and $331.1 million in 2009 and 2008, respectively. The increase in cash provided in 2010 when compared to 2009 is primarily due to increased borrowings of $475.0 million on the commercial bank facilities and a decrease of $73.3 million in cash used for debt issue costs offset by a decrease of $325.3 million of proceeds from the issuances of Series B and Series C Convertible Preferred Units. The increase in cash provided in 2009 when compared to 2008 is due to borrowings of $285.0 million on the commercial bank facilities offset by a net decrease of $7.3 million of proceeds from issuances of Series B and Series C Convertible Preferred Units and an increase of $89.1 million in cash used for debt issue costs.

Contractual Obligations

The following table summarizes by period the payments due for our estimated contractual obligations as of December 31, 2010:

	Payments Due By Year(3)						
	Total	2011	2012	2013	2014	2015	Thereafter
	(In thousands)						
Drilling rig contract(1)	$ 271,719	$138,588	$133,131	$ —	$ —	$ —	—
Operating leases	6,461	1,615	1,636	1,660	1,168	382	—
Commercial debt facilities(2)	1,045,000	245,000	250,000	200,000	175,000	100,000	75,000
Interest payments on commercial debt facilities	219,295	72,131	56,430	39,288	28,691	17,559	5,196

(1) Does not include any well commitments we may have under our oil and natural gas licenses.

(2) The amounts included in the table above represent principal maturities only. Pursuant to the terms in the commercial debt facilities, when any junior debt is outstanding, repayments may be required to be made under the agreement, whereby 75% of any funds remaining on any repayment date, after required payments are made, will be applied to prepay the junior facilities and the remaining 25% will be applied to prepay the senior facilities. The table of scheduled maturities assumes the outstanding borrowings under the junior facilities will be repaid on June 15, 2016. If repayments are required as noted above, amortization of the junior facilities will occur through such repayments. Subsequent to December 31, 2010, the Company borrowed an additional $28.0 million under the senior facilities. As of the date of the financial statements, borrowings against the commercial debt facilities totaled $1.07 billion and the scheduled principal maturities during the next five years and thereafter are (in thousands): 2011—$273,000; 2012—$250,000; 2013—$200,000; 2014—$175,000; 2015—$100,000 and thereafter—$75,000.

(3) Does not include purchase commitments for jointly owned fields and facilities where we are not the operator.

The following table presents maturities by expected maturity dates under the commercial debt facilities, the weighted average interest rates expected to be paid on the credit facilities given current contractual terms and market conditions and the debt's estimated fair value. Weighted-average interest rates are based on implied forward rates in the yield curve at the reporting date. This table does not take into account any amortization of debt issue costs.

	Year Ending December 31						Asset (Liability) Fair Value at December 31
	2011	2012	2013	2014	2015	Thereafter	2010
	(In thousands, except percentages)						
Variable Rate Debt:							
Credit facilities maturities	$245,000	$250,000	$200,000	$175,000	$100,000	$ 75,000	$ (1,045,000)
Weighted average interest rate	6.90%	7.65%	7.86%	9.48%	11.71%	13.86%	
Interest Rate Swaps							
Notional debt amount(1)	$161,250	$138,073	$ 91,683	$ 47,033	$ 16,875	$ 6,250	$ (2,938)
Fixed rate payable	2.22%	2.22%	2.22%	2.22%	2.22%	2.22%	
Variable rate receivable(2)	0.52%	1.23%	2.34%	3.37%	4.18%	4.60%	
Notional debt amount(1)	$161,250	$138,073	$ 91,683	$ 47,033	$ 16,875	$ 6,250	$ (3,309)
Fixed rate payable	2.31%	2.31%	2.31%	2.31%	2.31%	2.31%	
Variable rate receivable(2)	0.52%	1.23%	2.34%	3.37%	4.18%	4.60%	
Notional debt amount(1)	$ 77,500	$ 63,625	$ 19,057	$ 1,868	$ —	$ —	$ 91
Fixed rate payable	0.98%	0.98%	0.98%	0.98%			
Variable rate receivable(2)	0.52%	1.23%	2.34%	3.37%			
Notional debt amount(1)	$ 75,004	$ 50,942	$ 24,680	$ 38,434	$ 23,137	$ —	$ 518
Fixed rate payable	1.34%	1.34%	1.34%	1.34%	1.34%		
Variable rate receivable(2)	0.52%	1.23%	2.34%	3.37%	4.01%		

(1) Represents weighted average notional contract amounts of interest rate derivatives.

(2) Based on implied forward rates in the yield curve at the reporting date.

Off-Balance Sheet Arrangements

As of December 31, 2010, we did not have any off-balance sheet arrangements.

Critical Accounting Policies

This discussion of financial condition and results of operations is based upon the information reported in our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of our financial statements requires us to make assumptions and estimates that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities as of the date the financial statements are available to be issued. We base our assumptions and estimates on historical experience and other sources that we believe to be reasonable at the time. Actual audited results may vary from our estimates. Our significant accounting policies are detailed in Note 2—Accounting Policies to our consolidated financial statements. We have outlined below certain accounting policies that are of particular importance to the presentation of our financial position and results of operations and require the application of significant judgment or estimates by our management.

Revenue Recognition. We use the sales method of accounting for oil and gas revenues. Under this method, we recognize revenues on the volumes sold. The volumes sold may be more or less than the volumes to which we are entitled based on our ownership interest in the property. These differences result in a condition known in the industry as a production imbalance. Oil production commenced on November 28, 2010 and we received

revenues from oil production in early 2011. As of December 31, 2010, no revenues had been recognizedin our financial statements.

Exploration and Development Costs. We follow the successful efforts method of accounting for costs incurred in crude oil and natural gas exploration and production operations. Acquisition costs for proved and unproved properties are capitalized when incurred. Costs of unproved properties are transferred to proved properties when proved reserves are found. Exploration costs, including geological and geophysical costs and costs of carrying unproved properties, are charged to expense as incurred. Exploratory drilling costs are capitalized when incurred. If exploratory wells are determined to be commercially unsuccessful or dry holes, the applicable costs are expensed. Costs incurred to drill and equip development wells, including unsuccessful development wells, are capitalized. Costs incurred to operate and maintain wells and equipment and to lift crude oil and natural gas to the surface are expensed.

Income Taxes. We account for income taxes as required by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740—Income Taxes. Under this method, deferred income taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. On a quarterly basis, management evaluates the need for and adequacy of valuation allowances based on the expected realizability of the deferred tax assets and adjusts the amount of such allowances, if necessary.

Effective January 1, 2009, we adopted the provisions of the FASB ASC 740—Income Taxes which clarifies the accounting for and disclosure of uncertainty in tax positions. Additionally, this standard provides guidance on the recognition, measurement, derecognition, classification and disclosure of tax positions and on the accounting for related interest and penalties. As a result of this adoption, we recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Derivative Instruments and Hedging Activities. We utilize oil derivative contracts to mitigate our exposure to commodity price risk associated with our anticipated future oil production. These derivative contracts consist of deferred premium puts and compound options (calls on puts). We also use interest rate swap contracts to mitigate our exposure to interest rate fluctuations related to our commercial debt facilities. Our derivative financial instruments are recorded on the balance sheet as either an asset or a liability measured at fair value. We do not apply hedge accounting to our oil derivative contracts and effective June 1, 2010 discontinued hedge accounting on our interest rate swap contracts and accordingly the changes in the fair value of the instruments are recognized in income in the period of change.

Estimates of Proved Oil and Natural Gas Reserves. Reserve quantities and the related estimates of future net cash flows affect our periodic calculations of depletion and impairment of our oil and natural gas properties. Proved oil and natural gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future periods from known reservoirs under existing economic and operating conditions. As of December 31, 2010, our net proved reserves totaled 60 Mmboe. As additional proved reserves are found in the future, estimated reserve quantities and future cash flows will be estimated by independent petroleum consultants and prepared in accordance with guidelines established by the SEC and the FASB. The accuracy of these reserve estimates is a function of:

- the engineering and geological interpretation of available data;
- estimates regarding the amount and timing of future operating cost, production taxes, development cost and workover cost;
- the accuracy of various mandated economic assumptions (such as the future prices of oil and natural gas); and

- the judgments of the persons preparing the estimates.

Asset Retirement Obligations. We account for asset retirement obligations as required by the FASB ASC 410—Asset Retirement and Environmental Obligations. Under these standards, the fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. If a reasonable estimate of fair value cannot be made in the period the asset retirement obligation is incurred, the liability is recognized when a reasonable estimate of fair value can be made. If a tangible long-lived asset with an existing asset retirement obligation is acquired, a liability for that obligation shall be recognized at the asset's acquisition date as if that obligation were incurred on that date. In addition, a liability for the fair value of a conditional asset retirement obligation is recorded if the fair value of the liability can be reasonably estimated. We capitalize the asset retirement costs by increasing the carrying amount of the related long-lived asset by the same amount as the liability. We record increases in the discounted abandonment liability resulting from the passage of time as accretion expense in the consolidated statement of operations.

Impairment of Long-Lived Assets. We review our long-lived assets for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. FASB ASC 360—Property, Plant and Equipment requires an impairment loss to be recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. That assessment shall be based on the carrying amount of the asset at the date it is tested for recoverability, whether in use or under development. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Assets to be disposed of and assets not expected to provide any future service potential to us are recorded at the lower of carrying amount or fair value less cost to sell.

New Accounting Pronouncements

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 167, "Amendments to FASB Interpretation No. 46(R)," to address the effects of the elimination of the qualifying special purpose entity concept and other concerns about the application of key provisions of consolidation guidance for variable interest entities (VIEs). This Statement was codified into FASB ASC 810—Consolidation. More specifically, SFAS No. 167 requires a qualitative rather than a quantitative approach to determine the primary beneficiary of a VIE, it amends certain guidance pertaining to the determination of the primary beneficiary when related parties are involved, and it amends certain guidance for determining whether an entity is a VIE. Additionally, this Statement requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE. The Company adopted this Statement on its effective date, January 1, 2010, and it did not have a material impact on the Company's financial position or results of operation.

In January 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-03—Oil and Gas Reserve Estimation and Disclosures. This ASU amends the FASB's ASC Topic 932—Extractive Activities—Oil and Gas to align the accounting requirements of this topic with the Securities and Exchange Commission's final rule, "Modernization of the Oil and Gas Reporting Requirements" issued on December 31, 2008. In summary, the revisions in ASU No. 2010-03 modernize the disclosure rules to better align with current industry practices and expand the disclosure requirements for equity method investments so that more useful information is provided. More specifically, the main provisions include the following:

- An expanded definition of oil and gas producing activities to include nontraditional resources such as bitumen extracted from oil sands.

- The use of an average of the first-day-of-the-month price for the 12-month period, rather than a year-end price for determining whether reserves can be produced economically.

- Amended definitions of key terms such as "reliable technology" and "reasonable certainty" which are used in estimating proved oil and gas reserve quantities.

- A requirement for disclosing separate information about reserve quantities and financial statement amounts for geographical areas representing 15 percent or more of proved reserves.

- Clarification that an entity's equity investments must be considered in determining whether it has significant oil and gas activities and a requirement to disclose equity method investments in the same level of detail as is required for consolidated investments.

ASU No. 2010-03 is effective for annual reporting periods ended on or after December 31, 2009, and it requires (1) the effect of the adoption to be included within each of the dollar amounts and quantities disclosed, (2) qualitative and quantitative disclosure of the estimated effect of adoption on each of the dollar amounts and quantities disclosed, if significant and practical to estimate and (3) the effect of adoption on the financial statements, if significant and practical to estimate. Adoption of these requirements did not significantly impact our reported reserves or our consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06—Improving Disclosures and Fair Value Measurements to improve disclosure requiremen and thereby increase transparency in financial reporting. We adopted the update as of December 31, 2009, and it did not have a material impact on our financial position or results of operations.

Qualitative and Quantitative Disclosures about Market Risk

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risks. The term "market risks", insofar as it relates to our currently anticipated transactions, refers to the risk of loss arising from changes in commodity prices and interest rates. These disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. This forward-looking information provides indicators of how we view and manage ongoing market risk exposures. All of our market risk sensitive instruments are entered into for purposes other than speculative.

The following table reconciles the changes that occurred in fair values of our open derivative contracts during the year ending December 31, 2010:

	Derivative Contracts Assets (Liabilities)		
	Commodities	Interest Rates	Total
		(In thousands)	
Fair value of contracts outstanding as of December 31, 2009	$ —	$ —	$ —
Changes in contract fair value	(28,319)	(11,805)	(40,124)
Contract maturities	—	6,167	6,167
Fair value of contracts outstanding as of December 31, 2010	$ (28,319)	$ (5,638)	$ (33,957)

Commodity Derivative Instruments

In 2010, we entered into various oil derivative contracts to provide an economic hedge of our exposure to commodity price risk associated with anticipated future oil production. These contracts

have consisted of deferred premium puts and compound options (calls on puts) and have been entered into as required under the terms of our commercial debt facilities.

We manage and control market and counterparty credit risk in accordance with policies and guidelines approved by the Board. In accordance with these policies and guidelines, our executive management determines the appropriate timing and extent of derivative transactions. We attempt to minimize credit risk exposure to counterparties through formal credit policies, monitoring procedures and diversification. All of our commodity derivative contracts are with parties that are lenders under our commercial debt facilities. See Note 11—Derivative FinanciaInstruments in our consolidated financial statements for a description of the accounting procedures we follow relative to our derivative financial instruments.

Commodity Price Sensitivity

The following tables provide information about our oil derivative financial instruments that were sensitive to changes in oil prices as of December 31, 2010.

	Years Ending December 31			Liability Fair Value at December 31
	2011	2012	2013	2010
Oil Derivatives:				
Deferred premium puts				
Average daily notional bbl volumes	11,332	4,625	2,515	$ 23,279
Weighted average floor price per bbl	$ 72.01	$ 62.74	$ 61.73	
Weighted average deferred premium	$ 8.90	$ 7.04	$ 7.32	
Compound options (calls on puts)(1)				
Average daily notional bbl volumes	—	5,399	3,855	$ 5,040
Weighted average floor price per bbl	$ —	$ 66.48	$ 66.48	
Weighted average deferred premium	$ —	$ 6.73	$ 7.10	
Average forward Dated Brent oil prices(2)	$ 105.22	$ 104.50	$ 103.27	

(1) The calls expire June 29, 2012 and have a weighted average premium of $4.82/bbl.

(2) The average forward Dated Brent oil prices are based on February 22, 2011 market quotes.

Interest Rate Sensitivity

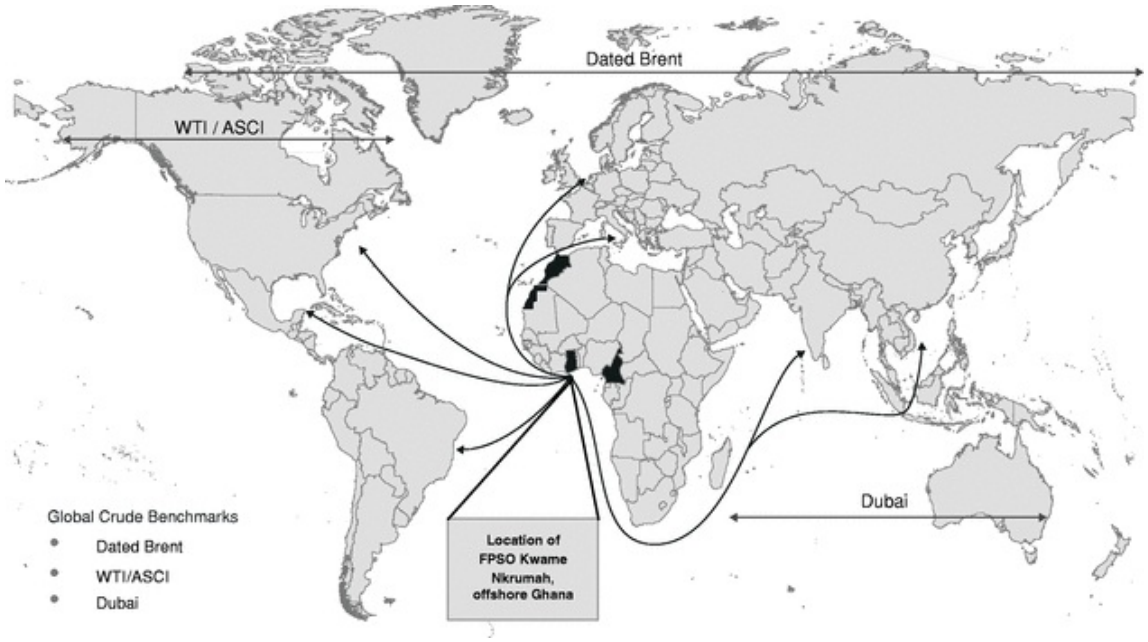
At December 31, 2010, we had indebtedness outstanding under our commercial debt facilities of $1.05 billion, of which $570.0 million bore interest at floating rates. The weighted average annual interest rate incurred on this indebtedness for the year ended December 31, 2010 was approximately 7.1%. At this level of floating rate debt, if LIBOR increased by 10%, we would incur an additional $0.3 million of interest expense per year on our commercial debt facilities.

As of December 31, 2010, the fair market value of our interest rate swaps was a net liability of approximately $5.6 million. If the LIBOR rate increased by 10%, we estimate the liability would decrease to approximately $4.1 million, and if the LIBOR rate decreased by 10%, we estimate the liability would increase to approximately $7.2 million.

INDUSTRY

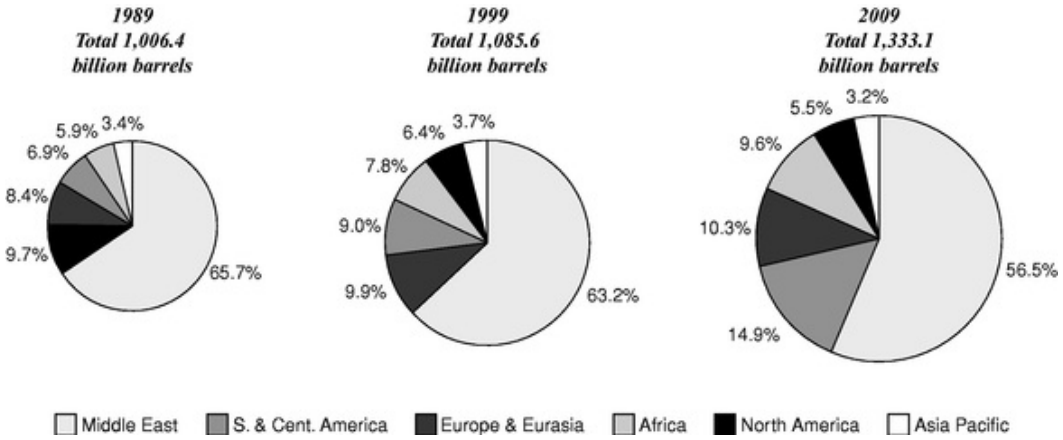
Global Oil and Gas Industry

Location of Kosmos' Assets in Africa and Related Market Accessibility



West African offshore oil production is strategically situated to supply the growth markets of non-OECD countries, including those in Asia, as well as North American and European markets. According to African Business Review, although Africa is estimated to only have approximately 10% of the world's proven oil reserves, by 2025 it will provide an estimated 25% of North America's oil imports. The compound annual growth rate of oil reserves from 1989 to 2009 in Africa was 3.9% and from 1999 to 2009 was 4.2%. The following pie charts depict global proved reserve growth rates by region over the last 20 years.

Distribution of Proved Reserves in 1989, 1999 and 2009



Source: BP Statistical Review.

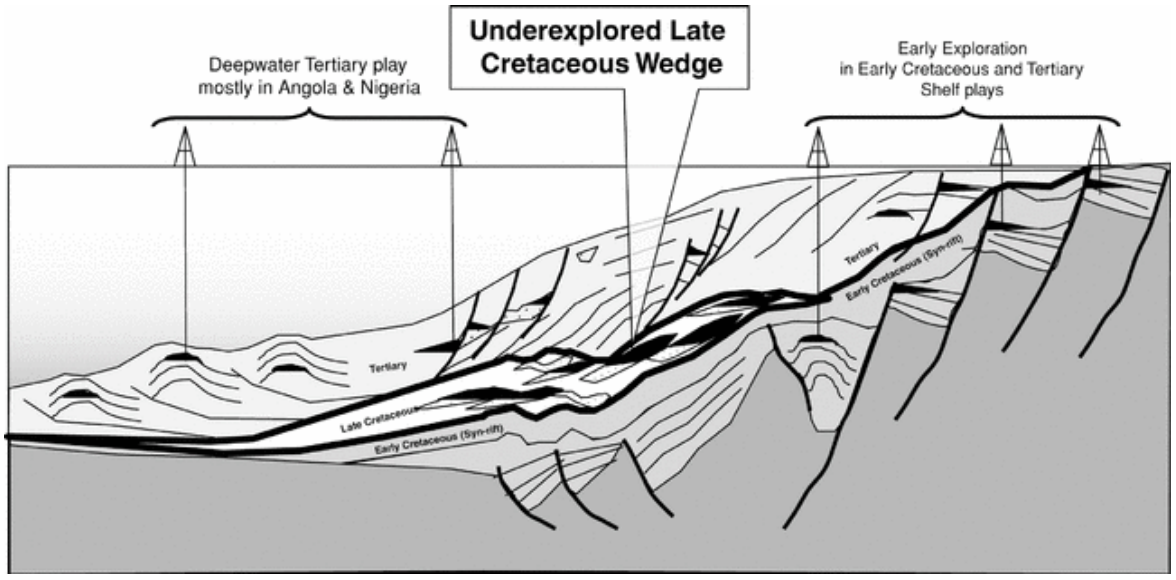
Brent Crude

Oil produced from West Africa, including the Jubilee Field, is generally priced against Dated Brent crude. Brent crude is produced in the North Sea and is widely accepted by the oil and gas industry as most representative of the global physical standard for the oil market in comparison to other reference oils, such as West Texas Intermediate ("WTI") and Dubai. The location of the Jubilee Phase 1 FPSO offshore Ghana will allow us to sell our oil to the major refining markets of North America, Asia and Europe. Based on marketing surveys and its quality, Jubilee oil is forecasted to ultimately sell for a slight premium relative to Dated Brent.

West Africa

Until the 1990's, exploration and production in West Africa was limited to shallow onshore and nearshore regions, in particular the Tertiary hydrocarbon plays of the Niger Delta and the Congo Fan petroleum systems. The advent of new 3D seismic, drilling and completion technology, as well as floating production systems and related sub-sea infrastructure, enabled operations to extend to deeper hydrocarbon plays in deep water. These hydrocarbon plays included under-explored petroleum systems of the Cretaceous along Atlantic margins of the African continent other than the Niger Delta and Congo Fan.

The following diagram illustrates the depositional setting of the Late Cretaceous system offshore West Africa relative to the Early Cretaceous and Tertiary plays.



The potential Late Cretaceous hydrocarbon plays were the niche in which Kosmos chose to build its initial exploration portfolio between 2004 and 2006, based upon overall assessment of West Africa petroleum systems. As a result of its detailed regional basin analysis, Kosmos targeted and was successful in accessing licenses in Ghana, Cameroon and Morocco that shared similar geologic characteristics largely focused on untested structural-stratigraphic traps within the Late Cretaceous. This strategy has since proved extremely successful, as the Kosmos discovery of the Jubilee Field in 2007 proved the commercial viability of the Late Cretaceous stratigraphic play along the West African Transform Margin. The Jubilee Field discovery was play-opening and has ushered in a new level of industry interest in similar concepts along the African continent, a play type that had been largely ignored prior to the discovery. Kosmos' technical leadership in this play enabled the company to

establish a highly targeted license position in 2004 through 2006 that would be difficult to replicate in today's environment.

Notwithstanding this, Kosmos will continue to pursue opportunities in these areas. However, the company's business development plan also includes new exploration ventures in other locations.

Ghana

Country Overview

Ghana is located on West Africa's Gulf of Guinea a few degrees north of the Equator and has a population of approximately 24 million. English is the official and commercial language. Ghana's population is concentrated along the coast and in the principal cities of Accra and Kumasi.

Ghana achieved its independence in 1957 under the leadership of Dr. Kwame Nkrumah. On March 6, 2007, Ghana celebrated its 50th anniversary since becoming independent. During the four decades after independence, Ghana underwent periodic changes in its governmental and constitutional structure. Since 1992, there have been four peaceful, democratic presidential elections. In December 2008, John Atta Mills was elected president. The political environment remains stable following the elections in 2008. The next presidential election is scheduled for 2012.

The U.S. State Department characterizes the current government under President Mills as enjoying broad support among the Ghanaian population as it pursues its domestic political agenda. This agenda includes promoting free markets, protecting worker rights and reducing poverty, while supporting the rule of law and basic human rights. President Mills has also pursued an anti-corruption agenda. As part of its anti-corruption efforts, the Mills government required senior government officials to comply with the assets declaration law, changed the regulation to require public disclosure of assets, pledged greater transparency in government procurement, and sought to protect public funds.

Ghana's stated goals are to accelerate economic growth, improve the quality of life for all Ghanaians, and reduce poverty through macroeconomic stability, increased private investment, broad-based social and rural development, and direct poverty-alleviation efforts. These plans have been supported by the international donor community.

Ghana's potential to serve as a West African hub for U.S. and international businesses is enhanced by its relative political stability, overall sound economic management, low crime rate, competitive wages and an educated, English-speaking workforce. In addition, Ghana scores well among its peers on various measures of corruption, ranking 62nd out of 178 countries in Transparency International's 2010 Corruption Perceptions Index, vastly ahead of each of its peers according to a peer group selected by Standard & Poor's. Ghana is also the highest ranked among such peer group in the World Bank's Doing Business 2011 report, at fifth out of 46 sub-Sahara African countries included in such report.

According to the U.S. State Department, the United States has enjoyed good relations with Ghana since Ghana's independence. The United States is among Ghana's principal trading partners and there is an active American Chamber of Commerce in Accra. Major companies operating in the country include 3M, Barclays, Cadbury, Coca Cola, IBM, Motorola, Pfizer and Unilever. Ghana was recognized for its economic and democratic achievements in 2006, when it signed a 5-year, $547 million anti-poverty compact with the United States' Millennium Challenge Corporation. The compact focuses on accelerating growth and poverty reduction through agricultural and rural development. The compact has three main components: enhancing the profitability of commercial agriculture among small farmers; reducing the transportation costs affecting agricultural commerce through improvements in transportation infrastructure, and expanding basic community services and strengthening rural institutions that support agriculture and agri-business.

Oil and Gas Industry

From a geological perspective, Ghana can be broadly divided into five sedimentary basins: the Voltain Basin, Keta Basin, Saltpond Basin, Tano Basin and Outer Ghanaian Basin. To date, the most successful basin for hydrocarbon exploration has been the Tano Basin, in which both the DT and WCTP Blocks are located. This basin contains a proven world-class petroleum system as evidenced by the Jubilee, Mahogany East, Odum, Tweneboa, Enyenra and Teak discoveries.

On a combined basis, the DT and WCTP Blocks comprise an area of approximately 575,000 acres (2,325 square kilometers). This license position is equivalent to approximately 100 standard U.S. Gulf of Mexico deep water blocks, which is approximately 5,760 acres.

Kosmos, Tullow and Anadarko are the primary upstream industry participants within the country. Additional oil and gas companies that hold interests in license areas within Ghana include Eni S.p.A., Hess, Vitol Group ("Vitol") and OAO LUKOIL. Prior to commencement of production from the Jubliee Field, Ghana produced less than 500 barrels of oil per day. As a result of the commencement of first oil from the Jubilee Field, Ghana is expected to produce up to approximately 120,000 bopd in 2011.

The oil industry in Ghana is still in its early stages. A large portion of the data available about industry and geological characteristics comes from exploration and development activity undertaken by us and our block partners. See "Risk Factors—We face substantial uncertainties in estimating the characteristics of our unappraised discoveries and our prospects."

Tano Basin

The Tano Basin is situated offshore Ghana. The main hydrocarbon prospects in the Tano Basin are located in the Late Cretaceous stratigraphic section. The Late Cretaceous is a geological time period consisting of sediments that are 65 to 100 million years old. In particular, sediments from two stages of the Late Cretaceous period have provided notable exploration success: the Turonian (89 to 94 million years old) and the Campanian (71 to 84 million years old). These reservoirs are part of large submarine fans that were associated with the ancient river system sourced from the Volta River within Ghana. A number of these drainage systems exist along the ancient West African Transform Margin from Ghana to Sierra Leone. Drilling by Kosmos and its partners have yielded Turonian and Campanian reservoirs within the Tano Basin which have thickness weighted porosity and permeabilities of approximately 18% and 290mD, respectively. Specific reservoirs within these sequences can reach porosities of up to 25% and permeabilities of up to 1,200mD.

These Late Cretaceous fan systems are laterally extensive and have been deposited at the base of the continental slope. This has resulted in updip thinning of the reservoir intervals against Albian aged sequences. Subsequent uplift has caused the reservoirs, which lap onto underlying highs, to be folded into trapping geometries. This results in a series of combination structural-stratigraphic traps, which can be very large in size and in which most of the recent discoveries are located, including the Jubilee, Mahogany East, Odum and Enyenra Fields, all of which have been discovered since 2007.

Exploration History

Offshore exploration drilling began in Ghana in 1956 when Gulf Oil drilled its first wildcat well. Signal Oil made the first oil discovery in Ghana in 1970 in the Saltpond Basin. This discovery, brought online in 1978, continues to produce a small amount of oil today. In the 1990s, deepwater licenses were awarded for the first time; it was during this era that international oil companies, including Amoco Corporation, Hunt Oil Company and Dana Petroleum plc ("Dana"), drilled exploration wells offshore Ghana. However, given a lack of commercial exploration success, these companies exited the region in subsequent years.

Ghanaian deepwater exploration activity started in earnest in 2007 when Kosmos drilled its first exploration well, Mahogany-1, on the WCTP Block and made the Mahogany discovery. This was followed in August 2007 by the Hyedua-1 well on the DT Block, which encountered the same oil accumulation. The results of the Hyedua-1 well confirmed the Mahogany-Hyedua field was one continuous structure, extending across the two blocks. This new field was renamed the Jubilee Field. Jubilee was one of the largest oil discoveries worldwide in 2007 and the largest find offshore West Africa in the last decade. The reservoirs in the Jubilee Field are of a very high quality and, based on our drilling results to date, we estimate they have a mean hydrocarbon yield of 225 barrels of oil-equivalent per acre-foot. Throughout this prospectus we refer to "hydrocarbon yield" as an estimated measure of the quantity of oil and natural gas ultimately recoverable from a given volume of reservoir rock (expressed in barrels of oil-equivalent per acre-foot) if it contains oil and natural gas based on its porosity and other factors. See "Glossary of Selected Oil and Natural Gas Terms—Hydrocarbon Yield" and "Risk Factors—We face substantial uncertainties in estimating the characteristics of our unappraised discoveries and our prospects."

Between the first quarter of 2008 and end of 2009, the industry drilled several exploration wells offshore Ghana resulting in five further discoveries in the Tano Basin. The Odum and the Tweneboa Fields were discovered on the WCTP and the DT Blocks respectively. The Mahogany-3 well confirmed another similar aged accumulation adjacent to the Jubilee field while also discovering the Mahogany-Deep reservoir within the WCTP Block. In 2010, the Owo-1 discovery well was successfully completed by Kosmos and its block partners and the Onyina exploration well was drilled. The repeated success of our and our partners' exploration drilling to date has demonstrated that the northern part of the deepwater Tano Basin contains a world class petroleum system. Based on these results and industry analogues in the region, we estimate the Tano Basin has a mean hydrocarbon yield of 180 barrels of oil equivalent per acre-foot. In the block known as "Cape Three Points," Vitol discovered the Sankofa Field approximately 23 miles (38 kilometers) east of the Jubilee Field. The block known as "Cape Three Points Deepwater" also yielded a Cretaceous aged discovery when the Vanco-Lukoil partnership drilled the Dzata structure approximately 70 miles (112 kilometers) east of the Jubilee Field.

Cameroon

Country Overview

Cameroon is located on West Africa's Gulf of Guinea adjacent to and south-east of Nigeria and has a population of approximately 20 million.

Since gaining independence in 1960, Cameroon has had two presidents: Ahmadou Ahidjo and Paul Biya, to whom Mr. Ahidjo relinquished power voluntarily in 1982. The next election is scheduled for 2011. According to the U.S. State Department, the 1972 constitution (amended in 1996 and 2008) provides for a strong central government dominated by the executive.

The U.S. State Department describes U.S. relations with Cameroon as close. While on the UN Security Council in 2002, Cameroon worked alongside the United States on a number of initiatives. The U.S. Government continues to provide substantial funding for international financial institutions, such as the World Bank, IMF, and African Development Bank, which provide financial and other assistance to Cameroon.

Oil and Gas Industry

The coastal and offshore portions of Cameroon are associated with two primary, geologically distinct basins, the Rio del Rey Basin in the north and the Douala Basin in the south. These basins extend into Equatorial Guinea, a country in which members of the Kosmos, management and technical teams have extensive experience exploring for and developing oil.

Kosmos has interests in two blocks in Cameroon, the Ndian River Block in the Rio del Rey Basin, in which it operates with a 100% equity interest and the Perenco operated, Kombe-N'sepe Block located in the Douala Basin, in which Kosmos maintains a 35% interest. These licenses, which together comprise an area covering approximately 1.2 million acres (4,800 square kilometers), represent the equivalent of 238 standard deepwater U.S. Gulf of Mexico blocks.

Oil and gas companies with interests in these basins include Bowleven PLC Oil and Gas Company, Hess, Noble Energy ("Noble"), Marathon Oil ("Marathon"), Sinopec Corp., Pecten Cameroon Company and Total S.A. ("Total"). According to Wood Mackenzie, during 2009, Cameroon produced 74,000 bopd, a reduction of 56% from its peak oil production of 167,600 bopd (which was achieved in 1986).

Based on data from Cameroon's historical oil and gas production, we have made estimates about the geologic characteristics of Cameroon's basins. See "Risk Factors—We face substantial uncertainties in estimating the characteristics of our unappraised discoveries and our prospects."

Douala Basin

The Douala Basin contains a thick Late Cretaceous-Tertiary sedimentary sequence which is overlain by a Tertiary sequence associated with major transform faults resulting from the opening of the Atlantic in a similar fashion to the Tano Basin of Ghana, with which it shares very similar hydrocarbon play elements.

The Douala Basin lies southeast of the Cameroon volcanic trend, which forms the northern limit of the basin. The basin extends south into the neighboring country of Equatorial Guinea, where oil is being produced from the Late Cretaceous Ceiba and Northern Block G developments. Notably, the Northern Block G and Ceiba fields were discovered by Triton, which was led by current members of the Kosmos technical and management teams. More recently, the northern part of the Douala Basin has seen successful drilling in the Miocene, with several oil and natural gas discoveries by Noble. Miocene uplift has resulted in the present day onshore part of the basin containing deepwater, Late Cretaceous reservoirs and seals. Based on industry drilling results and production history, we estimate that reservoirs in this basin have a mean hydrocarbon yield of 390 barrels of oil equivalent per acre-foot. The onshore part of the basin is characterized by low-lying ground covered in forest, swamps and plantations.

Rio del Rey Basin

Adjacent to the Niger Delta, the Rio del Rey Basin is a predominantly Tertiary petroleum system with existing production from primarily Miocene aged, shelf and deepwater four-way and three-way fault closures. Discoveries in this region include the Kombo, Ekundu and Abana oil fields. Adjacent to the basin's oil province, the industry has also had access to the Rio Del Rey Basin's outboard natural gas condensate play, which contains Marathon's giant Alba field located in Equatotial Guinea.

The Rio del Rey Basin of Cameroon has been filled by sediments from the Niger Delta, which has been progressively expanding into the Atlantic Ocean at the mouth of the Niger-Benue River system. The vast majority of the offshore delta is located within Nigeria. The extreme eastern edge lies within territorial waters of Cameroon and provides most of the country's oil production.

The Niger and Rio del Rey rivers provided sand to the basin throughout the Tertiary, and, as a result, the basin contains very good quality reservoirs. The reservoirs consist of individual channels and sand bodies. Porosities are as high as 35%, averaging 15% to 25%. Permeability is exceptional, commonly in the 1 to 2 darcy range. Based on industry drilling results and production history, we estimate that reservoirs in this basin have an average hydrocarbon yield of 325 barrels of oil equivalent per acre-foot.

Most of the hydrocarbon traps in the Niger Delta are structural. Major trapping geometries include four-way and three-way fault closures. The productive fields are frequently located on the crests and flanks of these structures.

Exploration History

The first hydrocarbon exploration in Cameroon took place in the 1920s and was concentrated in the onshore area of the Douala Basin. Initial exploration was encouraged by naturally occurring oil and natural gas seeps in the region. Exploration drilling in the Douala Basin, both onshore and offshore, remained sporadic until 1979, when ExxonMobil discovered the Sanaga Sud natural gas field. This discovery resulted in an exploration focus in structural traps in Albian and Aptian aged reservoirs. A limited number of Tertiary exploration wells have been drilled and in most cases these have encountered oil, including the Coco Marine-1 well drilled by ConocoPhillips Company in 2002. Between 2005 and 2009, a number of oil and natural gas discoveries were made in 3D seismic defined, Micoene, deepwater stratigraphic traps adjacent to the Kosmos license area. These discoveries are currently the focus of development drilling.

In general, the Late Cretaceous section has been under-explored in the Douala Basin. One of the few exploration wells drilled was North Matanda-1, which encountered natural gas condensate. As with other petroleum provinces around the West African margin, exploration transitioned from shallow water structural traps, which could be defined using 2D seismic data, to deeper water Tertiary structural and stratigraphic traps, which were better defined with 3D seismic data. However, the intervening Late Cretaceous turbidite section, which has the best relationship with the potential source rock and evidence of large trapping geometries, has been overlooked. This is the focus of Kosmos' exploration program in the Douala Basin.

In the Rio del Rey Basin, the first exploration well to be drilled was in 1967, however, it was not until 1972 that the first commercial oil discovery, Betika, was made by Elf Aquitaine ("Elf"). Exploration activity in the Rio del Rey Basin was most intense between 1977 and 1981, including several discoveries by Elf, Pecten International Co. and Total. Twenty oil fields located in shallow reservoirs were brought onstream between 1977 and 1984. This basin is still a major hydrocarbon producing basin with an estimated production rate of 48,000 bopd.

In the 1990s this shallow water province was supplemented by deepwater drilling in the Equatorial Guinea sector of the Rio Del Rey Basin. This exploration yielded the giant Alba natural gas condensate field, operated by Marathon, as well as a number of satellite discoveries. These and more recent oil discoveries in the last two years in the Etinde block, IE and IF fields, all adjacent to the Kosmos operated Ndian River Block, have demonstrated effective reservoirs and the presence of a prolific petroleum system in the Isongo fairway, which extends through the core of the Ndian River Block, and is the focus of the Kosmos exploration strategy in the Rio del Rey Basin.

Morocco

Country Overview

Morocco is located in the northwest portion of the African contintent, with a population of approximately 31 million. Arabic is the country's official language with French being the customary commercial language.

The country gained its independence from France in 1956, and is currently governed by a constitutional monarchy, led since 2007 by Prime Minister Abbas El Fassi. Since 1999, King Mohammed VI has been head of state and ruling king. The most recent parliamentary elections were held in September 2007, after which Abbas El Fassi of the winning Istiqlal Party was appointed Prime Minister by the King. Morocco's next elections are scheduled for 2012.

Kosmos' interests are geographically located offshore Western Sahara. The sovereignty of this territory has been in dispute since 1975. See "Risk Factors—A portion of our asset portfolio is in Western Sahara, and we could be adversely affected by the political, economic, and military conditions in that region. Our exploration licenses in this region conflict with exploration licenses issued by the Sahrawai Arab Democratic Republic.

The oil industry in Morocco is still in its very early stages. The deepwater offshore Morocco has not yet proved to be a viable exploration area as, to date, there has not been a commercially successful discovery offshore. Accordingly, there is very limited data available about the industry and the geological characteristics of Morocco's basins. See "Risk Factors—We face substantial uncertainties in estimating the characteristics of our unappraised discoveries and our prospects."

Oil and Gas Industry

There are six principal geological regions in Morocco: the Rif Domain Basins; the Western Meseta Region; the Atlasic Region; the Anti Atlas Basins; the Southern Onshore Basins and the Atlantic Passive Margin.

Kosmos is the operator and 75% equity holder in the Boujdour Offshore Block located offshore Morocco in the Aaiun Basin, located along the Atlantic Passive Margin. This block comprises an area of more than 10.87 million acres (44,000 square kilometers), an area similar in scale to the entire deepwater fold belt of the U.S. Gulf of Mexico, or approximately 1,900 standard deepwater U.S. Gulf of Mexico blocks. Given the immense scale of the position, three distinct exploration play fairways have been identified by Kosmos and provide substantial oil and gas exploration optionality among relatively independent hydrocarbon concepts.

Oil and gas companies with interests in Morocco have included Dana, Mærsk Olie og Gas As, Petroliam Nasional Berhad ("Petronas"), Repsol YPF S.A., San Leon Energy plc, Statoil ASA and Suncor Energy Inc. According to Wood Mackenzie, during 2009, Morocco produced less than 300 boepd.

Aaiun Basin

The Aaiun Basin extends for 684 miles (1,100 kilometers) along the northwest African margin from northern Mauritania, north into Morocco. Bordering the basin to the north is the non-commercial discovery of Cap Juby oil, which was discovered by the Standard Oil Company of New Jersey, now ExxonMobil, in 1969.

While a frontier basin, a number of exploration wells have been drilled in the region that establish the presence of hydrocarbons as well as attractive reservoir objectives with good porosity and permeability. In particular, oil shows from wells within the shallower portions of the Boujdour Block of the Aaiun Basin and from adjacent onshore wells demonstrate the presence of an active regional petroleum system.

Detailed sequence stratigraphic analysis suggests the presence of stacked deepwater turbidite systems throughout the basin. Previously available 2D seismic data as well as additional 2D and 3D seismic data acquired by Kosmos further suggest attractive reservoir targets trapped in very large four-way dip and three-way fault traps often enhanced by stratigraphic trap components.

The oil seen in fields to the north of the Aaiun Basin and in wells onshore suggest there are at least two oil source rocks present in the basin, a Jurassic marine shale and Cenomanian Turonain marine shales. The Jurassic source rock is thought to provide the source for a number of oil and natural gas fields onshore Morocco.

Exploration History

The first oil fields were discovered and developed in Morocco in the 1930s in the onshore Rharb Basin. In the 1960s and 1970s a number of wells were drilled to test features offshore in the southern part of Morocco and Western Sahara. These wells encountered evidence of oil and natural gas but did not test valid structures as they were located utilizing very poor geologic and geophysical seismic databases. Drilling by ExxonMobil immediately to the north of the Boujdour Offshore Block in the early 1970s resulted in the discovery of oil in Jurassic carbonates. Recent drilling onshore, adjacent to the Boujdour Offshore Block, by ONHYM has resulted in the recovery of heavy oil from Late Cretaceous silts and shales. Although there is limited hydrocarbon production in Morocco, we estimate the average hydrocarbon yield for this basin to be of 150 barrels of oil equivalent per acre-foot, based on industry analogues in depositional environments similar to those we expect to encounter in our Boujdour Offshore Block prospects.

BUSINESS

Overview

We are an independent oil and gas exploration and production company focused on under-explored regions in Africa. Our current asset portfolio includes world-class discoveries and partially de-risked exploration prospects offshore Ghana, as well as exploration licenses with significant hydrocarbon potential onshore Cameroon and offshore Morocco. This portfolio, assembled by our experienced management and technical teams, will provide investors with differentiated access to both high-impact exploration opportunities as well as defined, multi-year visibility in the reserve and production growth of our existing discoveries. With regard to the Jubilee Field, our de-risking activities have included the drilling of development wells, successful completion of fabrication, installation, hook-up and commissioning of the Jubilee Phase 1 facilities and initiation of production. With regard to our Ghanaian discoveries, our de-risking activities have included the drilling of successful appraisal wells. With regard to our Ghanaian prospects, these have been partially de-risked due to their similarity and proximity to our existing discoveries.

After our formation in 2003, we acquired our current portfolio of exploration licenses and established a new, major oil province in West Africa with the discovery of the Jubilee Field in 2007. This was the first of our six discoveries offshore Ghana; it was one of the largest oil discoveries worldwide in 2007 and the largest find offshore West Africa during the last decade. Oil production from the Jubilee Field offshore Ghana commenced on November 28, 2010, and we received our first oil revenues in early 2011. We expect gross oil production from the Jubilee Field toreach the design capacity of the FPSO facility used to produce from the field of 120,000 bopd in mid 2011. At that rate, the share of this gross oil production net to us is expected to be 28,200 bopd.

Our Competitive Strengths

World-class asset portfolio situated along the Atlantic Coast Margin of West Africa

We targeted the Atlantic Margin of Africa as a focus area for exploration following a multi-year assessment of numerous exploration opportunities across a broad region. Our assessment was driven by our interpretation of geological and seismic data and by our internationally experienced technical, operational and management teams.

We also make an in-depth evaluation of regional political risk, economic conditions and fiscal terms. Ghana, for example, enjoys relative political stability, overall sound economic management, a low crime rate, competitive wages and an educated, English-speaking workforce. The country also scores well among its peers on various measures of corruption, ranking 62nd out of 178 countries in Transparency International's 2010 Corruption Perceptions Index, vastly ahead of each of its peers according to a peer group selected by Standard & Poor's. Ghana is also the highest ranked among such peer group in the World Bank's Doing Business 2011 report, at fifth out of 46 sub-Sahara African countries included in such report.

Our asset portfolio consists of six discoveries including the Jubilee Field, which is one of the largest oil discoveries worldwide in 2007 and the largest find offshore West Africa in the last decade. Our other discoveries include, Mahogany East, Odum, Tweneboa, Enyenra and Teak offshore Ghana, which have geologic characteristics similar to the Jubilee Field. In addition, we have identified 19 additional prospects offshore Ghana, 10 additional prospects in Cameroon and 19 additional prospects offshore Morocco. We expect to make new discoveries and to define additional prospects as our team continues to develop our current portfolio and identify and pursue new high-potential assets.

Well-defined production and growth plan

Our plan for developing the Jubilee Field provides highly visible, near-term cash generation and long-term growth opportunities. We estimate Jubilee Field Phase 1 daily gross production to reach the 120,000 bopd design capacity of the FPSO facility used at the field, in mid 2011. Within the next few years, we intend to expand upon the Jubilee Field Phase 1 development with three additional phases that are designed to maintain production and cash flow from partially de-risked locations. A phased drilling program allows us to develop Jubilee Phase I on a faster timeline and allowed us to achieve first oil production at an earlier date than traditional development techniques. See "—Our Strategy—Focus on rapidly developing our discoveries to initial production." In addition to Jubilee, we are currently in the development planning stage for Mahogany East, the pre-development planning stage for the Odum discovery, and the appraisal stage for the Tweneboa, Enyenra and Teak discoveries. We believethese assets provide additional mid-term production and cash flow opportunities to supplement the phased Jubilee Field development.

Significant upside potential from exploratory assets

Since our inception we have focused on acquiring exploratory licenses in emerging petroleum basins in West Africa. This led to the assembly of a hydrocarbon asset portfolio of five licenses with significant upside potential and attractive fiscal terms. In Ghana, we believe our existing licenses offer substantial opportunities for significant growth in shareholder value as a result of numerous high value exploration prospects that are partially de-risked due to their similarity and proximity to our existing discoveries. We plan to drill two exploratory wells in Cameroon, one on our Kombe-N'sepe Block, which was spud in early 2011, and the other on our Ndian River Block in early 2012.

Oil-weighted asset portfolio in key strategic regions

Our portfolio of assets consists primarily of oil discoveries and prospects. Oil comprises approximately 94% of our proved reserves which are associated with the Jubilee Field Phase 1 development. Due to its high quality and strategic geographic location, we expect crude oil from the Jubilee Field will ultimately command a premium to Dated Brent, its reference commodity price. We expect our other Ghana discoveries and prospects, as well as our Cameroon and Morocco prospects, to maintain a primarily oil-weighted composition. We believe that global petroleum supply and demand fundamentals will continue to provide a strong market for our oil, and therefore we intend to continue targeting oil exploration and development opportunities. Furthermore, our geographic location in West Africa enables broad access to the major consuming markets of the North America, Asia and Europe, providing marketing flexibility. The ability to supply oil to global markets with reasonable transportation costs reduces localized supply/demand risks often associated with various international oil markets.

New ventures group focused on expanding our high-quality asset portfolio

Our existing asset portfolio has already delivered large scale drill-bit success in Ghana and provided the opportunity for near- to mid-term reserve and production growth. While substantial exploration potential remains in our portfolio, we are also focused on renewing, replenishing and expanding our prospect inventory through the work of our new ventures group, which is tasked with executing a high-impact acquisition program to replicate this success. We believe this will permit timely delivery of further oil and natural gas discoveries for continued long-term reserve and production growth. We aim to leverage our unique exploration approach to maintain our successful track record with these new ventures.

Seasoned and incentivized management and technical team with demonstrable track record of performance and value creation

We are led by an experienced management team with a track record of successful exploration and development and public shareholder value creation. Our management team's average experience in the energy industry is over 20 years. Members of the senior management team successfully worked together both at and since their tenure at Triton, where they contributed to transforming Triton into one of the largest internationally focused independent oil and gas companies headquartered in the United States, prior to the sale of Triton to Hess for approximately $3.2 billion in 2001. Members of our management and senior technical team participated in discovering and developing multiple large scale upstream projects around the world, including the deepwater Ceiba Field, which was developed on budget and in record time offshore Equatorial Guinea, in West Africa in 2000. In the course of this work, the team acquired a track record for successful identification, acquisition and development of large offshore oil fields, and has been involved in discovering and developing over five Bboe. We believe our unique experience, industry relationships, and technical expertise have been critical to our success and are core competitive strengths.

Furthermore, our management team has considerable experience in managing the political risks present when operating in developing countries, including working with the host governments to achieve mutually beneficial results, while at all times protecting the company's rights and asserting investors' interests.

Our management team currently owns and will continue to own a significant direct ownership interest in us immediately following the completion of this offering. We believe our management team's direct ownership interest as well as their ability to increase their holdings over time through our long-term incentive plan aligns management's interests with those of our shareholders. This long-term incentive plan will also help to attract and retain the talent to support our business strategy.

Strong financial position

Since inception we have been backed by our Investors, namely Warburg Pincus and The Blackstone Group, each supporting our initial growth with substantial equity investments. Each Investor will retain a significant interest in Kosmos following this offering. With the proceeds from this offering, our cash on hand and our commercial debt commitments, we believe we will possess the necessary financial strength to implement our business strategy through early 2013. As of December 31, 2010, we had approximately $212 million of total cash on hand, including $112 million of restricted cash, and $205 million of committed undrawn capacity under our commercial debt facilities. In addition, we have demonstrated the ability to raise capital, having secured commitments for approximately $1.1 billion of private equity funding and $1.25 billion of commercial debt commitments in the last seven years. Furthermore, we received our first oil revenues in early 2011 from the Jubilee Field, and accordingly a portion of these revenues will be used to fund future exploration and development activities.

Our Strategy

In the near-term, we are focused on maximizing production from the Jubilee Field Phase 1 development, as well as accelerating the development of our other discoveries. Longer term, we are focused on the successful acquisition, exploration, appraisal and development of existing and new opportunities in Africa, including identifying, capturing and testing additional high-potential prospects to grow reserves and production. By employing our competitive advantages, we seek to increase net

asset value and deliver superior returns to our shareholders. To this end, our strategy includes the following components:

Grow proved reserves and production through accelerated exploration, appraisal and development

In the near-term, we plan to develop and produce our current discoveries offshore Ghana, including Jubilee and Mahogany East, and upon a declaration of commerciality and approval of a plan of development, Odum, Tweneboa, Enyenra and Teak. Additionally, we plan to drill-out our portfolio of exploration prospects offshore Ghana, which have been partially de-risked by our successful drilling program to date. If successful, these prospects will deliver proved reserve and production growth in the medium term. In the longer term, we plan to drill-out our existing prospect inventory on our other licenses in West Africa and to replicate our exploratory success through new ventures in other regions of the African continent.

Apply our technically-driven culture, which fosters innovation and creativity, to continue our successful exploration and development program

We differentiate ourselves from other E&P companies through our approach to exploration and development. Our senior-most geoscientists and development engineers are pivotal to the success of our business strategy. We have created an environment that enables them to focus their knowledge, skills and experience on finding and developing oil fields. Culturally, we have an open, team-oriented work environment that fosters both creative and contrarian thinking. This approach allows us to fully consider and understand risk and reward and to deliberately and collectively pursue strategies that maximize value. We used this philosophy and approach to unlock the Tano Basin offshore Ghana, a significant new petroleum system that the industry previously did not consider either prospective or commercially viable.

Focus on rapidly developing our discoveries to initial production

We focus on maximizing returns through phasing the appraisal and development of discoveries. There are numerous benefits to pursuing a phased development strategy to support our production growth plan. Importantly, a phased development strategy provides for first oil production earlier than what would otherwise be possible using traditional development techniques, which are disadvantaged by more time-consuming, costly and sequential appraisal and pre-development activities. This approach optimizes full-field development and a phased development approach allows numerous activities to be performed in a parallel rather than a sequential manner. The initial phase of the Jubilee Field, for example, could be brought on production at an earlier date by using a phased drilling program, since this approach allowed appraisal and pre-development activities to be performed in parallel and detailed engineering could be conducted simultaneously with the execution of the project. In contrast, a traditional development approach consists of full appraisal, conceptual engineering, preliminary engineering, detail engineering, procurement and fabrication of facilities, development drilling and installation of facilities for the full-field development, all performed in sequence, before first production is achieved. This adds considerably more time to the development timeline.

The major benefit of a phased approach is that the initial production phase is achieved much earlier. Additionally, a phased approach provides dynamic reservoir performance information that allows the full-field development to be optimized. This approach also maximizes net asset value by refining appraisal and development plans based on experience gained in initial phases and by leveraging existing infrastructure as we implement subsequent phases of development. Other benefits include minimizing upfront capital costs, reducing execution risks through smaller initial infrastructure requirements, and enabling cash flow from the initial phase of production to fund a portion of capital costs for subsequent phases.

First oil from the Jubilee Field commenced on November 28, 2010, and we received our first oil revenues in early 2011. This development timeline from discovery to first oil is significantly less than the industry average of seven to ten years and is a record for a deepwater development at this water depth in West Africa. This condensed timeline reflects the lessons learned by members of our seasoned management while at Triton and during their time at other major deepwater operators. At Triton, the team took the 50,000 bopd Ceiba Field offshore Equatorial Guinea from discovery to first oil in fourteen months. Additionally, our development team has led other larger scale deepwater developments, such as Neptune and Mensa in the U.S. Gulf of Mexico. These experiences drove the 42-month record timeline from discovery to first oil achieved by the significantly larger Jubilee Field Phase 1 development.

Subsequent phases of the development of the Jubilee Field will consist of drilling infill wells that target the currently producing UM3 and LM2 reservoirs. Production and reservoir performance is being monitored closely at present and planning is ongoing to initiate infill drilling in late 2011 or early 2012. The timing and scope of subsequent phases will be defined based on reservoir performance.

Identify, access and explore emerging exploratory regions and hydrocarbon plays

Our management and exploration team have demonstrated an ability to identify regions and hydrocarbon plays that will yield multiple large commercial discoveries. We will continue to utilize our systematic and proven geologically focused approach to emerging petroleum systems where source rocks and reservoirs have been established by previous drilling and where seismic data suggests hydocarbon accumulations are likely to exist, but where commercial discoveries have yet to be made. We believe this approach reduces the exploratory risk in poorly understood, under-explored or otherwise overlooked hydrocarbon basins that offer significant oil potential. This was the case with respect to the Late Cretaceous stratigraphy of West Africa, the niche in which we chose to build our exploration portfolio between 2004 and 2006. Our licenses in Ghana, Cameroon and Morocco share similar geologic characteristics focused on untested structural-stratigraphic traps. This exploration focus has proved extremely successful, with the discovery of the Jubilee Field ushering in a new level of industry interest in Late Cretaceous petroleum systems across the African continent, including play types that had previously been largely ignored.

This approach and focus, coupled with a first-mover advantage, provide us a significant competitive advantage in identifying and accessing new strategic growth opportunities. We expect to continue to seek new opportunities where oil has not been discovered or produced in meaningful quantities by leveraging the skills of our experienced technical team. This includes our existing areas of interest as well as selectively expanding our reach into other locations in Africa or beyond that offer similar geologic characteristics.

Acquire additional exploration assets

We intend to utilize our experience and expertise and leverage our reputation and relationships to selectively acquire additional exploration licenses and maintain a high-quality portfolio of undrilled exploration prospects. We plan to farm-in to new venture opportunities as well as to undertake exploration in emerging basins, plays and fairways to enhance and optimize our position in Africa. In addition, we plan to expand our geographic footprint in a focused and systematic fashion. Consistent with this strategy, we also evaluate potential corporate acquisition opportunities as a source of new ventures to replenish and expand our asset portfolio.

Kosmos Exploration Approach

The Kosmos exploration philosophy is deeply rooted in a fundamental, geologically based approach geared towards the identification of misunderstood, under-explored or overlooked petroleum systems.

This process begins with detailed geologic studies that methodically assess a particular region's subsurface, with particular consideration to those attributes that lead to working petroleum systems. The process includes basin modeling to predict oil charge and fluid migration, as well as stratigraphic and structural analysis to identify reservoir/seal pair development and trap definition. This analysis integrates data from previously drilled wells and seismic data available to Kosmos. Importantly, this approach also takes into account a detailed analysis of geological timing to ensure that we have appropriate understanding of whether the sequencing of geological events would support and preserve hydrocarbon accumulation. Once an area is high-graded based on this play/fairway analysis, detailed geophysical analysis is conducted to identify prospective traps of interest. We also work with NSAI in assessing our prospects.

Alongside the subsurface analysis, Kosmos performs a detailed analysis of country-specific risks to gain a comprehensive understanding of the "above-ground" dynamics, which may influence a particular region's relative desirability from an overall oil and natural gas operating and risk-adjusted returns perspective.

This iterative and comprehensive process is employed in both areas that have existing oil and natural gas production, as well as those regions that have yet to achieve commercial hydrocarbon production. The process is carried out by a small group of experienced technical personnel who individually and as a team have a proven track record of exploration success. Collectively, our team has been involved in the aggregate discovery of over five Bboe during their careers. Furthermore, key members of our technical team have worked together since the mid 1990s at Triton. This team includes individuals with complementary areas of expertise which span the exploration process, including geology, geophysics, geochemistry, reservoir engineering and other associated disciplines. Integration of these disciplines is key to creating Kosmos' competitive advantage.

Once an area of interest has been identified, Kosmos actively targets licenses over the particular basin or fairway in order to achieve an early mover or in many cases a first-mover advantage. In terms of license selection, Kosmos targets specific regions that have sufficient size to provide scale should the exploration concept prove successful. Additional objectives include long-term contract duration to enable the "right" exploration program to be executed, play type diversity to provide multiple exploration concept options, prospect dependency to enhance the chance of replicating success and sufficiently attractive fiscal terms to maximize the commercial viability of discovered hydrocarbons.

The Kosmos exploration process, as well as its expertise in capturing highly attractive leasehold positions, has proven very successful over time. For instance, while at Triton, members of the Kosmos technical team utilized the process described above to capture and successfully drill the Ceiba Field (and North Block G Complex) in Equatorial Guinea, Cusiana and Cupiagua Fields in Colombia and eight distinct natural gas fields located within the Malaysia—Thailand Joint Development Area in the Gulf of Thailand. The Cusiana/Cupiagua fields were discovered in 1988 and 1993, respectively, and are estimated by Wood MacKenzie to hold approximately 1,700 Mmboe of reserves on a combined basis. The Ceiba and North Block G Complex, discovered between 1998 and 1999, are estimated by Wood MacKenzie to hold approximately 525 Mmboe of reserves. Triton's Malaysia—Thailand Joint Development Area discoveries, initially drilled between 1995 and 1997, are estimated by Wood MacKenzie to hold approximately 950 Mmboe of reserves.

This same process also led to the early identification of the Late Cretaceous play along the margin of North and West Africa and are highly attractive from a hydrocarbon exploration perspective. Based on its assessment using this model, Kosmos acquired its current licenses in Ghana, Cameroon and Morocco from 2004 to 2006.

In addition to our current exploration portfolio, Kosmos continuously evaluates new opportunities to grow its portfolio of assets and its inventory of drillable prospects while simultaneously maintaining the high technical standards of our exploration approach. For instance, Kosmos' new venture group

reviews the exploration potential of the West and East coast African margins in order to identify overlooked and underexplored plays which may be available for direct licensing or acreage opportunities for farm-ins. This involves studying areas adjacent to our current licenses in order to leverage our considerable knowledge base about these petroleum systems, extrapolating new petroleum play systems and concepts along the margins and, based on our exploration approach, identifying new, emerging or under explored petroleum systems. As part of this process, Kosmos has evaluated over 120 new venture opportunities along the West and East African margins and some African interior rift basins.

Kosmos has also begun to apply the same exploration approach in order to evaluate areas outside of the African continent, in particular Brazil, broader Latin America and Asia. This process will expose us to a broader new ventures opportunity set and facilitate continued and increased future growth.

Our Discoveries and Prospects

Information about our discoveries is summarized in the following table. In interpreting this information, specific reference should be made to the subsections of this prospectus titled "Risk Factors—Our identified drilling locations are scheduled out over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling" and "Risk Factors—We are not, and may not be in the future, the operator on all of our license areas and do not, and may not in the future, hold all of the working interests in certain of our license areas. Therefore, we will not be able to control the timing of exploration or development efforts, associated costs, or the rate of production of any non-operated and to an extent, any non-wholly owned, assets."

Discoveries	License	Aerial Extent (acres)	Kosmos Working Interest	Block Operator(s)	Stage	Type	Expected Year of PoD Submission
Ghana							
Jubilee Field Phase 1(1)(2)	WCTP/DT(3)	8,300	23.4913%(5)	Tullow/Kosmos(6)	Production	Deepwater	2008(2)
Jubilee Field subsequent phases(2)	WCTP/DT(3)	4,600	23.4913%(5)	Tullow/Kosmos(6)	Development	Deepwater	2011
Mahogany East	WCTP(4)	6,600	30.8750%	Kosmos	Development planning	Deepwater	2011
Odum	WCTP(4)	1,900	30.8750%	Kosmos	Development planning	Deepwater	2011
Teak	WCTP(4)	23,000	30.8750%	Kosmos	Appraisal	Deepwater	2013
Tweneboa	DT(4)	19,900	18.0000%	Tullow	Appraisal	Deepwater	2012(7)
Enyenra	DT(4)	28,100	18.0000%	Tullow	Appraisal	Deepwater	2013

(1) For information concerning our estimated proved reserves in the Jubilee Field as of December 31, 2010, see "—Our Reserves."

(2) The Jubilee Phase 1 PoD was submitted to Ghana's Ministry of Energy on December 18, 2008 and was formally approved on July 13, 2009. The Jubilee Phase 1 PoD details the necessary wells and infrastructure to develop the UM3 and LM2 reservoirs. Oil production from the Jubilee Field offshore Ghana commenced on November 28, 2010, and we received our first oil revenues in early 2011. We intend to submit or amend PoDs for other reservoirs within the unit for the Jubilee Field subsequent phases to Ghana's Ministry of Energy for approval in order to extend the production plateau of the Jubilee Field.

(3) The Jubilee Field straddles the boundary between the WCTP Block and the DT Block offshore Ghana. Consistent with the Ghanaian Petroleum Law, the WCTP and DT Petroleum Agreements and as required by Ghana's Ministry of Energy, in order to optimize resource recovery in this field, we entered into the UUOA on July 13, 2009 with GNPC and the other block partners of each of these two blocks. The UUOA governs the interests in and development of the Jubilee Field and created the Jubilee Unit from portions of the WCTP Block and the DT Block.

(4) GNPC has the option to acquire additional paying interests in a commercial discovery on the WCTP Block and the DT Block of 2.5% and 5.0%, respectively. In order to acquire the additional paying interest, GNPC must notify the contractor of its intention to acquire such interest within sixty to ninety days of the contractor's notice to Ghana's Ministry of Energy of a commercial discovery. These interest percentages do not give effect to the exercise of such options.

(5) These interest percentages are subject to redetermination of the working interests in the Jubilee Field pursuant to the terms of the UUOA. See "Risk Factors —The unit partners' respective interests in the Jubilee Unit are subject to redetermination and our interests in such unit may decrease as a result" and "—Material Agreements—Exploration Agreements—Ghana—Jubilee Field Unitization." GNPC has exercised its WCTP and DT PA options, with respect to Jubilee Unit, to acquire an additional unitized paying interest of 3.75% in the Jubilee Field. The Jubilee Field interest percentages give effect to the exercise of such option.

(6) Kosmos is the Technical Operator and Tullow is the Unit Operator of the Jubilee Unit. See "—Material Agreements—Exploration Agreements—Ghana —Jubilee Field Unitization."

(7) Appraisal of the Tweneboa oil and gas condensate reservoirs is expected to continue through 2011. As outlined by the DT Petroleum Agreement, a submission of a PoD would be required for an oil development by 2012, while the submission of a PoD related to a natural gas development would be required by 2013.

Ghana Well Information

Information about the wells we have drilled on our license areas in Ghana is summarized in the following table.

	Operator	Spud Date(1)	Total Depth (feet)	Net Hydrocarbon Pay (feet)	Status(2)	Comments
Jubilee						
J-09 (Mahogany-1)	Kosmos	05/30/07	12,553	321	Completion Pending	Discovery well for Jubilee in WCTP Block. Drill stem tested at rates in excess of 20,500 bopd. Lower completion installed.
Hyedua-1	Tullow	07/27/07	13,130	180	Plugged Back	Downdip confirmation well in DT Block.
J-10 Water Injector ("WI") (Hyedua-1BP1)	Tullow	07/27/07	12,631	136	Completion Pending	Whole core obtained. Injectivity test conducted at rates in excess of 20,000 bwpd.
J-16GI Gas Injectors ("GI") (Mahogany-2)	Tullow	03/06/08	11,296	164	Completion Pending	Updip confirmation well for Jubilee reservoirs. Whole core obtained. Two Drill Stem Tests ("DSTs") conducted.
J-08 (Hyedua-2)	Tullow	10/09/08	12,018	180	Producing	Drill stem tested at rates in excess of 16,500 bopd. Whole core obtained.
J-04	Tullow	01/17/09	15,121	90	Plugged Back	Tested the Southeastern edge of the Jubilee fairway.
J-04 Sidetrack ("ST")	Tullow	01/17/09	13,803	199	Completion Pending	Observation well for interference testing.
J-01	Tullow	03/18/09	12,411	140	Producing	
J-02	Tullow	03/25/09	13,829	186	Producing	Observation well for interference testing.
J-11WI	Tullow	05/06/09	13,822	121	Completion Pending	Down structure water injector—net reservoir 281 feet.
J-12WI	Tullow	05/11/09	14,081	188	Injecting	Down structure water injector—net reservoir 319 feet.
J-15WI	Tullow	05/14/09	16,949	47	Completion Pending	Only drilled through Upper Mahogany—down structure water injector-net reservoir 87 feet.
J-07	Tullow	05/19/09	13,599	121	Plugged Back	Whole core obtained.
J-07ST	Tullow	05/19/09	13,701	116	Producing	
J-03	Tullow	09/29/09	12,507	173	Completion Pending	Lower completion installed.
J-05	Tullow	07/08/09	13,753	193	Completion Pending	Lower completion installed.
J-17	Tullow	10/07/09	19,390	174	Plugged Back	Only drilled through Upper Mahogany reservoirs.
J-17STGI	Tullow	10/07/09	19,574	197	Completion Pending	
J-13WI	Tullow	10/10/09	13,058	143	Completion Pending	Down structure water injector—net reservoir 348 feet.
J-14WI	Tullow	10/14/09	13,999	77	Injecting	Down structure water injector—net reservoir 334 feet.
Mahogany East						
Mahogany-3	Kosmos	11/27/08	14,262	108	Suspended	Discovery well for Mahogany Deep.
Mahogany-4	Kosmos	08/28/09	12,074	141	Suspended	Updip confirmation well for the Mahogany East reservoirs.
Mahogany Deep-2	Kosmos	09/29/09	14,193	49	Suspended	Drilled to delineate deep reservoirs —net reservoir of 384 feet.
Mahogany-5	Kosmos	04/18/10	13,084	75	Suspended	Eastern confirmation of Mahogany East reservoirs.

	Operator	Spud Date(1)	Total Depth (feet)	Net Hydrocarbon Pay (feet)	Status(2)	Comments
Odum						
Odum-1	Kosmos	01/18/08	11,109	72	Suspended	Discovery well for Odum.
Odum-2	Kosmos	11/12/09	8,222	66	Suspended	Confirmation well for Odum.
Tweneboa						
Tweneboa-1	Tullow	01/26/09	13,002	69	Suspended	Discovery well for Tweneboa condensate pays.
Tweneboa-2	Tullow	12/06/09	13,878	105	Suspended	Confirmation well for Tweneboa. Discovery of Central Oil Channel below condensate pays. Whole core obtained.
Tweneboa-3	Tullow	11/26/10	12,811	29	Plugged back	Confirmation well for Tweneboa.
Tweneboa-3ST	Tullow	12/22/10	12,816	112	Suspended	
Onyina						
Onyina-1	Tullow	09/25/10		—	Abandoned	Dry hole.
Enyenra (formerly known as Owo)						
Owo-1	Tullow	06/10/10	12,766	174	Plugged Back	Discovery well for Enyenra.
Owo-1 ST1	Tullow	07/28/10	13,117	115	Suspended	Lateral confirmation well for Enyenra channels, and discovery wells for deeper condensate pays. Whole core obtained.
Teak						
Teak-1	Kosmos	12/21/10	10,398	239	Suspended	Discovery well for Teak.
Dahoma						
Dahoma-1	Kosmos	02/04/10	14,403	—	Abandoned	Dry hole.

(1) In connection with our side-track wells, "spud date" refers to the date we commenced drilling such well.

(2) These terms have the following meanings:

Abandoned	Exploration / appraisal well that was deemed to have no further utility. The well was permanently abandoned, per approved government procedures.
Completion Pending	Production / Injection casing has been installed across the target interval as part of the normal drilling operations, and the well is scheduled / approved to have a completion installed to facilitate production / injection per the applicable PoD.
Injection Ready	Injection well has been drilled and completed. All well equipment is in place to commence injection.
Plugged Back	Well that has cement set across productive interval to facilitate production from sidetrack well.
Production Ready	Production well has been drilled and completed. All well equipment is in place to commence production.
Suspended	Exploration / appraisal well that has had production casing installed across the target interval. However, plans to utilize the well as part of a development have not yet been approved.

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Prospect Information

Information about our prospects is summarized in the following table.

Prospect	License	Aerial Extent (acres)	Kosmos Working Interest (%)	Block Operator	Type	Projected Spud Year(4)
Ghana(1)						
Banda Campanian	WCTP	8,800	30.875	Kosmos	Deepwater	2011
Banda Cenomanian	WCTP	15,000	30.875	Kosmos	Deepwater	2011
Makore	WCTP	12,300	30.875	Kosmos	Deepwater	2011
Odum East	WCTP	3,100	30.875	Kosmos	Deepwater	2011
Sapele	WCTP	19,100	30.875	Kosmos	Deepwater	2012
Funtum	WCTP	6,700	30.875	Kosmos	Deepwater	2012
Assin	WCTP	2,600	30.875	Kosmos	Deepwater	2012
Okoro	WCTP	4,600	30.875	Kosmos	Deepwater	Post 2012
Late Cretaceous WCTP Play (4 identified targets)	WCTP	8,100	30.875	Kosmos	Deepwater	Post 2012
Tweneboa Deep	DT	20,100	18.000	Tullow	Deepwater	2012
Walnut	DT	2,900	18.000	Tullow	Deepwater	2012
DT Sapele	DT	4,600	18.000	Tullow	Deepwater	2012
Wassa	DT	8,900	18.000	Tullow	Deepwater	Post 2012
Adinkra	DT	1,300	18.000	Tullow	Deepwater	Post 2012
Oyoko	DT	1,900	18.000	Tullow	Deepwater	Post 2012
Ananta	DT	1,600	18.000	Tullow	Deepwater	Post 2012
Cameroon(2)						
N'gata	Kombe-N'sepe	6,100	35.000	Perenco	Onshore	2011(5)
N'donga	Kombe-N'sepe	6,400	35.000	Perenco	Onshore	Post 2012
Disangue	Kombe-N'sepe	5,200	35.000	Perenco	Onshore	Post 2012
Pongo Songo	Kombe-N'sepe	2,400	35.000	Perenco	Onshore	Post 2012
Bonongo	Kombe-N'sepe	3,100	35.000	Perenco	Onshore	Post 2012
Coco East	Kombe-N'sepe	2,800	35.000	Perenco	Onshore	Post 2012
Liwenyi	Ndian River	4,000	100.000	Kosmos	Onshore	2012
Liwenyi South	Ndian River	1,600	100.000	Kosmos	Onshore	Post 2012
Meme	Ndian River	3,800	100.000	Kosmos	Onshore	Post 2012
Bamusso	Ndian River	12,100	100.000	Kosmos	Onshore	Post 2012

Morocco(3)						
Gargaa	Boujdour Offshore	13,900	75.000	Kosmos	Deepwater	Post 2012
Argane	Boujdour Offshore	11,600	75.000	Kosmos	Deepwater	Post 2012
Safsaf	Boujdour Offshore	22,400	75.000	Kosmos	Deepwater	Post 2012
Aarar	Boujdour Offshore	8,100	75.000	Kosmos	Deepwater	Post 2012
Zitoune	Boujdour Offshore	10,000	75.000	Kosmos	Deepwater	Post 2012
Al Arz	Boujdour Offshore	13,400	75.000	Kosmos	Deepwater	Post 2012
Felline	Boujdour Offshore	13,500	75.000	Kosmos	Deepwater	Post 2012
Nakhil	Boujdour Offshore	6,500	75.000	Kosmos	Deepwater	Post 2012
Barremian Tilted Fault Block Play (11 identified structures)	Boujdour Offshore	68,000	75.000	Kosmos	Deepwater	Post 2012

(1) GNPC has the option to acquire additional paying interests in a commercial discovery on the WCTP Block and the DT Block of 2.5% and 5.0%, respectively. In order to acquire the additional paying interests, GNPC must notify the contractor of its intention to do so within sixty to ninety days of the contractor's notice to Ghana's Ministry of Energy of a commercial discovery. These interest percentages do not give effect to the exercise of such options.

(2) The Republic of Cameroon will back-in for a 60.0% revenue interest and a 50.0% carried paying interest in a commercial discovery on the Kombe-N'sepe Block, with Kosmos then holding a 35.0% interest in the remaining interests of the block partners. This would result in Kosmos holding a 14.0% net revenue interest and a 17.5% paying interest. The Republic of Cameroon has an option to acquire an interest of up to 15.0% in a commercial discovery on the Ndian River Block. These interest percentages do not give effect to the exercise of such options.

(3) We have not yet made a decision as to whether or not to drill our Morocco prospects. We have entered a memorandum of understanding with ONHYM to enter a new license covering the highest potential areas of this block under essentially the same terms as the original license. If we decide to continue into the drilling phase of such license, we anticipate that the first well to drill within the Boujdour Offshore Block will be post 2012.

(4) See "Risk Factors—Our identified drilling locations are scheduled out over several years, making them susceptible to uncertainties that could materially alter the occurence or timing of their drilling" and "Risk Factors—Under the terms of our various license agreements, we are contractually obligated to drill wells and declare any discoveries in order to retain exploration and production rights. In the competitive market for our license areas, failure to declare any discoveries and thereby establish development areas may result in substantial license renewal costs or loss of our interests in the undeveloped parts of our license areas, which may include certain of our prospects."

(5) The N'gata-1 exploration well was spud in early 2011 and is currently being drilled.

Ghana

The WCTP and DT Blocks are located within the Tano Basin, offshore western Ghana. This basin contains a proven world-class petroleum system as evidenced by the Jubilee, Mahogany East, Odum, Tweneboa, Enyenra and Teak discoveries.

The Tano Basin represents the eastern extension of the Deep Ivorian Basin which resulted from Albian trans-tension associated with opening of the Atlantic Ocean between the St. Paul and Romanche fracture zones, as South America separated from Africa in the mid-Cretaceous period. The Tano Basin forms part of the resulting transform margin which extends from Sierra Leone to Nigeria.

The basin was a depositional focus for a thick Upper Cretaceous, deepwater turbidite sequence which, in combination with a modest Tertiary section, provided sufficient thickness to mature an early to mid-Cretaceous source rock in the central part of the Tano Basin. This well-defined reservoir and charge fairway forms the play which, when draped over the South Tano high, a structural high dipping into the basin, resulted in the formation of combination trapping geometries that constitute the Jubilee and Odum accumulations, and along which a number of other prospects are located.

Some limited exploration took place in the shallow water part of the Tano Basin prior to Kosmos' licensing of the WCTP Block. A number of small, Albian-aged oil and natural gas discoveries were made in the 1980s. Following this, a small Late Cretaceous discovery was made in the 1990s. These older discoveries illustrated the presence of viable source rock, reservoir and seal sections with the limiting factor to commerciality being structural trap size. The combination of this information with regional 2D seismic data indicated the potential presence of a much larger play in the under-explored deepwater portion of the basin. Kosmos entered into the WCTP Petroleum Agreement in 2004. Kosmos recognized the potential for large, Late Cretaceous sandstone plays in stratigraphic trapping geometries and leveraged its technical expertise to evaluate and later prove the Tano Basin to be one of the most prolific hydrocarbon provinces in West Africa.

Kosmos uses leading edge geophysical information to define these hydrocarbon plays and related prospects. This involves reprocessing existing 2D and 3D seismic data, as well as acquiring and leveraging high resolution 3D seismic data interpretation methodologies. This 3D seismic data allows development of detailed depositional, structural, and geophysical models, which led to the identification of a number of prospects including (1) combination structural-stratigraphic traps with updip and lateral thinning of reservoir sands, (2) combination fault and three-way fault closures, and (3) four-way dip closures or anticlinal traps.

The primary prospect types consist of well imaged Turonian and Campanian aged submarine fans deposited against the steeply dipping shelf margin and trapped in an up dip direction by thinning of the reservoir and/or faults. The WCTP Block partners tested this play concept in June 2007 with the Mahogany-1 well, which discovered over 295 feet (90 meters) of high quality oil pay in a large structural/stratigraphic trap. All subsequent discoveries made have similar trap geometries. In addition, four way and three way fault closures are also present within the WCTP Block. These discoveries and prospects are described in more detail below.

Our Ghanaian Discoveries

The following is a brief discussion of our discoveries to date on our two blocks offshore Ghana. In this prospectus, we use "estimated pay thickness" to refer to the estimated mean vertical extent of the effective hydrocarbon-bearing rock (expressed in feet). See "Risk Factors—We face substantial uncertainties in estimating the characteristics of our unappraised discoveries and our prospects."

Jubilee Discovery

The Jubilee Field was discovered in 2007 with the drilling of the Kosmos-operated exploration well, Mahogany-1, within the WCTP Block. Tullow subsequently drilled an appraisal well, Hyedua-1, in the offsetting DT Block. The two wells defined a continuous, large accumulation of oil underlying areas within both blocks. The field, subsequently renamed Jubilee, is located approximately 37 miles (60 kilometers) offshore Ghana in water depths of 3,250 to 5,800 feet (991 to 1,707 meters). Pursuant to the terms of the UUOA, an area that covers a portion of each block has been unitized for purposes of joint development by the DT and WCTP participating interest holders. The parties to the UUOA initially agreed that the unit interests are to be shared equally, with each block deemed to contribute a 50% interest to the Jubilee Unit. Such 50% interest contribution in the Jubilee Unit is subject to subsequent redetermination under the UUOA. See "Risk factors—The unit partners' respective interests in the Jubilee Unit are subject to redetermination and our interests in such unit may decrease as a result" and "—Material Agreements—Jubilee Field Utilization." The UUOA specifies a split operatorship role. Kosmos was selected as the Technical Operator for Development and Tullow was designated as the Unit Operator.

In its role as Technical Operator for Development, Kosmos led a multi-disciplined team, the Integrated Project Team ("IPT"), which was responsible for all aspects of the Jubilee Phase 1 PoD, including reservoir model, reserves and drainage plan, and production facilities including sub-sea architecture and the FPSO.

In addition, the IPT was then responsible for project execution of the production facilities, excluding drilling and completing wells, which was the responsibility of the Unit Operator. The IPT successfully delivered first oil on November 28, 2010.

Geology

The Jubilee Field is a combination stratigraphic-structural trap with reservoir intervals consisting of a series of stacked Upper Cretaceous Turonian-aged, gravity-driven, deepwater turbidite fan lobes and channel deposits. The wells within the Jubilee Unit have intersected five major turbidite fan lobe sequences containing oil and associated gas. The oil column contained within the reservoirs is over 1,640 feet (500 meters). This field has an estimated pay thickness of approximately 153 feet (47 meters). The 16 wells and three sidetracks drilled to date have encountered high-quality sandstone reservoirs with average porosities of approximately 18% and permeabilities of 300 mD. Fluid samples recovered from multiple wells indicate an oil gravity of between 31.2 and 38.6 degrees API.

Recognizing the significance of the discovery, the block partners acquired a high resolution 3D seismic survey over the field area in late 2007. The survey has proved invaluable in defining the distribution and architecture of the Upper and Lower Mahogany reservoirs.

Subsurface Engineering

The initial phase of the development focuses on two of the six reservoirs in the Jubilee Field, the prolific UM3 and LM2 reservoirs. Kosmos constructed over 500 detailed geologic models utilizing the subsurface mapping and a range of petrophysical attributes from the exploration, appraisal, and development wells. Numerical simulation was used to evaluate and screen hundreds of potential development well plans and operational strategies. Based on these results, the Kosmos-led IPT developed an initial 17 well drainage plan, which consists of nine producing wells

six water injection wells and two natural gas injection wells. We expect we will produce approximately 120,000 bopd from these two reservoirs. To validate the subsurface engineering and provide additional confidence in the start-up of the development, a series of interference tests were conducted within the LM2 reservoir. These interference tests significantly reduced uncertainty associated with inter-well communication on a production timescale for the LM2 reservoir, a key uncertainty in the performance of any deepwater field.

Facilities and wells

While the Jubilee Phase 1 Development focuses on only two of the five reservoirs identified in the area, there is a significant amount of upside related to the Jubilee Field. Accordingly, the subsea architecture was designed to provide additional well slot capacity as additional wells are tied into the system, and add a measure of redundancy for our production operations. As such, the subsea facilities are divided into an "East" and "West" side with a total of up to 32 well slots, only 17 of which have been drilled in the Jubilee Field Phase 1 development. The current plan for subsequent phases is to increase and extend the production plateau by adding additional wells into the existing subsea system. Subsequent phases of the development of the Jubilee Field will consist of drilling infill wells that target the currently producing UM3 and LM2 reservoirs. Production and reservoir performance is being monitored closely at present and planning is ongoing to initiate infill drilling in late 2011 or early 2012. The timing and scope of subsequent phases will be defined based on reservoir performance.

The location of the field (in water depths ranging from 4,100 to 5,500 feet (1,250 to 1,700 meters)) led to the decision to use a FPSO as the production facility for the development. The FPSO was built by modifying a Very Large Crude Carrier ("VLCC") with the necessary modifications. The rechristened "Kwame Nkrumah" FPSO is capable of processing 120,000 bopd of oil, 160,000 Mcf per day ("Mcfpd") of natural gas, and storing up to 1.6 million bbl of stabilized crude. Further, the vessel can provide reservoir pressure maintenance through water and natural gas injection support of 232,000 bwpd and 160,000 Mcfpd respectively. Thus far, 16 of the 17 development wells have been drilled, all utilizing large bore $9^5/_8$ inch production casing with frac-packs to mitigate sand production and maintain high oil production and water and natural gas injection rates. These wells are clustered around subsea manifolds and utilize directional technology to target specific locations within the reservoirs.

Mahogany East Discovery

Mahogany East is located in the WCTP Block approximately 37 miles (60 kilometers) offshore Ghana in water depths of 4,101 to 5,905 feet (1,250 to 1,800 meters). The field is covered by a high resolution 3D seismic survey and is a combination stratigraphic-structural trap with reservoir intervals contained in a series of stacked Upper Cretaceous Turonian-aged, deepwater turbidite fan lobe and channel deposits. The Mahogany-3, Mahogany-4, Mahogany-5 and Mahogany Deep-2 wells have intersected multiple oil bearing reservoirs in a Turonian turbidite sequence. This discovery has an estimated pay thickness of approximately 66 feet (20 meters). Fluid samples recovered from the wells indicate an oil gravity of between 31 and 37 degrees API.

Mahogany East was declared commercial on September 6, 2010 and a PoD is currently being prepared for submission to Ghana's Ministry of Energy in the first half of 2011.

Odum Discovery

Odum is located in the eastern portion of the WCTP Block approximately 31 miles (50 kilometers) offshore Ghana in water depths of 2,624 to 3,281 feet (800 to 1,000 meters). The field is delineated by two well penetrations and defined by a high resolution 3D seismic data survey as a combination structural-stratigraphic trap. The Odum-1 and Odum-2 wells each intersected more than 65 feet (20 meters) of net sand. The interval is comprised of Upper Cretaceous, Campanian aged stacked turbidite sequences. Geochemical analyses of the downhole fluid samples indicate the crude has undergone biodegradation and has a heavier gravity relative to

other discoveries in the area. This discovery has an estimated pay thickness of 60 feet (18 meters). Fluid samples recovered from the wells indicate an oil gravity of approximately 17.5 degrees API.

Due to the technical challenges presented by the gravity of the oil encountered to date, development planning is ongoing under the WCTP Petroleum Agreement which, in certain circumstances, allows additional time for development studies. Provided the technical solutions can be properly engineered, as has been the case in other similar deepwater heavy oil developments like Petrobras' Jubarte and Shell's Parque das Conchas, a declaration of commerciality may be submitted for the Odum discovery by July 2011 with a PoD submittal within the subsequent six months.

Teak Discovery

Teak is located in the western portion of the WCTP Block approximately 31 miles (50 kilometers) offshore Ghana in water depths of approximately 650 to 3,600 feet (200 to 1,100 meters). The field is covered by a 3D seismic survey and is a structural-stratigraphic trap with an element of four-way dip closure. It contains multiple stacked reservoirs with strong amplitude support ranging in age from Turonian to Campanian. The pre-drill prospect net pay was estimated at 95 feet (29 meters) as an average across the prospect. Teak is located updip and northeast of the Jubilee Field and is located within the same reservoir fairway penetrated by the Jubilee wells. The Teak-1 exploratory well penetrated net pay thickness of approximately 239 feet (73 meters) in five Campanian and Turonian zones of high-quality stacked reservoir sandstones consisting of 154 feet (47 meters) of gas and gas-condensate and (85 feet) 26 meters of oil. Oil samples recovered from the Teak-1 well indicate oil of approximately 40 degrees API gravity in Campanian reservoirs and 32 degrees API gravity in Turonian reservoirs. A follow-up appraisal well, Teak-2, commenced drilling on February 13, 2011.

Following additional appraisal, drilling and evaluation, a decision regarding the commerciality of the Teak discovery is expected to be made by the block partners in the first quarter of 2013. Should the discovery be declared commercial, a PoD would be prepared for submission to Ghana's Ministry of Energy within six months.

Tweneboa Discovery

Tweneboa is located in the central portion of the DT Block approximately 31 miles (50 kilometers) offshore Ghana in water depths of 3,281 to 5,252 feet (1,000 to 1,500 meters). The field is a stratigraphic trap with reservoir intervals contained within a series of stacked Upper Cretaceous Turonian-aged, deepwater turbidite fan lobes and channel deposits. The Tweneboa-1, Tweneboa-2, and Tweneboa-3 wells have intersected multiple natural gas, condensate and oil bearing reservoirs in this Turonian turbidite sequence. This discovery area has an estimated pay thickness of approximately 60 feet (18 meters). Oil samples recovered from the Tweneboa-2 well indicate an oil gravity of approximately 31 degrees API, and condensate gravities between 41 and 47 degrees API. The natural gas is considered a "heavy" or "liquids rich" natural gas with condensate ratios ranging between 50 bbl/Mmcf to 100 bbl/Mmcf. We believe Tweneboa is a predominately liquid-rich gas condensate discovery.

Following additional appraisal, drilling and evaluation, a decision regarding the commerciality of the Tweneboa discovery is expected to be made by the block partners in 2012. Following such a declaration, a PoD would be prepared for submission to Ghana's Ministry of Energy within six months.

Enyenra Discovery (formerly known as Owo)

Enyenra is located in the Western portion of the DT Block approximately 28 miles (45 kilometers) offshore Ghana in water depths of approximately 3,300 to 5,000 feet (1,000 to 1500 meters). The field is primarily a stratigraphic trap with reservoir intervals contained within a series of stacked Upper Cretaceous Turonian-aged, deepwater turbidite fan lobe and channel

deposits. The Owo-1 and Owo-1 ST1 wells have intersected multiple oil and natural gas bearing reservoirs in this Turonian turbidite sequence. This discovery has an estimated pay thickness of approximately 65 feet (20 meters). Fluid samples recovered from the wells indicate an approximate oil gravity of approximately 32 degrees API, and natural gas condensate gravities between 42 and 48 degrees API. Lab measurements are underway to determine the gas condensate gravity and yield. We believe Enyenra is predominately an oil accumulation.

Following additional appraisal, drilling and evaluation, a decision regarding the commerciality of the Enyenra discovery is expected to be made by the block partners in late 2012. Should the discovery be declared commercial, a PoD would be prepared for submission to Ghana's Ministry of Energy in mid-2013.

Our Ghanaian Prospects

The following is a brief discussion of our prospects on our two blocks offshore Ghana.

Banda Campanian

Banda Campanian is located in the eastern portion of the WCTP Block approximately 31 miles (50 kilometers) offshore Ghana in water depths of approximately 2,600 to 4,000 feet (800 to 1,200 meters). It is approximately 3.7 miles (6 kilometers) east of the Odum discovery and defined by a high resolution 3D seismic data survey as a combination structural-stratigraphic trap where a Campanian channel system is sealed updip by a series of listric faults and encased in marine shale. Banda Campanian has similar geologic characteristics to the Odum discovery and has an associated amplitude versus offset ("AVO") anomaly, however it has been buried more deeply than Odum and this may result in improved fluid characteristics. The target interval is comprised of Upper Cretaceous Campanian aged stacked turbidite sequences interlayered with marine shale. Banda Campanian has an estimated pay thickness of approximately 45 feet. The first well to drill Banda Campanian is anticipated to be spud in the first half of 2011.

Banda Cenomanian

Banda Cenomanian is located in the southeastern portion of the WCTP Block approximately 31 miles (50 kilometers) offshore Ghana in water depths of approximately 3,000 to 4,600 feet (900 to 1,300 meters). Based on high resolution 3D seismic data, it is a large anomaly draped over the flank of a four-way dip closure thought to consist of channel and fan reservoirs within the Upper Cretaceous Cenomanian aged interval. Banda Cenomanian has an amplitude estimated pay thickness of approximately 80 feet. The first well to drill Banda Cenomanian is anticipated to be spud in the first half of 2011.

Makore

Makore is located in the south and central portion of the WCTP Block approximately 44 miles (70 kilometers) offshore Ghana in water depths of approximately 3,900 to 4,900 feet (1,200 to 1,500 meters). It targets Upper Cretaceous Turonian aged reservoirs expected to be similar in age and facies to those encountered in Jubilee. Makore has an estimated pay thickness of approximately 35 feet. The first well to drill Makore is anticipated to be spud in 2011.

Odum East

Odum East is located in the eastern portion of the WCTP Block approximately 31 miles (50 kilometers) offshore Ghana in water depths of approximately 2,600 to 3,300 feet (800 to 1,000 meters). It is located 1.9 miles (3 kilometers) east of the Odum-1 and Odum-2 well penetrations and defined by a high resolution 3D seismic data survey as a combination structural-stratigraphic trap, and is very similar to the Odum discovery. The target interval is comprised of Upper Cretaceous Campanian aged stacked turbidite sequences. Odum East has an estimated pay

thickness of approximately 40 feet. The first well to drill Odum East is anticipated to be spud in 2011.

Sapele

Sapele is located in the northern portion of the WCTP Block approximately 22 miles (35 kilometers) offshore Ghana in water depths of approximately 300 to 2,600 feet (100 to 800 meters). It targets an Upper Cretaceous Middle Campanian age system of amalgamated channels forming an extensive depositional system with associated facies confining the width of the stratigraphic trap to approximately 6.2 miles (10 kilometers) wide. High resolution 3D seismic information indicates the presence of submarine fan channels. Sapele has an estimated pay thickness of approximately 115 feet. The first well to drill Sapele is anticipated to be spud in 2012.

Funtum

Funtum is located in the northern portion of the WCTP Block approximately 22 miles (35 kilometers) offshore Ghana in water depths of approximately 300 to 1,600 feet (100 to 500 meters). It targets an Upper Cretaceous Middle Campanian age confined channel system approximately 1.3 miles (2 kilometers) wide with associated channel margin facies extending the stratigraphic trap to approximately 3.1 miles (5 kilometers) wide. High resolution 3D seismic information indicates a high-energy deposition. The prospect has an estimated pay thickness of approximately 120 feet. The first well to drill Funtum is anticipated to be spud in 2012.

Assin

Assin is located in the central portion of the WCTP Block approximately 31 miles (50 kilometers) offshore Ghana in water depths of approximately 2,600 to 3,300 feet (800 to 1,000 meters). It is approximately 2.5 miles (4 kilometers) northwest and updip of the Odum discovery. The stratigraphic trap is defined by a high resolution 3D seismic survey and is very similar in nature to the Odum discovery. The target interval is comprised of Upper Cretaceous, Campanian aged stacked turbidite sequences interlayered with marine shale. Assin has an estimated pay thickness of approximately 25 feet. The first well to drill Assin is anticipated to be spud in 2012.

Okoro

Okoro is a tilted Albian fault block located in the central portion of the WCTP Block approximately 31 miles (50 kilometers) offshore Ghana in water depths of approximately 2,600 to 3,000 feet (800 to 900 meters). It sits adjacent to the Jubilee field but in older and deeper stratigraphy. Oil samples from deeper wells within Tano Basin have also recovered oil samples from Albian formations. Okoro has an estimated pay thickness of approximately 105 feet. The first well to drill Okoro is anticipated to be spud post 2012.

Late Cretaceous WCTP Play

Four additional Late Cretaceous targets are present on the WCTP Block offshore Ghana in water depths from 600 to 4,300 feet (190 to 1,300 meters). These targets range in age from Cenomanian to Companian. They comprise four-way dip closures to stratiographic channel traps. These targets have an estimated pay thickness of approximately 45 feet. If a target matures into a prospect, the first well to drill one of these targets is anticipated to be spud post 2012.

Tweneboa Deep

Tweneboa Deep is located in the southern portion of the DT Block approximately 44 miles (70 kilometers) offshore Ghana in water depths of approximately 4,900 to 5,900 feet (1,500 to 1,800 meters). It comprises a north-south trending Upper Cretaceous Lower Turonian aged turbidite system with an updip thinning and is similar in age to the deeper reservoirs encountered

in Mahogany East. Tweneboa Deep has an estimated pay thickness of approximately 60 feet. The first well to drill Tweneboa Deep is anticipated to be spud in 2012.

Walnut

Walnut is located along the northern edge of the DT Block approximately 28 miles (45 kilometers) offshore Ghana in water depths of approximately 1,600 to 2,600 feet (500 to 800 meters). It targets stratigraphic and downthrown fault closures varying in age from Turonian to Campanian. Walnut has an estimated pay thickness of approximately 55 feet. The first well to drill Walnut is anticipated to be spud in 2012.

DT Sapele

DT Sapele is located in the eastern portion of the DT Block approximately 37 miles (60 kilometers) offshore Ghana in water depths of approximately 5,250 to 5,900 feet (1,600 to 1,800 meters). The target reservoir is a down-dip extension of the Upper Cretaceous Turonian age sand fairway at Jubilee. The combination structural stratigraphic reservoir is well defined with high resolution 3D seismic and well information from the surrounding Jubilee and Mahogany East discoveries. The exploration target has an estimated pay thickness of approximately 35 feet. The first well to drill Odum East is expected to be spud in 2012.

Wassa

Wassa is located in the south central portion of the DT Block approximately 44 miles (70 kilometers) offshore Ghana in water depths of approximately 5,900 to 6,200 feet (1,800 to 1,900 meters). It has a trapping geometry at multiple levels from Albian through Turonian with a stratigraphic trap element and a large fault closure at the Albian level. Wassa has an estimated pay thickness of approximately 95 feet. The first well to drill Wassa is anticipated to be spud post 2012.

Adinkra

Adinkra is located along the northern edge of the DT Block approximately 28 miles (45 kilometers) offshore Ghana in water depths of approximately 1,600 to 2,600 feet (500 to 800 meters). It targets stratigraphic and downthrown fault closures varying in age from Turonian to Campanian. Adinkra has an estimated pay thickness of approximately 55 feet. The first well to drill Adinkra is anticipated to be spud in 2012.

Oyoko

Oyoko is located along the northern edge of the DT Block approximately 28 miles (45 kilometers) offshore Ghana in water depths of approximately 1,600 to 2,600 feet (500 to 800 meters). It targets stratigraphic and downthrown fault closures of Albian to Cenomanian age. Oyoko has an estimated pay thickness of approximately 65 feet. The first well to drill Oyoko is anticipated to be spud in 2012.

Ananta

Ananta is located in the western portion of the DT Block approximately 37 miles (60 kilometers) offshore Ghana in water depths of approximately 4,300 to 5,250 feet (1,300 to 1,600 meters). It is a stratigraphic trap of Campanian age located west of the existing Tweneboa wells. The Tweneboa-1 well encountered thick porous sands at this interval. Ananta contains similar facies with a seismic AVO anomaly. Ananta has an estimated pay thickness of approximately 60 feet. The first well to drill Ananta is anticipated to be spud post 2012.

Cameroon

Overview

Kosmos has interests in two licenses in Cameroon, the Ndian River Block located in the Rio del Rey Basin, which it operates with a 100% equity interest, and the Perenco operated, Kombe-N'sepe Block located in the Douala Basin, in which Kosmos maintains a 35% interest. These licenses together comprise an area covering approximately 1.2 million acres (4,800 square kilometers), which is the equivalent of 205 standard deepwater U.S. Gulf of Mexico blocks.

Licenses over the Kombe-N'sepe and Ndian River Blocks were obtained in 2005 and 2006, respectively, given Kosmos' view that, like other areas along the West African Transform Margin, the Cameroon coastal regions bordering the Gulf of Guinea have been both overlooked and under-explored, to date, from an oil exploration perspective. We believe that both the geology and exploration opportunities within our Cameroon licenses share substantial similarities to that of our offshore Ghana assets. In addition, given our management and technical teams' extensive exploration experience and success offshore nearby Equatorial Guinea, we believe we have a good understanding of the regional petroleum geology.

To date, Kosmos has acquired gravity, magnetic and 2D seismic data over selected portions of our Cameroon licenses. In June 2010, we spud the Mombe-1 well on our Kombe-N'sepe Block which discovered hydrocarbons in sub-commercial quantities which was subsequently plugged and abandoned. Data from these activities has provided greater insight into the region's specific geology and petrophysical properties, including enhanced definition of multiple Tertiary (Miocene) and Late Cretaceous age prospects. In early 2011 we spud the N'gata-1 exploratory well which is currently being drilled.

We have identified 10 prospects within our Cameroon licenses. These prospects are more fully described below.

Geology

Cameroon sits in the Gulf of Guinea adjacent to and south of the Niger Delta. The coastal and offshore portions of Cameroon are associated with two major but different geological basins. In the north and adjacent to the Niger delta is the Rio del Rey Basin which is a thick Tertiary aged depocenter. In addition to the oil province, there is a large outboard natural gas condensate province containing the Alba field. This province is separated from the southern Douala Basin by the Cameroon Tertiary volcanic line.

The Douala Basin contains a thick Late Cretaceous sedimentary sequence which is overlain by a Tertiary sequence. This basin extends south into the neighboring country of Equatorial Guinea where hydrocarbons are produced from the Late Cretaceous Ceiba and Northern Block G hydrocarbon developments. This basin is associated with major transform faults resulting from the opening of the Atlantic Ocean as South America separated from Africa in the mid-Cretaceous period. This under-explored area has similar depositional trends and play elements as those basins in Ghana and Equatorial Guinea where the discovered fields are prolific in size.

Kosmos' licenses in Cameroon consist of one license in the Rio del Rey Basin and one license in the Douala Basin. Each of these two geological provinces covered by the Kosmos license position constitute extensions of proven hydrocarbon plays. In the northern Rio del Rey Basin, Kosmos is operator and 100% equity holder in the Ndian River Block. This block is approximately 434,163 acres (1,757 square kilometers) in area and occupies the eastern, onshore and shallow water offshore portion of the prolific Rio del Rey Basin. Three prior wells have encountered sands and hydrocarbons within the licensed area and three recent exploration wells drilled in an adjacent license south of the Ndian River Block, have discovered oil in the last three years.

In the Douala Basin, Kosmos has an interest in the license covering Kombe-N'sepe Block, which is operated by our block partner, Perenco, and is located in the onshore portion of this basin. The license is located approximately 150 miles (241 kilometers) from the Ceiba field offshore Equatorial Guinea and 4 miles (6 kilometers) from the Matanda natural gas condensate discoveries and 34 miles (55 kilometers) from the Alen/Aseng oil and gas fields. The Kombe-N'sepe Block contains a number of Late Cretaceous aged four-way dip and three-way fault prospects, the majority of which are enhanced by a stratigraphic trap component described in further detail below. The plays we are pursuing in these blocks are similar to those plays in which the Jubilee, Ceiba and Matanda accumulations have been made.

Our Cameroon Prospects

The following is a brief discussion of our prospects on our two blocks onshore Cameroon.

N'gata

N'gata is located in the onshore Kombe-N'sepe Block. This is a large structural three-way fault trap comprised of multiple stacked targets within Paleogene and Upper Cretaceous deepwater turbidite reservoir sequences. It is located north of the Kribi Field and southeast of the Matanda discoveries. N'gata has an estimated pay thickness of approximately 130 feet. An exploration well was spud in early 2011 and is currently being drilled.

N'donga

N'donga, in the Kombe-N'sepe Block, is a large structural three-way fault trap comprised of multiple stacked reservoirs within Paleogene and Upper Cretaceous deepwater turbidite reservoir sequences. It is along trend and south of the North Matanda-1 and Matanda-2 wells. N'donga has an estimated pay thickness of approximately 130 feet. An exploration well is anticipated to be drilled post 2012.

Disangue

Disangue, in the Kombe-N'sepe Block, is a large structural three-way fault trap comprised of multiple stacked reservoirs within Paleogene and Upper Cretaceous deepwater turbidite reservoir sequences. It is east of the North Matanda-1 and Matanda-2 wells. Disangue has an estimated pay thickness of approximately 130 feet. An exploration well is anticipated to be drilled post 2012.

Pongo Songo

Pongo Songo, in the Kombe-N'sepe Block, is a large structural three-way fault trap comprised of multiple stacked reservoirs within Paleogene and Upper Cretaceous deepwater turbidite reservoir sequences. It is along trend and south of the North Matanda-1 and Matanda-2 wells. Pongo Songo has an estimated pay thickness of approximately 130 feet. An exploration well is anticipated to be drilled post 2012.

Bonongo

Bonongo, in the Kombe-N'sepe Block, is a large structural three-way fault trap comprised of multiple stacked reservoirs within Paleogene and Upper Cretaceous deepwater turbidite reservoir sequences. It is along trend and south of the North Matanda-1 and Matanda-2 wells. Bonongo has an estimated pay thickness of approximately 130 feet. An exploration well is anticipated to be drilled post 2012.

Coco East

Coco East, in the Kombe-N'sepe Block, is a large structural three-way fault trap comprised of multiple stacked reservoirs within Paleogene and Upper Cretaceous deepwater turbidite reservoir sequences. It is along trend and south of the North Matanda-1 and Matanda-2 wells. Coco East

has an estimated pay thickness of approximately 130 feet. An exploration well is anticipated to be drilled post 2012.

Liwenyi

Liwenyi is located onshore, in the southern part of the Ndian River Block, within the Rio del Rey Basin. It is a large structurally trapped anticline associated with multiple stacked targets within the Miocene Isongo Formation. Liwenyi is located in the heart of the Isongo reservoir fairway which constitutes primary reservoir in the Alba and Esmeraldas fields in Equatorial Guinea and in Bowleven's recent IF and IE oil and natural gas condensate discoveries in the Etinde Block to the south. Liwenyi is also situated along trend from the Etinde Block discoveries and in a similar trap type. It has an estimated pay thickness of approximately 140 feet. An exploration well is anticipated to be drilled late in 2012.

Liwenyi South

Liwenyi South is located onshore, in the southern part of the Ndian River Block, within the Rio del Rey Basin. It is a structurally trapped anticline associated with multiple stacked targets within the Miocene Isongo Formation. Liwenyi South is located in the next thrust sheet south from Liwenyi. It is located in the heart of the Isongo reservoir fairway, which constitutes primary reservoir in the Alba and Esmeraldas Fields in Equatorial Guinea and in the recent IF and IE oil and natural gas condensate discoveries in the Etinde Block to the south. Liwenyi South is also situated along trend from the Etinde Block discoveries and in a similar trap type. It has an estimated pay thickness of approximately 140 feet. An exploration well is anticipated to be drilled post 2012.

Meme

Meme is located onshore, in the southern part of the Ndian River Block, within the Rio del Rey Basin. It is a faulted three-way closure trapped on the downthrown side of a three-way trapping fault and is comprised of several targets within the Miocene Isongo Formation. Meme is located along trend with the Alba and Esmeraldas Fields in Equatorial Guinea. It has an estimated pay thickness of approximately 140 feet. An exploration well is scheduled to be drilled post 2012.

Bamusso

Bamusso is located onshore, in the southern part of the Ndian River Block, within the Rio del Rey Basin. It is a fault trap within the Upper Cretaceous section. Bamusso has an estimated pay thickness of approximately 90 feet. An exploration well is anticipated to be drilled post 2012.

Morocco

Kosmos is operator and has a 75% working interest in the Boujdour Offshore Block. This block is located within the Aaiun Basin, along the Atlantic passive margin. The block, as covered by the original Boujdour Offshore Petroleum Agreement, comprises an area of more than 10.87 million acres (44,000 square kilometers) (See "Risk Factors—Under the terms of our various license agreements, we are contractually obligated to drill wells and declare any discoveries in order to retain exploration and production rights. In the competitive market for our license areas, failure to declare any discoveries and thereby establish development areas may result in substantial license renewal costs or loss of our interests in the undeveloped parts of our license areas, which may include certain of our prospects."), an area similar in scale to nearly the entire the deepwater fold belt of the U.S. Gulf of Mexico, or approximately 1,900 standard deepwater U.S. Gulf of Mexico blocks. Detailed seismic sequence analysis suggests the existence of stacked deepwater turbidite systems throughout the region. Given the immense scale of the license area, multiple distinct exploration fairways have been identified on this block by Kosmos, each having independent play risks, providing substantial exploration opportunities.

We shot an approximately 2,056 square kilometer 3D seismic survey in 2009 over our high potential leads we identified based off of a database we possessed of approximately 25,000 line kilometers of vintage 2D seismic on the Boujdour Offshore Block. Combined, this detailed data imaging has enabled us to identify and high-grade our prospect inventory through trap identification, detailed structural analysis, and depositional history mapping. As a result, we have identified 19 attractive prospects trapped in very large four-way dip and three-way fault traps throughout the license area.

An exploration well has been drilled in the shallow water between the Boujdour Offshore Block and the shoreline that demonstrates the presence of good-quality, Cretaceous-aged reservoir rocks. Recent onshore drilling by ONHYM has also recovered oil from Cretaceous horizons. These well results demonstrate the presence of a working petroleum system in the adjacent areas, which corroborates Kosmos' geologic models. The deepwater offshore Morocco has not yet proved to be an economically viable production area as to date there has not been a commercially successful discovery or production in this region. See "Industry—Morocco—Oil and Gas Industry."

Kosmos believes that the geology offshore Morocco, like that of Ghana, constitutes an overlooked Cretaceous deepwater sandstone play. Given the size of the block and well-defined structural and stratigraphic traps identified to date, Kosmos' exploration opportunity presented in Morocco is substantial. As a result of the seismically supported geologic fundamentals of the basin, the number of play concepts and fairways within the block and the overall size of the block, we believe that a number of wells may likely be required to test the prospectivity of this license area. We have not yet made a decision as to whether or not to drill our Moroccan prospects. We have entered a memorandum of understanding with ONHYM to enter a new license covering the highest potential areas of this block under essentially the same terms as the original license. If we decide to continue into the drilling phase of such license we anticipate that the first well to drill within the Boujdour Offshore Block will be post 2012.

Lower Cretaceous Play Concept

The main play elements of the prospectivity within the Boujdour Offshore Block consist of a Late Jurassic source rock, charging Early to Mid Cretaceous deepwater sandstones trapped in a number of different structural trends. In the inboard area a number of three-way fault closures are present which contain Early to Mid Cretaceous sandstone sequences some of which have been penetrated in wells on the continental shelf. Outboard of these fault trap trends, large four-way dip closure and combination structural stratigraphic traps are present in discrete northeast to southwest trending structurally defined fairways.

Our Moroccan Prospects

The following is a brief discussion of our prospects on the Boujdour Offshore Block.

Gargaa

Gargaa is located offshore in the southern part of the Boujdour Offshore Block, within the Aaiun Basin, in water depths of approximately 5,250 to 6,500 feet (1,600 to 2,000 meters). It is one of four large four-way dip closures which sit on a 328 mile (100 kilometer) long compressional anticline containing multiple stacked targets within the Early Cretaceous Valanginian through Hauterivian sections. 3D seismic data has been used to define its depositional and structural history. Gargaa has an estimated pay thickness of approximately 260 feet. An exploration well is anticipated to be drilled post 2012.

Argane

Argane is located offshore, in the southern part of the Boujdour Offshore Block, within the Aaiun Basin, in water depths of approximately 4,600 to 6,000 feet (1,400 meters to 1,800 meters). It is one of four large four-way dip closures which sit on a 328 mile (528 kilometers) long compressional anticline containing multiple stacked targets within the Early Cretaceous Valanginian through Hauterivian sections. 3D seismic data has been used to define its depositional and structural history. Argane has an estimated pay thickness of approximately 330 feet. An exploration well is anticipated to be drilled post 2012.

Safsaf

Safsaf is located offshore, in the southern part of the Boujdour Offshore Block, within the Aaiun Basin, in water depths of approximately 8,200 to 9,500 feet (2,500 to 2,900 meters). It is a large four-way closure with a stratigraphic trapping element located over a compressional anticline and containing multiple stacked targets within the Early Cretaceous Valanginian through Hauterivian sections. 3D seismic data has been used to define its depositional and structural history. Safsaf has an estimated pay thickness of approximately 205 feet. An exploration well is anticipated to be drilled post 2012.

Aarar

Aarar is located offshore, in the southern part of the Boujdour Offshore Block, within the Aaiun Basin, in water depths of approximately 6,500 to 8,500 feet (2,000 to 2,600 meters). It is one of four, large, four-way dip closures which sit on a 328 mile (100 kilometer) long compressional anticline containing multiple stacked targets within the Early Cretaceous Valanginian through Hauterivian sections. 2D seismic data has been used to define its depositional and structural history. Aarar has an estimated pay thickness of approximately 205 feet. An exploration well is anticipated to be drilled post 2012.

Zitoune

Zitoune is located offshore, in the southern part of the Boujdour Offshore Block, within the Aaiun Basin, in water depths of approximately 6,250 to 7,500 feet (1,900 to 2,300 meters). It is one of four, large, four-way dip closures which sit on a 328 mile (100 kilometer) long compressional anticline containing multiple stacked targets within the Early Cretaceous Valanginian through Hauterivian sections. 2D seismic data has been used to define its depositional and structural history. Zitoune has an estimated pay thickness of approximately 175 feet. An exploration well is anticipated to be drilled post 2012.

Al Arz

Al Arz is located offshore, in the southern part of the Boujdour Offshore Block, within the Aaiun Basin, in water depths of approximately 1,300 to 2,000 feet (400 to 600 meters). It is a large, three-way fault closure on the upthrown side of a three-way trapping fault containing multiple stacked targets within the Early Cretaceous Hauterivian through Albian sections. 2D seismic data has been used to define its depositional and structural history. Al Arz has an estimated pay thickness of approximately 380 feet. An exploration well is anticipated to be drilled post 2012.

Felline

Felline is located offshore, in the southern part of the Boujdour Offshore Block, within the Aaiun Basin, in water depths of approximately 7,200 to 7,900 feet (2,200 to 2,400 meters). It is a large, four-way closure containing multiple stacked targets within the Early Cretaceous through

Albian sections. 2D seismic data has been used to define its depositional and structural history. Felline has an estimated pay thickness of approximately 140 feet. An exploration well is anticipated to be drilled post 2012.

Nakhil

Nakhil is located offshore, in the southern part of the Boujdour Offshore Block, within the Aaiun Basin, in water depths of approximately 3,600 to 4,250 feet (1,100 to 1,300 meters). It is a large, four-way closure containing multiple stacked targets within the Early Cretaceous through Albian sections. 2D seismic data has been used to define its depositional and structural history. Nakhil has an estimated pay thickness of approximately 125 feet. An exploration well is anticipated to be drilled post 2012.

Barremian Tilted Fault Block Play

An additional eleven prospects have been defined on our existing 2D and 3D seismic database; these consist of a variety of three-way fault closures with targets in the Early Cretaceous age. These prospects have an estimated pay thickness of 310 feet. Exploration wells are anticipated to be drilled post 2012.

Our Reserves

The following table sets forth summary information about our oil and natural gas reserves as of December 31, 2009 and December 31, 2010. As of December 31, 2009, all of our proved reserves were classified as proved undeveloped. Given the commencement of production from the Jubilee Field on November 28, 2010, a significant portion of our proved undeveloped reserves were reclassified as proved developed as of December 31, 2010 We did not have any proved reserves prior to the fiscal year ended December 31, 2009.

Summary of Oil and Gas Reserves

	Net Proved Reserves					
	December 31, 2009			December 31, 2010		
Reserves Category	Natural Gas (Bcf)	Oil, Condensate, NGLs (Mmbbl)	Total (Mmboe)	Natural Gas(1) (Bcf)	Oil, Condensate, NGLs (Mmbbl)	Total (Mmboe)
Ghana						
Jubilee Field						
Phase 1	—	55	55	23	56	60

(1) These reserves represent only the quantities of fuel gas required to operate the FPSO during normal field operations. No natural gas volumes, outside of the fuel gas reported, have been classified as reserves. If and when a gas sales agreement is executed, a portion of the remaining gas may be reclassified as reserves. See "Risk Factors—We may not be able to commercialize our interests in any natural gas produced from our license areas in West Africa."

The following table sets forth the estimated future net revenues, excluding derivatives contracts, from net proved reserves and the expected benchmark prices used in projecting net revenues at December 31, 2010.

	Projected Net Revenues (in Millions except $/bbl)
Future net revenues	$ 2,041
Present value of future net revenues:	
Before income tax (PV-10)(1)	1,990
After income tax (Standardized Measure)(2)	1,530
Benchmark and differential oil price($/bbl)(3)	$ 79.70

(1) PV-10 represents the present value of estimated future revenues to be generated from the production of proved oil and natural gas reserves, before income taxes, of proved reserves calculated in accordance with Financial Accounting Standards Board guidelines, net of estimated production and future development costs, using prices and costs as of the date of estimation without future escalation, without giving effect to hedging activities, non-property related expenses such as general and administrative expenses, debt service and depreciation, depletion and amortization, and discounted using an annual discount rate of 10% to reflect the timing of future cash flows. PV-10 is a non-GAAP financial measure and generally differs from Standardized Measure, the most directly comparable GAAP financial measure, because it does not include the effects of income taxes on future net revenues. Neither PV-10 nor Standardized Measure represents an estimate of the fair market value of our oil and natural gas assets. We and others in the industry use PV-10 as a measure to compare the relative size and value of proved reserves held by companies without regard to the specific tax characteristics of such entities.

(2) Standardized Measure represents the present value of estimated future cash inflows from proved natural gas and oil reserves, less future development and production costs and future income tax expenses, royalties and additional oil entitlements, discounted using an annual discount rate of 10% to reflect timing of future cash flows and using the same pricing assumptions as were used to calculate PV-10. Standardized Measure differs from PV-10 because Standardized Measure includes the effect of future income taxes on future net revenues. The only jurisdiction where we are subject to foreign income taxes which are included in our Standardized Measure is Ghana, currently our sole country of production.

(3) The unweighted arithmetic average first-day-of-the-month prices for the prior 12 months was $79.35/bbl for Dated Brent at December 31, 2010. The price was adjusted for quality, transportation fees, geographical differentials, marketing bonuses or deductions and other factors affecting the price expected to be received at the wellhead. Based on marketing surveys, the Jubilee oil is forecasted to sell for a $0.35/bbl premium relative to Dated Brent. The adjusted price utilized to derive the PV-10 is $79.70/bbl.

Estimated proved reserves

Unless otherwise specifically identified in this prospectus, the summary data with respect to our estimated proved reserves presented above has been prepared by NSAI, our independent reserve engineering firm, in accordance with the rules and regulations of the SEC applicable to companies involved in oil and natural gas producing activities. The SEC has adopted new rules relating to disclosures of estimated reserves that are effective for fiscal years ending on or after December 31, 2009. These new rules require SEC reporting companies to prepare their reserve estimates using

revised reserve definitions and revised pricing based on 12-month historical unweighted first-day-of-the-month average prices. For the twelve months ended December 31, 2010 and for future periods, our estimated proved reserves are determined using the preceding twelve months' unweighted arithmetic average of the first-day-of-the-month prices, rather than year-end prices. For a definition of proved reserves under the SEC rules, see the "Glossary of Selected Oil and Natural Gas Terms". For more information regarding our independent reserve engineers, please see "—Independent Petroleum Engineers" below.

Our estimated proved reserves and related future net revenues, PV-10 and Standardized Measure were determined using index prices for oil, without giving effect to derivative transactions, and were held constant throughout the life of the assets.

Future net revenues represent projected revenues from the sale of proved reserves net of production and development costs (including operating expenses and production taxes). Such calculations at December 31, 2010 are based on costs in effect at December 31, 2010 and the 12-month unweighted arithmetic average of the first-day-of-the-month price for the fiscal year ending December 31, 2010, adjusted for anticipated market premium, without giving effect to derivative transactions, and are held constant throughout the life of the assets. There can be no assurance that the proved reserves will be produced within the periods indicated or that prices and costs will remain constant. See "Risk Factors—The present value of future net revenues from our proven reserves will not necessarily be the same as the current market value of our estimated oil and natural gas reserves."

Independent petroleum engineers

NSAI was established in 1961 and has offices in Dallas and Houston, Texas. Over the past 49 years, NSAI has provided services to the worldwide petroleum industry that include the issuance of reserves reports and audits, acquisition and divestiture evaluations, simulation studies, exploration resources assessments, equity determinations, and management and advisory services. NSAI professionals subscribe to a code of professional conduct and NSAI is a Registered Engineering Firm in the State of Texas.

Our estimated reserves at December 31, 2009 and December 31, 2010 and related future net revenues and PV-10 at December 31, 2010 are taken directly from reports prepared by NSAI, our independent reserve engineers, in accordance with petroleum engineering and evaluation principles which NSAI believes are commonly used in the industry and definitions and current guidelines established by the SEC. These reports were prepared at our request to estimate our reserves and related future net revenues and PV-10 for the periods indicated therein. The December 31, 2010 report was completed on February 3, 2011 and the December 31, 2009 report was completed on February 2, 2010. Copies of these reports have been filed as exhibits to the registration statement containing this prospectus. NSAI's reserves report for December 31, 2009 and December 31, 2010 included a detailed review of the Jubilee Field, which contains 100% of our total proved reserves.

In connection with the December 31, 2009 and December 31, 2010 reserves reports, NSAI prepared its own estimates of our proved reserves. In the process of the reserves evaluation, NSAI did not independently verify the accuracy and completeness of information and data furnished by us with respect to ownership interests, oil and gas production, well test data, historical costs of operation and development, product prices, or any agreements relating to current and future operations of the fields and sales of production. However, if in the course of the examination something came to the attention of NSAI which brought into question the validity or sufficiency of any such information or data, NSAI did not rely on such information or data until it had satisfactorily resolved its questions relating thereto or had independently verified such information or data. NSAI independently prepared reserves estimates to conform to the guidelines of the SEC, including the criteria of "reasonable certainty," as it pertains to expectations about the recoverability of reserves in future years, under existing economic and operating conditions, consistent with the definition in Rule 4-10(a)(2) of Regulation S-X. NSAI

issued a report on our proved reserves at December 31, 2009 and December 31, 2010, based upon its evaluation. NSAI's primary economic assumptions in estimates included an ability to sell oil at a price of $79.70/bbl, a certain level of capital expenditures necessary to complete the Jubilee Field Phase 1 development program and the exercise of GNPC's back-in right on the Jubilee Field Phase 1 development. The assumptions, data, methods and precedents were appropriate for the purpose served by these reports, and NSAI used all methods and procedures as it considered necessary under the circumstances to prepare the reports.

Technology used to establish proved reserves

Under the new SEC rules, proved reserves are those quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations. The term "reasonable certainty" implies a high degree of confidence that the quantities of oil and/or natural gas actually recovered will equal or exceed the estimate. Reasonable certainty can be established using techniques that have proved effective by actual comparison of production from projects in the same reservoir interval, an analogous reservoir or by other evidence using reliable technology that establishes reasonable certainty. Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

In order to establish reasonable certainty with respect to our estimated proved reserves, NSAI employed technologies that have been demonstrated to yield results with consistency and repeatability. The technologies and economic data used in the estimation of our proved reserves include, but are not limited to, electrical logs, radioactivity logs, acoustic logs, whole core analysis, sidewall core analysis, downhole pressure and temperature measurements, reservoir fluid samples, geochemical information, geologic maps, seismic data, well test and interference pressure and rate data. Reserves attributable to undeveloped locations were estimated using performance from analogous wells with similar geologic depositional environments, rock quality, and appraisal and development plans to assess the estimated ultimate recoverable reserves as a function of the original oil in place. These qualitative measures are benchmarked and validated against sound petroleum reservoir engineering principles and equations to estimate the ultimate recoverable reserves volume. These techniques include, but are not limited to, nodal analysis, material balance, and numerical flow simulation.

Internal controls over reserves estimation process

We maintain an internal staff of petroleum engineers and geoscience professionals who work closely with our independent reserve engineers to ensure the integrity, accuracy and timeliness of data furnished to our independent reserve engineers in their reserves estimation process. Our Reservoir Engineering Managers are primarily responsible for overseeing the preparation of our reserves estimates. Our Reservoir Engineering Managers have over 40 combined years of industry experience between them with positions of increasing responsibility in engineering and evaluations. Each holds a Bachelor of Science degree in petroleum engineering. Eric Hass, our Director of Subsurface, is the primary technical person responsible for overseeing our reserve audits. Mr. Haas received a Bachelor of Science Degree in Petroleum Engineering with honors from The New Mexico Institute of Mining and Technology in 1984 and has worked in the industry for more than twenty-eight years in various engineering and management roles. His experience includes working in the following areas: Algeria, Azerbaijan, Danish North Sea, Egypt, Equatorial Guinea, Gabon, Ghana, Libya, Norway, Russia, the U.K. North Sea, onshore the United States and in the Gulf of Mexico (both on the continental shelf and in the deepwater). He spent more than 24 years of his career at a mid-sized NYSE listed E&P corporation. Prior to coming to Kosmos, Mr. Haas spent six years working as a Technical Manager in four different geographic regions. In those roles, he had direct responsibility for the review and

approval of internal reserve and resource estimates, interfacing with the corporation's third party reserve auditor and participating on a management team to audit the corporation's reserves on an annual basis.

Throughout each fiscal year, our technical team meets with representatives of our independent reserve engineers to review assets and discuss methods and assumptions used in preparation of the proved reserves estimates. While we have no formal committee specifically designated to review reserves reporting and the reserves estimation process, a preliminary copy of the reserve report is reviewed by our Senior Vice President, Exploration, Senior Vice President, Production and Operations, and senior technical staff with representatives of our independent reserve engineers and internal technical staff. Following the consummation of this offering, we anticipate that our Audit Committee will conduct a similar review on an annual basis.

Price history

Oil and natural gas are commodities. The price that we will receive for the oil and natural gas we will produce will largely be a function of market supply and demand. While global demand for oil and natural gas has increased dramatically during this decade, world oil consumption in 2009 decreased to 84.1 million bopd from 85.2 million bopd in 2008 as a result of the global economic downturn that began in late 2007. However, the International Energy Agency projects demand for oil to be up in 2010 and 2011, at 86.6 million bopd and 87.9 million bopd, respectively. Demand is impacted by general economic conditions, weather and other seasonal conditions. Oversupply or undersupply of oil or natural gas can result in substantial price volatility. Historically, commodity prices have been volatile and we expect that volatility to continue in the future. A substantial or extended decline in oil or natural gas prices or poor drilling results could have a material adverse effect on our financial position, results of operations, cash flows, quantities of oil and natural gas reserves that may be economically produced and our ability to access capital markets.

We commenced production on November 28, 2010. From this date through and including December 31, 2010, our net production volume held for sale was approximately 277,200 bbl. Our first volumes from the Jubilee Field were sold in early 2011.

License Areas

The following table sets forth certain information regarding the developed and undeveloped portions of our license areas as of December 31, 2010 for the three countries in which we currently operate.

	Developed Area (Acres)		Undeveloped Area (Acres)		Total Area (Acres)	
	Gross	Net(1)	Gross	Net(1)	Gross	Net(1)
Ghana						
West Cape Three Points	11,840	2,781	358,077	110,556	369,917	113,338
Deepwater Tano(2)	15,226	3,577	258,567	46,542	273,793	50,119
Cameroon						
Kombe-N'sepe	0	0	747,741	261,709	747,741	261,709
Ndian River	0	0	434,163	434,163	434,163	434,163
Morocco						
Boujdour Offshore Block(3)	0	0	10,869,672	8,152,254	10,869,672	8,152,254
Total	27,066	6,358	12,668,220	9,005,225	12,695,286	9,011,583

(1) Net acreage based on Kosmos' working interest, before the exercise of any options or back-in rights. See "—Material Agreements—Exploration Agreements—Ghana" and "—Material

Agreements—Exploration Agreements—Other." Our net acreage may be affected by any redetermination of interests in the Jubilee Unit. See "Risk Factors—The unit partners' respective interests in the Jubilee Unit are subject to redetermination and our interests in such unit may decrease as a result" and "—Material Agreements—Exploration Agreements—Ghana—Jubilee Fiel Unitization."

(2) This acreage does not reflect the subsequent 25% relinquishment which occurred in January 2011 in connection with the extension of the DT Petroleum Agreement into the next phase.

(3) This reflects the acreage covered by the original Boujdour Offshore Petroleum Agreement which expired on February 26, 2011. We have entered a memorandum of understanding with the ONHYM to enter a new petroleum agreement covering the highest potential areas of this block under essentially the same terms as the original license. See "Risk Factors—Under the terms of our various license agreements, we are contractually obligated to drill wells and declare any discoveries in order to retain exploration and production rights. In the competitive market for our license areas, failure to declare any discoveries and thereby establish development areas may result in substantial license renewal costs or loss of our interests in the undeveloped parts of our license areas, which may include certain of our prospects."

Drilling activity

The results of oil and natural gas wells drilled and completed for each of the last three years were as follows:

	Exploratory and Appraisal Wells(1)						Development Wells(1)							
	Productive		Dry		Total		Productive		Dry		Total		Total	Total
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Net	Gross
Year Ended December 31, 2010														
Ghana														
West Cape Three Points	1	0.31	1	0.31	2	0.62	—	—	—	—	—	—	0.62	2
Deepwater Tano	3	0.54	1	0.18	4	0.72	—	—	—	—	—	—	0.72	4
Cameroon														
Kombe-N'sepe(2)	1	0.35	—	—	1	0.35	—	—	—	—	—	—	0.35	1
Total	5	1.20	2	0.49	7	1.69	—	—	—	—	—	—	1.69	7
Year Ended December 31, 2009														
Ghana														
West Cape Three Points	3	0.93	—	—	3	0.93	4	0.94	—	—	4	0.94	1.87	7
Deepwater Tano	1	0.18	—	—	1	0.18	8	1.88	—	—	8	1.88	2.06	9
Total	4	1.11	—	—	4	1.11	12	2.82	—	—	12	2.82	3.93	16
Year Ended December 31, 2008														
Ghana														
West Cape Three Points	3	0.85	—	—	3	0.85	—	—	—	—	—	—	0.85	3
Deepwater Tano	1	0.24	—	—	1	0.24	—	—	—	—	—	—	0.24	1

Nigeria(3)														
OPL 320	1	0.20	—	—	1	0.20	—	—	—	—	—	—	0.20	1
Total	5	1.29	—	—	5	1.29	—	—	—	—	—	—	1.29	5

(1) The Jubilee Phase 1 PoD notionally specifies a total of seventeen wells. A total of twelve development wells have been drilled, with several completed and online. Four exploratory wells will be converted to development wells as the development program progresses. A final development well may be drilled and completed at a later date.

(2) Although the Mombe-1 well successfully discovered gas, the quantities and phase were insufficient to commercialize the discovery. The well was plugged and abandoned.

(3) Although the Echim-1 well successfully discovered oil, the quantities were insufficient to commercialize the discovery. Subsequently, the well was plugged and abandoned.

The following table shows the number of wells that are in the process of being drilled or are in active completion stages, and the number of wells suspended or waiting on completion as of March 2, 2011:

	Wells in the Process of Drilling or in Active Completion				Wells Suspended or Waiting on Completion			
	Exploration		Development		Exploration		Development	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Ghana								
West Cape Three Points	1	0.31	1	0.23	8	2.40	4	0.94
Deepwater Tano	1	0.18	—	—	5	0.95	3	0.70
Cameroon								
Kombe-N'sepe	1	0.35	—	—	—	—	—	—

Undeveloped license area expirations

In Ghana, the current exploration phase over the undeveloped acreage of the WCTP Block expires on July 22, 2011. At that time, any acreage that is not within a discovery area, a development and production area or the area comprising the Jubilee Unit will be relinquished. In a letter dated July 6, 2010, Kosmos submitted a notice to GNPC under Article 4.10 of the WCTP Petroleum Agreement exercising its right as one of the WCTP Block partners to the granting of a new petroleum agreement covering such areas as would be relinquished upon expiry of the final exploration period on July 21, 2011. Kosmos and the other WCTP block partners have formally submitted a proposed new petroleum agreement for these areas in early 2011. The current exploration phase over the undeveloped acreage of the DT Block expired on January 19, 2011. In January 2011, Tullow, on behalf of the DT Block partners, formally extended the DT Petroleum Agreement into the second extension period and effectively relinquished 25% of the DT Block. Upon expiration of the final exploration period, the DT Block partners will have the ability to exercise their right to the granting of a new petroleum agreement covering such areas as would be relinquished, subject to the block partners submitting notice to GNPC one year prior to the expiration of that exploration period.

Under the Ndian River Production Sharing Contract, the initial exploration phase to the Ndian River Block expired on November 20, 2010. On September 16, 2010, in compliance with the production sharing contract, we applied to Cameroon's Minister of Industry, Mines, and Technological Development for a two-year renewal of the exploration period (the first of two additional exploration periods of two years each). This application suspends the termination of the license until approval is obtained and upon submission of the application we were required to relinquish 30% of the original license area of the Ndian River Block. The Kombe-N'sepe License Agreements over the Kombe-N'sepe Block expires on June 30, 2011. The Kombe-N'sepe License Agreements provide for a subsequent two-year exploration period, but whether we enter such period will not be determined until after we analyze the results of our second exploration well on the Kombe-N'sepe Block spud in early 2011 and currently being drilled.

Under the Boujdour Offshore Petroleum Agreement, the most recent exploration phase expired on February 26, 2011, however, we entered a memorandum of understanding with ONHYM to enter a new petroleum agreement covering the highest potential areas of this block under essentially the same terms as the original license.

Domestic Supply Requirements

Each of the WCTP and the DT Petroleum Agreements, the Kombe-N'sepe License Agreements, the Ndian River Production Sharing Contract and the Boujdour Offshore Petroleum Agreement or, in some cases, the applicable law governing such agreements, grant a right to the respective host country to purchase certain amounts of oil produced pursuant to such agreements at international market prices for domestic consumption. In addition, in connection with the approval of the Jubilee Phase 1 PoD, we granted the first 200 Bcf of natural gas produced from the Jubilee Field Phase 1 development to Ghana at no cost. See "Risk Factors—Our inability to access appropriate equipment and infrastructure in a timely manner may hinder our access to oil and natural gas markets or delay our oil and natural gas production."

Material Agreements

Exploration Agreements—Ghana

West Cape Three Points ("WCTP") Block

Effective July 22, 2004, Kosmos Energy Ghana HC ("Kosmos Ghana"), a wholly owned subsidiary, the EO Group and GNPC entered into the WCTP Petroleum Agreement covering the WCTP Block offshore Ghana in the Tano Basin. Kosmos Ghana held an initial 86.5% working interest in the block. Pursuant to farm-out agreements for the WCTP Block dated September 1, 2006, Anadarko WCTP Company, Tullow Ghana Limited and Sabre Oil and Gas Limited farmed into the WCTP Block. As a result, Kosmos Ghana, Anadarko WCTP Company, Tullow Ghana Limited and Sabre Oil & Gas Holdings Limited's participating interests are 30.875%, 30.875%, 22.896% and 1.854%, respectively. Kosmos Ghana is the operator. The EO Group owns a 3.5% "carried" working interest and all of EO Group's share of costs to first production from the WCTP Block are paid by Kosmos Ghana. EO Group is required to reimburse Kosmos Ghana for all development costs paid by Kosmos Ghana on EO Group's behalf, with Kosmos Ghana entitled to receive all of EO Group's production proceeds until repayment in full. GNPC has a 10% participating interest and will be carried through the exploration and development phases. Under the WCTP Petroleum Agreement, GNPC exercised its option in December 2008 to acquire an additional paying interest of 2.5% in the Jubilee Field development (see "—Jubilee Field Unitization"). GNPC is obligated to pay its 2.5% share of all future petroleum costs as well as certain historical development and production costs attributable to its 2.5% additional paying interests in the Jubilee Unit. Furthermore, it is obligated to pay 10% of the production costs of the Jubilee Field development, as allocated to the WCTP Block. In August 2009, GNPC notified us and our unit partners it would exercise its right for the contractor group to pay its 2.5% WCTP block share of the Jubilee Field development costs and be reimbursed for such costs plus interest out of GNPC's production revenues under the terms of the WCTP Petroleum Agreement.

The WCTP Block as originally awarded comprised approximately 483,599 acres (1,957 square kilometers). Due to two contractual relinquishments at the commencement of contract periods, the WCTP Block currently comprises approximately 369,917 acres (1,497 square kilometers) in water depths ranging from 165 to 5,900 feet (approximately 50 to 1,800 meters). The term of the WCTP Petroleum Agreement is 30 years from the effective date of such agreement, being July 22, 2004. The initial exploration period of the block is three years, divided into two separate 18-month subperiods. In 2005, a 268,109 acre (1,085 square kilometers) 3D seismic survey was acquired, processed and interpreted by Kosmos Ghana. In 2006, Kosmos Ghana elected to proceed with the second subperiod with an exploration well commitment. The exploration well, Mahogany-1, was drilled and an oil discovery announced on June 18, 2007. The work and financial commitments were met for the initial exploration period. The next phase, the first extension period, commenced at the end of the initial exploration period and was for two years. The one exploration well commitment for this period was met by drilling the Odum-1 well, which tested a different prospect than the Mahogany-1 well. Odum-1 was announced as an oil discovery on February 25, 2008. In addition, the Mahogany-3 appraisal well

was designed to test a deeper exploration objective and resulted in the Mahogany Deep discovery which was announced on January 8, 2009. In July 2009, Kosmos elected to enter the second and final two year extension period under the WCTP Petroleum Agreement. The commitment for this period was met by drilling of the Dahoma-1 well, which tested a different prospect from those tested by Mahogany-1 and Odum-1. All work and financial obligations for the exploration periods under the WCTP Petroleum Agreement have been met.

Deepwater Tano ("DT") Block

Effective July 31, 2006, Kosmos Ghana, Tullow Ghana Limited and Sabre Oil and Gas Limited entered into the DT Petroleum Agreement with GNPC covering the DT Block offshore Ghana in the Tano Basin. Tullow Ghana Limited is the operator with a 49.95% working interest. Sabre Oil & Gas Holdings Limited has a 4.05% working interest. Kosmos Ghana originally held a 36% working interest in the block; however, as a result of a farmout by Kosmos Ghana to Anadarko WCTP Company effective September 1, 2006, Kosmos Ghana and Anadarko WCTP Company each have an 18% participating interest in the block. GNPC has a 10% participating interest and will be carried through the exploration and development phases. Under the DT Petroleum Agreement, GNPC exercised its option in January 2009 to acquire an additional paying interest of 5% in the commercial discovery with respect to the Jubilee Field development. GNPC is obligated to pay its 5% of all future petroleum costs, including development and production costs attributable to its 5% additional paying interest. Furthermore, it is obligated to pay 10% of the production costs of the Jubilee Field development, as allocated to the DT Block. In August 2009, GNPC notified us and our unit partners that it would exercise its right for the contractor group to pay its 5% DT block share of the Jubilee Field development costs and be reimbursed for such costs plus interest out of a portion of GNPC's production revenues under the terms of the DT Petroleum Agreement.

The DT Block comprises approximately 203,345 acres (823 square kilometers). The term of the DT Petroleum Agreement is 30 years from the effective date of such agreement, July 31, 2006. The initial exploration period is two and one-half years, divided into two subperiods. The first subperiod was for one year, and the contractor was obligated to reprocess 3D seismic data and acquire seabed logging. This commitment was met and the block partners entered the second subperiod. During the second subperiod of one and one-half years, the contractor was required to drill an exploration well, which was fulfilled by the drilling of the Tweneboa-1 exploration well and was announced as a light hydrocarbon/oil discovery on March 9, 2009. During December 2008, the block partners notified Ghana's Ministry of Energy of their intent to enter into the first extension period of two years commencing on January 19, 2009. Furthermore, on January 2011, Tullow, on behalf of the DT Block partners, formally extended the DT Petroleum Agreement into the second extension period. This second extension period requires the contractor to drill at least one exploration well in the contract area and incur a minimum expenditure of $20 million.

The Ghanaian Petroleum Law and the WCTP and DT Petroleum Agreements form the basis of our exploration, development and production operations on these blocks. Pursuant to these petroleum agreements, most significant decisions, including PoDs and annual work program must be approved by a joint management committee, consisting of representatives of certain block partners and GNPC. Certain decisions require unanimity. See "Risk Factors—We are not, and may not be in the future, the operator on all of our license areas and do not, and may not in the future, hold all of the working interests in certain of our license areas. Therefore, we will not be able to control the timing of exploration or development efforts, associated costs, or the rate of production of any non-operated and to an extent, any non-wholly owned, assets."

Jubilee Field Unitization

The Jubilee Field, discovered by the Mahogany-1 well in June 2007, covers an area within both the WCTP and DT Blocks. Consistent with the Ghanaian Petroleum Law, the WCTP and DT Petroleum Agreements and as required by Ghana's Ministry of Energy, it was agreed the Jubilee Field would be unitized for optimal resource recovery. In late February 2008, the contractors in the WCTP and DT Blocks agreed to an interim unit agreement (the "Pre Unit Agreement"). According to the Pre Unit Agreement, the initial Jubilee Field unit area, which boundary at the time was an approximation of the boundaries of the Jubilee Field, was deemed to consist of 35% of an area from the WCTP Block and 65% of an area from the DT Block. However, the tract participations were allocated 50% for the WCTP Block and 50% for the DT Block pending the results of the Mahogany-2 well. The Mahogany-2 well was announced as an oil discovery on May 5, 2008. Pursuant to the Pre Unit Agreement, the unit boundaries were modified to include the Mahogany-2 well and the tract participations remained 50% for each block.

Kosmos Ghana and its unit partners subsequently commenced development operations and negotiated a more comprehensive unit agreement, the UUOA, for the purpose of unitizing the Jubilee Field and governing each party's respective rights and duties in the Jubilee Unit. On July 13, 2009, Ghana's Ministry of Energy provided its written approval of the UUOA. The UUOA was executed by the unit partners and was effective as of July 16, 2009. As a result, for the Jubilee Unit, based on existing tract allocations (50% for each block) and GNPC electing to acquire their additional paying interest in both the WCTP and DT Blocks, Kosmos Ghana, Tullow Ghana Limited, Anadarko WCTP Company, Sabre Oil & Gas Holdings Limited, EO Group and GNPC's unit participating interests became 23.4913%, 34.7047%, 23.4913%, 2.8127%, 1.75% and 13.75%, respectively. Tullow Ghana Limited, a subsidiary of Tullow, is the Unit Operator, while Kosmos Ghana is the Technical Operator for Development of the Jubilee Unit. The Jubilee Unit holders' interests are subject to redetermination subject to the terms of the UUOA. See "Risk Factors—The unit partners' respective interests in the Jubilee Unit are subject to redetermination and our interests in such unit may decrease as a result." The accounting for the Jubilee Unit is in accordance with the tract participation stated in the UUOA, which is 50% for the WCTP Block and 50% for the DT Block. Although the Jubilee Field is unitized, Kosmos Ghana's working interests in each block outside the boundary of the Jubilee Unit remains the same. Kosmos Ghana remains operator of the WCTP Block outside the Jubilee Unit area.

The Technical Operator leads the IPT, which consists of several geoscience and engineering disciplines from within the unit partnership. The Technical Operator is tasked with evaluating the resource base, as well as developing an optimized reservoir depletion plan. This plan includes the design and placement of wells and the selection of topsides and subsea facilities. The Technical Operator's responsibilities also extend to the procurement, fabrication, inspection, testing, installation, and commissioning of the facilities. The Unit Operator's role is managerial in nature. The Unit Operator is responsible for providing in-country support for marine and air logistics, local goods & services procurement and community relations. In the field, the Unit Operator is responsible for the day-to-day operations and maintenance of the FPSO as well as drilling and completing the initial well plan according to the specifications outlined by the Technical Operator and the IPT. The Unit Operator oversees and optimizes the reservoir management plan, including any well work activity or additional infill drilling. The responsibility of the Technical Operator and the IPT for the Jubilee Field Phase 1 development will be completed as such development is brought fully online.

On July 13, 2009, Ghana's Ministry of Energy provided its written approval of the Jubilee Phase 1 PoD. First oil from the Jubilee Field Phase 1 development commenced on November 28, 2010, and we intend to amend or submit PoDs for subsequent phases to Ghana's Ministry of Energy for approval in order to extend the producing plateau of the Jubilee Field.

Atwood Hunter drilling rig

On June 23, 2008, Kosmos Ghana signed an offshore drilling contract with Alpha Offshore Drilling Services Company, a wholly-owned subsidiary of Atwood Oceanics, Inc., for the semi-submersible rig "Atwood Hunter." Noble Energy EG Ltd., an affiliate of Noble, also is a party to the contract. The contract, as amended, is for 1,152 days, with Kosmos Ghana and Noble allotted 797 days and 355 days, respectively. The initial rig rate is $537,097 per day and is subject to annual adjustments for cost increases. Effective July 27, 2010, the rig rate was $545,622 per day. Kosmos Ghana and Tullow Ghana Limited entered into a rig and services sharing agreement on October 18, 2009, for the use of the Atwood Hunter across the WCTP and DT Blocks during part of Kosmos Ghana's allocated time. In June 2010, the Atwood Hunter completed its first tranche of work for Kosmos Ghana and was assigned in accordance with the contract to Noble. In December 2010, the Atwood Hunter completed its first tranche of work for Noble and was returned to commence its second tranche of work for Kosmos Ghana. As of December 31, 2010, Kosmos has approximately 500 allocated days remaining for use of the Atwood Hunter drilling rig.

Exploration Agreements—Other

Effective June 26, 2006, Kosmos Energy Offshore Morocco HC, a wholly owned subsidiary, entered into the Boujdour Offshore Petroleum Agreement. Kosmos Energy Offshore Morocco HC has a 75% working interest and is the operator. The Moroccan national oil company, ONHYM, has a 25% working interest and is carried by us during the exploration phase. The Boujdour Offshore Block, as covered by the original Boujdour Offshore Petroleum Agreement, comprises approximately 10.87 million acres (44,000 square kilometers) (See "Risk Factors—Under the terms of our various license agreements, we are contractually obligated to drill wells and declare any discoveries in order to retain exploration and production rights. In the competitive market for our license areas, failure to declare any discoveries and thereby establish development areas may result in substantial license renewal costs or loss of our interests in the undeveloped parts of our license areas, which may include certain of our prospects.") The term of the Boujdour Offshore Petroleum Agreement is eight years and, as amended, includes an initial exploration period of four years and eight months followed by the first extension period of one year and the second extension period of two years and four months. A 2D seismic survey acquired and processed during 2008 indicated a 3D seismic survey was needed to enhance evaluation of an identified focus area in the block. A 2,056 square kilometer 3D seismic survey was acquired during early 2009 and interpretation of the survey is ongoing. On September 17, 2010 we entered a memorandum of understanding with ONHYM to enter into a new petroleum agreement covering the highest potential areas of the block under essentially the same terms as the original license.

On November 16, 2005, Kosmos Energy Cameroon HC, a wholly owned subsidiary, acquired an interest in the Kombe-N'sepe Block onshore Cameroon from Perenco. The division of interests among the Kombe-N'sepe block partners is as follows: SNH, the national oil company of Cameroon, has a 25% working interest and an affiliate of Perenco has a 40% working interest. The Republic of Cameroon will back-in for a 60% revenue interest and a 50% carried paying interest in a commercial discovery on the Kombe-N'sepe block, with Kosmos then holding a 35% interest in the remaining interests of the block partners, which would result in Kosmos holding a 14% net revenue interest and a 17.5% paying interest. In addition, Kosmos and its block partners are reimbursed for 100% of the carried costs paid out of 35% of the total gross production coming from Cameroon's entitlement. The Kombe-N'sepe Block comprises approximately 748,000 acres (3,026 square kilometers) and is located along the coastal strip of the Douala Basin. The block extends more than 62 miles (100 kilometers) south of the city of Douala. The first exploration period of four years carries a minimum work program of acquisition, processing and interpretation of 62 miles (100 kilometers) of new 2D seismic data, drilling of one exploration well and an environmental impact study. There is a second exploration period of two years that carries no work obligations. In consideration of the acquisition, we are

obligated to pay 100% of the first $5 million of costs incurred by Perenco for the minimum work program. It has been agreed by Perenco, SNH and us to drill two wells on the block in lieu of the original obligations of one well and to obtain 62 miles (100 kilometers) of 2D seismic data. Prior to expiration of the first exploration period on June 30, 2009, the operator, in consultation with SNH and Cameroon's Ministry of Energy, agreed on a process for entry into the second exploration period of two years during which the two wells will be drilled. Final government approval of entry into the second exploration period was received November 26, 2009.

On December 19, 2006, Kosmos Energy Cameroon HC signed the Ndian River Production Sharing Contract covering the Ndian River Block located predominately onshore Cameroon. Kosmos has a 100% participating interest in the block and is the operator. SNH will be carried through the exploration and appraisal phases and has the option to back into the contract with an interest of up to 15% upon approval of a PoD. The initial period of the exploration phase is three years and there are two renewal periods of two years with each carrying a one-well obligation. The Ndian River Block comprises approximately 434,163 acres (approximately 1,757 square kilometers) and occupies a coastal strip of the Rio del Rey Basin in northwestern Cameroon. The block is located about 62 miles (100 kilometers) west-northwest of the city of Douala and extends to the Cameroon/Nigeria border. The license commitment requires us to conduct a 2D seismic survey (subject to a $5.5 million maximum spend commitment) as part of the multi-year exploration and exploitation agreement. Because of delays caused by difficulties in conducting seismic operations during the rainy season, the survey commenced in November 2009, causing a portion of the survey to be acquired beyond the initial exploration phase end date of November 19, 2009. In recognition of this, we, in consultation with SNH and Cameroon's Ministry of Industry, Mines and Technology Development, agreed to a process for receiving an extension to the initial period. On November 16, 2009, we received Ministry approval of a one year extension to the initial period of the exploration phase, which ended on November 19, 2010. A 2D seismic survey of 52 miles (85 kilometers) has been acquired in the block and interpretation of the survey is ongoing. On September 16, 2010, in accordance with the terms of the Ndian River Production Sharing Contract and after fulfillment of all the obligations of the initial period, we submitted an application for entry into the first renewal period of the exploration phase with an attendant one-well obligation. Formal approval by the Ministry is pending. Should such approval be obtained, we will have until November 19, 2012 to drill one exploratory well, pending ministerial approval. Planning for this well is ongoing.

Sales and Marketing

Production from the Jubilee Field began on November 28, 2010, and we received our first oil revenues in early 2011. As providedunder the UUOA and the WCTP and DT Petroleum Agreements, we are entitled to lift and sell our share of the Jubilee production in conjunction with the Jubilee Unit partners. We have entered an agreement with an oil marketing agent to market our share of the Jubilee oil on the international spot market, and we must approve the terms of each sale proposed by such agent. We believe Jubilee oil will ultimately sell at a premium to Dated Brent. We do not anticipate entering into any long term sales agreements at this time.

Competition

The oil and gas industry is competitive. We encounter strong competition from other independent operators and from major oil companies in acquiring and developing licenses. Many of these competitors have financial and technical resources and personnel substantially larger than ours. As a result, our competitors may be able to pay more for desirable oil and natural gas assets, or to evaluate, bid for and purchase a greater number of licenses than our financial or personnel resources will permit. Furthermore, these companies may also be better able to withstand the financial pressures of unsuccessful wells, sustained periods of volatility in financial and commodities markets and generally adverse global and industry-wide economic conditions, and may be better able to absorb the burdens

resulting from changes in relevant laws and regulations, which may adversely affect our competitive position.

We are also affected by competition for drilling rigs and the availability of related equipment. Higher commodity prices generally increase the demand for drilling rigs, supplies, services, equipment and crews, and can lead to shortages of, and increasing costs for, drilling equipment, services and personnel. Over the past three years, oil and natural gas companies have experienced higher drilling and operating costs. Shortages of, or increasing costs for, experienced drilling crews and equipment and services could restrict our ability to drill wells and conduct our operations.

Competition is also strong for attractive oil and natural gas producing assets, undeveloped license areas and drilling rights, and we cannot assure you that we will be able to successfully compete when attempting to make further strategic acquisitions.

Title to Property

Other than as specified in this prospectus (for example, see "Risk Factors—A portion of our asset portfolio is in Western Sahara, and we could be adversely affected by the political, economic, and military conditions in that region. Our exploration licenses in this region conflict with exploration licenses issued by the Sahrawai Arab Democratic Republic"), we believe that we have satisfactory title to our oil and natural gas assets in accordance with standards generally accepted in the international oil and gas industry. Our licenses are subject to customary royalty and other interests, liens under operating agreements and other burdens, restrictions and encumbrances customary in the oil and gas industry that we believe do not materially interfere with the use of or affect the carrying value of our interests.

Environmental Matters

General

We and our operations are subject to various stringent and complex international, foreign, federal, state and local environmental, health and safety laws and regulations governing matters including the emission and discharge of pollutants into the ground, air or water; the generation, storage, handling, use and transportation of regulated materials; and the health and safety of our employees. These laws and regulations may, among other things:

- require the acquisition of various permits before drilling commences;
- enjoin some or all of the operations of facilities deemed not in compliance with permits;
- restrict the types, quantities and concentration of various substances that can be released into the environment in connection with oil and natural gas drilling, production and transportation activities;
- limit or prohibit drilling activities in certain locations lying within protected or otherwise sensitive areas; and
- require remedial measures to mitigate or remediate pollution from our operations.

These laws and regulations may also restrict the rate of oil and natural gas production below the rate that would otherwise be possible. Compliance with these laws can be costly; the regulatory burden on the oil and gas industry increases the cost of doing business in the industry and consequently affects profitability.

Moreover, public interest in the protection of the environment continues to increase. Offshore drilling in some areas has been opposed by environmental groups and, in other areas, has been restricted. Our operations could be adversely affected to the extent laws are enacted or other governmental action is taken that prohibits or restricts offshore drilling or imposes environmental requirements that result in increased costs to the oil and gas industry in general, such as more stringent or costly waste handling, disposal or cleanup requirements.

For example, the Macondo spill described in "Risk Factors—Participants in the oil and gas industry are subject to numerous laws that can affect the cost, manner or feasibility of doing business" and "Risk Factors—Our operations could be adversely impacted by our block partner, whose affiliate is involved in the Macondo Gulf of Mexico oil spill" has resulted and will likely continue to result in increased scrutiny and regulation in the United States. The governments of the countries in which we currently or in the future will operate may also impose increased regulation as a result of this or similar incidents, which could materially delay or prevent our operations in those countries. Alternatively, increased scrutiny in the United States but not in the countries in which we operate could improve our competitive position if our competitors are themselves delayed or prevented from drilling in the United States.

An Environmental Impact Assessment ("EIA") for the Jubilee Field was completed in November 2009. Extensive public consultation across Ghana was undertaken as part of the EIA program. This allowed for communication of information on the proposed development of the Jubilee Field, and consideration of concerns from key stakeholders that were then carried forward into the EIA process. We believe the EIA met both Ghanaian legislative requirements and international good practice standards. In December 2009, the Ghana EPA issued the first permit in a two-stage permit approval process, to cover installation and commissioning for the Jubilee Field Phase 1 development. In November 2010, the Ghana EPA issued the second permit covering offshore operations of the Phase 1 Jubilee Unit Area. Exploration appraisal activities outside the Jubilee Unit are covered by separate permits.

Climate Change

Climate change regulation has gained momentum in recent years internationally and at the federal, regional, state and local levels. On the international front, representatives from 187 nations met in Bali, Indonesia in December 2007 as part of the United Nations Framework Convention on Climate Change, to discuss a program to limit greenhouse gas ("GHG") emissions after 2012. The convention adopted what is called the "Bali Action Plan." The Bali Action Plan contains no binding commitments, but concludes that "deep cuts in global emissions will be required" and provides a timetable for two years of talks to shape the first formal addendum to the 1992 United Nations Framework Convention on Climate Change treaty since the Kyoto Protocol. Various nations, including Ghana, Cameroon and Morocco have committed to reducing their GHG emissions pursuant to the Kyoto Protocol.

In December 2009, an international meeting was held in Copenhagen, Denmark to further progress towards a new international treaty or agreement regarding GHG emissions reductions after 2012. A number of countries, including Ghana, Cameroon and Morocco, entered into the Copenhagen Accord, which represents a broad political consensus that reinforces the commitment to reducing GHG emissions contained in the Kyoto Protocol and contains non-binding emissions reductions targets. Further discussions towards an agreement took place in Cancun, Mexico at the end of 2010. Following discussions are scheduled for December 2011 in Durban, South Africa. Any treaty or other arrangement ultimately adopted by any of the countries in which we have operations or otherwise do business may increase our compliance costs, such as for monitoring or reducing emissions, and may have an adverse impact on the global supply and demand for oil and natural gas, which could have a material adverse impact on our business or results of operations.

Furthermore, the physical effects of climate change could have an adverse effect on our operations through increased severity and frequency of weather events, including storms, floods and other events, which could increase costs to repair and maintain our facilities or delay or prevent our operations. If such effects were to occur, they could have an adverse effect on our exploration and production operations, or disrupt transportation or other process-related services provided by our third party contractors.

Oil Spill Response

Kosmos has developed and adopted an Oil Spill Contingency Plan ("OSCP") for the coordination of responses to oil spills arising from its operations in Ghana, including the WCTP Block. In addition, Tullow maintains an OSCP covering the Jubilee Field and DT Block. Under the OSCPs, emergency response teams may be activated to respond to oil spill incidents. We maintain a tiered response system for the mobilization of resources depending on the severity of an incident. Over 100 personnel (composed primarily of Tullow employees and Ghanaian Navy personnel) have been trained on the assembly and operation of Tier 1 and Tier 2 onshore, nearshore and harbor response equipment, and 30 additional personnel (comprised primarily of GNPC employees) and local contractors are expected to be trained in April 2011. In the case of a Tier 3 incident, we engage the services of Oil Spill Response Limited ("OSRL") of Southampton, United Kingdom, an oil spill response contractor.

Our associate membership with OSRL entitles us to utilize its oil spill response services comprising technical expertise and assistance, including access to response equipment and dispersant spraying systems. Kosmos does not own any oil spill response equipment. Instead, Kosmos and Tullow each maintain separate lease agreements with OSRL for Tier 1 and Tier 2 packages of oil spill response equipment. Tier 1 equipment, which is stored in "ready to go trailers" for effective mobilization and rapid deployment, includes booms and ancillaries, recovery systems, pumps and delivery systems, oil storage containers, personal protection equipment, sorbent materials, hand tools, containers and first aid equipment. Tier 2 equipment consists of larger boom and oil recovery systems, pump and delivery systems and auxiliary equipment such as generators and lighting sets, and is also containerized and pre-packed in trailers and ready for quick mobilization.

As Unit Operator for the Jubilee Field, Tullow has additional response capability to handle an offshore Tier 1 response. Further, our membership in the West and Central Africa Aerial Surveillance and Dispersant Spraying Service gives us access to aircraft for surveillance and spraying of dispersant, which is administered by OSRL for a Tier 2 offshore response. The aircraft is based at the Kotoka International Airport in Accra, Ghana with a contractual response time, fully loaded with dispersant, of six hours. Additional stockpiles of dispersant are maintained in Takoradi.

In the case of a Tier 3 event, our associate membership in OSRL provides us with access to the large stockpile of equipment in Southampton, United Kingdom along with access to additional dispersant spraying aircraft. Kosmos would hire additional resources such as boats, earth moving equipment and personnel as necessary to respond to such an event.

Per common industry practice, under the agreements currently in place governing the terms of use of the drilling rigs used by us or our block partners, the drilling rig contractors indemnify us and our block partners in respect of pollution and environmental damage arising out of operations which originate above the surface of the water and from a drilling rig contractor's property, including, but not limited to, their drilling rig and other related equipment. Furthermore, pursuant to the terms of the operating agreements covering the blocks in which we or our block partners are currently drilling, except in certain circumstances, each block partner is responsible for the share of liabilities in proportion to its respective working interest in the block incurred as a result of pollution and environmental damage, containment and clean-up activities, loss or damage to any well, loss of oil or natural gas resulting from a blowout, crater, fire, or uncontrolled well, loss of stored oil and natural gas, and liabilities incurred in connection with plugging or bringing under control any well. Kosmos maintains insurance coverage for an incident concerning a well that results in pollution and environmental damage. The amount of insurance coverage maintained is proportional to our interest in a given well; with our current coverage being $300 million multiplied by our working interest in a well per incident for well control, re-drilling, pollution and environmental damage liabilities and $300 million multiplied by our working interest in a well per incident (aggregated annually) for excess

pollution coverage and environmental damages liabilities, third party liabilities, and/or claims made by or on behalf of third party individuals in the event of such party's bodily injury or death.

Other Regulation of the Oil and Gas Industry

Ghana

The Ghanaian Petroleum Law currently governs the upstream Ghanaian oil and natural gas regulatory regime and sets out the policy and framework for industry participants. All petroleum found in its natural state within Ghana is deemed to be national property and is to be developed on behalf of the people of Ghana. GNPC is empowered to carry out exploration and development work either on its own or in partnership with local or foreign partners. Companies who wish to gain rights to explore and produce in Ghana can only do so by entering into a petroleum agreement with Ghana and GNPC. The law requires for the terms of the petroleum agreement to be negotiated and agreed between GNPC and oil and gas companies. The Parliament of Ghana has final approval rights over the negotiated petroleum agreement. Ghana's Ministry of Energy represents the state in its regulatory capacity. GNPC has rights to undertake petroleum operations in any acreage declared open by Ghana's Ministry of Energy and has a carried interest in each petroleum agreement and is typically increased by a certain agreed upon amount at the option of GNPC following the declaration of any commercial discovery. Petroleum agreements are required to include certain domestic supply requirements, including the sale to Ghana of oil for consumption in Ghana at international market prices.

The Ghanaian Petroleum Law and Ghanaian petroleum agreements contain provisions restricting the direct or indirect assignment of such petroleum agreements without the prior written consent of GNPC and Ghana's Ministry of Energy. The Petroleum Law also imposes certain restrictions on the direct or indirect transfer by a contractor of shares of its incorporated company in Ghana to a third party without the prior written consent of Ghana's Minister of Energy.

Ghana's Parliament is considering the enactment of a new Petroleum Act and a new Petroleum Revenue Management Act. Industry participant commentary has been sought and submitted and these laws are currently in their draft stages. We currently believe that such laws will only have prospective application, and as such will not modify the terms of or interests under the agreements governing our license interests in Ghana, including the WCTP and DT Petroleum Agreements (which include stabilization clauses) and the UUOA, and will not impose restrictions on the direct or indirect transfer of our license interests, including upon a change of control. See "Risk Factors—Participants in the oil and gas industry are subject to numerous laws that can affect the cost, manner or feasibility of doing business."

Cameroon

In 1999/2000, the government of Cameroon approved the Petroleum Code (the "Cameroon Petroleum Code") and Petroleum Regulations that were designed to rationalize regulation of the upstream local oil and gas industry. The Cameroon Petroleum Code applies to all license awards granted post 2000, which include thirteen production sharing contracts and three concession contracts. Arrangements entered into prior to 2000 are grandfathered under the former law. Companies who wish to gain rights to explore and produce in Cameroon can only do so by entering into a petroleum contract with Cameroon, represented by SNH, the Cameroon national oil company, and assignments of such contracts require the consent of the government. SNH, established in March 1980, participates in the form of joint ventures with the "contractors."

Morocco

The two main legislative acts in Morocco relevant to petroleum exploration and production are (i) the Law 21-90 (1 April 1992) as amended and completed by the Law 27-99 (15 February 2000) and

(ii) the Decree 2-93-786 (3 November 1993) as amended and completed by decree 2-99-210 (16 March 2000) (together, "Morocco's Petroleum Laws"). The regulatory authority in Morocco is the Ministry of Energy, Mines, Water and Environment and the national oil company acting on his behalf is the *Office National des Hydrocarbures et des Mines* generally referred to as "ONHYM." ONHYM is a public establishment (*établissement public*) with the legal personality and financial autonomy created pursuant to the Law 33-01 (11 November 2003) which was further completed by the Decree 2-04-372 (29 December 2004).

Pursuant to the Law 21-90, it is provided that the granting of an exploration permit is subject to the conclusion of a petroleum agreement with the Moroccan State. Therefore, companies who wish to gain rights to explore and produce in Morocco can only do so by entering into a petroleum agreement with ONHYM acting on behalf of the State. It is further provided that the State of Morocco (via ONHYM) shall retain a participation in exploration permits or exploitation concessions which shall not be in excess of 25%. More generally, ONHYM is representing the State of Morocco for licensing, exploration and exploitation matters within the limit of its prerogatives set out pursuant to the Law 33-01. Assignments of percentage interests in field developments also require the consent of the administration pursuant to the Law 21-90.

The SADR has claimed sovereignty over the Western Sahara territory and has issued exploration licenses which conflict with those issued by Morocco, including certain licenses which conflict with the Boujdour Offshore license issued to Kosmos. See "Risk Factors—A portion of our asset portfolio is in Western Sahara, and we could be adversely affected by the political, economic, and military conditions in that region. Our exploration licenses in this region conflict with exploration licenses issued by the Sahrawai Arab Democratic Republic and "Industry—Morocco—Country Overview."

Certain Bermuda Law Considerations

As a Bermuda exempted company, we are subject to regulation in Bermuda. Among other things, we must comply with the provisions of the Bermuda Companies Act regulating the payment of dividends and making of distributions from contributed surplus. See "Description of Share Capital" and "Dividend Policy."

We have been designated by the Bermuda Monetary Authority as a non-resident for Bermuda exchange control purposes. This designation allows us to engage in transactions in currencies other than the Bermuda dollar, and there are no restrictions on our ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to United States residents who are holders of our common shares.

Under Bermuda law, "exempted" companies are companies formed for the purpose of conducting business outside Bermuda from a principal place of business in Bermuda. As an exempted company, we may not, without a license or consent granted by the Minister of Finance, participate in certain business transactions, including transactions involving Bermuda landholding rights and the carrying on of business of any kind for which we are not licensed in Bermuda.

Employees

As of December 31, 2010, we had approximately 130 employees. All employees are currently located in the United States,Ghana, Cameroon or Morocco. None of these employees are represented by labor unions or covered by any collective bargaining agreement. We believe that relations with our employees are satisfactory.

Legal Proceedings

We are not currently party to any material legal proceedings. However, from time to time we may be subject to various lawsuits, claims and proceedings that arise in the normal course of business, including employment, commercial, environmental, safety and health matters. It is not presently possible to determine whether any such matters will have a material adverse effect on our consolidated financial position, results of operations, or liquidity.

Corporate Information

We were incorporated pursuant to the laws of Bermuda as Kosmos Energy Ltd. in January 2011 to become a holding company for Kosmos Energy Holdings. Kosmos Energy Holdings was formed as an exempted company limited by guarantee on March 5, 2004 pursuant to the laws of the Cayman Islands. Pursuant to the terms of a corporate reorganization that will be completed simultaneously with, or prior to, the closing of this offering, all of the interests in Kosmos Energy Holdings will be exchanged for newly issued common shares of Kosmos Energy Ltd. and as a result Kosmos Energy Holdings will become wholly-owned by Kosmos Energy Ltd.

We maintain a registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The telephone number of our registered offices is (441) 295-5950. Our U.S. subsidiary maintains its headquarters at 8176 Park Lane, Suite 500, Dallas, Texas 75231 and its telephone number is (214) 445-9600. Our web site is *www.kosmosenergy.com*. The information on our web site does not constitute part of this prospectus.

MANAGEMENT

The following table sets forth certain information concerning our board of directors, executive officers and key employees:

Name	Age	Position
John R. Kemp III	65	Chairman of the Board of Directors
Brian F. Maxted	53	Director and Chief Executive Officer
David I. Foley	43	Director
Jeffrey A. Harris	55	Director
David B. Krieger	37	Director
Prakash A. Melwani	52	Director
Adebayo ("Bayo") O. Ogunlesi	57	Director
Chris Tong	54	Director
Christopher A. Wright	63	Director
W. Greg Dunlevy	55	Executive Vice President and Chief Financial Officer
Paul Dailly	47	Senior Vice President, Exploration
Marvin M. Garrett	54	Senior Vice President, Production and Operations
William S. Hayes	56	Senior Vice President and General Counsel
Dennis C. McLaughlin	59	Senior Vice President, Development

Biographical information

John R. Kemp III has served as a Director since 2005 and Chairman of our board of directors since January 2011. Mr. Kemp has nearly 15 years of experience in the oil and gas industry's international arena. Mr. Kemp has served on the board of Newfield Exploration Company since 2003. He is currently Chairman of Newfield Exploration's Compensation & Management Development Committee and a member of the Nominating & Corporate Governance Committee. From 1998 to 1999 he served in the role of President of Exploration and Production for the Americas at Conoco (now ConocoPhillips), where he managed the company's upstream operations and led growth efforts in North, South and Central America. Mr. Kemp joined Conoco in 1966 as an Engineer and went on to serve in various key engineering and management positions around the world throughout his career there. Mr. Kemp holds a Bachelor of Science in Petroleum and Natural Gas Engineering from Pennsylvania State University. He was named a Centennial Fellow and Alumni Fellow in 1996 and 1999, respectively, of Pennsylvania State's College of Earth and Mineral Sciences.

Brian F. Maxted is one of the founding partners of Kosmos and has been our Chief Executive Officer since January 2011. Prior to this he served as our Senior Vice President, Exploration from 2003 to 2008 and our Chief Operating Officer between 2008 and 2011. He has also served as a Director of Broad Oak Energy since February 2008. Prior to co-founding Kosmos in April 2003, Mr. Maxted was the Senior Vice President of Triton where he led a series of discoveries offshore Equatorial Guinea, several of which are currently producing. Mr. Maxted holds a Master of Organic Geochemistry from the University of Newcastle-upon-Tyne and a Bachelor of Science in Geology from the University of Sheffield.

David I. Foley has served as a Director since 2004. Mr. Foley is a Senior Managing Director in the Private Equity Group at Blackstone and is based in New York. Mr. Foley currently leads Blackstone's investment activities in the energy and natural resource sector. Since joining Blackstone in 1995, Mr. Foley has been responsible for the execution of virtually all of Blackstone's energy and natural resources investments, including: Premcor, Kosmos Energy, Foundation Coal, Texas Genco, Sithe Global Power, American Petroleum Tankers, OSUM, PBF Energy, Meerwind, Moser Baer and Monnet.

Before joining Blackstone, Mr. Foley worked with AEA Investors in that firm's private equity business, and prior to that served as a consultant for the Monitor Company. Mr. Foley received a Bachelor of Arts and a Masters of Arts in Economics from Northwestern University and received a Master of Business Administration with distinction from Harvard Business School.

Jeffrey A. Harris has served as a Director since 2005. Mr. Harris is a Managing Director at Warburg Pincus and has been with the firm since 1983. During his career, he has worked extensively in the industrial and technology sectors. Currently, he co-leads the firm's investment activities in the energy sector. Mr. Harris worked in Warburg Pincus' London office from 1991 to 1994 to help develop the firm's European investment activities. He is a director of Competitive Power Ventures Holdings, LLC, ElectroMagnetic GeoServices AS (emgs), Gulf Coast Energy Resources, Inc., Knoll, Inc., Laredo Petroleum, Inc., Osum Oil Sands Corp., Sheridan Production Partners and Spectraseis AG. Mr. Harris served previously on the boards of Bill Barrett Corporation, Comcast UK Cable, Newfield Exploration Company, and Spinnaker Exploration Company. He is past Chairman of the National Venture Capital Association. Currently he is Vice Chairman of the Board of Trustees for the Cranbrook Educational Community, and a member of the Board of Trustees of New York-Presbyterian Hospital. In addition, Mr. Harris is an adjunct professor at the Columbia University Graduate School of Business where he teaches courses on venture capital and innovation. Mr. Harris holds a Bachelor of Science from The Wharton School, University of Pennsylvania and a Master of Business Administration from Harvard Business School.

David B. Krieger has served as a Director since 2004. Mr. Krieger is a Managing Director of Warburg Pincus and has been with the firm since 2000. Mr. Krieger is involved primarily with the firm's investment activities in the energy sector. Mr. Krieger is currently a Director of MEG Energy Corp. and several private companies. He received a Bachelor of Science in Economics from The Wharton School at the University of Pennsylvania, a Master of Science from the Georgia Institute of Technology, and a Master of Business Administration from Harvard Business School.

Prakash A. Melwani has served as a Director since 2004. Mr. Melwani is a Senior Managing Director in the Private Equity group at Blackstone. Since joining Blackstone in 2003, Mr. Melwani has led Blackstone's investments in Ariel Re, Foundation Coal Holdings, Inc., Performance Food Group Company, Pinnacle Foods Group Inc., RGIS Inventory Specialists, and Texas Genco Holdings, Inc. Prior to joining Blackstone, Mr. Melwani was a founding partner of Vestar Capital Partners and served as its Chief Investment Officer. Previous to that, he was with the management buyout group at The First Boston Corporation and with N.M. Rothschild & Sons in Hong Kong and London. Mr. Melwani is currently a Director of Ariel Re, Performance Food Group, Pinnacle Foods and RGIS Inventory Specialists. He is also President and a Director of the India Fund and The Asia Tigers Fund. Mr. Melwani graduated with a First Class Honors degree in Economics from Cambridge University. He received a Master of Business Administration with High Distinction from the Harvard Business School and graduated as a Baker Scholar and a Loeb Rhoades Fellow.

Adebayo ("Bayo") O. Ogunlesi has been a Director since 2004. Mr. Ogunlesi has been Chairman and Managing Partner of Global Infrastructure Partners ("GIP") since 2006, a private equity firm that invests in infrastructure assets in the energy, transport and water sectors, in both OECD and select emerging markets countries. Mr. Ogunlesi previously served as Executive Vice Chairman and Chief Client Officer of Credit Suisse's Investment Banking Division with senior responsibility for Credit Suisse's corporate and sovereign investment banking clients. From 2002 to 2004, he was Head of Credit Suisse's Global Investment Banking Department. Mr. Ogunlesi holds a Bachelor of Arts in Politics, Philosophy and Economics with first class honours from Oxford University, a Juris Doctor (magna cum laude) from Harvard Law School and a Master of Business Administration from Harvard Business School. From 1980 to 1981, he served as a Law Clerk to the Honorable Thurgood Marshall, Associate Justice of the United States Supreme Court.

Chris Tong has served as a Director since February 2011. Mr. Tong also serves as a director and Chairman of the Audit Committee of Targa Resources Corp. and Cloud Peak Energy Inc. He served as Senior Vice President and Chief Financial Officer of Noble Energy, Inc. from January 2005 until August 2009. He also served as Senior Vice President and Chief Financial Officer for Magnum Hunter Resources, Inc. from August 1997 until December 2004. Prior thereto, he was Senior Vice President of Finance of Tejas Acadian Holding Company and its subsidiaries, including Tejas Gas Corp., Acadian Gas Corporation and Transok, Inc., all of which were wholly-owned subsidiaries of Tejas Gas Corporation. Mr. Tong held these positions from August 1996 until August 1997, and had served in other treasury positions with Tejas since August 1989. Mr. Tong holds a Bachelor of Arts in Economics from the University of Louisiana Lafayette (formerly the University of Southwestern Louisiana).

Christopher A. Wright has served as a Director since June 2004. From November 2005 to December 2010, Dr. Wright was the Executive Chairman of Fairfield Energy Limited before being appointed Chief Executive Officer in January 2011. From July 2004 to June 2010, he was a Director of ElectroMagnetic GeoServices AS (emgs). From 2001 to 2004, Dr. Wright was Senior Vice President, Global Exploration and Technology, for Unocal based in Houston. Before joining Unocal, between 1997 and 1999 he was first Director, New Business and then Chief Operating Officer for Lasmo plc in London. Prior to Lasmo plc, from 1996 to 1997 Dr. Wright led the Asia-Pacific and Middle East new business development efforts for the Mobil Oil Corporation, based out of Dallas and London. The major part of his career was with British Petroleum plc where he spent over 20 years in various technical and managerial roles of increasing seniority in locations both in the U.S. and the U.K. His final position with the company was Chief Executive, Frontier and International, which he held from 1991 to 1995. Dr. Wright holds both a Bachelor of Science and a Doctor of Philosophy in Geology from Bristol University and has also completed the Advanced Management Program at Harvard University.

W. Greg Dunlevy is one of the founding partners of Kosmos and has served as our Executive Vice President and Chief Financial Officer since 2003. Prior to co-founding Kosmos in April 2003, Mr. Dunlevy was the Chief Executive Officer of Moncrief Oil International Incorporated between 2002 and 2003 and was also previously the Senior Vice President, Chief Financial Officer and treasurer of Triton Energy Limited. Mr. Dunlevy has extensive experience and expertise in oil and gas finance, planning, treasury and banking and has worked with major and mid-cap U.S. independents for more than 25 years. Mr. Dunlevy holds a Bachelor of Science from the College of William and Mary and a Masters of Business Administration from Harvard Business School.

Paul Dailly is one of the founding partners of Kosmos and has served as Senior Vice President, Exploration since 2003. Mr. Dailly worked for British Petroleum plc between 1989 and 1994 and Triton Energy Limited between 1994 and 2001. While at Triton, Mr. Dailly was the geologist and technical team leader responsible for exploration and appraisal of that company's eight oil field discoveries offshore Equatorial Guinea. Mr. Dailly holds a Bachelor of Science (Honors) from Edinburgh University and a Doctor of Philosophy in Geology from the University of Oxford.

Marvin M. Garrett has served as our Senior Vice President, Production and Operations since 2010, prior to which he served as our Senior Vice President of Operations and Development from January 2006. Before joining Kosmos in January 2006, Mr. Garrett was the Vice President of Operations for Triton where he led the development of the deepwater Ceiba oil field discovery offshore Equatorial Guinea and managed that company's drilling program in Argentina, China, Ecuador, Greece, Guatemala and Italy. Mr. Garrett has nearly three decades of experience managing oil and gas drilling, production and development activities worldwide. Mr. Garrett holds a Bachelor of Science degree in Petroleum Engineering from the University of Louisiana—Lafayette.

William S. Hayes has served as our General Counsel since 2007. Prior to joining Kosmos, Mr. Hayes was Senior Vice President and General Counsel for Urals Energy PLC in 2007 and Cardinal Resources PLC from 2004 until 2007. Mr. Hayes has worked for or represented public and private, major and independent exploration and production companies in some 30 countries. Mr. Hayes holds a

Juris Doctor from St. Mary's University School of Law and a Bachelor of Journalism from the University of Texas. He is a member of the State Bar of Texas, the International Bar Association and the Association of International Petroleum Negotiators.

Dennis C. McLaughlin served as our Senior Vice President, Development since 2010, prior to which he served as our Vice President and Jubilee Project Director since 2008. Prior to joining Kosmos, Mr. McLaughlin worked for BHP Billiton Petroleum from 2000 to 2008 where he led the development of two large oil fields in the Gulf of Mexico. Mr. McLaughlin holds a Bachelor of Science in Mechanical Engineering with honors from Michigan State University.

Board of Directors

Board Composition

Our bye-laws provide that the board of directors shall consist of not less than five directors and not more than 15 directors, and the number of directors may be changed only by resolution adopted by the affirmative vote of a majority of the entire board of directors. Upon the conclusion of this offering, we will have nine directors: Messrs. Kemp, Maxted, Foley, Harris, Krieger, Melwani, Ogunlesi, Tong and Wright.

Initially, our board of directors will consist of a single class of directors each serving one year terms. Once the Investors, in the aggregate, no longer beneficially own more than 50% of the issued and outstanding common shares, our board of directors will be divided into three classes of directors, with each class as nearly equal in number as possible, serving staggered three year terms (other than directors which may be elected by holders of preferred shares, if any).

Director Independence

We intend to avail ourselves of the "controlled company" exception under the NYSE rules, which exempts us from the requirements that a listed company must have a majority of independent directors on its board of directors and that its compensation and nominating and corporate governance committees be composed entirely of independent directors.

In any event, our board of directors has reviewed the materiality of any relationship that each of our directors has with us, either directly or indirectly. Based on this review, the board has determined that each of Messrs. Wright, Ogunlesi and Tong is an "independent director" as defined by the NYSE rules and Rule 10A-3 of the Exchange Act.

Committees of the Board of Directors

We are a "controlled company" as that term is set forth in Section 303A of the NYSE Listed Company Manual because more than 50% of our voting power is held by funds affiliated with our Investors, acting as a group. Under the NYSE rules, a "controlled company" may elect not to comply with certain NYSE corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that the nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities, (3) the requirement that the compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities and (4) the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees. After completion of this offering more than 50% of our voting power will continue to be held by the Investors, and we intend to elect to be treated as a controlled company and thus avail ourselves of these exemptions. As a result, although we have adopted charters for our audit, nominating and corporate governance and compensation committees and intend to conduct annual performance evaluations of these committees, our board of directors does not consist of a majority of independent directors nor do our nominating

and corporate governance and compensation committees consist of independent directors. Accordingly, so long as we are a "controlled company," you will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of the NYSE.

Our board of directors has an audit committee, compensation committee and nominating and governance committee, and may have such other committees as the board of directors shall determine from time to time. Each of the standing committees of the board of directors has the composition and responsibilities described below.

Audit committee. The members of our audit committee are Messrs. Foley, Krieger, Ogunlesi and Tong, each of whom our board of directors has determined is financially literate. Mr. Tong is the Chairman of this committee. Our board of directors has determined that Mr. is an audit committee financial expert. We will rely on the phase-in rules of the SEC and NYSE with respect to the independence of our audit committee. These rules permit us to have an audit committee that has one member that is independent upon the effectiveness of the registration statement of which this prospectus forms a part, a majority of members that are independent within 90 days thereafter and all members that are independent within one year thereafter. Our audit committee is authorized to:

- recommend, through the Board, to the shareholders on their appointment and termination (subject to Bermuda law) of our independent auditors;
- review the proposed scope and results of the audit;
- review and pre-approve the independent auditors' audit and non-audit services rendered;
- approve the audit fees to be paid (subject to authorization by our shareholders to do so);
- review accounting and financial controls with the independent auditors and our financial and accounting staff;
- review and approve transactions between us and our directors, officers and affiliates;
- recognize and prevent prohibited non-audit services;
- establish procedures for complaints received by us regarding accounting matters;
- oversee internal audit functions; and
- prepare the report of the audit committee that SEC rules require to be included in our annual meeting proxy statement.

Compensation committee. The members of our compensation committee are Messrs. Harris, Kemp and Melwani. Mr. Melwani is the Chairman of this committee. Our compensation committee is authorized to:

- review and recommend the compensation arrangements for management, including the compensation for our Chairman and Chief Executive Officer;
- establish and review general compensation policies with the objective to attract and retain superior talent, to reward individual performance and to achieve our financial goals;
- administer our equity based incentive plan; and
- prepare the report of the compensation committee that SEC rules require to be included in our annual meeting proxy statement.

Nominating and corporate governance committee. The members of our nominating and corporate governance committee are Messrs. Harris, Kemp, Melwani and Ogunlesi. Mr. Ogunlesi is the Chairman of this committee. Our nominating and corporate governance committee is authorized to:

- identify and nominate members for election to the board of directors;
- develop and recommend to the board of directors a set of corporate governance principles applicable to our company; and
- oversee the evaluation of the board of directors and management.

Compensation Committee Interlocks and Insider Participation

No member of our compensation committee has been at any time an employee of ours. None of our executive officers will serve as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

To the extent any members of our compensation committee and affiliates of theirs have participated in transactions with us, a description of those transactions is described in "Certain Relationships and Related Person Transactions."

Code of Business Conduct and Ethics

Our board of directors has adopted a code of business conduct and ethics applicable to our employees, directors and officers, in accordance with applicable U.S. federal securities laws and the corporate governance rules of the NYSE. Any waiver of this code may be made only by our board of directors and will be promptly disclosed as required by applicable U.S. federal securities laws and the corporate governance rules of the NYSE.

Corporate Governance Guidelines

Our board of directors has adopted corporate governance guidelines in accordance with the corporate governance rules of the NYSE.

Shareholders Agreement

Prior to the consummation of this offering, we will enter into a shareholders agreement with affiliates of the Investors pursuant to which the Investors, collectively, will have the right to designate four members of our board of directors. Upon the consummation of this offering, each Investor will have the right to designate: (i) two directors (or, if the size of the board is increased, 25% of the board) if it owns 20% or more of the issued and outstanding common shares and 50% or more of the common shares owned by such Investor immediately prior to the consummation of this offering, and (ii) one director (or, if the size of the board is increased, 12.5% of the board) if it owns 7.5% or more of the issued and outstanding common shares. Under the shareholders agreement, subject to the corporate governance requirements of the NYSE, each Investor entitled to designate a director shall have the right to nominate one of its director designees to each committee of the board (other than the audit committee, which will include Investor-designated directors on a transition basis to the extent consistent with the corporate governance requirements of the NYSE).

Compensation Discussion and Analysis

This section describes and explains our compensation program for 2010 for our named executive officers, who are listed as follows:

- James Musselman, who served as our Chief Executive Officer during 2010, and who retired from his employment with Kosmos effective as of December 31, 2010;
- Brian Maxted, who served as our Chief Operating Officer during 2010 and who became our Chief Executive Officer effective as of January 1, 2011;
- Greg Dunlevy, Executive Vice President and Chief Financial Officer;
- William Hayes, Senior Vice President and General Counsel; and
- Dennis McLaughlin, Senior Vice President, Development.

This section also explains how the compensation that our named executive officers received prior to this offering will be treated in this offering and describes how we expect our compensation program for our named executive officers will change following this offering.

Objectives

As a private company, our executive compensation program has been designed to meet the following objectives:

- attract and retain highly talented and experienced executives who may have attractive opportunities with more well-established companies;
- incentivize these executives to successfully grow our business and prepare us for this offering; and
- maintain a strong ownership culture and align our executives' interests with those of our Investors by providing a substantial portion of the executives' compensation in the form of long-term equity-based incentives.

Following this offering, we expect that, although the design of our compensation program will more closely resemble that of other public companies in our industry, the program will continue to be aimed at building long-term shareholder value by attracting, retaining and incentivizing talented, experienced executives.

Elements of Compensation

To date, we have provided our executive officers with base salaries, annual cash bonuses, long-term equity-based incentive awards and retirement and health and welfare benefits. Following this offering, we expect that these elements will remain the same, although there may be changes in the relative amounts of compensation provided through each element and the design of each element. In particular, the design of our equity-based incentive awards will change, as we will be a public company with common shares rather than a private company with partnership interests.

Base Salary

Each of our named executive officers receives a base salary that comprises a relatively modest portion of his compensation. In determining our named executive officers' base salaries, we consider factors such as the executive's experience and responsibilities and the salaries paid to our other executives and employees. We review their salaries annually for possible increases. In December 2010, each of our named executives (other than Mr. Musselman, who retired effective December 31, 2010) received a salary increase as follows: Mr. Maxted from $533,000 to $600,000, Mr. Dunlevy from

$427,000 to $450,000, Mr. Hayes from $337,050 to $350,000 and Mr. McLaughlin from $331,700 to $350,000. For the amounts of base salary that the executives received in 2010, see "Summary Compensation Table—Salary".

Annual Bonus

Each of our named executive officers is eligible for a discretionary annual cash bonus in an amount determined based on one or more of the following performance factors as related to his responsibilities: financial performance, operating performance, significant strategic initiatives, resolution of unforeseen events and organizational leadership. Although our compensation committee considers the level of achievement of each of these factors, other factors may be considered, and the bonuses are not calculated formulaically. The table below summarizes our named executive officers' achievement of the performance factors for 2010 (other than for Mr. Musselman, who, due to his retirement, was not eligible for a bonus for 2010). For the amounts of the bonuses paid to the executives for 2010, see "Summary Compensation Table—Bonus".

Executive	Performance Factor	Achievement of Factor
Mr. Maxted	Significant strategic initiatives	• Pursued consummation of a commercial agreement to sell our Ghanaian assets to ExxonMobil • Positioned Kosmos to pursue this offering
	Resolution of unforeseen events	• Strengthened relationships with U.S. and Ghanaian governmental agencies
	Organizational leadership	• Managed and expanded business and maintained employee morale during challenging period
Messrs. Dunlevy and Hayes	Financial performance	• Secured increase in project finance commercial bank facilities from $900 million to $1.25 billion to support Kosmos' share of Jubilee Field Phase 1 development expenditure
	Significant strategic initiatives	• Initiated accelerated public offering and private placement funding processes
	Resolution of unforeseen events	• Received DOJ letter of declination regarding closure of inquiry into alleged FCPA violations in connection with the WCTP Petroleum Agreement • Managed ongoing FCPA review
	Organizational leadership	• Engaged in ongoing corporate development in support of this offering and business growth • Developed and enhanced existing internal controls to ensure compliance with laws applicable to public companies (e.g., Sarbanes-Oxley Act and NYSE listing requirements)
Mr. McLaughlin	Operating performance	• Actual total recordable incident rate and lost time incident rate of 1.38 and 0.46, respectively, substantially exceeded goals of 2.5 and 0.6, respectively
	Resolution of unforeseen events	• Implemented recovery plans from potential delay-causing events with no material impact on first oil production
	Organizational leadership	• Integrated project activities with internal functions and external unit operator, achieving seamless transition to production asset • Assumed interim team leader role for Mahogany East

Following this offering, we expect that our named executive officers will continue to be eligible for annual cash bonuses on terms to be determined by our compensation committee.

Equity-based incentive awards

Each of our named executive officers has received grants of partnership profit units in Kosmos Energy Holdings, which are governed by Kosmos Energy Holdings' current operating agreement and individual certificates. The profit units provide the executives with the potential to receive a distribution on a sale of the assets of the partnership and a distribution of the proceeds in liquidation of the partnership. In connection with this offering, the executives' profit units will be converted into common shares and awards on common shares. The grants align our executives' interests with those of our Investors by tying a substantial portion of their compensation to the long-term success of the company.

The profit units granted to Messrs. Musselman, Dunlevy and Maxted were granted with 20% vested on the grant date and an additional 20% scheduled to vest on each of the first four anniversaries of the grant date. The profit units granted to Messrs. Hayes and McLaughlin are scheduled to vest 50% on each of the second and fourth anniversaries of the grant date. Vesting of the unvested profit units held by Messrs. Dunlevy, Maxted, Hayes and McLaughlin would fully accelerate on termination of their employment due to their death or disability or on a change in control. See "—Potential Payments Upon Termination or Change in Control—Messrs. Maxted, Dunlevy, Hayes and McLaughlin." Mr. Musselman's unvested pr units became fully vested on his retirement effective December 31, 2010. See "—Potential Payments Upon Termination or Change in Control —Mr. Musselman."

In 2010, we granted profit units to Messrs. Hayes and McLaughlin in light of their outstanding performance and to bring their equity compensation more in line with other executive officers of the company and did not grant profit units to any of our other named executive officers. See "—Summary Compensation Table—Option Awards" and "—Grants of Plan-Based Awards."

We have adopted an omnibus long-term incentive plan that will become effective on the closing of this offering. The plan will provide for grants of equity-based awards such as share options, restricted shares, restricted share units and share appreciation rights. We believe that this omnibus plan will provide us with significant flexibility as a public company to create equity-based incentives for our executive officers, employees and directors.

Retirement and Health and Welfare Benefits

Our named executive officers are eligible to participate in our 401(k) savings plan on the same basis as our employees generally. We currently provide a 100% match of the first 6% of eligible compensation deferred by participants under the plan. We do not maintain any pension or nonqualified deferred compensation plans.

Our named executive officers are eligible for health and welfare benefits on the same basis as our employees generally, including medical and dental coverage and life and disability insurance.

Severance and Change in Control Benefits

Our named executive officers are not entitled to payments or benefits on termination of their employment or a change in control, other than the accelerated vesting of their unvested profit units on termination due to their death or disability or a change in control, as described above and under "—Potential Payments Upon Termination or Change in Control."

Compensation Process

For most of the period since our formation in 2003, our board of directors reviewed the recommendations of the compensation committee and determined our named executive officers' compensation. Following this offering, our compensation committee, in consultation with our Chief Executive Officer as to executives other than himself, will determine the compensation of our named executive officers. See "—Committees of the Board of Directors—Compensation committee."

Summary Compensation Table

The following table summarizes the compensation of our named executive officers for 2010: our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers as determined by their total compensation set forth in the table. Mr. Musselman, who served as our Chief Executive Officer during 2010, retired from his employment with Kosmos effective as of December 31, 2010. Mr. Maxted, who served as our Chief Operating Officer during 2010, became our Chief Executive Officer effective as of January 1, 2011.

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)	All Other Compensation ($)(3)	Total ($)
James C. Musselman Chairman and Chief Executive Officer	2010	593,000	—	—	—	—	—		
W. Greg Dunlevy Executive Vice President and Chief Financial Officer	2010	428,917	469,700	—	—	—	—	14,785	913,402
Brian F. Maxted Executive Vice President and Chief Operating Officer	2010	538,583	900,000	—	—	—	—	85	1,438,668
William S. Hayes Senior Vice President and General Counsel	2010	338,130	337,050	—	782,550	—	—	26,900	1,484,630
Dennis C. McLaughlin Senior Vice President of Development	2010	333,225	406,700	—	782,550	—	—	28,247	1,550,722

(1) The amounts in this column are the actual amounts of salary paid to our named executive officers in 2010. Effective December 1, 2010, the annual salary rates of Messrs. Dunlevy, Maxted, Hayes and McLaughlin were increased to the following: Mr. Dunlevy ($450,000), Mr. Maxted ($600,000), Mr. Hayes ($350,000) and Mr. McLaughlin ($350,000).

(2) The amounts in this column reflect the aggregate grant date fair values of profit units in Kosmos Energy Holdings that were granted to Messrs. Hayes and McLaughlin in 2010. These amounts are calculated in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For the assumptions made in calculating these amounts, see footnote 18 to the unaudited consolidated financial statements of Kosmos Energy Holdings included in this prospectus. For additional information on these profit units, see "—Grants of Plan-Based Awards".

(3) The following items are reported in this column:

Name	401(k) Matching Contributions ($)(4)	Vacation Payments ($)(5)	Life Insurance ($)(6)	Retirement Payments ($)(7)	Total ($)
James C. Musselman	—	—	85		
W. Greg Dunlevy	14,700	—	85	—	14,785
Brian F. Maxted	—	—	85	—	85
William S. Hayes	14,700	12,115	85	—	26,900
Dennis C. McLaughlin	14,700	13,462	85	—	28,247

(4) Our named executive officers are eligible to participate in our 401(k) savings plan on the same basis as our employees generally. We provide a 100% match of the first 6% of eligible compensation deferred by participants under the plan.

(5) Payments for accrued unused vacation time. We generally provide our employees, other than our Chief Executive Officer and our Chief Financial Officer, with annual payments for their accrued unused vacation time.

(6) Employer portion of premiums paid with respect to life insurance for the benefit of our named executive officers on the same basis as our employees generally.

(7) Includes severance, accelerated vesting of unvested profit units and payment of legal fees provided to Mr. Musselman under his retirement agreement. The value of such accelerated vesting is based on an assumed initial offering price of $ per common share, the midpoint of the estimated public offering price on the cover page of this prospectus. See "—Potential Payments on Termination or Change in Control—Mr. Musselman."

Grants of Plan-Based Awards

The following table provides information on grants of plan-based awards made to our named executive officers during 2010. The awards were granted in the form of profit units in Kosmos Energy Holdings and will be exchanged into awards on common shares in connection with this offering. The share numbers set forth in the table assume solely for this purpose that this exchange had occurred as of the grant date of these units (based on an assumed initial public offering price of $ per common share, the midpoint of the estimated public offering price range set forth on the cover page of this prospectus).

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date(1)	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/Sh)	($)
James C. Musselman	—	—	—	—	—	—	—	—	—	—	—
W. Greg Dunlevy	—	—	—	—	—	—	—	—	—	—	—
Brian F. Maxted	—	—	—	—	—	—	—	—	—	—	—
William S. Hayes	12/9/2010	—	—	—	—	—	—			—	782,550
Dennis C. McLaughlin	12/9/2010	—	—	—	—	—	—			—	782,550

(1) These profit units are scheduled to vest 50% on December 9 of each of 2012 and 2014. See "—Summary Compensation Table—Option Awards".

Outstanding Equity Awards at Fiscal Year End

The following table provides information on the outstanding equity awards held by our named executive officers as of December 31, 2010. These awards were granted in the form of profit units in Kosmos Energy Holdings and will be exchanged into common shares and awards on common shares in connection with this offering. The amounts set forth in the table assume solely for this purpose that this exchange had occurred as of December 31, 2010 (based on an assumed initial public offering price

of $ per common share, the midpoint of the estimated public offering price range set forth on the cover page of this prospectus).

		Option Awards					Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
James C. Musselman	6/13/2007	—	—	—	—	—			—	—
	6/11/2008	—	—	—	—	—			—	—
W. Greg Dunlevy	6/13/2007	—	—	—	—	—			—	—
	6/11/2008	—	—	—	—	—			—	—
Brian F. Maxted	6/13/2007	—	—	—	—	—			—	—
	6/11/2008	—	—	—	—	—			—	—
William S. Hayes	10/11/2007	—	—	—	—	—			—	—
	6/11/2008	—	—	—	—	—			—	—
	12/10/2008	—	—	—	—	—			—	—
	12/9/2010	—	—	—	—	—			—	—
Dennis C. McLaughlin	2/6/2008	—	—	—	—	—			—	—
	6/11/2008	—	—	—	—	—			—	—
	12/10/2008	—	—	—	—	—			—	—
	12/9/2010	—	—	—	—	—			—	—

(1) The profit units granted to Messrs. Musselman, Dunlevy and Maxted were granted 20% vested on the grant date, with an additional 20% scheduled to vest on each of the first four anniversaries of the grant date. The profit units granted to Messrs. Hayes and McLaughlin are scheduled to vest 50% on each of the second and fourth anniversaries of the grant date.

Option Exercises and Stock Vested

The following table provides information on our named executive officers' equity awards that vested in 2010. These awards were granted in the form of profit units in Kosmos Energy Holdings and will be exchanged into common shares in connection with this offering. The number of shares and value realized in the table assume solely for this purpose that this exchange had occurred as of the vesting date of the interests (based on an assumed initial public offering price of $ per common share, the midpoint of the estimated public offering price on the cover page of this prospectus).

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
James C. Musselman	—	—		
W. Greg Dunlevy	—	—		
Brian F. Maxted	—	—		
William S. Hayes	—	—		

Dennis C. McLaughlin	—	—

Pension Benefits

We do not maintain any defined benefit pension plans.

Nonqualified Deferred Compensation

We do not maintain any nonqualified deferred compensation plans.

Potential Payments Upon Termination or Change in Control

This section describes and quantifies the payments and benefits that each of Messrs. Dunlevy, Maxted, Hayes and McLaughlin would have received had his employment terminated under specified circumstances or had we undergone a change in control, in each case on December 31, 2010, and the payments and benefits that Mr. Musselman received on his retirement from his employment with Kosmos effective as of December 31, 2010.

Messrs. Dunlevy, Maxted, Hayes and McLaughlin

Each of Messrs. Dunlevy, Maxted, Hayes and McLaughlin holds profit units in Kosmos Energy Holdings that were unvested as of December 31, 2010 (see "—Outstanding Equity Awards at Fiscal Year End"). Under Kosmos Energy Holdings' current operating agreement, these profit units would have become fully vested on December 31, 2010 if on such date the executives' employment had terminated due to their death or "disability" (as defined below) or had we undergone a "change in control" (as defined below). The estimated aggregate values of these units (based on an assumed initial public offering price of $ per common share, the midpoint of the estimated public offering price on the cover page of this prospectus) are as follows: Mr. Dunlevy ($), Mr. Maxted ($), Mr. Hayes ($) and Mr. McLaughlin ($).

Messrs. Dunlevy, Maxted, Hayes and McLaughlin would not have been entitled to any other payments or benefits had their employment terminated due to their death or disability or had we undergone a change in control on December 31, 2010. In addition, the executives would not have been entitled to any payments or benefits of any kind had their employment terminated on December 31, 2010 for any reason other than due to their death or disability.

"Disability" generally means the executive's incapacitation by accident, sickness or other circumstance that renders him mentally or physically incapable of performing his duties on a full-time basis for at least 180 days during any 12 month period.

"Change in control" generally means:

- a consolidation, conversion or merger involving Kosmos Energy Holdings in which the owners of the equity interests in Kosmos Energy Holdings immediately prior to such transaction do not, immediately after such transaction, own equity securities representing a majority of the outstanding voting power of the surviving entity; or

- the sale, lease or transfer of all or substantially all of the assets of Kosmos Energy Holdings;

in either case, other than any such transaction that is approved by the holders of specified equity interests in Kosmos Energy Holdings.

Mr. Musselman

On December 17, 2010, we entered into a retirement agreement with our then chief executive officer Mr. Musselman, which sets forth the terms of his retirement from his employment with Kosmos effective as of December 31, 2010. Pursuant to the retirement agreement, in consideration of

Mr. Musselman's release of claims against us and our affiliates and his agreement to the restrictions described below, we provided him with the following payments and benefits:

- Severance in an aggregate amount equal to his annual base salary of $593,000, paid in monthly installments through December 31, 2011 However, these payments will cease on the consummation of this offering (but in no event earlier than March 31, 2011);
- 1,176,961 profit units in Kosmos Energy Holdings that were unvested as of his retirement date became fully vested as of such date. The estimated aggregate value of such interests is $ (based on an assumed initial public offering price of $ per common share, the midpoint of the estimated public offering price on the cover page of this prospectus);
- We paid his legal fees of $92,500 in connection with the negotiation of the retirement agreement;
- We agreed not to exercise our right to repurchase his units in Kosmos Energy Holdings or to cause his units to be forfeited; and
- We agreed to waive our right of first refusal under his employment agreement with respect to business opportunities referenced in the agreement and that the restrictions on competition and solicitation in the agreement would not apply to him after his retirement.

In connection with this offering, all of Mr. Musselman's equity interests in Kosmos Energy Holdings (including those held in a family limited partnerhip), will be exchanged into common shares of Kosmos Energy Ltd. on the same basis as other equity holders, and such shares will be subject to the same restrictions on transfer as apply to our officers and directors and certain of our shareholders (see "Underwriting"). We also agreed that, after the expiration of these restrictions, he will not be subject to any future transfer restrictions or entitled to any registration rights with respect to his shares.

Director Compensation

The following table lists the individuals who served as our non-employee directors in 2010 and summarizes their 2010 compensation. Neither our Investor directors nor our executive directors received compensation for their service as directors in 2010. Mr. Kemp, who served as a director in 2010, became Chairman effective January 1, 2011.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
John R. Kemp III	147,097	—	31,302	—	—	1,501	179,900
David I. Foley	—	—	—	—	—	—	—
Jeffrey A. Harris	—	—	—	—	—	—	—
David B. Krieger	—	—	—	—	—	—	—
Prakash A. Melwani	—	—	—	—	—	—	—
Adebayo O. Ogunlesi	40,000	—	—	—	—	—	40,000
Christopher A. Wright	40,000	—	—	—	—	—	40,000

(1) The amounts in this column reflect the annual cash retainer that was paid quarterly to each of Messrs. Kemp, Ogunlesi and Wright for his service as a director in 2010. Effective January 1, 2011, these retainers were increased to $50,000. For Mr. Kemp, the amount in this column also reflects a monthly fee of $40,000 provided under his consulting agreement for the period from October 11, 2010 through December 31, 2010 in anticipation of his becoming Chairman effective January 1, 2011.

(2) The amount in this column reflects the aggregate grant date fair value of the profit units in Kosmos Energy Holdings granted to Mr. Kemp on November 17, 2010 under his consulting agreement in anticipation of his becoming Chairman

effective January 1, 2011. This amount is calculated in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For the assumptions made in calculating this amount, see footnote 17 to the unaudited consolidated financial statements of Kosmos Energy Holdings included in this prospectus.

Consulting Agreement with Mr. Kemp

Effective October 11, 2010, we entered into a consulting agreement with Mr. Kemp pursuant to which he receives compensation for services as our Chairman and such other non-director services as we may reasonably request from time to time. Under the agreement, we provide Mr. Kemp with a monthly fee of $40,000. In addition, beginning April 11, 2011, Mr. Kemp will receive profit units in Kosmos Energy Holdings (issued at three-month intervals) with values determined by our compensation committee. In connection with this offering, these profit units will be exchanged into common shares. The consulting agreement also provides that we will reimburse Mr. Kemp for his reasonable expenses incurred in connection with his providing the services under the agreement, including travel expenses incurred by him and travel expenses incurred by his wife for travelling from Houston to Dallas to accompany him in the performance of his services.

Either we or Mr. Kemp may terminate the consulting agreement on 30 days' prior written notice. In addition, either we or he may request at any time that the monthly fee and the grants of profit units cease to be provided to him. The agreement contains a customary covenant restricting Mr. Kemp from disclosing our confidential information.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of the transactions we have engaged in since January 1, 2010 with our directors and officers and beneficial owners of more than five percent of our voting securities and their affiliates.

The operating agreement governing our predecessor, Kosmos Energy Holdings, was initially entered into on March 9, 2004 and amended on each of February 20, 2005, June 13, 2007, September 18, 2007, June 18, 2008, December 18, 2008, October 9, 2009 and December 16, 2010 (as amended and restated, the "OA"), among our Investors and certain members of our management and employees. Pursuant to the OA and related contribution agreements, such Investors, members of our management and employees purchased Series A, B and C Convertible Preferred Units and were issued C1 Common Units since our inception. None of these units were purchased in the fiscal year ended December 31, 2010. Additionally, the OA contemplated the issuance of management and profit units as compensation for members of our management and our employees. See "Management." The OA also provided that the holders of the Series A, B and C Convertible Preferred Units receive distributions, if any, equal to the "Accreted Value" of the units, prior to any distributions to the common unit holders. The accumulated preferred return amounts for the Convertible Preferred Units totaled approximately $153.5 million at December 31, 2010. In addition, as a result of the issuance of Series C Convertible Preferred Units and the associated C1 Common Units, a discount existed on the Series C Convertible Preferred Units of approximately $11.8 million. The accumulated preferred return on the Convertible Preferred Units and the discount on the Series C Convertible Preferred Units has been recorded as of December 31, 2010 the date at which a determination was made that it was probable that an exchange of securities for common shares would occur.

Pursuant to the terms of the corporate reorganization that will occur prior to or concurrently with the closing of the offering described in this prospectus, all of the interests in Kosmos Energy Holdings will be exchanged for common shares of Kosmos Energy Ltd., and the OA will be amended to remove the various classes of units, the rights of our Investors and management to appoint directors to the board of Kosmos Energy Holdings and the rights of Kosmos Energy Holdings to make any additional capital calls. See "Corporate Reorganization."

Prior to the closing of this offering we will adopt a set of related party transaction policies designed to minimize potential conflicts of interest arising from any dealings we may have with our affiliates and to provide appropriate procedures for the disclosure, approval and resolution of any real or potential conflicts of interest which may exist from time to time. Such policies will provide, among other things, that all related party transactions, including any loans between us, our principal shareholders and our affiliates, will be approved by our nominating and corporate governance committee of the board of directors, after considering all relevant facts and circumstances, including without limitation the commercial reasonableness of the terms, the benefit and perceived benefit, or lack thereof, to us, opportunity costs of alternative transactions, the materiality and character of the related party's direct or indirect interest, and the actual or apparent conflict of interest of the related party, and after determining that the transaction is in, or not inconsistent with, our and our shareholders' best interests.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common shares, on a fully-diluted basis, as of December 31, 2010, and after giving effect to our corporate reorganization, for:

- each of our current executive officers;
- each of our current directors;
- all our current executive officers and directors as a group; and
- each shareholder known by us to be the beneficial owner of more than 5% of our issued and outstanding common shares.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Common shares that may be acquired by an individual or group within 60 days of December 31, 2010, pursuant to the exercise of options or warrants, are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table. Percentage of ownership is based on common shares issued and outstanding on December 31, 2010, after giving effect to our corporate reorganization, plus common shares that we are selling in this offering. The underwriters have an option to purchase up to additional common shares from us to cover over-allotments.

Except as indicated in footnotes to this table, we believe that the shareholders named in this table have sole voting and investment power with respect to all common shares shown to be beneficially owned by them, based on information provided to us by such shareholders. Unless otherwise indicated, the address for each director and executive officer listed is: 8176 Park Lane, Suite 500, Dallas, Texas, 75231.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percentage of Shares Beneficially Owned(1)(2)	
		Before the Offering	After the Offering
Directors and Executive Officers			
John R. Kemp III			
David I. Foley(5)			
Jeffrey A. Harris(3)			
David Krieger(3)			
Prakash A. Melwani(5)			
Adebayo O. Ogunlesi			
Chris Tong			
Christopher A. Wright			
Brian F. Maxted			
W. Greg Dunlevy			
Paul Dailly			
Marvin M. Garrett			
William S. Hayes			
Dennis C. McLaughlin			
All directors and executive officers as a group (14 individuals)			
Five Percent Shareholders			
Warburg Pincus International Partners, L.P.(4)			
Warburg Pincus Private Equity VIII, L.P.(4)			
Blackstone Funds(5)			

(1) Assumes the completion of our corporate reorganization prior to or concurrently with the closing of this offering. See "Corporate Reorganization."

(2) Assumes no exercise of the underwriters' option to purchase additional shares. The number of shares held by our principal shareholders will depend on the initial public offering price of a common share and the date upon which this offering is completed.

(3) Messrs. Harris and Krieger, directors of the Company, are Partners of Warburg Pincus & Co. ("WP"), a New York general partnership, and Managing Directors and Members of Warburg Pincus LLC ("WPLLC"), a New York limited liability company. All shares indicated as owned by Messrs. Harris and Krieger are included because of their affiliation with the Warburg Pincus entities. Messrs. Harris and Krieger disclaim beneficial ownership of all shares owned by the Warburg Pincus entities. Charles R. Kaye and Joseph P. Landy are Managing General Partners of WP and Managing Members and Co-Presidents of WP LLC and may be deemed to control the Warburg Pincus entities. Messrs. Kaye and Landy disclaim beneficial ownership of all shares held by the Warburg Pincus entities. The address of Messrs. Harris, Krieger, Kaye and Landy, WP, WP LLC and the other Warburg Pincus entities listed in this footnote is 450 Lexington Avenue, New York, New York 10017.

(4) The shareholders are Warburg Pincus International Partners, L.P., and two affiliated partnership ("WPIP") and Warburg Pincus Private Equity VIII, L.P., and two affiliated partnerships ("WP VIII"). Warburg Pincus Partners LLC ("WP Partners"), a New York limited liability company, a direct subsidiary of Warburg Pincus & Co. ("WP"), is the sole general partner of WPIP and WP VIII. WP is the managing member of WP Partners. WPIP and WP VIII are managed by Warburg Pincus LLC ("WP LLC"). The address of the Warburg Pincus entities is 450 Lexington Avenue, New York, New York 10017.

(5) The Blackstone Funds (as hereinafter defined) are comprised of the following entities: Blackstone Capital Partners (Cayman) IV L.P. ("BCP IV"), Blackstone Capital Partners (Cayman) IV-A L.P. ("BCP IV-A"), Blackstone Family Investment Partnership (Cayman) IV-A L.P ("Family"), Blackstone Participation Partnership (Cayman) IV L.P. ("Participation") and Blackstone Family Investment Partnership (Cayman) IV-A SMD L.P. ("Family SMD", and together with BCP IV, BCP IV-A, Family and Participation, the "Blackstone Funds"). The Blackstone Funds beneficially own (i) shares, which are held by BCP IV, (ii) shares, which are held by BCP IV-A, (iii) shares, which are held by Family, (iv) shares, which are held by Participation, and (v) shares, which are held by Family SMD. Blackstone Management Associates (Cayman) IV L.P. ("BMA") is a general partner of each of BCP IV and BCP IV-A. Blackstone LR Associates (Cayman) IV Ltd. ("BLRA") and BCP IV GP L.L.C. are general partners of each of BMA, Family and Participation. Blackstone Holdings III L.P. is the sole member of BCP IV GP L.L.C. and a shareholder of BLRA. Blackstone Holdings III L.P. is indirectly controlled by The Blackstone Group L.P. and is owned, directly or indirectly, by Blackstone professionals and The Blackstone Group L.P. The Blackstone Group L.P. is controlled by its general partner, Blackstone Group Management L.L.C., which is in turn, wholly owned by Blackstone's senior managing directors and controlled by its founder, Stephen A. Schwarzman. In addition, Mr. Schwarzman is a director and controlling person of BLRA. Family SMD is controlled by its general partner, Blackstone Family GP L.L.C., which is in turn wholly owned by Blackstone's senior managing directors and controlled by its founder, Mr. Schwarzman. Each of such Blackstone entities and Mr. Schwarzman may be deemed to beneficially own the shares beneficially owned by the Blackstone Funds directly or indirectly controlled by it or him, but each disclaims beneficial ownership of such shares except to the extent of its or his indirect pecuniary interest therein. Mr. Foley and Mr. Melwani are senior managing directors of Blackstone Group Management L.L.C. and neither is deemed to beneficially own the shares beneficially owned by the Blackstone Funds. The address of each of the Blackstone Funds, BMA and BLRA is c/o Walkers Corporate Services Limited, 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands and the address for Mr. Schwarzman and each of the other entities listed in this footnote is c/o The Blackstone Group, L.P., 345 Park Avenue, New York, New York 10154.

DESCRIPTION OF SHARE CAPITAL

The following description of certain provisions of our memorandum of association and bye-laws does not purport to be complete and is subject to, and qualified by reference to, all of the provisions of our memorandum of association and bye-laws.

General

We are an exempted company organized under the Bermuda Companies Act. The rights of our shareholders will be governed by Bermuda law and our memorandum of association and bye-laws. The Bermuda Companies Act differs in some material respects from laws generally applicable to Delaware corporations, which differences have been highlighted in the discussion below.

Share Capital

Our authorized share capital consists of common shares, par value $0.01 per share, and preference shares, par value $0.01 per share. Upon completion of this offering, there will be common shares and no preference shares issued and outstanding. All of our issued and outstanding common shares will be fully paid and non-assessable.

Pursuant to our bye-laws, subject to the requirements of the New York Stock Exchange, our board of directors is authorized to issue any of our authorized but unissued shares.

Common Shares

Holders of common shares are entitled to one vote per share on all matters submitted to a vote of holders of common shares. Subject to preferences that may be applicable to any issued and outstanding preference shares, holders of common shares are entitled to receive such dividends, if any, as may be declared from time to time by our board of directors out of funds legally available for dividend payments. Holders of common shares have no redemption, sinking fund, conversion, exchange, pre-emption or other subscription rights. In the event of our liquidation, dissolution or winding up, the holders of common shares are entitled to share equally and ratably in our assets, if any, remaining after the payment of all of our debts and liabilities, subject to any liquidation preference on any outstanding preference shares.

Preference Shares

Pursuant to Bermuda law and our bye-laws, our board of directors is authorized to provide for the issuance of one or more series of preference shares having such number of shares, designations, dividend rates, voting rights, conversion or exchange rights, redemption rights, liquidation rights and other powers, preferences and rights as may be determined by the board without any further shareholder approval. Preference shares, if issued, would have priority over common shares with respect to dividends and other distributions, including the distribution of our assets upon liquidation. Although we have no present plans to issue any preference shares, the issuance of preference shares could decrease the amount of earnings and assets available for distribution to the holders of common shares, could adversely affect the rights and powers, including voting rights, of common shares and could have the effect of delaying, deterring or preventing a change in control of us or an unsolicited acquisition proposal.

Board Composition

Our bye-laws provides that our board of directors will determine the size of the board, provided that it shall be at least five and no more than 15. Our board of directors will initially consist of nine directors.

Pursuant to a shareholders agreement entered into by us and affiliates of the Investors, each Investor shall have the right to designate two nominees (or if the size of the board of directors is increased, 25% of the board, rounded to the nearest whole number) if it owns (A) 20% or more of the issued and outstanding common shares and (B) 50% or more of the common shares owned by such Investor immediately prior to this offering and one nominee (or if the size of the board of directors is increased, 12.5% of the board, rounded to the nearest whole number) if it owns 7.5% or more of the issued and outstanding common shares. See "Management—Board of Directors—Board Composition."

Election and Removal of Directors

Our bye-laws provide that, prior to the first date on which the Investors no longer beneficially own more than 50% of the issued and outstanding shares entitled to vote, all directors will be up for election each year at our annual general meeting of shareholders. On or after such date, our board of directors will be a classified board divided into 3 classes, with one class coming up for election each year. The election of our directors will be determined by a plurality of the votes cast at the general meeting of shareholders at which the relevant directors are to be elected. Our shareholders do not have cumulative voting rights and accordingly the holders of a plurality of the shares voted can elect all of the directors then standing for election. Our bye-laws require advance notice for shareholders to nominate a director or present proposals for shareholder action at an annual general meeting of shareholders. See "—Meetings of Shareholders."

Under our bye-laws, prior to the first date on which the Investors no longer beneficially own more than 50% of the issued and outstanding shares entitled to vote, directors may be removed with or without cause by the affirmative vote of a majority of the issued and outstanding shares entitled to vote. On and after such date, a director may be removed only for cause by the affirmative vote of a majority of the issued and outstanding shares entitled to vote. Any vacancy created by the removal of a director at a special general meeting may be filled at that meeting by the election of another director in his or her place or, in the absence of any such election, by the board of directors. Any other vacancy, including newly created directorships, may be filled by our board of directors.

Proceedings of Board of Directors

Our bye-laws provide that our business shall be managed by or under the direction of our board of directors. Our board of directors may act by the affirmative vote of a majority of the directors present at a meeting at which a quorum is present. A majority of the total number of directors then in office shall constitute a quorum; provided that if at least one director designated by each Investor then entitled to designate a director is not present at a meeting, such meeting will be postponed for up to 48 hours, after which it may be held as long as a quorum consisting of a majority of the total number of directors is present. The board may also act by unanimous written consent.

Duties of Directors

Under Bermuda common law, members of a board of directors owe a fiduciary duty to the company to act in good faith in their dealings with or on behalf of the company, and to exercise their powers and fulfill the duties of their office honestly. This duty has the following essential elements: (1) a duty to act in good faith in the best interests of the company; (2) a duty not to make a personal profit from opportunities that arise from the office of director; (3) a duty to avoid conflicts of interest; and (4) a duty to exercise powers for the purpose for which such powers were intended. The Bermuda Companies Act also imposes a duty on directors of a Bermuda company, to act honestly and in good faith, with a view to the best interests of the company, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, the Bermuda Companies Act imposes various duties on directors with respect to certain matters of management and administration of the company.

The Bermuda Companies Act provides that in any proceedings for negligence, default, breach of duty or breach of trust against any director, if it appears to a court that such officer is or may be liable in respect of the negligence, default, breach of duty or breach of trust, but that he has acted honestly and reasonably, and that, having regard to all the circumstances of the case, including those connected with his appointment, he ought fairly to be excused for the negligence, default, breach of duty or breach of trust, that court may relieve him, either wholly or partly, from any liability on such terms as the court may think fit. This provision has been interpreted to apply only to actions brought by or on behalf of the company against the directors.

Under Delaware law, the business and affairs of a corporation are managed by or under the direction of its board of directors. In exercising their powers, directors are charged with a duty of care and a duty of loyalty. The duty of care requires that directors act in an informed and deliberate manner and to inform themselves, prior to making a business decision, of all relevant material information reasonably available to them. The duty of care also requires that directors exercise care in overseeing the conduct of corporate employees. The duty of loyalty is the duty to act in good faith, not out of self-interest, and in a manner which the director reasonably believes to be in the best interests of the shareholders. A party challenging the propriety of a decision of a board of directors bears the burden of rebutting the presumptions afforded to directors by the "business judgment rule." If the presumption is not rebutted, the business judgment rule attaches to protect the directors and their decisions. Where, however, the presumption is rebutted, the directors bear the burden of demonstrating the fairness of the relevant transaction. Notwithstanding the foregoing, Delaware courts subject directors' conduct to enhanced scrutiny in respect of defensive actions taken in response to a threat to corporate control and approval of a transaction resulting in a sale of control of the corporation.

Interested Directors

Under Bermuda law and our bye-laws, as long as a director discloses a direct or indirect interest in any contract or arrangement with us as required by law, such director is entitled to vote in respect of any such contract or arrangement in which he or she is interested, unless disqualified from doing so by the chairman of the meeting, and such a contract or arrangement will not be voidable solely as a result of the interested director's participation in its approval. In addition, the director will not be liable to us for any profit realized from the transaction. In contrast, under Delaware law, such a contract or arrangement is voidable unless it is approved by a majority of disinterested directors or by a vote of shareholders, in each case if the material facts as to the interested director's relationship or interests are disclosed or are known to the disinterested directors or shareholders, or such contract or arrangement is fair to the corporation as of the time it is approved or ratified. Additionally, such interested director could be held liable for a transaction in which such director derived an improper personal benefit.

Indemnification of Directors and Officers

Bermuda law provides generally that a Bermuda company may indemnify its directors and officers against any loss arising from or liability which by virtue of any rule of law would otherwise be imposed on them in respect of any negligence, default, breach of duty or breach of trust except in cases where such liability arises from fraud or dishonesty of which such director or officer may be guilty in relation to the company.

Our bye-laws provide that we shall indemnify our officers and directors in respect of their actions and omissions, except in respect of their fraud or dishonesty, and that we shall advance funds to our officers and directors for expenses incurred in their defense upon receipt of an undertaking to repay the funds if any allegation of fraud or dishonesty is proved. Our bye-laws provide that the company and the shareholders waive all claims or rights of action that they might have, individually or in right of the

company, against any of the company's directors or officers for any act or failure to act in the performance of such director's or officer's duties, except in respect of any fraud or dishonesty.

Meetings of Shareholders

Under Bermuda law, a company is required to convene at least one general meeting of shareholders each calendar year. Under Bermuda law and our bye-laws, a special general meeting of shareholders may be called by the board of directors or the chairman and must be called upon the request of shareholders holding not less than 10% of the paid-up capital of the company carrying the right to vote at general meetings of shareholders.

Unless otherwise provided in our bye-laws, at any general meeting of shareholders the presence in person or by proxy of shareholders representing a majority of the issued and outstanding shares entitled to vote shall constitute a quorum for the transaction of business. Unless otherwise required by law or our bye-laws, shareholder action requires the affirmative vote of a majority of the issued and outstanding shares voting at a meeting at which a quorum is present.

Shareholder Proposals

Under Bermuda law, shareholders holding at least 5% of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates or any group comprised of at least 100 or more shareholders may require a proposal to be submitted to an annual general meeting of shareholders. Under our bye-laws, any shareholders wishing to nominate a person for election as a director or propose business to be transacted at a meeting of shareholders must provide advance notice.

Shareholder Action by Written Consent

Our bye-laws will provide that, until the first date on which the Investors no longer beneficially own more than 50% of the issued and outstanding shares entitled to vote, shareholders can act by written consent. Thereafter, shareholders can only act at a meeting of shareholders.

Amendment of Memorandum of Association and Bye-laws

Our memorandum of association and bye-laws provide that our memorandum of association and bye-laws may not be rescinded, altered or amended except with the approval of our board of directors and shareholders owning a majority of the issued and outstanding shares entitled to vote.

Business Combinations

A Bermuda company may engage in a business combination pursuant to a tender offer, amalgamation or sale of assets.

The amalgamation of a Bermuda company with another company requires the amalgamation agreement to be approved by the company's board of directors and by its shareholders. Unless the company's bye-laws provide otherwise, the approval of 75% of the shareholders voting at a meeting is required to approve the amalgamation agreement, and the quorum for such meeting must be two persons holding or representing more than one-third of the issued shares of the company. Our bye-laws provide that an amalgamation must be approved by our board of directors and by shareholders owning a majority of the issued and outstanding shares entitled to vote. Shareholders who did not vote in favor of the amalgamation may apply to court for an appraisal within one month of notice of the shareholders meeting.

Under the Bermuda Companies Act, we are not required to seek the approval of our shareholders for the sale of all or substantially all of our assets. However, our bye-lawsprovide that any sale, lease

or exchange by us of all or substantially all of our assets will require the approval of our board of directors and of shareholders owning a majority of the outstanding shares entitled to vote.

Under Bermuda law, where an offer is made for shares of a company and, within four months of the offer, the holders of not less than 90% of the shares not owned by the offeror, its subsidiaries or their nominees accept such offer, the offeror may by notice require the non-tendering shareholders to transfer their shares on the terms of the offer. Dissenting shareholders do not have express appraisal rights but are entitled to seek relief (within one month of the compulsory acquisition notice) from the court, which has power to make such orders as it thinks fit. Additionally, where one or more parties hold not less than 95% of the shares of a company, such parties may, pursuant to a notice given to the remaining shareholders, acquire the shares of such remaining shareholders. Dissenting shareholders have a right to apply to the court for appraisal of the value of their shares within one month of the compulsory acquisition notice. If a dissenting shareholder is successful in obtaining a higher valuation, that valuation must be paid to all shareholders being squeezed out.

Dividends and Repurchase of Shares

Pursuant to our bye-laws, our board of directors has the authority to declare dividends and authorize the repurchase of shares subject to applicable law.

Under Bermuda law, a company may not declare or pay a dividend if there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due or the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and its share premium accounts. Issued share capital is the aggregate par value of the company's issued and outstanding shares, and the share premium account is the aggregate amount paid for issued and outstanding shares over and above their par value. Share premium accounts may be reduced in certain limited circumstances. Under Bermuda law, a company cannot purchase its own shares if there are reasonable grounds for believing that the company is, or after the repurchase would be, unable to pay its liabilities as they become due.

Transactions with Significant Shareholders

The Bermuda Companies Act does not have, and our bye-laws do not provide for, the equivalent of the "business combination" provisions of Section 203 of the Delaware General Corporate Law.

Corporate Opportunities

Our bye-laws provide that, to the fullest extent permitted by applicable law, we renounce any interest or expectancy in, or in being offered an opportunity to participate in, any business opportunity that may be from time to time be presented to the Investors or any of their respective officers, directors, agents, shareholders, members, partners, affiliates and subsidiaries (other than us and our subsidiaries) or business opportunities that such parties participate in or desire to participate in, even if the opportunity is one that we might reasonably have pursued or had the ability or desire to pursue if granted the opportunity to do so, and no such person shall be liable to us for breach of any fiduciary or other duty, as a director or officer or controlling shareholder or otherwise, by reason of the fact that such person pursues or acquires any such business opportunity, directs any such business opportunity to another person or fails to present any such business opportunity to us unless, in the case of any such person who is one of our directors or officers, any such business opportunity is expressly offered to such person solely in his or her capacity as our director or officer.

Shareholder Suits

Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an

action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company.

Our bye-laws contain a provision by virtue of which we and our shareholders waive any claim or right of action that they have, both individually and on our behalf, against any director or officer in relation to any action or failure to take action by such director or officer, except in respect of any fraud or dishonesty of such director or officer. We have been advised by the SEC that in the opinion of the SEC, the operation of this provision as a waiver of the right to sue for violations of federal securities laws would likely be unenforceable in U.S. courts.

Access to Books and Records and Dissemination of Information

Members of the general public have a right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda. These documents include the company's memorandum of association and any amendments thereto. The shareholders have the additional right to inspect the bye-laws of the company, minutes of general meetings of shareholders and the company's audited financial statements. The company's audited financial statements must be presented at the annual general meeting of shareholders. The company's share register is open to inspection by shareholders and by members of the general public without charge. A company is required to maintain its share register in Bermuda but may, subject to the provisions of the Bermuda Companies Act, establish a branch register outside of Bermuda. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

Registrar or Transfer Agent

A register of holders of the common shares will be maintained by Codan Services Limited in Bermuda, and a branch register will be maintained in the United States by , who will serve as branch registrar and transfer agent.

Listing

We have applied to list our common shares on the NYSE under the symbol "KOS." Settlement will take place through The Depository Trust Company in U.S. dollars.

Certain Provisions of Bermuda Law

We have been designated by the Bermuda Monetary Authority as a non-resident for Bermuda exchange control purposes. This designation allows us to engage in transactions in currencies other than the Bermuda dollar, and there are no restrictions on our ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to United States residents who are holders of our common shares.

The Bermuda Monetary Authority has given its consent for the issue and free transferability of all of the common shares that are the subject of this offering to and between non-residents of Bermuda

for exchange control purposes, provided our shares remain listed on an appointed stock exchange, which includes the NYSE. Approvals or permissions given by the Bermuda Monetary Authority do not constitute a guarantee by the Bermuda Monetary Authority as to our performance or our creditworthiness. Accordingly, in giving such consent or permissions, the Bermuda Monetary Authority shall not be liable for the financial soundness, performance or default of our business or for the correctness of any opinions or statements expressed in this prospectus. Certain issues and transfers of common shares involving persons deemed resident in Bermuda for exchange control purposes require the specific consent of the Bermuda Monetary Authority.

This prospectus will be filed with the Registrar of Companies in Bermuda pursuant to Part III of the Bermuda Companies. In accepting this prospectus for filing, the Registrar of Companies in Bermuda shall not be liable for the financial soundness, performance or default of our business or for the correctness of any opinions or statements expressed in this prospectus.

In accordance with Bermuda law, share certificates are only issued in the names of companies, partnerships or individuals. In the case of a shareholder acting in a special capacity (for example as a trustee), certificates may, at the request of the shareholder, record the capacity in which the shareholder is acting. Notwithstanding such recording of any special capacity, we are not bound to investigate or see to the execution of any such trust. We will take no notice of any trust applicable to any of our shares, whether or not we have been notified of such trust.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common shares, and a liquid trading market for our common shares may not develop or be sustained after this offering. Future sales of substantial amounts of our common shares in the public market could adversely affect market prices prevailing from time to time. Furthermore, because only a limited number of common shares will be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, there may be sales of substantial amounts of our common shares in the public market after the restrictions lapse. This may adversely affect the prevailing market price and our ability to raise equity capital in the future. We have applied to have our common shares listed on the NYSE under the symbol "KOS."

Based on the number of common shares issued and outstanding as of December 31, 2010 after giving effect to our reorganization, upon completion of this offering, common shares will be issued and outstanding, assuming no exercise of the underwriters' over-allotment option. Of the common shares to be issued and outstanding immediately after the closing of this offering, the common shares to be sold in this offering will be freely tradable without restriction under the Securities Act unless purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act. The remaining common shares are "restricted securities" under Rule 144. Substantially all of these restricted securities will be subject to the provisions of the lock-up agreements referred to below.

After the expiration of any lock-up period, these restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 or 701 under the Securities Act, which exemptions are summarized below.

Rule 144

In general, under Rule 144 under the Securities Act, as in effect on the date of this prospectus, a person who is not one of our affiliates at any time during the three months preceding a sale, and who has beneficially owned our common shares to be sold for at least six months, would be entitled to sell an unlimited number of our common shares, provided current public information about us is available. In addition, under Rule 144, a person who is not one of our affiliates at any time during the three months preceding a sale, and who has beneficially owned our common shares to be sold for at least one year, would be entitled to sell an unlimited number of common shares beginning one year after this offering without regard to whether current public information about us is available. Our affiliates who have beneficially owned our common shares for at least six months are entitled to sell within any three month period a number of common shares that does not exceed the greater of:

- 1% of the number of our common shares then issued and outstanding, which will equal approximately common shares immediately after this offering, and
- the average weekly trading volume in our common shares on the NYSE during the four calendar weeks preceding the date of filing of a Notice of Proposed Sale of Securities Pursuant to Rule 144 with respect to the sale.

Sales by affiliates under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us. Rule 144 also provides that affiliates relying on Rule 144 to sell our common shares that are not restricted common shares must nonetheless comply with the same restrictions applicable to restricted common shares, other than the holding period requirement.

Upon expiration of any lock-up period and the six-month holding period, approximately of our common shares will be eligible for sale under Rule 144 by our affiliates, subject to the above restrictions. Upon the expiration of any lock-up period and the six-month holding period, approximately

of our common shares will be eligible for sale by non-affiliates under Rule 144. We cannot estimate the number of common shares that our existing shareholders will elect to sell under Rule 144.

Rule 701

In general, under Rule 701 under the Securities Act, any of our employees, consultants or advisors who purchased common shares from us in connection with a qualified compensatory share plan or other written agreement is eligible to resell those shares 90 days after the effective date of this offering in reliance on Rule 144, but without compliance with the various restrictions, including the holding period, contained in Rule 144. Subject to the provisions of the lock-up agreements referred to below, approximately of our common shares will be eligible for sale in accordance with Rule 701.

Lock-up Agreements

In connection with this offering, we, our officers and directors, and certain shareholders have each entered into a lock-up agreement with the underwriters of this offering that restricts the sale of our common shares for a period of 180 days after the date of this prospectus, subject to extension in certain circumstances. The Representatives (as defined in "Underwriting"), on behalf of the underwriters, may, in their sole discretion, choose to release any or all of our common shares subject to these lock-up agreements at any time prior to the expiration of the lock-up period without notice. For more information, see "Underwriting."

Registration Rights

Prior to the consummation of this offering, we will enter into a registration rights agreement with certain of our shareholders pursuant to which we will grant certain of our shareholders and their affiliates certain registration rights with respect to our common shares owned by them. Pursuant to the lock-up agreements described above, certain of our shareholders have agreed not to exercise those rights during the lock-up period without the prior written consent of the Representatives of the underwriters of this offering.

CERTAIN TAX CONSIDERATIONS

Bermuda Tax Considerations

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by us or by our shareholders in respect of our shares. We have obtained an assurance from the Bermuda Minister of Finance under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 28, 2016, be applicable to us or to any of our operations or to our shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by us in respect of real property owned or leased by us in Bermuda.

U.S. Federal Income Tax Considerations

The following is a description of the material U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of our common shares, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire our common shares. This discussion does not discuss any state, local or foreign tax considerations. This discussion applies only to a U.S. Holder that acquires our common shares pursuant to this offering and holds them as capital assets for tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of the U.S. Holder's particular circumstances, including alternative minimum tax consequences and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- persons holding our common shares as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to our common shares;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities, including "individual retirement accounts"; or
- persons that own or are deemed to own ten percent or more of our voting shares.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds our common shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding our common shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of our common shares.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury regulations, all as of the date of this prospectus, any of which is subject to change, possibly with retroactive effect. U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of our common shares in their particular circumstances.

A "U.S. Holder" is a holder who, for U.S. federal income tax purposes, is a beneficial owner of our common shares and is:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

This discussion assumes that we are not, and will not become, a passive foreign investment company, as described below.

Taxation of Distributions

As discussed above under "Dividend Policy," we do not currently intend to pay dividends. In the event that we do pay dividends, subject to the passive foreign investment company rules described below, distributions paid on our common shares, other than certain *pro rata* distributions of common shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). The amount of the dividend will be treated as foreign-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code.

Sale or Other Disposition of Common Shares

Subject to the passive foreign investment company rules described below, for U.S. federal income tax purposes, gain or loss realized on the sale or other disposition of our common shares will be capital gain or loss, and generally will be long-term capital gain or loss if the U.S. Holder held our common shares for more than one year. The amount of the gain or loss will equal the difference between the U.S. Holder's tax basis in the common shares disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes.

Passive Foreign Investment Company Rules

Based on management estimates and projections of future operations and revenue, we do not believe we will be a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes for our current taxable year and we do not expect to become one in the foreseeable future. In general, a non-U.S. corporation is a PFIC for any taxable year in which (i) 75% or more of its gross income consists of passive income (such as dividends, interest, rents and royalties) or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. Because our PFIC status is a factual determination that is made annually and depends on the composition of our income (which in turn depends on our oil revenues from production) and the composition and market value of our assets from time to time, there can be no assurance that we will not be a PFIC for any taxable year. In particular, if we do not generate a significant amount of oil revenues from production, we may be a PFIC for the current taxable year and for one or more future taxable years.

If we were a PFIC for any taxable year during which a U.S. Holder held our common shares, gain recognized by a U.S. Holder on a sale or other disposition (including certain pledges) of our common shares would be allocated ratably over the U.S. Holder's holding period for the common shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for

that taxable year, and an interest charge would be imposed on the amount allocated to that taxable year. Similar rules would apply to the extent that any distribution received by a U.S. Holder on its common shares exceeds 125% of the average of the annual distributions on the common shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the common shares. U.S. Holders should consult their tax advisers to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances. If we were a PFIC for any year during which a U.S. Holder holds our common shares, we generally would continue to be treated on a PFIC with respect to the holder for all succeeding years during which the U.S. Holder holds our common shares, even if we subsequently ceased to meet the requirements for PFIC Status. U.S. Holders should consult their tax advisers regarding the potential availability of a "deemed sale" election that would allow them to eliminate the continuation of PFIC status under these circumstances.

If a U.S. Holder owns our common shares during any year in which we are a PFIC, the holder may be required to file Internal Revenue Service ("IRS") Form 8621 reporting certain distributions it receives from us, as well as any disposition of all or any portion of its common shares. In addition, pursuant to a recent amendment to the Code, a U.S. Holder who owns our common shares during any year in which we are a PFIC may be required to file an annual report with the IRS with respect to us containing such information as the U.S. Treasury Department may require.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S. related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

Certain Reporting Obligations

If a U.S. Holder acquires shares in this offering for a price in excess of $100,000, the Holder must file IRS Form 926 for the holder's taxable year in which the registration occurs. Failure by a U.S. Holder to timely comply with such reporting requirements may result in substantial penalties.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , 2011, we have agreed to sell to the underwriters named below, for whom Credit Suisse Securities (USA) LLC and Citigroup Global Markets Inc. are acting as representatives (the "Representatives"), the following respective numbers of common shares:

Underwriter	Number of Common Shares
Credit Suisse Securities (USA) LLC	
Citigroup Global Markets Inc.	
Barclays Capital Inc.	
Total	

The underwriting agreement provides that the underwriters are obligated to purchase all the common shares in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to additional common shares from us at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common shares.

The underwriters propose to offer the common shares initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of $ per common share. The underwriters and selling group members may allow a discount of $ per common share on sales to other broker/dealers. After the initial public offering the Representatives may change the public offering price and concession and discount to broker/dealers. The offering of the common shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The following table summarizes the compensation and estimated expenses we will pay:

	Per Common Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriting discounts and commissions paid by us	$	$	$	$
Expenses payable by us	$	$	$	$

The Representatives have informed us that the underwriters do not expect sales to accounts over which the underwriters have discretionary authority to exceed 5% of the common shares being offered.

We have agreed, subject to certain exceptions, that we will not offer, sell, issue, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any of our common shares or securities convertible into or exchangeable or exercisable for any of our common shares, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of the Representatives for a period of 180 days after the date of this prospectus. However, in the event that either (1) during the last 17 days of the "lock-up" period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the "lock-up" period, we announce that we will release earnings results during the 16-day period beginning on the last day of the "lock-up" period, then in either case the expiration of the "lock-up" will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless the Representatives waive, in writing, such an extension.

Our officers, directors and certain shareholders have agreed, subject to certain exceptions, that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of our common shares or securities convertible into or exchangeable or exercisable for any of our common shares, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common shares, whether any of these transactions are to be settled by delivery of our common shares or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of the Representatives for a period of 180 days after the date of this prospectus. However, in the event that either (1) during the last 17 days of the "lock-up" period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the "lock-up" period, we announce that we will release earnings results during the 16-day period beginning on the last day of the "lock-up" period, then in either case the expiration of the "lock-up" will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless the Representatives waive, in writing, such an extension.

We have agreed to indemnify the underwriters against liabilities under the Securities Act or contribute to payments that the underwriters may be required to make in that respect.

The underwriters have reserved for sale at the initial public offering price up to common shares for employees, directors and other persons associated with us who have expressed an interest in purchasing common shares in the offering. The number of common shares available for sale to the general public in the offering will be reduced to the extent these persons purchase the reserved common shares. Any reserved common shares not so purchased will be offered by the underwriters to the general public on the same terms as the other common shares.

We have applied to list our common shares on the NYSE under the symbol "KOS."

In connection with the listing of the common shares on the NYSE, the underwriters will undertake to sell round lots of 100 shares or more to a minimum of 400 beneficial owners.

Prior to this offering, there has been no public market for our common shares. The initial public offering price has been determined by a negotiation among us and the Representatives and will not necessarily reflect the market price of our common shares following the offering. The principal factors that were considered in determining the public offering price included:

- the information presented in this prospectus;
- the history of and prospects for the industry in which we will compete;
- the ability of our management;
- the prospects for our future earnings;
- the present state of our development and current financial condition;
- the recent market prices of, and the demand for, publicly traded shares of generally comparable companies; and
- the general condition of the securities markets at the time of this offering.

We offer no assurances that the initial public offering price will correspond to the price at which the common shares will trade in the public market subsequent to the offering or that an active trading market for our common shares will develop and continue after the offering.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Over-allotment involves sales by the underwriters of common shares in excess of the number of common shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of common shares over-allotted by the underwriters is not greater than the number of common shares that they may purchase in the over-allotment option. In a naked short position, the number of common shares involved is greater than the number of common shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing common shares in the open market.

- Syndicate covering transactions involve purchases of the common shares in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of common shares to close out the short position, the underwriters will consider, among other things, the price of common shares available for purchase in the open market as compared to the price at which they may purchase common shares through the over-allotment option. If the underwriters sell more common shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying common shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the common shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the Representatives to reclaim a selling concession from a syndicate member when the common shares originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids, as well as purchases by the underwriters for their own accounts, may have the effect of raising or maintaining the market price of our common shares or preventing or retarding a decline in the market price of the common shares. As a result the price of our common shares may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NYSE or otherwise and, if commenced, may be discontinued at any time.

Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory, lending and investment banking services for us and our affiliates, for which they received or will receive customary fees and expenses.

The common shares are offered for sale in those jurisdictions in the United States, Europe, Asia and elsewhere where it is lawful to make such offers.

Each of the underwriters has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any of the common shares directly or indirectly, or distribute this prospectus or any other offering material relating to the common shares, in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on us except as set forth in the underwriting agreement.

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), including each Relevant Member State that has implemented amendments to Article 3(2) of the Prospectus Directive with regard to persons to whom an offer of securities is addressed and the denomination per unit of the offer of securities (each, an "Early Implementing Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), no offer of common shares will be made to the public in that Relevant Member State (other than offers (the "Permitted Public Offers") where a prospectus will be published in relation to the common shares that has been approved by the competent authority in a Relevant Member State or,

where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive), except that with effect from and including that Relevant Implementation Date, offers of common shares may be made to the public in that Relevant Member State at any time:

(a) to "qualified investors" as defined in the Prospectus Directive, including:

(A) (in the case of Relevant Member States other than Early Implementing Member States), legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities, or any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43.0 million and (iii) an annual turnover of more than €50.0 million as shown in its last annual or consolidated accounts; or

(B) (in the case of Early Implementing Member States), persons or entities that are described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC, and those who are treated on request as professional clients in accordance with Annex II to Directive 2004/39/EC, or recognised as eligible counterparties in accordance with Article 24 of Directive 2004/39/EC unless they have requested that they be treated as non-professional clients; or

(b) to fewer than 100 (or, in the case of Early Implementing Member States, 150) natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) subject to obtaining the prior consent of the Subscribers; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of common shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or of a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State (other than a Relevant Member State where there is a Permitted Public Offer) who initially acquires any common shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that (A) it is a "qualified investor", and (B) in the case of any common shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (x) the common shares acquired by it have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" as defined in the Prospectus Directive, or in circumstances in which the prior consent of the Representatives has been given to the offer or resale, or (y) where common shares have been acquired by it on behalf of persons in any Relevant Member State other than "qualified investors" as defined in the Prospectus Directive, the offer of those common shares to it or not treated under the Prospectus Directive as having been made to such persons.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any common shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer of any common shares to be offered so as to enable an investor to decide to purchase any common shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71 EC (including that Directive as amended, in the case of Early Implementing Member States) and includes any relevant implementing measure in each Relevant Member State.

Each of the underwriters has severally represented, warranted and agreed as follows:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the

meaning of section 21 of FSMA) to persons who have professional experience in matters relating to investments falling with Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to the company; and

(b) it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the common shares in, from or otherwise involving the United Kingdom.

Neither this prospectus nor any other offering material relating to the common shares described in this prospectus has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The common shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to the common shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the shares to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer *(appel public à l'épargne*).

The common shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8through L.621-8-3 of the French *Code monétaire et financier*.

The common shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the common shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant

person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the common shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the common shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The common shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any common shares, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

This prospectus as well as any other material relating to the common shares does not constitute an issue prospectus pursuant Articles 652a or 1156 of the Swiss Code of Obligations. The common shares will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the common shares, including, but not limited to, this prospectus, do not claim to comply with the disclosure standards of the listing rules of SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange. None of this offering and the common shares has been or will be approved by any Swiss regulatory authority. The common shares are being offered by way of a private placement to a limited and selected circle of investors in Switzerland without any public offering and only to investors who do not subscribe for the common shares with the intention to distribute them to the public. The investors will be individually approached by the Issuer from time to time. This prospectus as well as any other material relating to the common shares is personal and confidential to each offeree and do not constitute an offer to any other person. This prospectus may only be used by those investors to whom it has been handed out in connection with the offer described herein and may neither directly nor indirectly be distributed or made available to other persons without express consent of the Issuer. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in Switzerland or from Switzerland.

The common shares described in this prospectus may not be, are not and will not be offered, distributed, sold, transferred or delivered, directly or indirectly, to any person in the Dubai International Financial Centre other than in accordance with the Offered Securities Rules of the Dubai Financial Services Authority.

This offering is restricted in the Kingdom of Bahrain to banks, financial institutions and professional investors and any person receiving this prospectus in the Kingdom of Bahrain and not falling within those categories is ineligible to purchase our common shares.

This prospectus does not constitute a public offer of securities in the Kingdom of Saudi Arabia and is not intended to be a public offer. No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering or private placement of our common shares in the Kingdom of Saudi Arabia, or possession or distribution of any offering materials in relation thereto. Our common shares may only be offered or sold in the Kingdom of Saudi Arabia in accordance with Part 5

(Exempt Offers) of the Offers of Securities Regulations dated 20/8/1425 AH (corresponding to 4/10/2004) (the "Regulations") and, in accordance with Part 5 (Exempt Offers) Article 1716(a)(3) of the Regulations, common shares will be offered to no more than 60 offerees in the Kingdom of Saudi Arabia with each such offeree paying an amount not less than Saudi Riyals one million or its equivalent. Investors are informed that Article 19 of the Regulations places restrictions on secondary market activity with respect to our common shares. Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restrictions shall not be recognized by us. Prospective purchasers of the common shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document you should consult an authorized financial adviser.

This prospectus does not constitute an invitation or public offer of securities in the State of Qatar and should not be construed as such. This prospectus is intended only for the original recipient and must not be provided to any other person. It is not for general circulation in the State of Qatar and may not be reproduced or used for any other purpose.

No marketing or sale of the common shares may take place in Kuwait unless the same has been duly authorized by the Kuwait Ministry of Commerce and Industry pursuant to the provisions of Law No. 31/1990 and the various ministerial regulations issued thereunder. Persons into whose possession this offering memorandum comes are required to inform themselves about and to observe such restrictions. Investors in Kuwait who approach us or obtain copies of this offering memorandum are required to keep such prospectus confidential and not to make copies thereof or distribute the same to any other person and are also required to observe the restrictions provided for in all jurisdictions with respect to offering, marketing and the sale of common shares.

This prospectus is not intended to constitute an offer, sale or delivery of common shares or other securities under the laws of the United Arab Emirates. The common shares have not been and will not be registered under Federal Law No. 4 of 2000 concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market or with any other United Arab Emirates exchange. The offering of the common shares and interests therein have not been approved or licensed by the UAE Central Bank or any other licensing authorities in the United Arab Emirates. The common shares may not be, have not been and are not being offered, sold or publicly promoted or advertised in the United Arab Emirates, other than in compliance with laws applicable in the United Arab Emirates governing the issue, offering and sale of securities. Furthermore, the information contained in this prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 (as amended)) or otherwise, and is not intended to be a public offer. The information contained in this prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates. In relation to its use in the United Arab Emirates, this prospectus is strictly private and confidential, is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The common shares may not be offered or sold directly or indirectly to the public in the United Arab Emirates.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

LEGAL MATTERS

The validity of the common shares offered in this prospectus is being passed upon for us by Conyers Dill & Pearman Limited, our special Bermuda counsel. Some legal matters as to U.S. law in connection with this offering are being passed upon for us by Davis Polk & Wardwell LLP, New York, New York. Shearman & Sterling LLP, New York, New York is acting as counsel for the underwriters in this offering.

EXPERTS

The consolidated financial statements of Kosmos Energy Holdings at December 31, 2009 and 2010, and for each of the three years in the period ended December 31, 2010 and for the period April 23, 2003 (Inception) through December 31, 2010 and the schedules of Kosmos Energy Holdings as of December 31, 2009 and 2010 and for each of the three years in the period ended December 31, 2010, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The information included in this prospectus regarding estimated quantities of proved reserves, the future net revenues from those reserves and their present value is based, in part, on estimates of the proved reserves and present values of proved reserves as of December 31, 2010. The reserve estimates at December 31, 2010 and December 31, 2009 are based on reports prepared by Netherland, Sewell & Associates, Inc., independent reserve engineers. These estimates are included in this prospectus in reliance upon the authority of such firm as experts in these matters.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1, which includes exhibits, schedules and amendments, under the Securities Act with respect to this offering of our securities. Although this prospectus, which forms a part of the registration statement, contains all material information included in the registration statement, parts of the registration statement have been omitted as permitted by rules and regulations of the SEC. We refer you to the registration statement and its exhibits for further information about us, our securities and this offering. The registration statement and its exhibits, as well as any other documents that we have filed with the SEC, can be inspected and copied at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549-1004. The public may obtain information about the operation of the public reference room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website at *http://www.sec.gov* that contains the registration statement and other reports, proxy and information statements and information that we file electronically with the SEC.

After we have completed this offering, we will file annual, quarterly and current reports, proxy statements and other information with the SEC. We intend to make these filings available on our website once the offering is completed. You may read and copy any reports, statements or other information on file at the public reference rooms. You can also request copies of these documents, for a copying fee, by writing to the SEC, or you can review these documents on the SEC's website, as described above. In addition, we will provide electronic or paper copies of our filings free of charge upon request.

GLOSSARY OF SELECTED OIL AND NATURAL GAS TERMS

Unless listed below, all defined terms under Rule 4-10(a) of Regulation S-X shall have their statutorily prescribed meanings.

"2D seismic data"	Two-dimensional seismic data, serving as interpretive data that allows a view of a vertical cross-section beneath a prospective area.
"3D seismic data"	Three-dimensional seismic data, serving as geophysical data that depicts the subsurface strata in three dimensions. 3D seismic data typically provides a more detailed and accurate interpretation of the subsurface strata than 2D seismic data.
"Aerial extent"	The area of the reservoir surface boundaries represented on a map.
"Albian"	A geological time period ranging between 112 million and 99.6 million years ago.
"API"	A specific gravity scale, expressed in degrees, that denotes the relative density of various petroleum liquids. The scale increases inversely with density. Thus lighter petroleum liquids will have a higher API than heavier ones.
"Anticline"	When layers of rock are folded to create a dome, the resulting geometry is called an anticline. An anticline is thus created by way of four-way closure. Because oil is lighter than water, the oil tends to float to the top of the anticline. If an impermeable seal, such as a shale bed, caps the dome, then a pool of oil may form at the crest.
"Appraisal well"	A well drilled after an exploratory well to gain more information on the drilled reservoirs.
"AVO"	A measure of the variation in seismic reflection amplitude that occurs as the distance between the shotpoint and receiver changes during seismic testing. Variations in AVO indicate differences in lithology and fluid content in rocks above and below the reflector. The most important application of AVO is the detection of hydrocarbon reservoirs. AVO analysis refers to a technique by which geophysicists attempt to determine thickness, porosity, density, velocity, lithology and fluid content of rocks.
"Barrel" or "bbl"	A standard measure of volume for petroleum corresponding to approximately 42 gallons at 60 degrees Fahrenheit.
"Barrels of oil-equivalent per acre-foot"	A unit of measurement for petroleum describing the number of recoverable equivalent barrels of oil and gas in one foot by one acre.

"Basin"	A depression in the crust of the Earth, caused by plate tectonic activity and subsidence, in which sediments accumulate. If hydrocarbon rich source rocks occur in combination with appropriate depth and duration of burial, then a petroleum system can develop within the basin.
"Bbbl"	Billion barrels of oil.
"Bboe"	Billion barrels of oil equivalent.
"Bcf"	Billion cubic feet.
"Blowout"	The uncontrolled release of formation fluids from a well. This may occur when a combination of well control safety systems fails during drilling or production operations.
"boe"	Barrels of oil equivalent, with volumes of natural gas converted to barrels of oil using a conversion factor of 6,000 cubic feet of natural gas to one barrel of oil.
"boepd"	Barrels of oil equivalent per day.
"bopd"	Barrels of oil per day.
"bwpd"	Barrels of water per day.
"Campanian"	A geological time period ranging between 83.5 and 70.6 million years ago.
"Closure"	The vertical distance from the apex of a structure to the lowest structural contour that contains the structure. Measurements of both the areal closure and the distance from the apex to the lowest closing contour are typically incorporated in calculations of the estimated hydrocarbon content of a trap.
"Completion"	The procedure used in finishing and equipping an oil or natural gas well for production.
"Cretaceous"	A geologic period ranging from approximately 145 to 65 million years ago.
"Dated Brent"	Refers to a cargo of blended North Sea Brent crude oil that has been assigned a date for loading onto a tanker. Physically, Brent is light but still heavier than West Texas Intermediate.
"Depocenter"	The area of thickest deposition in a basin.
"Depositional system"	A depositional system is the process through which a depositional environment is created. A depositional environment is a location where accumulations of sediment have been deposited and through which stratigraphic sequences develop.
"Development"	The phase in which an oil field is brought into production by drilling development wells and installing appropriate production systems.

"Development well"	A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.
"Dip"	The angle between the strata, sequence or fault relative to a horizontal plane.
"Downthrown"	With reference to the relative movement of geologic features present on either side of the fault plane, "downthrown" describes a layer of rock that is lower than the fault plane.
"Drilling and completion costs"	All costs, excluding operating costs, of drilling, completing, testing, equipping and bringing a well into production or plugging and abandoning it, including all costs associated with labor and other construction and installation, location and surface damages, cementing, drilling mud and chemicals, drillstem tests and core analysis, engineering and well site geological expenses, electric logs, plugging back, deepening, rework operations, repairing or performing remedial work of any type, plugging and abandoning.
"Dry hole"	A well that has not encountered a hydrocarbon bearing reservoir.
"E&P"	Exploration and production.
"Estimated pay thickness"	The mean vertical extent of the effective hydrocarbon bearing rock (expressed in feet).
"Exploration well" or "Exploratory well"	A well drilled either (a) in search of a new and as yet undiscovered pool of oil or natural gas or (b) with the hope of significantly extending the limits of a pool already developed.
"Facies"	A body of rock sharing similar characteristics.
"Fairway"	The trend along which a particular geological feature is likely, such as a depositional fairway.
"Farm-in"	An agreement whereby an oil company acquires a portion of the working interest in a block from the owner of such interest, usually in return for cash and for taking on a portion of the drilling of one or more specific wells or other performance by the assignee as a condition of the assignment.
"Farm-out"	An agreement whereby the owner of the working interest agrees to assign a portion of its interest subject to the drilling of one or more specific wells or other work by the assignee as a condition of the assignment.
"Fault"	In geology, a fault is a planar fracture or discontinuity in a volume of rock, across which there has been displacement. Large faults within the Earth's crust result from the action of tectonic forces.

"Fault closure"	A fault sealing surface combined with a specific reservoir shape, which together provide a trap where hydrocarbons can accumulate.
"Field"	A geographical area under which an oil or natural gas reservoir exists in commercial quantities.
"Finding and development costs"	Capital costs incurred in the acquisition, exploration, appraisal and development of proved oil and natural gas reserves divided by proved reserve additions.
"Four-way closure"	A structural trap where closure is present from all angles and hydrocarbons cannot effectively escape and drain to the surface. In contrast to a three-way fault closure, none of the components of closure in a four-way closure is formed by the presence of a fault.
"FPSO"	Floating Production, Storage and Offloading vessel.
"Frac-packs"	Refers to the process where fluids and sand are injected into hydrocarbon bearing rock at high-pressure in order to fracture the rock and prop open the newly created fissures. This process, combined with specialized downhole equipment, increases well productivity and provides a measure of protection against formation sand production.
"Gas-oil ratio"	The ratio of the volume of natural gas that comes out of solution from a volume of oil at standard atmospheric conditions (expressed in standard cubic feet per barrel of oil).
"Gathering system"	Pipelines and other facilities that transport oil and gas from wells to a central delivery point for sale or delivery into a transmission line or mainline.
"Gross acre"	An acre in which a working interest is owned. The number of gross acres is the total number of acres in which an interest is owned.
"Horizon"	A term used to denote a surface in or of rock, or a distinctive layer of rock that might be represented by a reflection in seismic data.

"Hydrocarbon yield"	An estimated measure of the quantity of oil and natural gas ultimately recoverable from a given volume of reservoir rock (expressed in barrels of oil-equivalent per acre-foot) if it contains oil and natural gas. Estimating hydrocarbon yield involves an analysis of several factors including reservoir characteristics, hydrocarbon and fluid properties and recovery efficiency. Reservoir characteristics include porosity (the ratio of the volume of voids or pore space to the total volume, in other words, the storage capacity of a reservoir rock), permeability (the measure of the ease with which fluids will flow through the pore spaces of a reservoir rock) and hydrocarbon saturation (the percentage of oil and natural gas relative to water in the pore spaces of the reservoir rock). We estimate probabilistically the ranges for these reservoir characteristics by performing a petrophysical analysis of our wells and reservoirs, and when appropriate, leverage analog information in order to determine the mathematical distribution of these parameters. Fluid properties include gas-oil ratio (a measure of the gas volume relative to the oil volume at surface conditions), formation volume factor (the volume of gas or oil that can be held in solution by the primary hydrocarbon phase at reservoir conditions), and viscosity (describes the "thickness" of the fluid). We derive these ranges from fluids captured from our production, our formation evaluation programs, or from analog information. We estimate the recovery efficiency by modeling conceptual or defined development scenarios that consider (i) the expected initial pressure, (ii) the well placement plan, (iii) the type of reservoir drive mechanism, (iv) the type of secondary recovery method (if used), and (v) the expected reservoir abandonment pressure.
"Interference Test"	A test of pressure interrelationships (interference) between wells within the same formation. This test is used to determine, for example, oil in place, inter-well communication and various reservoir properties.
"License"	A legal instrument executed by the host government or agency thereof granting the right to explore, drill, develop and produce oil and natural gas. An oil and natural gas license embodies the legal rights, privileges and duties pertaining to the licensor and licensee.
"Milidarcy"	One thousandth of a "darcy," which is a unit of permeability.
"Mcf"	Thousand cubic feet.
"Mcfpd"	Thousand cubic feet per day.
"Mmbbl"	Million barrels of oil.
"Mmboe"	Million barrels of oil equivalent.
"Mmcf"	Million cubic feet.

"Mud"	Mud is a term that is generally synonymous with drilling fluid and that encompasses most fluids used in hydrocarbon drilling operations, especially fluids that contain significant amounts of suspended solids, emulsified water or oil.
"Natural gas"	Natural gas is a combination of light hydrocarbons that, in average pressure and temperature conditions, is found in a gaseous state. In nature, it is found in underground accumulations, and may potentially be dissolved in oil or may also be found in its gaseous state.
"OPEC"	Organization of the Petroleum Exporting Countries.
"Permeability"	A combination of rock and fluid properties representing the fluid's ability to flow through a network of interconnected pores within a reservoir. Expressed in either Darcys (D) or $^{1}/_{1000}$ of a Darcy termed millidarcies (mD). A higher permeability value represents the reservoir's natural potential to produce fluids and vice versa.
"Petroleum System"	A petroleum system consists of organic material that has been buried at a sufficient depth to allow adequate temperature and pressure to expel hydrocarbons and cause the movement of oil from the area in which it was formed to a reservoir rock where it can accumulate.
"Plan of development"	A written document outlining the steps to be undertaken to develop a field.
"Play"	A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.
"Porosity"	The ratio of pore volume or void space to the gross rock volume. Represents the amount of storage space within a reservoir able to accommodate fluids and generally expressed as a percentage or as a fraction of unity. A higher porosity value equates to more hydrocarbons that can be stored within a given volume of rock and vice versa. Values can range from 0% to a theoretical maximum of 47.6%.
"Producing well"	A well that is found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.
"Prospect(s)"	A potential trap which may contain hydrocarbons and is supported by the necessary amount and quality of geologic and geophysical data to indicate a probability of oil and/or natural gas accumulation ready to be drilled. The five required elements (generation, migration, reservoir, seal and trap) must be present for a prospect to work and if any of them fail neither oil nor natural gas will be present, at least not in commercial volumes.

"Proved reserves"	Estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be economically recoverable in future years from known reservoirs under existing economic and operating conditions, as well as additional reserves expected to be obtained through confirmed improved recovery techniques, as defined in SEC Regulation S-X 4-10(a)(2).
"Reservoir"	A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.
"Royalty"	A fractional undivided interest in the production of oil and natural gas wells or the proceeds therefrom, to be received free and clear of all costs of development, operations or maintenance.
"Sequence"	A sequence refers to a series of geological events, processes, or rocks, arranged in chronological order.
"Shut in"	To close the valves on a well so that it stops producing.
"Sidetrack"	To drill a secondary wellbore within the original wellbore away from an original wellbore.
"Spud"	The very beginning of drilling operations of a new well, occurring when the drilling bit penetrates the surface utilizing a drilling rig capable of drilling the well to the authorized total depth.
"Structural trap"	A structural strap is a topographic feature in the earth's subsurface that forms a high point in the rock strata. This facilitates the accumulation of oil and gas in the strata.
"Structural-stratigraphic trap"	A structural-stratigraphic trap is a combination trap with structural and stratigraphic features.
"Stratigraphy"	The study of the composition, relative ages and distribution of layers of sedimentary rock.
"Stratigraphic trap"	A stratigraphic trap is formed from a change in the character of the rock rather than faulting or folding of the rock and oil is held in place by changes in the porosity and permeability of overlying rocks.
"Submarine fan"	A fan-shaped deposit of sediments occurring in a deep water setting where sediments have been transported via mass flow, gravity induced, processes from the shallow to deep water. These systems commonly develop at the bottom of sedimentary basins or at the end of large rivers.
"Tertiary"	A geological time period ranging between 65 million and 2.6 million years ago.
"Three way fault trap"	A structural trap where at least one of the components of closure is formed by offset of rock layers across a fault.

"Thrust Fault"	A thrust fault occurs where rocks of lower (older) stratigraphic position are pushed up and over higher (younger) strata. Thrust faults are the result of compression forces.
"Thrust Sheet"	Thrust sheet is the body of rock within a thrust fault.
"Trap"	A configuration of rocks suitable for containing hydrocarbons and sealed by a relatively impermeable formation through which hydrocarbons will not migrate.
"Transform fault"	A transform fault or transform boundary is a type of fault at the margin of a tectonic plate. Transform faults occur where tectonic plates slide past or move apart from each other. Most transform faults are found on the ocean floor, however, the best-known transform faults are found on land.
"Turbidite"	A turbidite is a sediment transported and deposited by a turbidity current. A turbidity current is an underwater current of rapidly moving sand-laden water moving down a slope, comparable to an underwater avalanche.
"Turbidite fan"	A turbidite fan is a fan shaped deposit of sand deposted on the seabed by a turbidity current. See "—Turbidite."
"Turonian"	A geological time period ranging between 93.5 million and 89.3 million years ago.
"Updip"	Located up the slope of a dipping plane or surface.
"Unitized production"	Pooled production from wells or a reservoir. The proceeds of this pooled production are distributed to the participants according to the agreed-upon formula.
"West African Transform Margin"	A portion of the West African continental margin extending approximately 2,400 miles (1,500 kilometers) along the coast from eastern Ghana, across the Ivory Coast and Liberia, and to the west of Sierra Leone. The area is associated with a series of transform faults.
"Working interest"	A percentage of ownership in an oil and gas lease granting its owner the right to explore, drill and produce oil and gas from a tract of property. Working interest owners are obligated to pay a corresponding percentage of the cost of leasing, drilling, producing and operating a well or unit. The working interest also entitles its owner to share in production revenues with other working interest owners, based on the percentage of working interest owned.
"Workover"	Operations in a producing well to restore or increase production.

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Unit Holders
Kosmos Energy Holdings

We have audited the accompanying consolidated balance sheets of Kosmos Energy Holdings (a development stage entity) (the "Company") as of December 31, 2009 and 2010, and the related consolidated statements of operations, unit holdings equity, cash flows and comprehensive loss for each of the three years in the period ended December 31, 2010, and for the period April 23, 2003 (Inception) through December 31, 2010. Our audits also included the financial statement schedules included at Item 16(b). These consolidated financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kosmos Energy Holdings at December 31, 2009 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, and for the period April 23, 2003 (Inception) through December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the financial information set forth therein.

/s/ Ernst & Young LLP

Dallas, Texas
March 2, 2011

Kosmos Energy Holdings
(A Development Stage Entity)

Consolidated Balance Sheets

	December 31		Pro Forma as Adjusted as of December 31
	2009	2010	2010
			(Unaudited)
		(In thousands)	
Assets			
Current assets:			
Cash and cash equivalents	$ 139,505	$ 100,415	
Restricted cash	—	80,000	
Receivables:			
Joint interest billings	42,616	124,449	
Notes	52,318	113,889	
Other	1,693	615	
Inventories	19,621	37,674	
Prepaid expenses and other	848	13,278	
Current deferred tax assets	127	89,600	
Total current assets	256,728	559,920	
Property and equipment:			
Oil and gas properties, net of accumulated depletion of zero and $6,430, respectively	595,091	989,869	
Other property, net of accumulated depreciation of $3,193 and $5,343, respectively	8,916	8,131	
Property and equipment—net	604,007	998,000	
Other assets:			
Restricted cash	30,000	32,000	
Long-term receivables—joint interest billings, net of allowance	41,593	21,897	
Debt issue costs and other assets, net of accumulated amortization of $3,266 and $32,093, respectively	89,729	78,217	
Derivatives	—	1,501	
Total assets	$ 1,022,057	$ 1,691,535	
Liabilities and unit holdings/shareholders' equity			
Current liabilities:			
Current maturities of long-term debt	$ —	$ 245,000	
Accounts payable	97,837	163,495	
Accrued liabilities	41,810	53,208	
Derivatives	—	20,354	
Total current liabilities	139,647	482,057	
Long-term debt	285,000	800,000	
Long-term derivatives	—	15,104	
Long-term asset retirement obligations	—	16,752	
Leasehold improvement allowance—long-term	1,369	1,014	
Long-term deferred tax liability	653	12,513	
Convertible preferred units, 100,000 units authorized:			
Series A—30,000 units issued at December 31, 2009 and 2010	300,000	383,246	
Series B—20,000 units issued at December 31, 2009 and 2010	500,000	568,163	
Series C—885 units issued at December 31, 2009 and 2010	13,244	27,097	
Unit holdings/shareholders' equity:			
Common units, 100,000 units authorized; 18,667 and 19,070 issued at December 31, 2009 and 2010, respectively	516	516	
Additional paid-in capital	19,108	—	
Deficit accumulated during development stage	(237,480)	(615,515)	
Accumulated other comprehensive income	—	588	

Total unit holdings/shareholders' equity	(217,856)	(614,411)	
Total liabilities, convertible preferred units and unit holdings/shareholders' equity	$ 1,022,057	$ 1,691,535	$

See accompanying notes.

Kosmos Energy Holdings
(A Development Stage Entity)

Consolidated Statements of Operations

	Years Ended December 31			Period April 23, 2003 (Inception) Through December 31
	2008	2009	2010	2010
	(In thousands)			
Revenues and other income:				
Oil and gas revenue	$ —	$ —	$ —	$ —
Interest income	1,637	985	4,231	9,142
Other income	5,956	9,210	5,109	26,699
Total revenues and other income	7,593	10,195	9,340	35,841
Costs and expenses:				
Exploration expenses, including dry holes	15,373	22,127	73,126	166,450
General and administrative	40,015	55,619	98,967	236,165
Depletion, depreciation and amortization	719	1,911	2,423	6,505
Amortization—debt issue costs	—	2,492	28,827	31,319
Interest expense	1	6,774	59,582	66,389
Derivatives, net	—	—	28,319	28,319
Equity in losses of joint venture	—	—	—	16,983
Doubtful accounts expense	—	—	39,782	39,782
Other expenses, net	21	46	1,094	1,949
Total costs and expenses	56,129	88,969	332,120	593,861
Loss before income taxes	(48,536)	(78,774)	(322,780)	(558,020)
Income tax expense (benefit)	269	973	(77,108)	(75,148)
Net loss	$ (48,805)	$ (79,747)	$ (245,672)	$ (482,872)
Accretion to redemption value of convertible preferred units	(21,449)	(51,528)	(77,313)	(165,262)
Net loss attributable to common unit holders	$ (70,254)	$ (131,275)	$ (322,985)	$ (648,134)
			(Unaudited)	
Pro forma basic and diluted net loss per common share			$	
Pro forma weighted average number of shares used to compute pro forma net loss per share, basic and diluted				

See accompanying notes.

Kosmos Energy Holdings
(A Development Stage Entity)

Consolidated Statements of Unit Holdings Equity

	Common Units		Additional Paid-in Capital	Deficit Accumulated During Development Stage	Accumulated Other Comprehensive Income	Total
	Units	Amount				
			(In thousands)			
Inception (April 23, 2003)	—	$ —	$ —	$ —	$ —	$ —
Issuance of Kosmos Energy, LLC units	350	350	—	—	—	350
Net loss	—	—	—	(1,232)	—	(1,232)
Balance as of December 31, 2003	350	350	—	(1,232)	—	(882)
Exchanged Kosmos Energy, LLC units	(350)	(350)	—	—	—	(350)
for Kosmos Energy Holdings units	3,500	350	—	—	—	350
Issuance of profit units	2,850	—	—	—	—	—
Net loss	—	—	—	(3,951)	—	(3,951)
Balance as of December 31, 2004	6,350	350	—	(5,183)	—	(4,833)
Issuance of profit units	392	—	—	—	—	—
Relinquishments	(765)	(42)	—	—	—	(42)
Unit-based compensation	—	—	6	—	—	6
Net loss	—	—	—	(17,949)	—	(17,949)
Balance as of December 31, 2005	5,977	308	6	(23,132)	—	(22,818)
Issuance of profit units	409	—	—	—	—	—
Relinquishments	(784)	(42)	—	(205)	—	(247)
Unit-based compensation	—	—	10	—	—	10
Net loss	—	—	—	(24,728)	—	(24,728)
Balance as of December 31,						

2006	5,602	266	16	(48,065)	—	(47,783)
Issuance of profit units	1,067	—	—	—	—	—
Relinquishments	(25)	—	—	(75)	—	(75)
Unit-based compensation	—	—	447	—	—	447
Net loss	—	—	—	(60,788)	—	(60,788)
Balance as of December 31, 2007	6,644	266	463	(108,928)	—	(108,199)
Issuance of profit units	9,595	—	—	—	—	—
Relinquishments	(67)	—	—	—	—	—
Unit-based compensation	—	—	3,671	—	—	3,671
Net loss	—	—	—	(48,805)	—	(48,805)
Balance as of December 31, 2008	16,172	266	4,134	(157,733)	—	(153,333)
Issuance of profit units	10	—	—	—	—	—
Relinquishments	(15)	—	—	—	—	—
Issuance of C1 units	2,500	250	11,506	—	—	11,756
Unit-based compensation	—	—	3,468	—	—	3,468
Net loss	—	—	—	(79,747)	—	(79,747)
Balance as of December 31, 2009	18,667	516	19,108	(237,480)	—	(217,856)
Issuance of profit units	411	—	—	—	—	—
Relinquishments	(8)	—	—	—	—	—
Unit-based compensation	—	—	13,791	—	—	13,791
Derivatives, net	—	—	—	—	588	588
Accrete convertible preferred units to redemption amount	—	—	(21,143)	(132,363)	—	(153,506)
Accrete value of Series C Convertible Preferred Units	—	—	(11,756)	—	—	(11,756)
Net loss	—	—	—	(245,672)	—	(245,672)
Balance as of December 31, 2010	19,070	$ 516	$ —	$ (615,515)	$ 588	$ (614,411)

See accompanying notes.

Kosmos Energy Holdings
(A Development Stage Entity)

Consolidated Statements of Cash Flows

	Years Ended December 31			Period April 23, 2003 (Inception) Through December 31
	2008	2009	2010	2010
	(In thousands)			
Operating activities				
Net loss	$ (48,805)	$ (79,747)	$(245,672)	$ (482,872)
Adjustments to reconcile net loss to net cash used in operating activities:				
Equity in losses of joint venture	—	—	—	16,983
Depletion, depreciation and amortization	719	4,403	31,250	37,824
Deferred income taxes	428	99	(77,614)	(77,086)
Deferred rent income	—	(266)	(355)	(621)
Leasehold improvement incentive	—	1,989	—	1,989
Loss on disposal of inventory and other property	—	564	1,076	1,658
Unsuccessful well costs	90	74	59,401	102,792
Doubtful accounts expense	—	—	39,782	39,782
Derivative related activity	—	—	34,545	34,545
Unit-based compensation	3,671	3,468	13,791	21,393
Leasehold impairment	—	—	—	3,000
Changes in assets and liabilities:				
Increase in receivables	(28,701)	(34,531)	(100,605)	(186,747)
Increase in inventories	(2,412)	(14,465)	(12,699)	(32,541)
(Increase) decrease in prepaid expenses and other	(88)	61	(12,429)	(12,671)
Increase in accounts payable	7,051	80,883	65,800	163,494
Increase in accrued liabilities	2,376	9,877	11,929	38,069
Net cash used in operating activities	(65,671)	(27,591)	(191,800)	(331,009)
Investing activities				
Oil and gas assets	(156,283)	(411,939)	(444,712)	(1,068,405)
Other property	(3,799)	(6,376)	(1,452)	(14,038)
Leasehold acquisition	—	—	—	(3,831)
Contribution to investment under equity method	—	—	—	(16,983)
Increase in cash due to acquisition	—	—	—	893
Deferred organizational costs	—	—	—	(773)
Notes receivable	—	(52,078)	(61,811)	(113,889)
Restricted cash	3,200	(30,000)	(82,000)	(112,000)
Net cash used in investing activities	(156,882)	(500,393)	(589,975)	(1,329,026)
Financing activities				
Borrowings under long-term debt	—	285,000	760,000	1,045,000
Net proceeds from issuance of units	332,656	325,344	—	824,986
Debt issue costs	(1,572)	(90,649)	(17,315)	(109,536)
Net cash provided by financing activities	331,084	519,695	742,685	1,760,450
Net increase (decrease) in cash and cash equivalents	108,531	(8,289)	(39,090)	100,415
Cash and cash equivalents at beginning of period	39,263	147,794	139,505	—

Cash and cash equivalents at end of period	$ 147,794	$ 139,505	$ 100,415	$ 100,415
Supplemental cash flow information				
Cash paid for:				
Interest	$ 12	$ 6,765	$ 52,472	$ 59,273
Income taxes (net of refunds received)	$ 856	$ (65)	$ 762	$ 1,553
Non cash activity:				
Deemed repayment and termination of notes receivable	$ —	$ —	$ 90,197	$ 90,197

See accompanying notes.

Kosmos Energy Holdings
(A Development Stage Entity)

Consolidated Statements of Comprehensive Loss

	Years Ended December 31			Period April 23, 2003 (Inception) Through December 31
	2008	2009	2010	2010
	(In thousands)			
Net loss	$ (48,085)	$ (79,747)	$(245,672)	$ (482,872)
Other comprehensive income:				
Change in fair value of cash flow hedges	—	—	(4,838)	(4,838)
Loss on cash flow hedge included in operations	—	—	5,426	5,426
Other comprehensive income	—	—	588	588
Comprehensive loss	$ (48,085)	$ (79,747)	$(245,084)	$ (482,284)

See accompanying notes.

Kosmos Energy Holdings
(A Development Stage Entity)

Notes to Consolidated Financial Statements

1. Organization

Kosmos Energy Holdings is a privately held Cayman Islands company that was formed March 5, 2004. As a holding company, its management operations are conducted through a wholly-owned subsidiary, Kosmos Energy, LLC. Kosmos Energy, LLC is a privately held Texas limited liability company that was formed April 23, 2003. Kosmos Energy, LLC became a wholly-owned subsidiary of Kosmos Energy Holdings on March 9, 2004. The terms "Kosmos," the "Company," "we," "us," "our," "ours," and similar terms refer to Kosmos Energy Holdings and its wholly-owned subsidiaries, unless the context indicates otherwise. We are an independent oil and gas exploration and production company focused on underexplored regions in Africa.

We have one business segment which is the exploration and production of oil and natural gas in Africa.

On August 29, 2003, contributions were made by the seven founding partners in the amount of $350 thousand, for which they received 350,000 units in Kosmos Energy, LLC. On March 9, 2004, the seven founding partners exchanged their 350,000 units in Kosmos Energy, LLC for 3,500,000 units in Kosmos Energy Holdings.

On October 9, 2009, upon execution and delivery and per Section 1.4 of the Kosmos Energy Holdings Second Amended and Restated Contribution Agreement, the Company issued a total of 2,500,000 C1 common units ("C1 Common Units") to the Series C Convertible Preferred investors. The proceeds of $25 million from the November 2, 2009 issuance of Series C Convertible Preferred Units ("Series C") was allocated on a relative fair value basis between the C1 Common Units and the Series C of $11.8 million and $13.2 million, respectively. See Note 13—Convertible Preferred Units.

Basic and diluted net loss per common unit holder is not presented since the ownership structure of the Company is not a common unit of ownership.

As of December 31, 2010, Kosmos Energy Holdings has nine members on the Board of Managers (directors). Warburg Pincus and The Blackstone Group appointed two directors each, one director is a company executive, and there are four independent directors.

2. Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Kosmos Energy Holdings and its wholly-owned subsidiaries. All intercompany transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of all demand deposits and funds invested in highly liquid instruments with original maturities of three months or less at the date of purchase.

Kosmos Energy Holdings
(A Development Stage Entity)

Notes to Consolidated Financial Statements (Continued)

2. Accounting Policies (Continued)

Restricted Cash

At December 31, 2009 and 2010, Kosmos had a total of $30.0 million and $112.0 million of restricted cash on hand included in current and long-term assets. In accordance with our project financing commercial debt facilities agreement, we have the following types of restricted cash on hand: (1) a balance at all times of not less than $30.0 million is required during the year prior to Project Completion of the Jubilee Phase 1 Development (as defined in the agreement); (2) not less than $50.0 million in the Reserve Equity account which may only be withdrawn from the account to pay Jubilee Phase 1 costs under certain circumstances, or after Project Completion is available for withdrawal; and (3) not less than $9.0 million in the Stamp Duty Reserve account which may be utilized to meet any payment of stamp duty taxes in Ghana. We have the option to invest the restricted cash in an account which is satisfactory to the facility agents. As of December 31, 2010, $80.0 million was classified as current to offset maturing debt. This restricted cash will be released after Project Completion in mid-2011. The remaining $9.0 million is included in long-term assets.

Effective December 30, 2010, Kosmos Energy Finance provided a $23.0 million cash collateralized irrevocable standby Letter of Credit ("LOC") in respect of Kosmos Ghana's Jubilee paying interest share of Tullow Ghana Limited's LOC related to their drilling contract for the Eirik Raude. The LOC expires on September 14, 2011. As of December 31, 2010, theLOC is included in long-term assets as it relates to oil and gas properties.

Receivables

The Company's receivables consist of joint interest billings, notes and other receivables for which the Company generally does not require collateral security. Receivables from joint interest owners are stated at amounts due, net of an allowance for doubtful accounts. We determine our allowance by considering the length of time past due, future net revenues of the debtor's ownership interest in oil and natural gas properties we operate, and the owner's ability to pay its obligation, among other things.

Inventories

Inventories were comprised of $19.6 million and $25.2 million of materials and supplies and zero and $12.5 million of hydrocarbons as of December 31, 2009 and 2010, respectively. The Company's materials and supplies inventory is primarily comprised of casing and wellheads and is stated at the lower of cost, using the weighted average cost method or market. Write downs of zero and $1.1 million as of December 31, 2009 and 2010, respectively, for materials and supplies were recorded as reductions to the carrying values for materials and supplies inventories in the Company's consolidated balance sheets and as other expenses, net in the accompanying consolidated statement of operations.

Hydrocarbon inventory is carried at the lower of cost, using the weighted average cost method, or market. Hydrocarbon inventory costs include expenditures and other charges (including depletion) directly and indirectly incurred in bringing the inventory to its existing condition. Selling expenses and general and administration expenses are reported as period costs and excluded from inventory costs.

Kosmos Energy Holdings
(A Development Stage Entity)

Notes to Consolidated Financial Statements (Continued)

2. Accounting Policies (Continued)

Exploration and Development Costs

The Company follows the successful efforts method of accounting for costs incurred in oil and natural gas exploration and production operations. Acquisition costs for proved and unproved properties are capitalized when incurred. Costs of unproved properties are transferred to proved properties when proved reserves are found. Exploration costs, including geological and geophysical costs and costs of carrying unproved properties, are charged to expense as incurred. Exploratory drilling costs are capitalized when incurred. If exploratory wells are determined to be commercially unsuccessful or dry holes, the applicable costs are expensed. Costs incurred to drill and equip development wells, including unsuccessful development wells, are capitalized. Costs incurred to operate and maintain wells and equipment and to lift oil and natural gas to the surface are expensed.

During the years ended December 31, 2008, 2009 and 2010, Kosmos recognized exploration expense of $15.4 million, $22.1 million and $73.1 million, respectively.

Depletion, Depreciation and Amortization

Proved properties and support equipment and facilities are depleted using the unit-of-production method based on estimated proved oil and natural gas reserves. Capitalized exploratory drilling costs that result in discovery of proved reserves and development costs are amortized using the unit-of-production method based on estimated proved developed oil and natural gas reserves.

As of December 31, 2010, depletion costs of $6.4 million are recorded in inventory on the consolidated balance sheets. Oil production commenced on November 28, 2010 and we received revenues from oil production in early 2011 at which time depletion costs were transferred to the consolidated statements of operations.

Depreciation and amortization of other property is computed using the straight-line method over estimated useful lives ranging from 3 to 7 years.

	Years Depreciated
Leasehold improvements	6
Office furniture, fixtures and computer equipment	3 to 7
Vehicles	5

Amortization of debt issue costs is computed using the straight-line method over the life of the related commercial debt facilities. Amortization of other assets is computed using the straight-line method over an estimated useful life of five years.

Capitalized Interest

Interest from external borrowings is capitalized on major projects with an expected construction period of one year or longer. Capitalized interest is added to the cost of the underlying asset and is amortized over the useful lives of the assets in the same manner as the underlying assets.

Kosmos Energy Holdings
(A Development Stage Entity)

Notes to Consolidated Financial Statements (Continued)

2. Accounting Policies (Continued)

Asset Retirement Obligations

The Company accounts for asset retirement obligations as required by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 410—Asset Retirement and Environmental Obligations. Under these standards, the fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. If a reasonable estimate of fair value cannot be made in the period the asset retirement obligation is incurred, the liability is recognized when a reasonable estimate of fair value can be made. If a tangible long-lived asset with an existing asset retirement obligation is acquired, a liability for that obligation shall be recognized at the asset's acquisition date as if that obligation were incurred on that date. In addition, a liability for the fair value of a conditional asset retirement obligation is recorded if the fair value of the liability can be reasonably estimated. We capitalize the asset retirement costs by increasing the carrying amount of the related long-lived asset by the same amount as the liability. We record increases in the discounted abandonment liability resulting from the passage of time as accretion expense in the consolidated statement of operations.

Investments in Nonconsolidated Companies

The Company uses the equity method of accounting for long-term investments for which it owns between 20% and 50% of the investee's outstanding voting shares or has the ability to exercise significant influence over operating and financial policies of the investee. The equity method requires periodic adjustments to the investment account to recognize our proportionate share in the investee's results, reduced by receipt of the investee's dividends.

Variable Interest Entity

A variable interest entity ("VIE"), as defined by FASB ASC 810—Consolidation, is an entity that by design has insufficient equity to permit it to finance its activities without additional subordinated financial support or equity holders that lack the characteristics of a controlling financial interest. VIE's are consolidated by the primary beneficiary, which is the entity that has the power to direct the activities of the VIE that most significantly impact the VIE's performance and will absorb losses, or receive benefits from the VIE that could potentially be significant to the VIE. Kosmos Energy Finance, a wholly-owned subsidiary whose ultimate parent is Kosmos Energy Holdings, meets the definition of a VIE and the Company is the primary beneficiary. As a result, Kosmos Energy Finance is consolidated in these financial statements. Kosmos Energy Finance's assets and liabilities are shown separately on the face of the consolidated balance sheets in the following line items: current and long-term restricted cash; debt issue costs; long-term derivatives asset; current and long-term debt; and current and long-term derivatives liabilities. Included in cash and cash equivalents is $58.0 million related to Kosmos Energy Finance.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. FASB ASC 360—Property, Plant and Equipment requires an impairment loss to be recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable

Kosmos Energy Holdings
(A Development Stage Entity)

Notes to Consolidated Financial Statements (Continued)

2. Accounting Policies (Continued)

if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. That assessment shall be based on the carrying amount of the asset at the date it is tested for recoverability, whether in use or under development. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Assets to be disposed of and assets not expected to provide any future service potential to the Company are recorded at the lower of carrying amount or fair value less cost to sell.

During 2006, Kosmos recognized an impairment of $3.0 million for the Morocco Boujdour Reconnaissance license which expired in April 2006.

Derivative Instruments and Hedging Activities

We utilize oil derivative contracts to mitigate our exposure to commodity price risk associated with our anticipated future oil production. These derivative contracts consist of deferred premium puts and compound options (calls on puts). We also use interest rate swap contracts to mitigate our exposure to interest rate fluctuations related to our commercial debt facilities. Our derivative financial instruments are recorded on the balance sheet as either an asset or a liability measured at fair value. We do not apply hedge accounting to our oil derivative contracts and effective June 1, 2010 discontinued hedge accounting on our interest rate swap contracts and accordingly the changes in the fair value of the instruments are recognized in income in the period of change. See Note 11—Derivative Financial Instruments.

Estimates of Proved Oil and Natural Gas Reserves

Reserve quantities and the related estimates of future net cash flows affect our periodic calculations of depletion and impairment of our oil and natural gas properties. Proved oil and natural gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future periods from known reservoirs under existing economic and operating conditions. As additional proved reserves are found in the future, estimated reserve quantities and future cash flows will be estimated by independent petroleum consultants and prepared in accordance with guidelines established by the SEC and the FASB. The accuracy of these reserve estimates is a function of:

- the engineering and geological interpretation of available data;
- estimates regarding the amount and timing of future operating cost, production taxes, development cost and workover cost;
- the accuracy of various mandated economic assumptions (such as the future prices of oil and natural gas); and
- the judgments of the persons preparing the estimates.

Revenue Recognition

We use the sales method of accounting for oil and gas revenues. Under this method, we recognize revenues on the volumes sold. The volumes sold may be more or less than the volumes to which we are entitled based on our ownership interest in the property. These differences result in a condition known

Kosmos Energy Holdings
(A Development Stage Entity)

Notes to Consolidated Financial Statements (Continued)

2. Accounting Policies (Continued)

in the industry as a production imbalance. Oil production commenced on November 28, 2010 and we received revenues from oil production in early 2011. As of December 31, 2010, no revenues have been recognized in our financial statements.

Income Taxes

The Company accounts for income taxes as required by the FASB ASC 740—Income Taxes. Under this method, deferred income taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. On a quarterly basis, management evaluates the need for and adequacy of valuation allowances based on the expected realizability of the deferred tax assets and adjusts the amount of such allowances, if necessary.

Foreign Currency Translation

The U.S. dollar is the functional currency for all of the Company's foreign operations. Foreign currency transaction gains and losses and adjustments resulting from translating monetary assets and liabilities denominated in foreign currencies are included in other expenses. Cash balances held in foreign currencies are de minimis, and as such, the effect of exchange rate changes is not material to any reporting period.

Profit Units

The Company issues common units designated as profit units at various times to employees and certain directors with a threshold value of $0.85 to $90. The Company accounts for these units using FASB ASC 718—Compensation—Stock Compensation. The fair value of the profit units is expensed and recognized on a straight-line basis over the vesting periods of the awards. See Note 18—Profit Units.

Employees

The majority of our full-time employees were leased through TriNet Acquisition Corp. TriNet Acquisition Corp. administered all salaries, benefits and payment of taxes, and billed Kosmos semimonthly for its cost. This contract was cancelled effective September 30, 2010 at which time all full-time employees previously leased through TriNet Acquisition Corp. became employees of the Company.

Recent Accounting Standards

In June 2009, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 166, "Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140." This Statement was codified into FASB ASC 860—Transfers and Servicing. This Statement removes the concept of qualifying special purpose entity ("SPE") and the exception for qualifying SPEs from the consolidation guidance. Additionally, the Statement clarifies the requirements for financial asset transfers eligible for sale accounting. The Company adopted this Statement on its effective date, January 1, 2010, and it did not have a material impact on the Company's financial position or results of operations.

Kosmos Energy Holdings
(A Development Stage Entity)

Notes to Consolidated Financial Statements (Continued)

2. Accounting Policies (Continued)

Also in June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)," to address the effects of the elimination of the qualifying SPE concept in SFAS No. 166, and other concerns about the application of key provisions of consolidation guidance for VIEs. This Statement was codified into FASB ASC 810—Consolidation. More specifically, SFAS No. 167 requires a qualitative rather than a quantitative approach to determine the primary beneficiary of a VIE, it amends certain guidance pertaining to the determination of the primary beneficiary when related parities are involved, and it amends certain guidance for determining whether an entity is a VIE. Additionally, this Statement requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE. The Company adopted this Statement on its effective date, January 1, 2010, and it did not have a material impact on the Company's financial position or results of operations.

In January 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-03—Oil and Gas Reserve Estimation and Disclosures. This ASU amends the FASB's ASC Topic 932—Extractive Activities—Oil and Gas to align the accounting requirements of this topic with the Securities and Exchange Commission's final rule, "Modernization of the Oil and Gas Reporting Requirements" issued on December 31, 2008. In summary, the revisions in ASU No. 2010-03 modernize the disclosure rules to better align with current industry practices and expand the disclosure requirements for equity method investments so that more useful information is provided. More specifically, the main provisions include the following:

- An expanded definition of oil and gas producing activities to include nontraditional resources such as bitumen extracted from oil sands.
- The use of an average of the first-day-of-the-month price for the 12-month period, rather than a year-end price for determining whether reserves can be produced economically.
- Amended definitions of key terms such as "reliable technology" and "reasonable certainty" which are used in estimating proved oil and gas reserve quantities.
- A requirement for disclosing separate information about reserve quantities and financial statement amounts for geographical areas representing 15 percent or more of proved reserves.
- Clarification that an entity's equity investments must be considered in determining whether it has significant oil and gas activities and a requirement to disclose equity method investments in the same level of detail as is required for consolidated investments.

ASU No. 2010-03 is effective for annual reporting periods ended on or after December 31, 2009, and it requires (1) the effect of the adoption to be included within each of the dollar amounts and quantities disclosed, (2) qualitative and quantitative disclosure of the estimated effect of adoption on each of the dollar amounts and quantities disclosed, if significant and practical to estimate and (3) the effect of adoption on the financial statements, if significant and practical to estimate. Adoption of these requirements did not significantly impact our reported reserves or our consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06—Improving Disclosures and Fair Value Measurements to improve disclosure requirements and thereby increase transparency in financial reporting. We adopted the update as of December 31, 2009, and it did not have a material impact on our financial position or results of operations.

Kosmos Energy Holdings
(A Development Stage Entity)

Notes to Consolidated Financial Statements (Continued)

3. Investment and Acquisition—Pioneer Natural Resources (Nigeria) 320 Limited

In 2005, the Company acquired, through its wholly-owned subsidiary PNR Nigeria (320) Limited (subsequently renamed Kosmos Energy Nigeria (320) Limited), a 41.17647% interest in Pioneer Natural Resources (Nigeria) 320 Limited (subsequently renamed Kosmos Energy Deepwater Nigeria Limited—"KEDNL"). Between 2005 and 2007, Kosmos made capital contributions on its investment of $17.0 million. On July 16, 2007, Pioneer Natural Resources announced its decision to divest its interest in the OPL 320 block offshore Nigeria and took a charge on its investment. Kosmos recognized an impairment in 2006 of $4.0 million of its investment in Pioneer Natural Resources (Nigeria) 320 Limited, bringing its balance to zero.

In September 2007, the Company, per an agreement with PNR Nigeria, acquired PNR Nigeria's interest in KEDNL. Kosmos Energy NHC I, a subsidiary of Kosmos Energy Holdings, now indirectly holds 100% of the stock of KEDNL. The transaction was accounted for as a business combination. No goodwill was recorded as a result of this transaction and no consideration was paid. The fair value of the assets obtained, consisting of cash, prepaid expenses and property and equipment was $2.1 million. The fair value of the accrued liabilities assumed was $2.1 million.

On June 29, 2009, Kosmos provided notice of its withdrawal from OPL 320 to the Nigerian government and its block partners. The effective date of the withdrawal was July 31, 2009. All of the Company's Nigerian subsidiaries were dissolved as of November 16, 2010.

4. Notes Receivable

During the fourth quarter of 2009, Kosmos Energy Ghana HC ("Kosmos Ghana") entered into four participation agreements totaling $185.0 million with Tullow Group Services Limited ("TGSL"). The participation agreements allowed Kosmos Ghana to participate in TGSL's advances to MODEC, Inc. ("MODEC") to fund the construction of the floating production, storage and offloading ("FPSO") facility. The FPSO facility is now connected to the Jubilee Field. The amounts loaned to TGSL were recorded as short-term notes receivables and accrued interest at rates between 3.74% and 3.78% per annum. The total participation limit for Kosmos Ghana was $52.1 million which was fully funded as of December 31, 2009. Also, included in the notes receivable balance at December 31, 2009, was total interest income of $0.2 million for the year then ended. Effective May 7, 2010, the loan agreements and associated participation agreements were deemed paid and terminated under the Advance Payments Agreement discussed below.

Effective May 7, 2010, Tullow Ghana Limited ("TGL"), acting on behalf of the Unitization and Unit Operating Agreement ("UUOA") parties, entered into the Advance Payments Agreement with MODEC related to partially financing the construction of the FPSO facility. The payments limit for the Advance Payments Agreement is $466.3 million of which Kosmos Ghana's share is $122.2 million. Of the $466.3 million, a total of $341.1 million was deemed to have been advanced from TGL to MODEC. This amount included $188.9 million, principal and interest, related to the loan agreements, $127.3 million representing cash calls made between January 2010 and May 7, 2010, by MODEC to TGL under the Letter of Intent and $25.0 million representing the payment made by TGL for the variation order request 025 dated January 15, 2010, to enable MODEC to pay fees in connection with its long-term financing. MODEC is required to repay TGL the earlier of September 15, 2011 or the date of the first drawdown under MODEC's long-term financing. TGL is required, based on the terms of the joint operating agreement for the Jubilee Unit, to reimburse us the amounts MODEC reimburses to TGL within ten business days of repayment by MODEC. As of December 31, 2010,

Kosmos Energy Holdings
(A Development Stage Entity)

Notes to Consolidated Financial Statements (Continued)

4. Notes Receivable (Continued)

Kosmos Ghana's share of the payments made under the Advance Payments Agreement is $113.9 million (includes accrued interest of $0.3 million) and is recorded as notes receivable.

5. Jubilee Field Unitization

The Jubilee Field in Ghana, discovered by the Mahogany-1 well in June 2007, covers an area within both the West Cape Three Points ("WCTP") and Deepwater Tano ("DT") Blocks. Consistent with the Ghanaian Petroleum Law, the WCTP and DT Petroleum Agreements and as required Ghana's Ministry of Energy, it was agreed the Jubilee Field would be unitized for optimal resource recovery. In late February 2008, the contractors in the WCTP and DT Blocks agreed to an interim unit agreement ("the Pre Unit Agreement"). According to the Pre Unit Agreement, the initial Jubilee Field unit area, which boundary at the time was an approximation of the boundaries of the Jubilee field, was deemed to consist of 35% of an area from the WCTP Block and 65% of an area from the DT Block. However, the tract participations were allocated 50% for the WCTP Block and 50% for the DT Block pending the results of the Mahogany-2 well. The Mahogany-2 well was announced as an oil discovery on May 5, 2008. Pursuant to the Pre Unit Agreement, the unit boundaries were modified to include the Mahogany-2 well and the tract participations remained 50% for each block. Pursuant to the Pre Unit Agreement, Kosmos Ghana, Tullow Ghana Limited, Anadarko WCTP Company, Sabre Oil & Gas Holdings Limited, EO Group Limited ("EO Group") and Ghana National Petroleum Corporation's ("GNPC") unit participating interests were 24.4375%, 36.423%, 24.4375%, 2.952%, 1.75% and 10%, respectively.

Kosmos Ghana and its partners subsequently commenced development operations and negotiated a more comprehensive unit agreement, the UUOA, for the purpose of unitizing the Jubilee Field and governing each party's respective rights and duties in the Jubilee Unit. On July 13, 2009, the Ministry of Energy provided its written approval of the UUOA. The UUOA was executed by all parties and was effective as of July 16, 2009, the date the final condition precedent to effectiveness was satisfied. As a result, for the Jubilee Unit, based on existing tract allocations (50% for each Block), and GNPC electing to acquire their additional paying interest under both the WCTP and DT Blocks, Kosmos Ghana, Tullow Ghana Limited, Anadarko WCTP Company, Sabre Oil & Gas Holdings Limited, EO Group and GNPC's unit participating interest became 23.4913%, 34.7047%, 23.4913%, 2.8127%, 1.75% and 13.75%, respectively. Tullow Ghana Limited, a subsidiary of TullowOil plc, is the Unit Operator, while Kosmos Ghana is the Technical Operator for the development of the Jubilee Unit. The accounting for the Jubilee Unit included in these consolidated financial statements is in accordance with the tract participation stated in the UUOA, which is 50% for WCTP Block and 50% for the DT Block. Although the Jubilee Field is unitized, Kosmos Ghana's working interests in each block outside the boundary of the Jubilee Unit area remains the same. Kosmos Ghana remains operator of the WCTP Block outside the Jubilee Unit area.

Pursuant to the requirements of the WCTP and DT Petroleum Agreements, Kosmos Ghana (for the WCTP Block) and Tullow Ghana Limited (for the DT Block) submitted a declaration of commerciality for each block and a plan for the initial phase of development of the Jubilee Field ("Jubilee PoD") to Ghana's Ministry of Energy in late 2008. A declaration of commerciality is a formal designation made pursuant to each of the Petroleum Agreements. Pursuant to discussions between Jubilee Unit partners, GNPC and the Ministry of Energy, the contractor parties for the two blocks resubmitted a revised Jubilee PoD to GNPC who then submitted it to the Ministry of Energy for

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Notes to Consolidated Financial Statements (Continued)

5. Jubilee Field Unitization (Continued)

approval in April 2009. On July 13, 2009, the Ministry of Energy provided its written approval of the Jubilee Field Phase 1 Development Plan. Jubilee Field development operations are ongoing.

6. Joint Interest Billings

The Company's joint interest billings consist of receivables from partners with interests in common oil and gas properties operated by the Company. EO Group's share of costs to first production were paid by Kosmos Ghana. EO Group is required to reimburse Kosmos Ghana for all development costs paid by Kosmos Ghana on EO Group's behalf, with repayment expected to be funded through EO Group's future production revenues. The related receivable became due upon commencement of production. In August 2009, GNPC notified us and our applicable unit partners that it would exercise its right for the applicable contractor group to pay its 2.5% WCTP Block share and 5.0% DT Block share of the Jubilee Field development costs and be reimbursed for such costs plus interest out of a portion of GNPC's production revenues under the terms of the WCTP Petroleum Agreement and DT Petroleum Agreement, respectively. Oil production commenced on November 28, 2010. Joint interest billings are classified on the face of the consolidated balance sheets between current and long-term based on when recovery is expected to occur. Long-term balances are shown net of allowances of zero and $39.8 million as of December 31, 2009 and 2010, respectively.

7. Property and Equipment

Property and equipment is stated at cost and consisted of the following:

	December 31	
	2009	2010
	(In thousands)	
Oil and gas properties, net:		
Proved properties	$ 251,814	$ 426,831
Unproved properties	128,557	198,149
Support equipment and facilities	214,720	371,319
Less: accumulated depletion	—	(6,430)
	$ 595,091	$ 989,869
Other property, net:		
Leasehold improvements	$ 5,041	$ 4,978
Computer equipment and software	3,539	4,947
Office equipment and furniture	3,529	3,549
Less: accumulated depreciation	(3,193)	(5,343)
	$ 8,916	$ 8,131

The Company recorded $0.6 million, $1.9 million and $2.2 million of depreciation expense for the years ended December 31, 2008, 2009 and 2010, respectively.

8. Suspended Well Costs

The Company capitalizes exploratory well costs until a determination is made that the well has either found proved reserves or is impaired. The capitalized exploratory well costs are presented in oil

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Notes to Consolidated Financial Statements (Continued)

8. Suspended Well Costs (Continued)

and gas properties in the consolidated balance sheets. If the exploratory well is determined to be impaired, the well costs are charged to expense.

The following table reflects the Company's capitalized exploratory well activities during the years ended December 31, 2008, 2009 and 2010, respectively. The table excludes costs related to exploratory dry holes of $56.0 million which were incurred and subsequently expensed in 2010.

	Years Ended December 31		
	2008	2009	2010
	(In thousands)		
Beginning balance	$ 11,938	$ 71,883	$ 114,307
Additions to capitalized exploratory well costs pending the determination of proved reserves	59,945	508,197	55,706
Reclassification due to determination of proved reserves	—	(465,773)	—
Capitalized exploratory well costs charged to expense	—	—	(2,502)
Ending balance	$ 71,883	$ 114,307	$ 167,511

The following table provides aging of capitalized exploratory well costs based on the date the drilling was completed and the number of projects for which exploratory well costs have been capitalized for a period greater than one year since the completion of drilling:

	Years Ended December 31		
	2008	2009	2010
	(In thousands, except well counts)		
Exploratory well costs capitalized for a period of one year or less	$ 59,945	$ 91,909	$ 49,022
Exploratory well costs capitalized for a period greater than one year	11,938	22,398	118,489
Ending balance	$ 71,883	$ 114,307	$ 167,511
Number of projects that have exploratory well costs that have been capitalized for a period greater than one year	2	1	6

As of December 31, 2010, the exploratory well costs capitalized in excess of one year since the completion of drilling relate to the Odum-1, Odum-2, Mahogany-3, Mahogany-4 and Mahogany Deep-2 exploration wells in the WCTP Block and Tweneboa-1 well in the DT Block. All costs incurred are approximately one to two years old.

Odum Discovery—Results of the Odum-2 well drilled during late 2009 indicate that additional evaluation and studies, including the identification of nearby prospects, is required before making a decision on whether the Odum field can be declared as a commercial discovery. Due to the technical challenges presented by the gravity of the oil encountered to date, development planning is ongoing under Article 8.17 of the WCTP Petroleum Agreement which, in certain circumstances, allows additional time for further evaluation, studies, planning and potential well operations, including exploration activities. Provided the technical solutions can be properly engineered, a declaration of commerciality may be submitted for the Odum discovery by July 2011 with a plan of development submittal within the subsequent six months.

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Notes to Consolidated Financial Statements (Continued)

8. Suspended Well Costs (Continued)

Mahogany East Area—Three appraisal wells, Mahogany-4, Mahogany-5 and Mahogany Deep-2, have been drilled and suspended. The Mahogany Deep reservoir and the reservoirs encountered in the appraisal section of the Mahogany-3 well will be included in the Mahogany East Field. The Mahogany East Area was declared commercial on September 6, 2010, and a plan of development is currently being prepared for submission to Ghana's Ministry of Energy in early 2011.

Tweneboa Discovery—Two appraisal wells, Tweneboa-2 and Tweneboa-3, have been drilled and suspended. Following additional appraisal, drilling and evaluation, a decision regarding commerciality of the Tweneboa discovery is expected to be made by the DT block partners in 2012. Following such a declaration, a plan of development would be prepared for submission to Ghana's Ministry of Energy within six months.

9. Accounts Payable and Accrued Liabilities

At December 31, 2009 and 2010, $97.8 million and $163.5 million were recorded for invoices received but not paid in 2009 and 2010, respectively. Accrued liabilities were $41.8 million and $53.2 million at December 31, 2009 and 2010, respectively. Accrued liabilities consist of the following:

	December 31	
	2009	2010
	(In thousands)	
Accrued liabilities:		
Accrued exploration and development	$ 34,723	$ 26,843
Accrued general and administrative expenses	2,236	23,393
Accrued debt issue costs	3,232	—
Taxes other than income	979	1,936
Accrued interest	—	655
Income taxes	640	381
	$ 41,810	$ 53,208

10. Commercial Debt Facilities

On July 13, 2009, Kosmos signed definitive documentation for $750 million project finance commercial debt facilities. The security package for the facilities included, among other things and subject to necessary consents, a pledge collateralization over the shares of the Company's subsidiaries, Kosmos Energy Development and Kosmos Ghana, and an assignment by way of security of their interest in the WCTP and DT Petroleum Agreements. The facilities were amended effective October 29, 2009, by revising the conditions precedent to initial utilization by putting in place an alternative security package that included a charge over the shares of additional subsidiaries of the Company. The Company completed an internal reorganization that included the interposition of a new subsidiary, Kosmos Energy Operating ("KEO"), between Kosmos Energy Holdings and the following subsidiaries: Kosmos Energy International, Kosmos Energy Development, Kosmos Ghana, Kosmos Energy Finance, Kosmos Energy Offshore Morocco HC, Kosmos Energy Cameroon HC, Longhorn Offshore Drilling Ltd. and Kosmos Energy Cote d'Ivoire. Kosmos Energy Holdings granted a charge over the shares of KEO to the lenders in order to secure the facilities. The facilities were further amended on December 24, 2009, increasing the total commercial debt facilities for up to $900.0 million,

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Notes to Consolidated Financial Statements (Continued)

10. Commercial Debt Facilities (Continued)

($825.0 million was committed as of December 31, 2009) and adding a new lender as a party to the facilities agreement. On March 31, 2010, Kosmos delivered a request notice to the senior facility agent to increase the commitment under the commercial debt facilities for the remaining $75.0 million by adding a new lender. The conditions set forth in the commercial debt facilities were met and both the increase and new lender were approved as of April 27, 2010. Effective August 23, 2010, the Company signed definitive documentation to increase the facilities by $350.0 million, raising the total amount of its debt commitments to $1.25 billion.

The revised $1.25 billion of commercial debt facilities are divided among a senior facility of $950.0 million, a junior facility of $200.0 million and additional facilities of $100.0 million ($50.0 million senior facility and $50.0 million junior facility) from the International Finance Corporation ("IFC"), a member of the World Bank Group. The senior and junior facilities of $950.0 million and $200.0 million include a syndicate of institutions led by Standard Chartered Bank, the Global Coordinator for the facilities. Standard Chartered Bank is also the Co-Technical and Modeling Bank and Senior Facility Agent, BNP Paribas SA is the Security Trustee, Junior Facility Agent, and has the role of Hedging Coordinator Bank, and Société Générale is the Lead Technical and Modeling Bank. The senior facilities have a final maturity date of December 15, 2015, while the junior facilities have a final maturity date of June 15, 2016.

The amount of funds available to be borrowed under the senior facilities, the Borrowing Base Amount, is determined twice a year on June 15 and December 15 of each year as part of the Forecast that is prepared and agreed by the Company and the Technical and Modeling Banks. The formula to calculate the Borrowing Base Amount is based, in part, on the sum of the net present values of net cash flows and relevant capital expenditures reduced by certain percentages. As of December 31, 2010, borrowings against the commercial debt facilities totaled $1.05 billion, of which $970.0 million is senior debt and $75.0 million is junior debt. As of December 31, 2010, the availability under our commercial debt facilities was $203.0 million, with $205.0 million of committed undrawn capacity provided for in such facilities (with the difference being the result of borrowing base constraints). See Note 21—Subsequent Events.

The interest is the aggregate of the applicable margin (5% to 6% on the senior facilities and 9% to 9.5% on the junior facilities); LIBOR; and mandatory cost (if any, as defined in the relevant documentation). Interest on each loan is payable on the last day of each interest period (and, if the interest period is longer than six months, on the dates falling at six-month intervals after the first day of the interest period). The Company pays commitment fees on the undrawn and uncancelled portion of the total commitments. Commitment fees for the senior and junior lenders are equal to 50% per annum of the then applicable respective margin. Interest expense was $2.0 million and $39.0 million (net of capitalized interest of $0.6 million and $9.8 million) and commitment fees were $4.8 million and $8.2 million for the years ended December 31, 2009 and 2010, respectively.

Certain facilities contain certain financial covenants, which include:

- Before project completion, maintenance of the funding sufficiency ratio, not less than 1:1x; and;
- After project completion, maintenance of:

  (i) the debt service coverage ratio, not less than 1.2x;

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Notes to Consolidated Financial Statements (Continued)

10. Commercial Debt Facilities (Continued)

(ii) the field life cover ratio, not less than 1.35x; and

(iii) the loan life cover ratio, not less than 1.15x

in each case, as calculated on the basis of all available information. The "funding sufficiency ratio" is broadly defined, for each applicable calculation period, as the ratio of (x) available funding through the assumed completion date, being the sum of the total available commitments under our commercial debt facilities, the balance of certain accounts securing our commercial debt facilities and the amount of any additional indebtedness permitted under our commercial debt facilities, to (y) total costs through the assumed completion date, being the forecasted project costs, interests and principal payments on, and costs in connection with, our commercial debt facilities, hedging payments in connection with required hedges under our commercial debt facilities, taxes payable and any other costs, fees and expenses incurred in connection with carrying out the Jubilee Field Phase 1 development. The "debt service coverage ratio" is broadly defined, for each applicable forecast period, as the ratio of (x) net cash flow for that period, to (y) aggregate costs of financing the project under our commercial debt facilities, including interest, principal, fees and expenses payable for such period. The "field life cover ratio" is broadly defined, for each applicable forecast period, as the ratio of (x) net present value of net cash flow through the depletion of the Jubilee Field plus the net present value of capital expenditures incurred in relation to the Jubilee Phase I development and funded under our commercial debt facilities, to (y) the aggregate loan amounts outstanding under the senior facility. The "loan life cover ratio" is broadly defined, for each applicable forecast period, as the ratio of (x) net present value of net cash flow through the maturity date of the commercial debt facilities plus the net present value of capital expenditures incurred in relation to the Jubilee Phase I development and funded under our commercial debt facilities, to (y) the aggregate loan amounts outstanding under the senior facility.

Kosmos has the right to cancel all the undrawn commitments under the facilities if such cancellation is simultaneous with the full repayment of all outstanding loans made under the facilities. The amount of funds available to be borrowed under the senior facilities, also known as the borrowing base amount, is determined on June 15 and December 15 of each year as part of a forecast that is prepared and agreed by Kosmos and the Technical and Modeling Banks. The formula to calculate the borrowing base amount is based, in part, on the sum of the net present values of net cash flows and relevant capital expenditures reduced by certain percentages.

If an event of default exists under the facilities, the lenders will be able to accelerate the maturity and exercise other rights and remedies.

Our payment obligations under the commercial debt facilities are secured by a charge over the shares of subsidiaries' of the Company as described above. The commercial debt facilities contain limitations on our activities, which among other things include incurring additional indebtedness; making distributions or payment of dividends or certain other restricted payments or investments; making certain payments on indebtedness; selling or otherwise disposing of assets; and merger, consolidation or sales of substantially all of our assets. At December 31, 2010, the Company's subsidiaries' had $119.8 million in cash and cash equivalents and restricted cash that could not be used for cash dividend payments, loans or advances to Kosmos Energy Holdings.

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Notes to Consolidated Financial Statements (Continued)

10. Commercial Debt Facilities (Continued)

At December 31, 2010, the scheduled maturities of debt during the next five years and thereafter are as follows:

	Payments Due By Year					
	2011	2012	2013	2014	2015	Thereafter
	(In thousands)					
Commercial debt facilities(1)	$ 245,000	$ 250,000	$ 200,000	$ 175,000	$ 100,000	$ 75,000

(1) Pursuant to the terms in the commercial debt facilities, when any junior debt is outstanding, repayments may be required to be made under the agreement, whereby 75% of any funds remaining on any repayment date, after required payments are made, will be applied to prepay the junior facilities and the remaining 25% will be applied to prepay the senior facilities. The table of scheduled maturities assumes the outstanding borrowings under the junior facilities will be repaid on June 15, 2016. If repayments are required as noted above, amortization of the junior facilities will occur through such repayments.

Debt issue costs associated with the facilities were $92.2 million and $109.5 million at December 31, 2009 and 2010, respectively. The Company amortizes debt issue costs using the straight-line method over the life of the facilities. Amortization expense of zero, $2.5 million and $28.8 million were recorded for the years ended December 31, 2008, 2009 and 2010, respectively.

11. Derivative Financial Instruments

The Company uses financial derivative contracts to manage exposures to commodity price and interest rate fluctuations. We do not hold or issue derivative financial instruments for trading purposes.

The Company applies the provisions of the FASB ASC 815—Derivatives and Hedging, which requires each derivative instrument to be recorded in the balance sheet at fair value. If a derivative has not been designated as a hedge or does not otherwise qualify for hedge accounting, it must be adjusted to fair value through earnings. However, if a derivative qualifies for hedge accounting, depending on the nature of the hedge, the effective portion of changes in fair value can be recognized in accumulated other comprehensive income or loss ("AOCI(L)") within equity until such time as the hedged item is recognized in earnings. In order to qualify for cash flow hedge accounting, the cash flows from the hedging instrument must be highly effective in offsetting changes in cash flows of the hedged item. In addition, all hedging relationships must be designated, documented, and reassessed periodically.

The Company does not apply hedge accounting treatment to its oil derivative contracts and therefore, the changes in the fair values of these instruments are recognized in income in the period of change. These fair value changes, along with the cash settlements of expired contracts are shown in our statement of operations.

Effective June 1, 2010, the Company discontinued hedge accounting on all interest rate derivative instruments. Therefore, the Company will recognize, from that date forward, all changes in the fair values of its interest rate swap derivative contracts as gains or losses in the results of the period in which they occur.

Kosmos Energy Holdings
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Notes to Consolidated Financial Statements (Continued)

11. Derivative Financial Instruments (Continued)

The effective portions of the discontinued hedges as of May 31, 2010 are included in AOCI(L), in the equity section of the accompanying consolidated balance sheets, and are being transferred to earnings when the hedged transaction is recognized in earnings. Any ineffective portion of the mark-to-market gain or loss was recognized in earnings.

Oil Derivative Contracts

In 2010, we entered into various oil derivative contracts to provide an economic hedge of our exposure to commodity price risk associated with anticipated future oil production. These contracts have consisted of deferred premium puts and compound options (calls on puts) and have been entered into as required under the terms of our commercial debt facilities.

The Company manages and controls market and counterparty credit risk in accordance with policies and guidelines approved by the Board. In accordance with these policies and guidelines, the Company's executive management determines the appropriate timing and extent of derivative transactions. We attempt to minimize credit risk exposure to counterparties through formal credit policies, monitoring procedures and diversification. All of our commodity derivative contracts are with parties that are lenders under our commercial debt facilities. We have included an estimate of nonperformance risk in the fair value measurement of our commodity derivative contracts as required by the FASB ASC 820—Fair Value Measurements and Disclosures. At December 31, 2010, the net liability of commodity derivative contracts was reduced by $2.7 million for estimated nonperformance risk.

The following table sets forth as of December 31, 2010 the volumes in barrels ("bbl") underlying the Company's outstanding oil derivative contracts and the weighted average Dated Brent prices per bbl for those contracts:

Type of Contract and Period	bbl/day	Weighted Average Floor Price	Weighted Average Deferred Premium/bbl
Deferred Premium Puts			
July 2011 - December 2011	11,332	$ 72.01	$ 8.90
January 2012 - December 2012	4,625	$ 62.74	$ 7.04
January 2013 - December 2013	2,515	$ 61.73	$ 7.32
Compound Options (calls on puts)			
July 2012 - December 2012(1)	5,399	$ 66.48	$ 6.73
January 2013 - June 2013(1)	3,855	$ 66.48	$ 7.10

(1) The calls expire June 29, 2012 and have a weighted average premium of $4.82/bbl.

Interest Rate Swaps Derivative Contracts

In 2010, the Company entered into derivative instruments in the form of interest rate swaps, which hedge risk related to interest rate fluctuation, whereby it converts the interest due on certain floating rate debt under its commercial debt facilities to a weighted average fixed rate. The following table

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Notes to Consolidated Financial Statements (Continued)

11. Derivative Financial Instruments (Continued)

summarizes our open interest rate swaps as of December 31, 2010, all of which were entered into as required under the terms of our commercial debt facilities and are with parties that are lenders under our commercial debt facilities:

Term	Notional Amount (In thousands)	Fixed Rate	Floating Rate
January 2011 - June 2016	$ 161,250	2.22%	6-month LIBOR
January 2011 - June 2016	$ 161,250	2.31%	6-month LIBOR
January 2011 - June 2014	$ 77,500	0.98%	6-month LIBOR
January 2011 - June 2015	$ 75,000	1.34%	6-month LIBOR

Effective June 1, 2010, the Company discontinued hedge accounting on all existing interest rate derivative instruments. Prior to June 1, 2010, any ineffectiveness on the interest rate swaps was immaterial therefore no amount was recorded in earnings for ineffectiveness. We have included an estimate of nonperformance risk in the fair value measurement of our interest rate derivative contracts as required by the FASB ASC 820—Fair Value Measurements and Disclosures. At December 31, 2010, the net liability of interest rate derivative contracts was reduced by $0.5 million for estimated nonperformance risk.

All of the Company's derivatives were made up of non-hedge derivatives as of December 31, 2010. The following tables provide disclosure of the Company's derivative instruments:

Fair Value of Derivative Instruments as of December 31, 2010

	Asset Derivatives		Liability Derivatives	
Type	Balance Sheet Location	Fair Value (In thousands)	Balance Sheet Location	Fair Value (In thousands)
Derivatives not designated as hedging instruments				
Commodity derivatives	Derivatives—current	$ —	Derivatives—current	$ 13,979
Interest rate derivatives	Derivatives—current	—	Derivatives—current	6,375
Commodity derivatives	Derivatives—noncurrent	—	Long-term derivatives	14,340
Interest rate derivatives	Derivatives—noncurrent	1,501	Long-term derivatives	764
Total derivatives not designated as hedging instruments		1,501		35,458
Total derivatives		$ 1,501		$ 35,458

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Notes to Consolidated Financial Statements (Continued)

11. Derivative Financial Instruments (Continued)

The Company did not have any derivative instruments at December 31, 2009.

Derivatives in Cash Flow Hedging Relationships	Location of Gain/(Loss)	Amount of Income Recognized in AOCI(L) on Effective Portion Years Ended December 31 2009	2010
		(In thousands)	
Interest rate derivatives	AOCI(L)	$ —	$ 588

Derivatives in Cash Flow Hedging Relationships	Location of Gain/(Loss) Reclassified from AOCI(L) into Earnings	Amount of Loss Reclassified from AOCI(L) into Earnings Years Ended December 31 2009	2010
		(In thousands)	
Interest rate derivatives	Interest expense	$ —	$ (5,426)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Earnings on Derivatives	Amount of Gain (Loss) Recognized in Earnings on Derivatives Years Ended December 31 2009	2010
		(In thousands)	
Commodity derivatives	Derivatives, net	$ —	$ (28,319)
Interest rate derivatives	Interest expense	—	(6,967)
Total		$ —	$ (35,286)

The fair value of the effective portion of the derivative contracts on May 31, 2010 is reflected in AOCI(L) and is being transferred to interest expense over the remaining term of the contracts. In accordance with the mark-to-market method of accounting, the Company will recognize all future changes in fair values of its derivative contracts as gains or losses in the earnings of the period in which they occur. During the twelve months ending December 31, 2011, the Company expects to reclassify $2.9 million of AOCI(L) losses to interest expense. See Note 15—Fair Value Measurements for additional information regarding the Company's derivative instruments.

Kosmos Energy Holdings
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Notes to Consolidated Financial Statements (Continued)

12. Asset Retirement Obligations

The following table summarizes the changes in the Company's asset retirement obligations:

	December 31	
	2009	2010
	(In thousands)	
Asset Retirement Obligations:		
Beginning asset retirement obligations	$ —	$ —
Liabilities incurred during period	—	16,570
Revisions in estimated retirement obligations	—	—
Liabilities settled during period	—	—
Accretion expense	—	182
Ending asset retirement obligations	$ —	$ 16,752

The Ghanaian legal and regulatory regime regarding oil field abandonment and other environmental matters is evolving. Currently, no Ghana environmental regulations expressly require that companies abandon or remove offshore assets although under international industry standards we would do so. The Petroleum Law provides for restoration which includes removal of property and abandonment of wells, but further states the manner of such removal and abandonment will be as provided in the Regulations; however, such Regulations have not been promulgated. Under the Environmental Permit for the Jubilee Field, issued to Tullow Ghana, Ltd., a decommissioning plan will be prepared and submitted to the Ghana Environmental Protection Agency. ASC 410 requires the Company to recognize this liability in the period in which the liability was incurred, which we have determined to be the fourth quarter of 2010 with the commencement of production. Accordingly, the Company recognized a liability in the quarterly period ending December 31, 2010 related to our asset retirement obligations.

13. Convertible Preferred Units

On February 11, 2004, under the Kosmos Energy Holdings Contribution Agreement, Kosmos received provisional commitments of up to $300.0 million from Warburg Pincus, The Blackstone Group, the management group, certain accredited employee investors and directors, to pursue the acquisition, exploration and development of oil and gas ventures in West Africa. For each $10 contribution, one Series A Convertible Preferred Unit ("Series A") was issued. Contributions began on March 9, 2004.

On June 18, 2008, under the Kosmos Energy Holdings Amended and Restated Contribution Agreement, Kosmos secured an additional provisional commitment of up to $500.0 million from Warburg Pincus, The Blackstone Group, the management group, certain accredited employee investors and directors. For each $25 contribution, one Series B Convertible Preferred Unit ("Series B") was issued. Contributions began on November 3, 2008.

On October 9, 2009, under the Kosmos Energy Holdings Second Amended and Restated Contribution Agreement, Kosmos secured an additional provisional commitment of up to $250.0 million from Warburg Pincus, The Blackstone Group, the management group, certain accredited employee investors and directors. For each $28.25 contribution, one Series C was issued. Contributions began on November 2, 2009. Upon execution and delivery and per Section 1.4 of the Kosmos Energy

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Notes to Consolidated Financial Statements (Continued)

13. Convertible Preferred Units (Continued)

Holdings Second Amended and Restated Contribution Agreement, the Company issued a total of 2,500,000 C1 Common Units to the Series C investors. The proceeds from the Series C issuance were allocated on a relative fair value basis between the Series C and the C1 Common Units, which created a discount on the Series C of approximately $11.8 million. The discount on the Series C has been recorded as of December 31, 2010, the date at which a determination was made that it was probable that an exchange of securities for common shares would occur.

Series A, Series B and Series C contributions and the accumulated preferred return were as follows (in thousands, including unit data):

	Warburg Pincus	The Blackstone Group	Other Investors	Total
Series A:				
2004 Issuance of 1,100 units	$ 5,958	$ 4,875	$ 167	$ 11,000
2005 Retirement of 6 units	—	—	(63)	(63)
2005 Issuance of 3,100 units	16,551	13,542	907	31,000
2006 Retirement of 9 units	—	—	(85)	(85)
2006 Issuance of 2,010 units	10,775	8,815	510	20,100
2007 Issuance of 10,505 units	56,506	46,232	2,310	105,048
2008 Issuance of 13,300 units	71,508	58,508	2,984	133,000
Accumulated preferred return	44,758	36,621	1,867	83,246
Total Issuances—Series A	$ 206,056	$ 168,593	$ 8,597	$ 383,246
Series B:				
2008 Issuance of 7,986 units	$ 107,718	$ 88,132	$ 3,806	$ 199,656
2009 Issuances of 12,014 units	161,576	132,199	6,569	300,344
Accumulated preferred return	36,712	30,037	1,414	68,163
Total Issuances—Series B	$ 306,006	$ 250,368	$ 11,789	$ 568,163
Series C:				
November 2, 2009 Issuance of 885 units	$ 7,126	$ 5,830	$ 288	$ 13,244
Accretion	6,325	5,175	256	11,756
Accumulated preferred return	1,128	923	46	2,097
Total Issuances—Series C	$ 14,579	$ 11,928	$ 590	$ 27,097

Under the Fourth Amended and Restated Operating Agreement of Kosmos Energy Holdings (the "Agreement") governing the Company, the holders of the Series A, Series B and Series C (collectively, "Convertible Preferred Units") would receive distributions, if any, equal to the "Accreted Value" of the units, prior to any distributions to the common unit holders. The Accreted Value is defined in the Agreement as the unit purchase price plus the preferred return amount per unit equal to 7% of the Accreted Value per annum (compounded quarterly) for the first seven years after the year of our initial operating agreement and 14% of the Accreted Value per annum (compounded quarterly) thereafter, unless a monetization event (as defined in the Agreement) occurs at which time the preferred return would revert to 7%. The holders of the Convertible Preferred Units will receive the accumulated preferred return upon the consummation of a "Qualified Public Offering" as defined in the Agreement. The accumulated preferred return on the Convertible Preferred Units has been recorded as of December 31, 2010, the date at which a determination was made that it was probable that an exchange

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Notes to Consolidated Financial Statements (Continued)

13. Convertible Preferred Units (Continued)

of securities for common shares would occur. The amount was applied to additional paid-in capital first, with the remaining amount applied to the deficit accumulated during development stage.

Distributions to the unit holders would be made in the following order of priority. First, the entire preferred return amount related to the Convertible Preferred Units; then, the purchase price for each Convertible Preferred Unit would be distributed to the Convertible Preferred Unit holders. Any remaining amounts would be distributed to all unit holders in accordance with their respective percentage interests provided the threshold value of the unit was met. The Series A threshold value is zero; therefore, they would begin participation immediately. The Series B and Series C threshold values are $15 and $18.25, respectively. The common units' threshold values are zero for the management units, $18.25 for the C1 Common Units and range from $0.85 to $90 for the profit units. Such units would begin participation in any distribution after their respective threshold value was met.

Upon and immediately prior to the consummation of a Qualified Public Offering, each outstanding Common Unit and each outstanding Convertible Preferred Unit would be exchanged (at values determined in the Agreement) into common shares and preferred shares, respectively, of the "IPO Corporation," as defined in the Agreement. Each preferred share of the IPO Corporation would be exchanged for a combination of cash or common shares of the IPO Corporation equal to the accreted value at the option of the unit holders plus common shares of the IPO Corporation based on the provisions of the Agreement. The Convertible Preferred Units are classified as mezzanine equity as the Company cannot solely control the type of consideration issuable on the exchange and the Convertible Preferred Unit holders control the Company's Board of Directors.

14. Other Income

Other income consists primarily of technical service fees and overhead expenses billed to third parties for the Jubilee Field per the Pre Unit Agreement through July 13, 2009, and subsequently the UUOA. The expenses associated with these third-party billings are recorded within the general and administrative expense line item in the accompanying consolidated financial statements. Other income under this agreement was $6.0 million, $9.6 million and $5.1 million for the years ended December 31, 2008, 2009 and 2010, respectively.

15. Fair Value Measurements

In accordance with the FASB ASC 820—Fair Value Measurements and Disclosures, fair value measurements are based upon inputs that market participants use in pricing an asset or liability, which are classified into two categories: observable inputs and unobservable inputs. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect a company's own market assumptions, which are used if observable inputs are not reasonably available without undue cost and effort. These two types of inputs are further prioritized into the following fair value input hierarchy:

- Level 1—quoted prices for identical assets or liabilities in active markets.
- Level 2—quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted

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Notes to Consolidated Financial Statements (Continued)

15. Fair Value Measurements (Continued)

prices that are observable for the asset or liability (e.g., interest rates) and inputs derived principally from or corroborated by observable market data by correlation or other means.

- Level 3—unobservable inputs for the asset or liability. The fair value input hierarchy level to which an asset or liability measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2010, for each of the fair value hierarchy levels:

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at December 31 2010
	(In thousands)			
Assets:				
Money market accounts	$ 18,056	$ —	$ —	$ 18,056
Interest rate derivatives	—	1,501	—	1,501
Total assets	$ 18,056	$ 1,501	$ —	$ 19,557
Liabilities:				
Commodity derivatives	$ —	$ 28,319	$ —	$ 28,319
Interest rate derivatives	—	7,139	—	7,139
Total liabilities	$ —	$ 35,458	$ —	$ 35,458

All fair values have been adjusted for nonperformance risk resulting in a decrease of the commodity derivative liabilities of approximately $2.7 million and a decrease of the interest rate derivatives of approximately of $0.5 million as of December 31, 2010. When the accumulated net present value for all of the derivative contracts with a counterparty are in an asset position, the Company uses the counterparty's credit default swap ("CDS") rates to estimate non-performance risk. When the accumulated net present value for all derivative contracts for a counterparty are in a liability position, the Company uses its internal rate of borrowing to estimate our non-performance risk.

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Notes to Consolidated Financial Statements (Continued)

15. Fair Value Measurements (Continued)

The following table presents the carrying amounts and fair values of the Company's financial instruments as of December 31, 2009 and 2010:

	December 31, 2009		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Assets:				
Money market accounts	$ 59,757	$ 59,757	$ 18,056	$ 18,056
Interest rate derivatives	$ —	$ —	$ 1,501	$ 1,501
Liabilities:				
Commodity derivatives	$ —	$ —	$ 28,319	$ 28,319
Interest rate derivatives	$ —	$ —	$ 7,139	$ 7,139

The book values of cash and cash equivalents, joint interest billings, notes and other receivables, and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. The carrying values of our commercial debt facilities approximates fair value since they are subject to short-term floating interest rates that approximate the rates available to the Company for those periods. The Company's long-term receivables after allowance approximate fair value.

Commodity Derivatives

The Company's commodity derivatives represent crude oil deferred premium puts and compound options for notional barrels of oil at fixed Dated Brent oil prices. The values attributable to the Company's oil derivatives as of December 31, 2010 are based on (i) the contracted notional volumes, (ii) independent active futures price quotes for Dated Brent, (iii) a credit-adjusted yield curve as applicable to each counterparty by reference to the CDS market and (iv) an independently sourced estimate of volatility for Dated Brent. The volatility estimate is provided by certain independent brokers who are active in buying and selling oil options and were corroborated by market-quoted volatility factors. The deferred premium is included in the fair market value of the puts and compound options. The Company's commodity derivative liability measurements represent Level 2 inputs in the hierarchy priority. See Note 11—Derivative Financial Instruments for additional information regarding the Company's derivative instruments.

Interest Rate Derivatives

The Company's interest rate derivatives as of December 31, 2010 represent swap contracts for $475.0 million notional amount of debt, whereby the Company pays a fixed rate of interest and the counterparty pays a variable LIBOR-based rate. The values attributable to the Company's interest rate derivative contracts as of December 31, 2010 are based on (i) the contracted notional amounts, (ii) LIBOR rate yield curves provided by independent third parties and corroborated with forward active market-quoted LIBOR rate yield curves and (iii) a credit-adjusted yield curve as applicable to each counterparty by reference to the CDS market. The Company's interest rate derivative asset and liability measurements represent Level 2 inputs in the hierarchy priority.

Kosmos Energy Holdings
(A Development Stage Entity)

Notes to Consolidated Financial Statements (Continued)

16. Income Taxes

The components of earnings (loss) before income taxes were as follows:

	Years Ended December 31		
	2008	2009	2010
	(In thousands)		
United States	$ 674	$ 2,497	$ 1,476
Foreign	(49,210)	(81,271)	(324,256)
Ending balance	$ (48,536)	$ (78,774)	$ (322,780)

Kosmos Energy Holdings is a Cayman Island company that is treated as a partnership for U.S. tax purposes. Kosmos Energy Holding's operating subsidiaries in the United States, Ghana, Cameroon and Morocco are subject to taxation in their respective jurisdictions.

The components of the provision for income taxes were as follows:

	Years Ended December 31		
	2008	2009	2010
	(In thousands)		
Current:			
U.S. federal	$ (232)	$ 651	$ 844
State and local	73	223	(338)
Total current	(159)	874	506
Deferred:			
U.S. federal	428	99	(143)
Foreign	—	—	(77,471)
Total deferred	428	99	(77,614)
Provision (benefit) for income taxes	$ 269	$ 973	$ (77,108)

A reconciliation of the differences between the Company's applicable statutory tax rate and the Company's effective income tax rate follows:

	Years Ended December 31		
	2008	2009	2010
Tax provision at statutory rate (Cayman Islands)	—%	—%	—%
Loss subject to tax benefit in excess of statutory rate	22.39	18.24	23.19
Change in valuation allowance	(22.73)	(19.25)	1.12
Other	(0.21)	(0.22)	(0.42)
Consolidated effective tax rate	(0.55)%	(1.23)%	23.89%

Deferred taxes reflect the tax effects of differences between the amounts recorded as assets and liabilities for financial reporting purposes and the amounts recorded for income tax purposes. The tax

Kosmos Energy Holdings
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Notes to Consolidated Financial Statements (Continued)

16. Income Taxes (Continued)

effects of significant temporary differences giving rise to deferred tax assets and liabilities are as follows:

	December 31	
	2009	2010
	(In thousands)	
Deferred tax assets:		
Ghana foreign capitalized operating expenses	$ 20,591	$ 8,473
Foreign net operating losses	15,552	134,090
Other	488	6,007
Total deferred tax assets	36,631	148,570
Deferred tax liabilities:		
Depletion, depreciation and amortization	(653)	(36,900)
Intangible drilling costs	(2,563)	(4,243)
Other	(192)	(200)
Total deferred tax liabilities	(3,408)	(41,343)
Valuation allowance	(33,749)	(30,140)
Net deferred tax asset (liability)	$ (526)	$ 77,087

The Company maintains a valuation allowance to reduce certain deferred tax assets to amounts that are more likely than not to be realized. During 2008, the Company determined that it was more likely than not that the net deferred tax asset for its U.S. operations would be realized in the amount of $79 thousand. Based on various factors including the commencement of start-up operations, the placing into service the equipment and infrastructure necessary to lift and store oil, the production of oil beginning on November 28, 2010, the Company's forecast of future production and estimates of future taxable income from the related oil sales, the Company determined that it was more likely than not that the deferred tax asset for its Ghana operations would be realized. The total deferred tax asset realized in Ghana was approximately $20.6 million. The change in the valuation allowance of $3.6 million is due to the release of the Ghana valuation allowance netted against current year activity in Morocco and Cameroon.

The Company entered into the Boujdour Offshore Petroleum Agreement in May 2006. This agreement provides for a tax holiday, at a 0% tax rate, for a period of 10 years beginning on the date of first production from the Boujdour Offshore Block. The Company currently has recorded deferred tax assets of $6.8 million, recorded at the Moroccan statutory rate of 30%, with an offsetting valuation allowance of $6.8 million. Once the Company enters into the tax holiday period (when production begins) it will re-evaluate its deferred tax position and at such time may reduce the statutory rate applied to the deferred tax assets in Morocco to the extent those deferred tax assets are realized within the tax holiday period.

The Company has foreign net operating loss carryforwards of approximately $58.9 million which begin to expire in 2011 through 2015 and approximately $298.6 million which do not expire.

Kosmos Energy Holdings
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Notes to Consolidated Financial Statements (Continued)

16. Income Taxes (Continued)

Effective January 1, 2009, the Company adopted the provisions of the FASB ASC 740—Income Taxes which clarifies the accounting for and disclosure of uncertainty in tax positions. Additionally, this standard provides guidance on the recognition, measurement, derecognition, classification and disclosure of tax positions and on the accounting for related interest and penalties. As a result of the implementation of this standard, the Company recognized no material adjustment for unrecognized income tax benefits. In addition, there were no material unrecognized income tax benefits recognized during the current year.

The Company files a U.S. federal income tax return and a Texas margin tax return. In addition to the United States, the Company files income tax returns in the countries in which the Company operates. The Company is open to U.S. federal income tax examinations for tax years 2007 through 2010 and to Texas margin tax examinations for the tax years 2006 through 2010. In addition the Company is open to income tax examinations for years 2004 through 2010 in its significant foreign jurisdictions (Ghana, Cameroon and Morocco).

The Company's policy is to recognize potential interest and penalties related to income tax matters in income tax expense, but has had no need to accrue any to date.

During 2007, the Company settled an examination by the Internal Revenue Service. The settlement resulted in an adjustment that eliminated the domestic net operating loss carryforward. The Company was required to pay $137 thousand of additional tax related to the exam of the 2005 and 2006 federal income tax returns.

17. 401(k) Plan

As of July 2007, the Company offers a 401(k) Plan to which employees may contribute tax deferred earnings subject to Internal Revenue Service limitations. Employee contributions of up to 6% of compensation, as defined by the plan, is matched by the Company at 100%. The Company's match is vested immediately. Matching contributions made by the Company to the 401(k) Plan were approximately $315 thousand, $550 thousand and $668 thousand for the years ended December 31, 2008, 2009 and 2010, respectively.

18. Profit Units

Kosmos issues common units designated as profit units with a threshold value of $0.85 to $90 to employees, management and directors. Profit units, the defined term in the related agreements, are equity awards that are measured on the grant date and expensed over a vesting period of four years. Founding management and directors vest 20% as of the date of issuance and an additional 20% on the anniversary date for each of the next four years. Profit units issued to employees vest 50% on the second and fourth anniversary of the issuance date. Of the 100 million authorized common units,

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Notes to Consolidated Financial Statements (Continued)

18. Profit Units (Continued)

15.7 million are designated as profit units. The following is a summary of the Company's profit unit activity:

	Profit Units	Weighted-Average Grant-Date Fair Value
	(In thousands)	
Outstanding at December 31, 2007	3,984	$ 0.13
Granted	9,595	1.11
Relinquished	(67)	1.52
Outstanding at December 31, 2008	13,512	0.82
Granted	10	2.94
Relinquished	(15)	3.05
Outstanding at December 31, 2009	13,507	0.81
Granted	411	5.27
Relinquished	(8)	2.45
Outstanding December 31, 2010	13,910	1.76

A summary of the status of the Company's non-vested profit units is as follows:

	Profit Units	Weighted-Average Grant-Date Fair Value
	(In thousands)	
Non-vested at December 31, 2007	2,080	$ 0.22
Granted	9,595	1.11
Vested	(2,659)	0.66
Relinquished	(67)	1.52
Non-vested at December 31, 2008	8,949	1.03
Granted	10	2.94
Vested	(2,000)	0.90
Relinquished	(15)	3.05
Other	13	0.02
Non-vested at December 31, 2009	6,957	1.06
Granted	411	5.27
Vested	(2,719)	1.03
Relinquished	(8)	2.45
Accelerated vesting	(1,177)	10.66
Non-vested at December 31, 2010	3,464	1.60

Effective December 31, 2010, James C. Musselman retired as the Company's Chairman and Chief Executive Officer. The Company entered into a retirement agreement with Mr. Musselman on December 17, 2010. Pursuant to the retirement agreement, 1.2 million profit units of Kosmos Energy Holdings that were unvested as of his retirement date became fully vested as of such date resulting in unit-based compensation of $11.5 million in the fourth quarter of 2010.

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Notes to Consolidated Financial Statements (Continued)

18. Profit Units (Continued)

At December 31, 2010, the remaining unrecognized compensation cost from profit units was $3.1 million, which will be recognized over a weighted-average period of 2.3 years. Total profit unit compensation expense recognized in income was $3.7 million, $3.5 million and $13.8 million for the years ended December 31, 2008, 2009 and 2010, respectively.

The significant assumptions used to calculate the fair values of the profit units granted over the past three years, as calculated using a binomial tree, were as follows: no dividend yield, expected volatility ranging from approximately 25% to 66%, risk-free interest rate ranging from 1.3% to 5.1%, expected life ranging from 1.2 to 8.1 years and projected turnover rate of 7.0% for employees and none for management.

19. Commitments and Contingencies

As of September 12, 2003, the Company leased office space located at 8401 North Central Expressway, Dallas, Texas. The lease, as amended, expired on September 30, 2009.

As of June 29, 2008, office lease agreements were signed between Harvest/NPE LP and Kosmos Energy, LLC with respect to spaces located at 8170 Park Lane, Dallas, Texas, referred to as the North Premises and the South Premises. The leases commenced in March 2009 and expire in 2015 and 2014, respectively. At December 31, 2009 and 2010, liabilities of $1.7 million and $1.4 million, respectively, were recorded for tenant improvement allowances. The Company received $2.0 million for leasehold incentives from Harvest/NPE LP in 2009.

The Company leases other facilities under various operating leases that expire through 2015. Rent expense under these agreements along with the office lease agreements, was $0.9 million, $1.4 million and $1.4 million for the years ended December 31, 2008, 2009 and 2010, respectively.

Future minimum rental commitments under these leases at December 31, 2010, are as follows:

	Office Leases
	(In thousands)
2011	$ 1,615
2012	1,636
2013	1,660
2014	1,168
2015	382
Thereafter	—

On June 23, 2008, Kosmos Ghana signed an offshore drilling contract with Alpha Offshore Drilling Services Company, a wholly-owned subsidiary of Atwood Oceanics, Inc., for the semi-submersible rig, "Atwood Hunter." Noble Energy EG Ltd. ("Noble") also is a party to the contract. The rated water depth capability of the Atwood Hunter is currently 5,000 feet. The initial rig rate is $538 thousand per day and is subject to annual adjustments for cost increases. Effective, July 27, 2009 and 2010, the rig rate was adjusted to $543 thousand and $546 thousand per day, respectively. The contract, as amended, is for 1,152 days, with Kosmos Ghana and Noble allotted 797 days and 355 days, respectively. Kosmos Ghana and Tullow Ghana Limited entered into a rig and services sharing agreement on October 18, 2009, for use of the Atwood Hunter across WCTP and DT Blocks during part of Kosmos Ghana's

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Notes to Consolidated Financial Statements (Continued)

19. Commitments and Contingencies (Continued)

allocated time. The future minimum commitments under this contract as of December 31, 2010, are (in thousands): 2011—$138,588; and 2012—$133,131.

20. Litigation

Kosmos Energy Holdings is not party to any litigation or proceedings with respect to the Company's operations which management believes, based on advice of counsel, will either individually or in the aggregate have a materially adverse impact on the Company's financial condition, results of operations or cash flows.

21. Subsequent Events

Commercial Debt Facilities

In January 2011, the Company borrowed $28.0 million under the senior facilities. As of the date of the financial statements, borrowings against the commercial debt facilities totaled $1.07 billion and the scheduled principal maturities during the next five years and thereafter are (in thousands): 2011—$273,000; 2012—$250,000; 2013—$200,000; 2014—$175,000; 2015—$100,000 and thereafter—$75,000.

Exploration Expenses

Drilling of the Mombe-1 exploration well was completed in January 2011. The well encountered hydrocarbons in sub-commercial quantities and accordingly will be plugged and abandoned. Total well related costs incurred from inception through December 31, 2010 of $26.1 million are included in exploration expenses in the accompanying consolidated statement of operations. As of the date of the financial statements, the Company estimates we will incur an additional $1.8 million of related well costs.

Exchange of Convertible Preferred Units

Contemporaneous with the public offering, the holders of the convertible preferred units are expected to exercise their rights, acquired on formation, to exchange all of the outstanding convertible preferred units of the Company to ordinary shares based on the pre-offering equity value of such interests. As a result, convertible preferred units outstanding at that date will be exchanged into ordinary shares. The ordinary shares have vote per share and a par value of . The effects of the exchange of the convertible preferred units are shown in the balance sheet column "Pro Forma."

22. Pro forma Information (Unaudited)

Per share information

Basic and diluted net loss per share have been calculated using the weighted average number of common shares, on a pro forma basis, assuming conversion of the redeemable preferred units into common shares. The weighted average common shares outstanding have been calculated as if the ownership restructure resulting from the corporate reorganization was in place since inception.

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Notes to Consolidated Financial Statements (Continued)

22. Pro forma Information (Unaudited) (Continued)

The following is a reconciliation of the numerators and denominators of the pro forma diluted net loss per share computations (in thousands, except per share data).

	Year Ended December 31 2009
Numerator	
Net loss	$
Denominator	
Weighted average shares for basic and diluted net loss per common share	
Convertible preferred units	
Weighted average shares for pro forma net loss per share	

The following table sets forth the computation of pro forma basic and diluted net loss per share (in thousands, except per share data).

	Year Ended December 31 2009
Numerator	
Net loss	$
Denominator	
Weighted average shares for basic and diluted net loss per common share	
Pro forma basic and diluted net loss per share	

23. Supplementary Oil and Gas Data (Unaudited)

In January 2010, the FASB issued ASU No. 2010-03—Extractive Activities—Oil and Gas (ASC 932) Oil and Gas Reserve Estimation and Disclosures so as to align the oil and gas reserve estimation and disclosure requirements of Extractive Activities—Oil and Gas (ASC 932) with the requirements in the SEC's final rule, Modernization of the Oil and Gas Reporting Requirements which was issued on December 31, 2008. The Company adopted the update as of December 31, 2009.

Net proved oil and gas reserve estimates presented were prepared by Netherland, Sewell & Associates, Inc. ("NSAI"), independent petroleum engineers located in Dallas, Texas. The technical persons at NSAI have prepared the reserve estimates presented herein and meet the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. We maintain an internal staff of petroleum engineers and geoscience

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Notes to Consolidated Financial Statements (Continued)

23. Supplementary Oil and Gas Data (Unaudited) (Continued)

professionals who work closely with our independent reserve engineers to ensure the integrity, accuracy and timeliness of data furnished to independent reserve engineers for their reserves review process. The supplementary oil and gas data that follows includes (1) net proved oil and gas reserves, (2) capitalized costs related to oil and gas producing activities, (3) costs incurred for property acquisition, exploration, and development activities, (4) results of operations for oil and gas producing activities, (5) a standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities, and (6) changes in the standardized measure of discounted future net cash flows. Oil production commenced on November 28, 2010, and we received revenues from oil production in early 2011; therefore, there are no disclosures related to item (4) above for 2010.

Net Proved Developed and Undeveloped Reserves

The following table is a summary of net proved developed and undeveloped oil and gas reserves to Kosmos' interest in the Jubilee Field Phase 1 development in Ghana.

	Oil (Mmbbl)	Gas (Bcf)	Total (Mmboe)
Net proved undeveloped reserves at December 31, 2008	—	—	—
Discoveries and extensions	55	—	55
Production	—	—	—
Purchases of minerals-in-place	—	—	—
Net proved undeveloped reserves at December 31, 2009	55	—	55
Discoveries and extensions	1	23	5
Production	—	—	—
Purchases of minerals-in-place	—	—	—
Net proved developed and undeveloped reserves at December 31, 2010	56	23	60
Proved developed reserves			
January 1, 2009	—	—	—
December 31, 2009	—	—	—
December 31, 2010	37	18	40
Proved undeveloped reserves			
January 1, 2009	—	—	—
December 31, 2009	55	—	55
December 31, 2010	19	5	20

Net proved reserves were calculated utilizing the twelve month unweighted arithmetic average of the first-day-of-the-month oil price for each month for Brent crude in the period January through December 2010. The average Brent crude price of $79.35 per barrel is adjusted for crude handling, transportation fees, quality, and a regional price differential. Based on the crude quality, these adjustments are estimated to be an additional $0.35 per barrel; therefore, the oil flowstreams receive a crude price of $79.70 per barrel. This oil price is held constant throughout the lives of the properties. There is no gas price used because gas reserves are consumed in operations as fuel.

Kosmos Energy Holdings
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Notes to Consolidated Financial Statements (Continued)

23. Supplementary Oil and Gas Data (Unaudited) (Continued)

Proved oil and gas reserves are defined by the SEC Rule 4.10(a) of Regulation S-X as those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recovered under current economic conditions, operating methods, and government regulations. Inherent uncertainties exist in estimating proved reserve quantities, projecting future production rates and timing of development expenditures.

Capitalized Costs Related to Oil and Gas Activities

The following table presents aggregate capitalized costs related to oil and gas activities:

	Ghana	Other West Africa	Total
		(In thousands)	
As of December 31, 2009			
Unproved properties	$ 121,781	$ 7,206	$ 128,987
Proved properties	466,104	—	466,104
	587,885	7,206	595,091
Accumulated depletion, depreciation and amortization	—	—	—
Net capitalized costs	$ 587,885	$ 7,206	$ 595,091
As of December 31, 2010			
Unproved properties	$ 190,184	$ 7,965	$ 198,149
Proved properties	798,150	—	798,150
	988,334	7,965	996,299
Accumulated depletion, depreciation and amortization	(6,430)	—	(6,430)
Net capitalized costs	$ 981,904	$ 7,965	$ 989,869

Kosmos Energy Holdings
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Notes to Consolidated Financial Statements (Continued)

23. Supplementary Oil and Gas Data (Unaudited) (Continued)

Costs Incurred in Oil and Gas Activities

The following table reflects total costs incurred, both capitalized and expensed, for oil and gas property acquisition, exploration, and development activities for the year.

	Ghana	Other West Africa	Total
		(In thousands)	
Year ended December 31, 2008			
Property acquisition:			
Unproved	$ —	$ —	$ —
Proved	—	—	—
Exploration	45,961	9,631	55,592
Development	146,728	—	146,728
Total costs incurred	$ 192,689	$ 9,631	$ 202,320
Year ended December 31, 2009			
Property acquisition:			
Unproved	$ —	$ —	$ —
Proved	—	—	—
Exploration	88,103	20,776	108,879
Development	304,948	—	304,948
Total costs incurred	$ 393,051	$ 20,776	$ 413,827
Year ended December 31, 2010			
Property acquisition:			
Unproved	$ —	$ —	$ —
Proved	—	—	—
Exploration	109,624	32,304	141,928
Development	325,975	—	325,975
Total costs incurred	$ 435,599	$ 32,304	$ 467,903

Standardized Measure for Discounted Future Net Cash Flows

The following table provides projected future net cash flows based on the twelve month unweighted arithmetic average of the first-day-of-the-month oil price for Brent crude in the period January through December 2010. The average Brent crude price of $79.35 per barrel is adjusted for crude handling, transportation fees, quality, and a regional price differential. Based on the crude quality, these adjustments are estimated to be an additional $0.35 per barrel; therefore, the oil flowstreams receive a crude price of $79.70 per barrel. Because prices used in the calculation are average prices for that year, the standardized measure could vary significantly from year to year based on market conditions that occurred.

The projection should not be interpreted as representing the current value to Kosmos. Material revisions to estimates of proved reserves may occur in the future; development and production of the reserves may not occur in the periods assumed; actual prices realized are expected to vary significantly

Kosmos Energy Holdings
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Notes to Consolidated Financial Statements (Continued)

23. Supplementary Oil and Gas Data (Unaudited) (Continued)

from those used; and actual costs may vary. Kosmos' investment and operating decisions are not based on the information presented, but on a wide range of reserve estimates that include probable as well as proved reserves and on a wide range of different price and cost assumptions.

The standardized measure is intended to provide a better means to compare the value of Kosmos' proved reserves at a given time with those of other oil producing companies than is provided by comparing raw proved reserve quantities.

	Ghana (In millions)
At December 31, 2009	
Future cash inflows	$ 3,098
Future production costs	(990)
Future development costs	(630)
Future foreign income tax expenses	(351)
Future net cash flows	1,127
10% annual discount for estimated timing of cash flows	(429)
Standardized measure of discounted future net cash flows	$ 698
At December 31, 2010	
Future cash inflows	$ 4,141
Future production costs	(1,140)
Future development costs	(342)
Future foreign income tax expenses	(618)
Future net cash flows	2,041
10% annual discount for estimated timing of cash flows	(511)
Standardized measure of discounted future net cash flows	$ 1,530

Changes in the Standardized Measure for Discounted Cash Flows

	Ghana (In millions)
Balance at December 31, 2009	$ 698
Net changes in prices	1,055
Net changes in production costs	(150)
Net changes in development costs	288
Extensions and discoveries	(12)
Net change in income taxes	(267)
Accretion of discount	(82)
Balance at December 31, 2010	$ 1,530


KOSMOS®
ENERGY

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth an itemization of the various costs and expenses, all of which we will pay, in connection with the issuance and distribution of the securities being registered. All of the amounts shown are estimated except the SEC registration fee, the NYSE listing fee and the FINRA filing fee:

SEC registration fee	$ 58,050
NYSE listing fee	
FINRA filing fee	30,500
Accounting fees and expense	
Printing and engraving expenses	
Legal fees and expenses	
Transfer Agents and Registrar fees	
Miscellaneous	
Total	$

Item 14. Indemnification of Directors and Officers.

Section 98 of the Companies Act 1981 of Bermuda (the "Bermuda Companies Act") provides generally that a Bermuda company may indemnify its directors, officers and auditors against any liability which by virtue of any rule of law would otherwise be imposed on them in respect of any negligence, default, breach of duty or breach of trust, except in cases where such liability arises from fraud or dishonesty of which such director, officer or auditor may be guilty in relation to the company. Section 98 further provides that a Bermuda company may indemnify its directors, officers and auditors against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgment is awarded in their favour or in which they are acquitted or granted relief by the Supreme Court of Bermuda pursuant to section 281 of the Bermuda Companies Act.

We have adopted provisions in our bye-laws that provide that we shall indemnify our officers and directors in respect of their actions and omissions, except in respect of their fraud or dishonesty. Our bye-laws provide that the shareholders waive all claims or rights of action that they might have, individually or in right of the company, against any of the company's directors or officers for any act or failure to act in the performance of such director's or officer's duties, except in respect of any fraud or dishonesty of such director or officer. Section 98A of the Bermuda Companies Act permits us to purchase and maintain insurance for the benefit of any officer or director in respect of any loss or liability attaching to him in respect of any negligence, default, breach of duty or breach of trust, whether or not we may otherwise indemnify such officer or director.

Insofar as indemnification by us for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling the company pursuant to provisions of our bye-laws, or otherwise, we have been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification by such director, officer or controlling person of us in the successful defense of any action, suit or proceeding is asserted by such director, officer or controlling person in connection with the securities being offered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

At the present time, there is no pending litigation or proceeding involving a director, officer, employee or other agent of ours in which indemnification would be required or permitted. We are not aware of any threatened litigation or proceeding, which may result in a claim for such indemnification.

We carry insurance policies insuring our directors and officers against certain liabilities that they may incur in their capacity as directors and officers. In addition, we expect to enter into indemnification agreements with each of our directors prior to completion of the offering.

Additionally, reference is made to the Underwriting Agreement filed as Exhibit 1.1. hereto, which provides for indemnification by the underwriters of Kosmos Energy Ltd., our directors and officers who sign the registration statement and persons who control Kosmos Energy Ltd., under certain circumstances.

Item 15. Recent Sales of Unregistered Securities.

During the past three years, Kosmos Energy Ltd.'s predecessor, Kosmos Energy Holdings, issued unregistered securities to funds affiliated with Warburg Pincus LLC ("Warburg Pincus"), The Blackstone Group L.P. ("Blackstone"), certain members of management, accredited employee investors and directors, as described below. None of these transactions involved any underwriters or any public offerings, and we believe that each of these transactions was exempt from the registration requirements pursuant to Section 3(a)(9) or Section 4(2) of the Securities Act of 1933, as amended. The recipients of the securities in these transactions represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof. The information presented below does not give effect to our corporate reorganization as described in the prospectus.

During the fiscal year ended December 31, 2008, Kosmos Energy Holdings issued the following unregistered securities for the consideration listed:

Recipient	Securities Issued	Consideration Received by Kosmos Energy Holdings
Warburg Pincus	7,150,893 Series A Convertible Preferred Units	$ 71,508,930
	4,308,700 Series B Convertible Preferred Units	107,717,500
Blackstone	5,850,738 Series A Convertible Preferred Units	$ 58,507,380
	3,525,300 Series B Convertible Preferred Units	88,132,500
Members of management, accredited employee investors and directors, in the aggregate	298,367 Series A Convertible Preferred Units	$ 2,983,670
	152,250 Series B Convertible Preferred Units	3,806,250

During the fiscal year ended December 31, 2009, Kosmos Energy Holdings issued the following unregistered securities for the consideration listed:

Recipient	Securities Issued	Consideration Received by Kosmos Energy Holdings
Warburg Pincus	6,463,052 Series B Convertible Preferred Units	$ 161,576,300
	476,134 Series C Convertible Preferred Units(1)	13,450,786
Blackstone	5,287,948 Series B Convertible Preferred Units	$ 132,198,700
	389,563 Series C Convertible Preferred Units(1)	11,005,155
Members of management, accredited employee investors and directors, in the aggregate	262,750 Series B Convertible Preferred Units	$ 6,568,750
	19,259 Series C Convertible Preferred Units(1)	544,066

(1) Kosmos Energy Holdings' financial statements reflect that the proceeds from the Series C funding were allocated on a relative fair value basis between the Series C Convertible Preferred Units and the C1 Common Units.

During the fiscal year ended December 31, 2010, Kosmos Energy Holdings did not issue any unregistered securities. To date, during the current fiscal year, Kosmos Energy Holdings has not issued any unregistered securities. To date, during the current fiscal year, Kosmos Energy Ltd. has issued one common share in connection with its incorporation under the laws of Bermuda.

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Item 16. Exhibits and Financial Statement Schedules.

(a) The following exhibits are filed as part of this registration statement:

Exhibit Number	Description of Document
1.1	Form of Underwriting Agreement*
3.1	Memorandum of Association of Kosmos Energy Ltd. (the "Company")*
3.2	Bye-laws of the Company*
3.3	Fourth Amended and Restated Operating Agreement of Kosmos Energy Holdings (the "Predecessor")*
3.4	Memorandum of Association of the Predecessor*
3.5	Articles of Association of the Predecessor*
4.1	Specimen share certificate*
5.1	Opinion of Conyers Dill & Pearman Limited*
9.1	Form of Shareholders Agreement.*
10.1	Petroleum Agreement in respect of West Cape Three Points Block Offshore Ghana dated July 22, 2004 among the Ghana National Petroleum Corporation ("GNPC"), Kosmos Energy Ghana HC ("Kosmos Ghana") and the E.O. Group Limited ("E.O. Group").
10.2	Operating Agreement in respect of West Cape Three Points Block Offshore Ghana dated July 27, 2004 between Kosmos Ghana and E.O. Group.
10.3	Petroleum Agreement in respect of the Deepwater Tano Contract Area dated March 10, 2006 among GNPC, Tullow Ghana Limited ("Tullow Ghana"), Sabre Oil and Gas Limited ("Sabre") and Kosmos Ghana.
10.4	Joint Operating Agreement in respect of the Deepwater Tano Contract Area, Offshore Ghana dated August 14, 2006, among Tullow Ghana, Sabre Oil and Gas Limited, and Kosmos Ghana.
10.5	Assignment Agreement in respect of the Deepwater Tano Block dated September 1, 2006, among Anadarko WCTP Company ("Anadarko WCTP") and Kosmos Ghana.
10.6	Unitization and Unit Operating Agreement covering the Jubilee Field Unit located offshore the Republic of Ghana dated July 13, 2009, among GNPC, Tullow, Kosmos Ghana, Anadarko WCTP, Sabre and E.O. Group.
10.7	Atwood Hunter Offshore Drilling Contract dated June 23, 2008 among Kosmos Ghana, Alpha Offshore Drilling Services Company and Noble Energy EG Ltd.*
10.8	Ndian River Production Sharing Contract dated November 20, 2006 between the Republic of Cameroon and Kosmos Energy Cameroon HC ("Kosmos Cameroon").
10.9	Decree 2005/249 dated June 30, 2005 granting Perenco Oil and Gas (Cameroon) Ltd. ("Perenco") and Société Nationale des Hydrocarbures ("SNH") the Kombe-N'sepe Permit.

10.10 Contract of Association relating to the Kombe-N'sepe Permit dated December 11, 1997 between the Republic of Cameroon, CMS Nomeco Cameroon Ltd ("CMS Nomeco Cameroon"), Globex Cameroon, LLC ("Globex Cameroon") and SNH.

10.11 Convention of Establishment relating to the Kombe-N'sepe Permit dated December 11, 1997 between the Republic of Cameroon, CMS Nomeco Cameroon and Globex Cameroon.

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10.18	Definitions Agreement, dated July 13, 2009 among Kosmos Finance, Kosmos Ghana, Kosmos Development and the various financial institutions and others party thereto, as amended.
10.19	Senior Bank Facility Agreement, dated July 13, 2009 among Kosmos Finance, Kosmos Development, Kosmos Ghana, Standard Chartered Bank, BNP Paribas SA, Societe Generale, Calyon, ABSA Bank Limited, Africa Finance Corporation, Cordiant Emerging Loan Fund III, L.P. and various other financial institutions party thereto, as amended.
10.20	Intercreditor Agreement, dated July 13, 2009 among Kosmos Finance, Kosmos Ghana, Kosmos Development and the various financial institutions and others party thereto, as amended.
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21.1	List of Subsidiaries
23.1	Consent of Ernst & Young LLP
23.2	Consent of Netherland, Sewell & Associates, Inc.

23.3 Consent of Davis Polk & Wardwell LLP*

23.4 Consent of Conyers Dill & Pearman Limited (included in Exhibit 5.1)*

Exhibit Number	Description of Document
24	Power of Attorney (included on the signature pages of this registration statement)
99.1	Estimate of Reserves and Future Revenue to the Kosmos Energy Interest in the Jubilee Field Phase 1 Development Unit Area located in the West Cape Three Points and Deepwater Tano License Areas Offshore Ghana as of December 31, 2009.
99.2	Estimate of Reserves and Future Revenue to the Kosmos Energy Interest in the Jubilee Field Phase 1 Development Unit Area located in the West Cape Three Points and Deepwater Tano License Areas Offshore Ghana as of December 31, 2010.
99.3	Consent of David I. Foley, as director nominee**
99.4	Consent of Jeffrey A. Harris, as director nominee**
99.5	Consent of David Krieger, as director nominee**
99.6	Consent of Prakash A. Melwani, as director nominee**
99.7	Consent of Bayo O. Ogunlesi, as director nominee**
99.8	Consent of Christopher A. Wright, as director nominee**
99.9	Consent of Chris Tong, as director nominee*

* To be filed by amendment.

** Filed as part of this registration statement on Form S-1 (Registration No. 333-171700 on January 14, 2011.

(b) Financial Statement Schedule

Schedule I—Condensed Parent Company Financial Statements

Under the terms of agreements governing the indebtedness of subsidiaries of Kosmos Energy Holdings ("KEH," the "Parent Company"), such subsidiaries are restricted from making dividend payments, loans or advances to KEH. Schedule I of Article 5-04 of Regulation S-X requires the condensed financial information of the Parent Company to be filed when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.

The following condensed parent-only financial statements of KEH have been prepared in accordance with Rule 12-04, Schedule I of Regulation S-X and included herein. The Parent Company's 100% investment in its subsidiaries has been recorded using the equity basis of accounting in the accompanying condensed parent-only financial statements. The condensed financial statements should be read in conjunction with the consolidated financial statements of Kosmos Energy Holdings and subsidiaries and notes thereto.

Kosmos Energy Holdings

(A Development Stage Entity)

Condensed Parent Company Balance Sheets

	December 31	
	2009	2010
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 51,224	$ —
Receivables from subsidiaries	3,878	—
Prepaid expenses and other	15	—
Total current assets	55,117	—
Other assets, net of accumulated depreciation and amortization of $773 and $773, respectively	2	—
Investment in subsidiaries at equity	540,482	363,507
Total assets	$ 595,601	$ 363,507
Liabilities and unit holdings		
Current liabilities:		
Accounts payable to subsidiaries	$ —	$ —
Accrued liabilities	213	—
Total current liabilities	213	—
Convertible preferred units, 100,000 units authorized:		
Series A—30,000 units issued at December 31, 2009 and 2010	300,000	383,246
Series B—20,000 units issued at December 31, 2009 and 2010	500,000	568,163
Series C—885 units issued at December 31, 2009 and 2010	13,244	27,097
Unit holdings:		
Common units, 100,000 units authorized; 18,667 and 19,070 issued at December 31, 2009 and 2010, respectively	516	516
Additional paid-in capital	19,108	—
Deficit accumulated during development stage	(237,480)	(615,515)
Total unit holdings	(217,856)	(614,999)
Total liabilities, convertible preferred units and unit holdings	$ 595,601	$ 363,507

Kosmos Energy Holdings

(A Development Stage Entity)

Condensed Parent Company Statements of Operations

	Years Ended December 31		
	2008	2009	2010
		(In thousands)	
Revenues and other income:			
Oil and gas revenue	$ —	$ —	$ —
Interest income	188	15	44
Total revenues and other income	188	15	44
Costs and expenses:			
General and administrative	4,743	11,580	21,187
General and administrative—related party	12,453	10,663	16,830
Depreciation and amortization	155	39	—
Equity in losses of subsidiaries	31,642	57,494	207,697
Other expenses, net	—	(14)	2
Total costs and expenses	48,993	79,762	245,716
Loss before income taxes	(48,805)	(79,747)	(245,672)
Income tax expense	—	—	—
Net loss	$ (48,805)	$ (79,747)	$ (245,672)

Kosmos Energy Holdings

(A Development Stage Entity)

Condensed Parent Company Statements of Cash Flows

	Years Ended December 31		
	2008	2009	2010
		(In thousands)	
Operating activities			
Net loss	$ (48,805)	$ (79,747)	$ (245,672)
Adjustments to reconcile net loss to net cash used in operating activities:			
Equity in losses of subsidiaries	31,642	57,494	207,697
Depreciation and amortization	155	39	—
Unit-based compensation	3,671	3,468	13,791
Changes in assets and liabilities:			
(Increase) decrease in prepaid expenses and other	(47)	32	15
(Increase) decrease due to/from related party	1,008	(10,171)	3,878
Decrease in accounts payable	(75)	—	—
Increase (decrease) in accrued liabilities	—	213	(213)
Net cash used in operating activities	(12,451)	(28,672)	(20,504)
Investing activities			
Investment in subsidiaries	(320,205)	(245,496)	(30,722)
Other property	—	(2)	2
Net cash used in investing activities	(320,205)	(245,498)	(30,720)
Financing activities			
Net proceeds from issuance of units	332,656	325,344	—
Net cash provided by financing activities	332,656	325,344	—
Net increase (decrease) in cash and cash equivalents	—	51,174	(51,224)
Cash and cash equivalents at beginning of period	50	50	51,224
Cash and cash equivalents at end of period	$ 50	$ 51,224	$ —

Schedule II

Kosmos Energy Holdings

(A Development Stage Entity)

Valuation and Qualifying Accounts

For the Years Ended December 31, 2008, 2009 and 2010

Description	Balance January 1	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions From Reserves	Balance December 31
		(In thousands)			
2008					
Allowance for doubtful receivables	$ —	$ —	$ —	$ —	$ —
Allowance for deferred tax asset	$ 9,404	$ 9,727	$ —	$ —	$ 19,131
2009					
Allowance for doubtful receivables	$ —	$ —	$ —	$ —	$ —
Allowance for deferred tax asset	$ 19,131	$ 14,618	$ —	$ —	$ 33,749
2010					
Allowance for doubtful receivables	$ —	$ 39,782	$ —	$ —	$ 39,782
Allowance for deferred tax asset	$ 33,749	$ (3,609)	$ —	$ —	$ 30,140

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

i. To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

ii. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

iii. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

i. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

ii. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

iii. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

iv. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(b) The undersigned hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and

Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(d) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Dallas, Texas on March 3, 2011.

Kosmos Energy Ltd.

By: /s/ BRIAN F. MAXTED

Brian F. Maxted
Director and Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each individual whose signature appears below hereby constitutes and appoints each of Brian F. Maxted and W. Greg Dunlevy, acting singly, his true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to (i) act on, sign and file with the Securities and Exchange Commission and/or the Registrar of Companies in Bermuda any and all amendments (including post-effective amendments) to this registration statement together with all schedules and exhibits thereto and any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and/or the Companies Act 1981 of Bermuda (the "Bermuda Companies Act") together with all schedules and exhibits thereto, (ii) act on, sign and file such certificates, instruments, agreements and other documents as may be necessary or appropriate in connection therewith, (iii) act on and file any supplement to any prospectus included in this registration statement or any such amendment or any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and (iv) take any and all actions which may be necessary or appropriate in connection therewith, granting unto such agents, proxies and attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing necessary or appropriate to be done, as fully for all intents and purposes as he might or could do in person, hereby approving, ratifying and confirming all that such agents, proxies and attorneys-in-fact or any of their substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities held on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ BRIAN F. MAXTED Brian F. Maxted	Director and Chief Executive Officer (Principal Executive Officer)	March 3, 2011
/s/ W. GREG DUNLEVY W Greg. Dunlevy	Chief Financial Officer and Executive Vice President (Principal Financial Officer)	March 3, 2011
/s/ SYLVIA MANOR Sylvia Manor	Vice President and Controller (Principal Accounting Officer)	March 3, 2011
* John R. Kemp	Chairman of the Board of Directors	March 3, 2011

*By: /s/ BRIAN F. MAXTED
Brian F. Maxted
Attorney-in-Fact

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23.3	Consent of Davis Polk & Wardwell LLP*
23.4	Consent of Conyers Dill & Pearman Limited (included in Exhibit 5.1)*
24	Power of Attorney (included on the signature pages of this registration statement)
99.1	Estimate of Reserves and Future Revenue to the Kosmos Energy Interest in the Jubilee Field Phase 1 Development Unit Area located in the West Cape Three Points and Deepwater Tano License Areas Offshore Ghana as of December 31, 2009.

99.2 Estimate of Reserves and Future Revenue to the Kosmos Energy Interest in the Jubilee Field Phase 1 Development Unit Area located in the West Cape Three Points and Deepwater Tano License Areas Offshore Ghana as of December 31, 2010.

99.3 Consent of David I. Foley, as director nominee**

99.4 Consent of Jeffrey A. Harris, as director nominee**

Exhibit Number	Description of Document
99.5	Consent of David Krieger, as director nominee**
99.6	Consent of Prakash A. Melwani, as director nominee**
99.7	Consent of Bayo O. Ogunlesi, as director nominee**
99.8	Consent of Christopher A. Wright, as director nominee**
99.9	Consent of Chris Tong, as director nominee*

* To be filed by amendment.

** Filed as part of this registration statement on Form S-1 (Registration No. 333-171700) on January 14, 2011.

Exhibit 10.1

PETROLEUM AGREEMENT

Among

THE REPUBLIC OF GHANA

GHANA NATIONAL PETROLEUM CORPORATION

KOSMOS ENERGY GHANA HC

And

THE E. O. GROUP

IN RESPECT OF
WEST CAPE THREE POINTS BLOCK
OFFSHORE GHANA

DATED 22ND JULY 2004

INDEX

THIS PETROLEUM AGREEMENT, made this day of 2004, by and among the Government of the Republic of Ghana (hereinafter referred to as "The State"), represented by the Minister of Energy (hereinafter referred to as the "Minister"), the Ghana National Petroleum Corporation, a public corporation established by Provisional National Defence Council Law 64 of 1983 (hereinafter referred to as ("GNPC"), and Kosmos Energy Ghana HC, a Cayman Islands exempted company ("Kosmos") and the E.O.Group, a Ghanaian Company ("EO"), (EO and Kosmos being hereinafter referred to as "Contractor")

WITNESSETH:

1. All Petroleum existing in its natural state within Ghana is the property of the Republic of Ghana and held in trust by the State.

2. GNPC has by virtue of the Petroleum Law the right to undertake Exploration, Development and Production of Petroleum over all blocks declared by the Minister to be open for Petroleum Operations.

3. GNPC is further authorised to enter into association by means of a Petroleum Agreement with a contractor for the purpose of Exploration, Development and Production of Petroleum.

4. The Contract Area that is the subject matter of this Petroleum Agreement has been declared open for Petroleum Operations by the Minister and the Government of Ghana desires to encourage and promote Exploration, Development and Production within the said area. GNPC and the State have assured Contractor that all of said area is within the jurisdiction of the Republic of Ghana.

5. Contractor, having the financial ability, technical competence and professional skills necessary for carrying out the Petroleum Operations herein described, desires to associate with GNPC in the Exploration for, and Development and Production of the Petroleum resources of the said area.

6. The Parties recognise that Ghanaian nationals should as soon as reasonably possible be engaged in employment at all levels in the Petroleum industry, including technical, administrative and managerial positions, and that to achieve this objective an adequate programme of training must be established as an integral part of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed and declared as follows:

ARTICLE 1

DEFINITIONS

1. **In this Agreement:**

1.1 **"Accounting Guide"** means the accounting guide which is attached hereto as Annex 2 and made a part hereof.

1.2 **"Additional Paying Interest"** means GNPC's right to acquire an interest in a Commercial Discovery by paying its proportionate share of all Petroleum Costs subject to Article 2.6;

1.3 **"Affiliate"** means any person, whether a natural person, corporation, partnership, unincorporated association or other entity:

a) In which one of the Parties hereto or one of the companies comprising Contractor directly or indirectly holds more than fifty percent (50%) of the share capital or voting rights;

b) Which holds directly or indirectly more than fifty percent (50%) of the share capital or voting rights in a Party hereto or in one of the companies comprising Contractor;

c) In which the share capital or voting rights are directly or indirectly, and to an extent more than fifty percent (50%), held by a company or companies holding directly or indirectly more than fifty percent (50%) of the share capital or voting rights in a Party hereto or in one of the companies comprising Contractor;

d) Which holds directly five percent (5%) or more of the share capital or voting rights in Party hereto or in one of the companies comprising Contractor.

1.4 **"Agreement"** means this Agreement between the State, GNPC and Contractor, and includes the Annexes attached hereto;

1.5 **"Appraisal Programme"** means a programme carried out following a Discovery of Petroleum for the purpose of delineating the accumulation of Petroleum to which that Discovery relates in terms of thickness and lateral extent and estimating the quantity of recoverable Petroleum therein;

1.6 **"Appraisal Well"** means a well drilled for the purposes of an Appraisal Programme:

1.7 **"Associated Gas"** means Natural Gas produced from a well in association with Crude Oil;

1.8 **"Barrel"** means a quantity or unit of Crude Oil equal to forty two (42) United States gallons at a temperature of sixty (60) degrees Fahrenheit and at 14.65 psia pressure;

1.9 **"Block"** means an area of approximately six hundred and eighty-five (685) square kilometres as depicted on the reference map prepared by the Minister in accordance with the provisions of the Petroleum Law;

1. 10 **"Calendar Year"** means the period of twelve (12) months of the Gregorian calendar, commencing on January 1 and ending on the succeeding December 31;

1.11 **"Carried Interest"** means an interest held by GNPC in respect of which Contractor pays for the conduct of Petroleum Operations without any entitlement to reimbursement from GNPC other than for Production Operations;

1.12 **"Commercial Discovery"** means a Discovery, which is determined to be commercial in accordance with the provisions of this Agreement;

1.13 **"Commercial Production Period"** means, in respect of each Development and Production Area, the period from the Date of Commencement of Commercial Production until the termination of this Agreement or earlier relinquishment of such Development and Production Area;

1.14 **"Contract Area"** means the area covered by this Agreement in which Contractor is authorised. to explore for, develop and produce Petroleum, which is described in Annex 1 attached hereto and made a part of this Agreement, but excluding any portions of such area in respect of which Contractor's rights hereunder are hereafter from time to time relinquished or surrendered pursuant to this Agreement;

1.15 **"Contractor"** means Kosmos and EO and their respective successors and assignees;

1.16 **"Contract Year"** means a period of twelve (12) calendar months, commencing on the Effective Date or any anniversary thereof;

1.17 **"Crude Oil"** means hydrocarbons, which are liquid at 14.65 psia pressure and sixty (60) degrees Fahrenheit, and includes condensates and distillates obtained from Natural Gas;

1.18 **"Date of Commencement of Commercial Production"** means, in respect of each Development and Production Area, the date on which production of Petroleum under a program of regular production, lifting and sale commences;

1.19 **"Date of Commercial Discovery"** means the date referred to in Article 8.12;

1.20 **"Deepwater"** means a water depth of 200 meters or more.

1.21 **"Delivery Point"** shall have the meaning ascribed it in Article 10.5;

1.22 **"Development"** or **"Development Operations"** means the preparation of a Development Plan, the design, engineering, building and installation of facilities for Production, and includes drilling of Development Wells, construction and installation of equipment, pipelines, facilities, plants and systems, in and outside the Contract Area, which are required for achieving Production, treatment, transport, storage and lifting of Petroleum, and preliminary Production and testing activities carried out prior to the Date of Commencement of Commercial Production, and includes all related planning and administrative work, and also includes drilling and installation of wells and equipment for pressure maintenance and/or for increasing production rates, but excludes all secondary and tertiary costs except the costs of wells and equipment;

1.23 **"Development Costs"** means Petroleum Costs incurred in Development Operations;

1.24 **"Development and Production Area"** means that portion of the Contract Area reasonably determined by Contractor (or by GNPC if a Sole Risk Operation pursuant to Article 9) on the basis of the available seismic and well data to cover the areal extent of, an accumulation of Petroleum constituting a Commercial Discovery, enlarged in area by ten percent (10%), such enlargement to extend uniformly around the perimeter of such accumulation and further enlarged by the area covering any extension of the accumulation which is revealed by further development work provided that such extension is within the Contract Area;

1.25 **"Development Period"** means in respect of each Development and Production Area, the period from the Date of Commercial Discovery until the Date of Commencement of Commercial Production;

1.26 **"Development Plan"** means the plan for Development of a Commercial Discovery prepared by Contractor in consultation with the Joint Management Committee and approved by the Minister pursuant to Article 8;

1.27 **"Development Well"** means a well drilled in accordance with a Development Plan for producing Petroleum, for pressure maintenance or for increasing the Production rate;

1.28 **"Discovery"** means Petroleum not previously known to have existed, recovered at the surface in a flow measurable by conventional petroleum industry testing methods;

1.29 **"Discovery Area"** means that portion of the Contract Area, reasonably determined by Contractor (or by GNPC if a Sole Risk Operation pursuant to Article 9) on the basis of the available seismic and well data to cover the real extent of the geological structure in which a Discovery is made. A Discovery Area may be modified at any time by Contractor (or by GNPC if applicable), if justified on the basis of new information, but may not be modified after the date of completion of the Appraisal Programme.

1.30 **"Effective Date"** shall have the meaning ascribed to it in Article 26.9;

1.31 **"Exploration"** or **"Exploration Operations"** means the search for Petroleum by geological, geophysical and other methods and the drilling of Exploration Well(s) and includes any activity in connection therewith or in preparation thereof and any relevant processing and including technical and economic feasibility studies that may be carried out to determine whether a Discovery of Petroleum constitutes a Commercial Discovery;

1.32 **"Exploration Costs"** means all Petroleum Costs incurred in connection with Exploration and/or Exploration Operations, including all costs incurred prior to a Commercial Discovery;

1.33 **"Exploration Period"** means the period commencing on the Effective Date and continuing during the time provided for in Article 3.1 within which Contractor is authorized to carry out Exploration Operations and shall include any periods of extensions provided for in this Agreement. The period shall terminate with respect to any Discovery Area on the Date of Commercial Discovery in respect of such Discovery Area which becomes a Development and Production Area;

1.34 **"Exploration Well"** means a well drilled in the course of Exploration Operations conducted hereunder during the Exploration Period, but does not include an Appraisal Well;

1.35 **"Extension Period"** means any of the First Extension Period or Second Extension Period;

1.36 **"First Extension Period"** shall have the meaning ascribed to it in Article 3.1 a(ii);

1.37 **"First Subperiod"** shall have the meaning ascribed to it in Article 3.1 a(i);

1.38 **"Force Majeure"** means any event beyond the reasonable control of the Party claiming to be affected by such event which has not been brought about at its instance, including, but not limited to, earthquake, storm, flood, lightning or other adverse weather conditions, war, embargo, blockade, riot or civil disorder;

1.39 **"Foreign National Employee"** means an expatriate employee of Contractor, its Affiliates, or its Sub-contractors who is not a citizen of Ghana;

1.40 **"Ghana"** means the territory of the Republic of Ghana and includes the sea, seabed and subsoil, the continental shelf and all other areas within the jurisdiction of the Republic of Ghana;

1.41 **"Gross Production"** means the total amount of Petroleum produced and saved from a Development and Production Area during Production Operations, which is not used by Contractor in Petroleum Operations, and is available for distribution to the Parties in accordance with Article 10;

1.42 **"Gross Negligence"** means the intentional failure to perform a manifest duty in reckless disregard of the consequences as affecting the life or property of another; including, such a gross want of care and regard for the rights of others as to justify the presumption of willfulness and wantonness;

1.43 **"Initial Exploration Period"** shall have the meaning ascribed to it in Article 3.1 (a)(i)

1.44 **"Joint Management Committee (JMC)"** means the committee established pursuant to Article 6.1 hereof;

1.45 **"Market Price"** shall have the meaning ascribed to it in Article 11.7;

1.46 **"Minister"** means Minister of Energy;

1.47 **"Month"** means a month of the Calendar Year;

1.48 **"Natural Gas"** means all hydrocarbons which are gaseous at 14.65-psia pressure and sixty (60) degrees Fahrenheit temperature and includes wet gas, dry gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas;

1.49 **"Non-Associated Gas"** means Natural Gas produced from a well other than in association with Crude Oil;

1.50 **"Operator"** means "Kosmos" or such other Party as may be appointed by Contractor with the approval of GNPC and the State, which approval shall not be unreasonably delayed or withheld;

1.51 **"Participating Interest"** shall have the meaning as ascribed to it in Articles 2.4 and 2.8;

1.52 **"Party"** means the State, GNPC or all or any of companies constituting Contractor, as the case may be;

1.53 **"Paying Interest"** means an interest held by GNPC in respect of which GNPC pays for its two point five per cent (2.5%) of future Petroleum Costs, including capital costs, Development Costs and Production Costs;

1.54 **"Petroleum"** means Crude Oil or Natural Gas or a combination of both;

1.55 **"Petroleum Costs"** means all expenditures made and costs incurred, both within and outside Ghana, in conducting Petroleum Operations hereunder, determined in accordance with the Accounting Guide attached hereto as Annex 2;

1.56 **"Petroleum Income Tax Law"** means the Petroleum Income Tax Law, 1987 (PNDCL 188);

1.57 **"Petroleum Law"** means the Petroleum (Exploration and Production) Law, 1984 (PNDCL 84) and any amendment thereto or replacement thereof;

1.58 **"Petroleum Operations"** means all activities, both in and outside Ghana, relating to the Exploration for, Appraisal, Development, Production, handling and transportation of Petroleum contemplated under this Agreement and includes Exploration Operations, Development Operations and Production Operations and all activities in connection therewith;

1.59 **"Petroleum Product"** means any product derived from Petroleum by any refining or other process;

1.60 **"Production"** or **"Production Operations"** means activities undertaken in order to extract, save, treat, measure, handle, store, sell, market, load and transport Petroleum to storage and/or loading points and to carry out any type of primary and secondary operations, including recycling, recompression, maintenance of pressure and water flooding and all related activities such as planning and administrative work and shall also include maintenance, repair and replacement of facilities, and well workovers, conducted after the Date of Commencement of Commercial Production of the respective Development and Production Area but excluding Development Operations, and shall also include drilling of wastewater wells, water flooding, steam injection, gas injection and any other such secondary or tertiary recovery operations;

1.61 **"Production Costs"** means Petroleum Costs incurred in Production Operations;

1.62 **"Quarter"** means a period of three (3) calendar months, commencing January 1 **,** April 1, July 1 or October 1;

1.63 **"Rate of Return"** shall have the meaning ascribed to it in Article 10;

1.64 **"Second Extension Period"** shall have the meaning ascribed to it in Article 3.1 a(ii);

1.65 **"Second Subperiod"** shall have the meaning ascribed to it in Article 3.1 a(i);

1.66 **"Shallow water"** means a water depth less than 200 meters

1.67 **"Sole Risk Operation"** means an operation conducted at the sole cost, risk and expense of GNPC in accordance with Article 9.

1.68 **"Specified Rate"** means the rate which the National Westminster Bank, PLC London, certifies to be the London interbank Offered Rate (LIBOR) in the London Interbank Eurodollar market on thirty (30) day deposits, in effect on the last business day of the last respective preceding month, plus five per cent (5%);

1.69 **"Standard Cubic Foot"** or **"SCF"** means the quantity of gas that occupies one (1) cubic foot at 14.65 psia pressure and sixty (60) degrees Fahrenheit temperature;

1.70 **"State"** means the Government of the Republic of Ghana;

1.71 **"Subcontractor"** has the meaning assigned to that term in the Petroleum Law;

1.72 **"Termination"** means termination of this Agreement pursuant to Article 23 hereof;

1.73 **"Work Programme"** means the annual plan for the conduct of Petroleum Operations prepared pursuant to Articles 4.3, 6.4 and 6.5.

ARTICLE 2

SCOPE OF THE AGREEMENT. INTERESTS OF THE PARTIES AND CONTRACT AREA

2.1 This Agreement provides for the Exploration, Development and Production of Petroleum in the Contract Area by GNPC in association with Contractor.

2.2 Subject to the provisions of this Agreement, Contractor shall be responsible for the execution of such Petroleum Operations as are required by the provisions of this Agreement and subject to Article 9, is hereby appointed the exclusive entity to conduct Petroleum Operations in the Contract Area. GNPC shall at all times participate in the management of Petroleum Operations and in order that the Parties may cooperate in the implementation of Petroleum Operations, GNPC and Contractor shall establish a Joint Management Committee, to conduct and manage Petroleum Operations.

2.3 In the event that no Commercial Discovery is made in the Contract Area, or that Gross Production achieved from the Contract Area is insufficient fully to reimburse Contractor in accordance with the terms of this Agreement, then Contractor shall bear its own loss; GNPC and the State shall have no obligations whatsoever to Contractor in respect of such loss.

2.4 Subject to Article 2.6 GNPC shall have a ten percent (10%) Participating Interest in all Petroleum Operations under this Agreement. With respect to all Exploration and Development Operations, GNPC's Participating Interest shall be a Carried Interest. With respect to all Production Operations, GNPC's Participating Interest shall be a Paying Interest.

2.5 For the avoidance of doubt, GNPC shall only be liable to contribute to Petroleum Costs incurred in respect of Production Operations in any Development and Production Area to the extent of its ten percent (10%) Participating Interest;

2.6 GNPC shall have the option to acquire an Additional Paying Interest of two and one half percent (2 $^{1}/_{2}$) in a Commercial Discovery. In order to acquire the Additional Interest GNPC must notify Contractor within sixty (60) days of Contractor's notice to the Minister that a Discovery is a Commercial Discovery of its intention to acquire the Additional Interest. If within the 60 days GNPC does not give notice, GNPC's interest will remain as described in Article 2.4. If GNPC acquires the Additional Interest, GNPC must pay its two and one half percent (2 1/2) of all future Petroleum Costs, including capital costs, Development and Production Costs as approved by the JMC. If GNPC fails to pay these costs and those associated with Production Operations described in Article 2.4 then the Contractor shall be entitled to recover the said costs, together with agreed interest thereon of not less than the cost of capital of the Contractor in funding such costs, from production revenues.

2.7 GNPC may during the Exploration Period assist Contractor in carrying out Contractor's obligations expeditiously and efficiently as stipulated in Article 7.3. Upon completion of the work associated with said assistance, GNPC shall invoice the Contractor for the costs incurred and shall provide reasonable supporting documentation in respect of such costs. Contractor shall pay GNPC the invoiced amount within thirty (30) days of receipt of the invoice. The actual amount of the invoice submitted by GNPC shall be at rates agreed by GNPC and the Contractor for such services.

2.8 Contractor's Participating Interest in all Petroleum Operations and in all rights under this Agreement shall be ninety per cent (90%) (or eighty-seven point five per cent (87.5%) if GNPC exercises its rights under Article 2.6 to acquire an additional two point five per cent (2.5%) Paying Interest), pursuant to Article 2.4 and 2.5.

2.9 As of the Effective Date, the Contract Area shall cover a total of one thousand nine hundred and fifty-seven point zero live square kilometres (1957.05 km^2) as depicted by Annex 1. During the Exploration Period, Contractor shall pay rentals to the State for that area included within the Contract Area at the beginning of each Calendar Year or at the beginning of each period of the Exploration Periods, or on the creation of a Development and Production Area, for the entire Development and Production Period as the case may be, provided that a pro-rata payment shall be made to cover the period from the Effective Date to the beginning of the first Calendar Year and according to the provisions of Article 12.2(v) below.

ARTICLE 3

EXPLORATION PERIOD

3.1 The Exploration Period shall begin on the Effective Date and shall not cover a period of more than seven (7) Contract Years, unless it is extended in accordance with the terms of this Agreement, or the Agreement is sooner terminated. Should the envisaged new regulatory regime extend the deepwater exploration period, Contractor shall benefit from such extension of the Exploration Period. In which case the exploration programme with its corresponding financial commitments for the additional period shall be renegotiated by both parties in good Faith.

a) The Exploration Period shall be divided as follows:

(i) An Initial Exploration Period of three (3) years ("Initial Exploration Period") further subdivided into Subperiods:

1. One and one-half (1 1/2) years ("First Subperiod"); and
2. One and one-half (1 1/2) years ("Second Subperiod"); plus

(ii) Two (2) separate Extension Periods totalling four (4) years:

1. Two (2) years for the first such period ("First Extension Period"); and
2. Two (2) year for the second of such periods ("Second Extension Period").

b) At the end of the First Subperiod, Contractor shall elect to drill a well during the Second Subperiod or relinquish the entire Contract Area. Contractor shall have the right to relinquish the entire Contract Area and withdraw from this Agreement upon the expiration of any of the First Subperiod, the Second Subperiod, the First Extension Period and the Second Extension Period; subject only to notifying GNPC not less than thirty (30) days before expiration of the relevant period and provided Contractor has completed the applicable work obligation of the First Subperiod or Second Subperiod, or any of the Extension Periods (as applicable) during which such relinquishment and withdrawal is made.

c) Where Contractor has fulfilled its work and expenditure obligations set out in Article 4.3 before the end of a specific Subperiod or any of the Extension Periods, as the case may be, and has exercised its option by applying to the Minister in writing for an extension into the next phase, the Minister will be deemed to have granted such extension into the Second Subperiod, First Extension Period or Second Extension Period, as applicable.

d) For each well drilled by Contractor or with Contractor's participation during the Initial Exploration Period (beyond those referred to in Article 4.3), the Initial Exploration Period shall be extended by six (6) months and the commencement of subsequent periods shall be postponed in their entirety accordingly.

3.2 Subject to the provisions of Article 3.4, Contractor will be entitled to an extension or extensions of the Exploration Period as follows:

a) Where at the end of the Second Subperiod, the First Extension Period or the Second Extension Period, Contractor is drilling or testing any well, Contractor shall be entitled to an extension for a period of up to one hundred and eighty (180) days in which to complete such work and assess the results and to elect by giving the Minister notice in writing whether to proceed to the First Extension Period or the Second Extension Period, as applicable; provided further, neither the expiration date of the next succeeding period nor the term of this Agreement shall be extended thereby. In the event that Contractor notifies the Minister that the results from any such well show a Discovery which merits appraisal, Contractor shall be entitled to a further extension for such period as may be reasonably required to carry out an Appraisal Programme and determine whether the Discovery constitutes a Commercial Discovery;

b) Where at the end of the Second Extension Period, Contractor is engaged in the conduct of an Appraisal Programme in respect of a Discovery which has not been completed, Contractor shall be entitled to such extension as may be reasonably required to complete that Appraisal Programme and determine whether the Discovery constitutes a Commercial Discovery;

c) Where at the end of the Second Extension Period Contractor is in the process of completing work not falling under paragraphs (a) or (b) in this Article 3.2 above, or under Article 4.3(c), then Contractor shall be entitled to such extension of time as the Minister considers reasonable for the purpose of completing such work.

d) If during the Second Extension Period, including extensions under (a), (b) and (c) in this Article 3.2 above, Contractor gives to the Minister a notice of Commercial Discovery pursuant to Article 8.8, the Exploration Period shall not terminate until Contractor has prepared and submitted a Development Plan relating to such Discovery for the approval of the Minister and, if the Exploration Period would otherwise have been terminated, the Exploration Period shall terminate:

i) when the Minister has approved the Development Plan as set out in Article 8; or

ii) in the event that the Development Plan is not approved by the Minister as set out in Article 8 and the matter or matters in issue between the

Minister and Contractor have been referred for resolution under Article 24, one (1) month after the date on which the final decision thereunder has been given.

3.3 Where Contractor has during the Initial Exploration Period or, as the case may be, during the First Extension Period, failed to fulfil its work and expenditure obligations under Article 4 in respect of that period but has made reasonable arrangements to remedy its default during the First Extension Period or, as the case may be, the Second Extension Period, Contractor shall be entitled to an extension, subject to such reasonable terms and conditions as the Minister may stipulate to assure performance of the work

3.4 Save in respect of a Discovery Area:

a) In the circumstances and subject to the limitations set forth in Section 12 (3) of the Petroleum Law; or

b) In a case falling within the provisions of Article 3.2 (d),

Nothing in Article 3.2 shall be read or construed as requiring or permitting the extension of the Exploration Period beyond seven (7) years (or ten (10) years if applicable) from the Effective Date except for reasons of Force Majeure; or as provided in Article 4.10.

3.5 The provisions of Article 3.2 (a), (b) and (c), so far as they relate to the duration of the extension period to which Contractor will be entitled, shall be read and construed as requiring the Minister to give same effect to the provisions of Article 8 relating to the time within which Contractor must meet the requirements of that Article.

ARTICLE 4

MINIMUM EXPLORATION PROGRAMME

4.1 Exploration Operations shall begin as soon as practicable and in any case not later than seventy five (75) days after the Effective Date.

4.2 GNPC shall, at the request of Contractor, make available to it such records and information relating to the Contract Area as are relevant to the performance of Exploration Operations by Contractor and are in GNPC's possession, provided that Contractor shall reimburse GNPC for the costs reasonably incurred in procuring or otherwise making such records and information available to Contractor.

4.3 Subject to the provisions of this Article and Article 3.2 in discharge of its obligations to carry out Exploration Operations in the Contract Area, Contractor shall during the several phases into which the Exploration Period is divided carry out the work specified hereinafter:

a) **Initial Exploration Period:** Commencing on the Effective Date and terminating at the end of three (3) Contract Years, which is made up of the following:

First Subperiod (1½ years):

Description of Work: By the end of the First Subperiod of the Initial Exploration Period, Contractor shall have undertaken the seismic programme described below:

(i) Contractor shall acquire, process and interpret at least one thousand square kilometres (1000km ^{2}) of new 3-D seismic data;

Minimum Expenditure: Contractor's minimum expenditure for the work in the First Subperiod of the Initial Exploration Period shall be four million U.S. dollars (US$4,000,000).

Second Subperiod (1 ½ years)

Description of Work: By the end of the Second Subperiod of the Initial Exploration Period, Contractor shall have drilled at least one (1) Exploration Well in the Contract Area.

Minimum Expenditure: Contractor's minimum expenditure for the work in the Second Subperiod of the Initial Exploration Period shall be eight million U.S. dollars (US$8,000,000).

b) **First Extension Period:** Commencing at the end of the Initial Exploration Period and terminating at the end of a further two (2) Contract Years.

Description of Work: By the end of the First Extension Period, Contractor shall have drilled at least one (1) Exploration Well on the Contract Area.

Minimum Expenditure: Contractor's minimum expenditure for the work in the First Extension Period shall be eight million US dollars (US$8,000,000).

c) **Second Extension Period:** Commencing at the end of the First Extension and terminating at the end of a further two (2) Contract Years.

Description of Work: By the end of the Second Extension Period, Contractor shall have undertaken the drilling program described below:

Contractor shall drill one (1) Exploration Well in the Contract Area.

Minimum Expenditure: Minimum expenditure for work in the Second Extension Period shall be eight million U.S. dollars. (US$8,000,000).

d) Work and expenditures accomplished in any Subperiod or Extension Period in excess of the above obligations may be applied as credit in satisfaction of obligations called for in any other Subperiod or Extension Period. The fulfilment of any work obligation shall relieve Contractor of the corresponding minimum expenditure obligation, but the fulfilment of any minimum expenditure obligation shall not relieve Contractor of the corresponding work obligation.

e) The principle of Article 4 is that, the fulfilment of any minimum Work Programme supersedes its corresponding minimum expenditure. However, for any Extension Period or Subperiod, for which the entire minimum work obligation is not met by Contractor, the corresponding part of the minimum expenditure obligation relating to such unfulfilled work obligation shall be payable to GNPC. Once Contractor has paid GNPC this amount, Contractor shall be deemed to have fulfilled the minimum work obligation for that Extension Period or Subperiod.

4.4 No Appraisal Wells drilled or seismic surveys carried out by Contractor as part of an Appraisal Programme undertaken pursuant to Article 8 and no expenditure incurred by Contractor in carrying out such Appraisal Programme shall be treated as discharging the minimum work obligations under Article 4.3.

4.5 The seismic programme in Article 4.3(a), when combined with existing data, shall be such as will enable a study of the regional geology of the Contract Area and the preparation of a report thereon with appropriate maps, cross sections and illustrations, as well as a geophysical survey of the Contract Area which, when combined with existing data provides:

(a) A minimum seismic grid adequate to define prospective drill sites over prospective closures as interpreted from data available to Contractor; and

(b) A seismic evaluation of structural and stratigraphic conditions over the remaining portions of the Contract Area.

4.6 Each Exploration Well shall he drilled at a location and to an objective depth determined by Contractor, in consultation with GNPC. Except as otherwise provided in Article 4.7 below, the minimum depth of each obligatory Exploration Well shall be whichever of the following is first encountered:

a) The depth of 7,500 ft. measured from the Rotary Table Kelly Bushing (RTKB);

b) The depth at which Contractor encounters geologic basement and

c) The depth at which a Discovery is made and tested.

4.7 If in the course of drilling an Exploration Well the Contractor concludes that drilling to the minimum depth specified in Article 4.6 above is impossible, impracticable or imprudent in accordance with accepted international petroleum industry drilling and engineering practice, then Contractor may plug and abandon the Exploration Well and GNPC shall have the option of either:

a) Waiving the minimum depth requirement, in which case Contractor will be deemed to have satisfied the obligation to drill such Exploration Well; or

b) Unless the Contractor shall have incurred at least eighty per cent (80%) of the budgeted Petroleum Costs for such Exploration Well in drilling such Well, requiring Contractor to drill a substitute Exploration Well at a location determined by Contractor, in consultation with GNPC and to the minimum depth of the original well that was being drilled as set forth in Article 4.6 as applicable, except that if in the course of drilling such substitute Exploration Well Contractor establishes that drilling to the minimum depth specified in Article 4.6 above is impossible, impracticable or imprudent in accordance with accepted petroleum industry drilling and engineering practice, then Contractor may plug and abandon the substitute Exploration Well and will be deemed to have satisfied the obligation to drill one (1) Exploration Well to the minimum depth to which such well had been planned.

The above option shall be exercised by GNPC in writing within thirty (30) days from the plugging and abandonment of the Exploration Well, and failure to exercise such option shall be deemed to be GNPC's waiver of the minimum depth requirement pursuant to (a) above.

4.8 During the Exploration Period, Contractor shall have the right to perform additional Exploration Operations, including without limitation performing gravity and magnetic surveys, drilling stratigraphic wells and performing additional geological

and geophysical studies, provided the minimum work obligations are performed within the applicable period.

4.9 During the Exploration Period, Contractor shall deliver to GNPC and the Minister, reports on Exploration Operations conducted during each Quarter within thirty (30) days following the end of that Quarter. Further requests for information by the Minister under Section 9(1) of the Petroleum Law shall be complied with within a reasonable time and copies of documents and other material containing such information shall be provided to GNPC.

4.10 If, upon completion of the minimum exploration programme set forth in Article 4.3, Contractor desires to conduct a further programme of Exploration on those retained areas that will be relinquished upon expiry of the Exploration Period, Contractor shall have a right of first refusal to the granting of a new petroleum agreement covering such retained areas. If Contractor elects to exercise this right, it must do so in writing to GNPC not less than one (1) year before the expiry of the Exploration Period. If GNPC receives such written election from Contractor, the Parties shall use best efforts to negotiate in good faith a new petroleum agreement to cover such retained areas, such that there shall be no lapse between the expiration of this Petroleum Agreement and the effective date of the new petroleum agreement. The fiscal and commercial terms of such new petroleum agreement will be the same as those contained in this Agreement, provided, the work and expenditure obligations for the new petroleum agreement shall not be unreasonable to Contractor in relation to those set forth in this Agreement. Notwithstanding the foregoing, if there are better written bona fide third party offers, Contractor shall be required to match the best alternative offer or relinquish the retained acreage.

ARTICLE 5

RELINQUISHMENT

5.1 Except as provided in Article 5.2, 8.3, 8.9, 14.9 and 14.11, Contractor's rights and obligations in respect of relinquishing portions of the Contract Area shall be as provided hereafter.

(a) Without prejudice to Article 5.5, Contractor shall be required to relinquish ten percent (10%) of the Contract Area on the expiration of the First Subperiod. If Contractor elects not to go into the Second Subperiod, then the Contractor shall relinquish the whole contract area.

(b) If on or before the expiration of the Second Subperiod Contractor elects to enter into the First Extension Period pursuant to Article 3.1 then, subject to Article 5.2, at the commencement of the First Extension Period, Contractor shall relinquish fifteen percent (15%) of the retained area after the first relinquishment;

(c) If at the end of the Second Extension Period Contractor benefits from the new Exploration Period of 10 years for Deep water, Contractor shall not be made to relinquish any further acreage falling in Deepwater if the Contractor elects to go into the three (3) year extension period.

5.2 The provisions of Article 5.1 shall not be read or construed as requiring Contractor to relinquish any portion of the Contract Area which constitutes or forms part of either a Discovery Area, Development Area; or Production Area provided, however that if at the end of the first Subperiod, Second Subperiod, First Extension Period or Second Extension Period as the case may be, Contractor elects not to enter the Second Subperiod, First Extension Period, Second Extension Period, Contractor shall relinquish entire Contract Area, other than any Discovery, Development Area and Production Area.

5.3 Each area to be relinquished pursuant to this Article 5 shall be selected by Contractor and shall be measured as far as possible in terms of continuous and compact units of a size and shape to permit the carrying out of Petroleum Operations in the relinquished portions.

5.4 Without prejudice to the foregoing provisions of this Article 5, in the event that, following the relinquishment of the Contract Area, the Contractor has retained one or more Development and Production Areas, and Contractor and GNPC have, after reviewing all the relevant technical data and information, determined that the field or reservoirs for which a Development and Production Area was granted covers Petroleum lying outside such Development and Production Area, and provided such outside areas are not under any contract, the Minister shall use his best endeavours to extend the relevant Development and Production Area (part of the Contract Area) to

cover the areal extent of such reservoir or field; provided that Contractor provides technical evidence to show that the Petroleum accumulation lies under the area of extension so requested, and always in accordance with the Petroleum Law.

5.5 Contractor shall have the right at any time to relinquish all or part of the Contract Area provided it has undertaken the work obligation of the Subperiod or Extension Period during which such relinquishment is made.

ARTICLE 6

JOINT MANAGEMENT COMMITTEE

6.1 In order that the Parties may at all times cooperate in the implementation of Petroleum Operations, GNPC and Contractor shall not later than thirty (30) days after the Effective Date establish a Joint Management Committee (JMC). Without prejudice to the rights and obligations of Contractor for day-to-day management of all Petroleum Operations, the JMC shall oversee and supervise the Petroleum Operations and ensure that all approved Work Programmes and Development Plans are complied with, and accounting for costs and expenses and the maintenance of records and reports concerning the Petroleum Operations are carried out in accordance with this Agreement and the accounting principles and procedures generally accepted in the international petroleum industry.

6.2 The composition of and distribution of functions within the JMC shall be as follows:

i) The JMC shall comprise two (2) representatives of GNPC and two (2) representatives of Contractor. GNPC and Contractor shall also designate a substitute or alternate for each member. In the case of absence or incapacity of a member of the JMC, his alternate shall automatically assume the rights and obligations of the absent or incapacitated member;

ii) The Chairperson of the JMC shall be designated by GNPC from amongst the members of the JMC;

iii) Contractor shall be responsible in consultation with GNPC for the preparation of agenda and supporting documents for each meeting of the JMC and for keeping records of the meetings and decisions of the JMC (GNPC shall have the right to inspect all records of the JMC at any time);

iv) At any meeting of the JMC three (3) representatives shall form a quorum.

6.3 Meetings of the JMC shall be held and decisions taken as follows:

i) All meetings of the JMC shall be held in Accra, London, Tema or Dallas or such other place as may be agreed upon by members of the JMC;

ii) The JMC shall meet at least twice yearly and at such times as the members may agree;

iii) A meeting of the JMC may be convened by either Party giving not less than twenty (20) day s notice to the others or, in a case requiring urgent action, notice of such lesser duration as the members may agree upon;

iv) Decisions of the JMC shall require unanimity provided, however, decisions or approvals required for programmes, budgets and day-to-day operational matters associated with an Appraisal Programme, Development Operations, or Production Operations, the expenditures, outlays or advances for which Contractor will be required to make payments on a one hundred percent (100%) basis shall require the approval of the Contractor's representatives only;

v) Any member of the JMC may vote by written and signed proxy held by another member:

vi) Decisions of the JMC may be made without holding a meeting if all representatives of both Parties notify their consent thereto in the manner provided in Article 27;

vii) GNPC and Contractor shall have the right to bring expert advisors to any JMC meetings to assist in the discussions of technical and other matters requiring expert advice;

viii) The JMC may also establish subcommittees it deems appropriate for carrying out its functions, such as:

a) a technical subcommittee;
b) an audit subcommittee; and
c) an accounting subcommittee.

ix) Costs and expenses related to attendance by GNPC outside (but not within) Ghana (e.g. business class travel, transportation, lodging, per diem and insurance) shall be borne by Contractor and treated as Petroleum Costs. Subject to GNPC providing to Contractor reasonable supporting documentation in respect of such costs and expenses, those costs and expenses shall he reimbursed by Contractor to GNPC.

6.4 The JMC shall oversee Exploration Operations as follows:

i) Not later than sixty (60) days after the Effective Date and thereafter at least ninety (90) days before the commencement of each subsequent Contract Year, Contractor shall prepare and submit to the JMC for its review a reasonably detailed Work Programme and budget setting forth all Exploration Operations which Contractor proposes to carry out in that Contract Year and the estimated cost thereof, and shall also give an indication of Contractor's tentative preliminary Exploration plans for the succeeding Contract Year;

ii) Upon notice to the Minister and GNPC, Contractor may amend any Work Programme or budget submitted to the JMC pursuant to this Article 6 which notice will state why in Contractor's opinion the amendment is necessary or desirable. Any such amendment shall be submitted to the JMC for review;

iii) Every Work Programme submitted to the JMC pursuant to this Article 6.4 and every revision or amendment thereof shall be consistent with the requirements set out in Article 4.3 relating to minimum work and expenditure for the period of the Exploration Period in which such Work Programme or budget falls;

iv) Without prejudice to Article 8.1, Contractor shall report any Discovery to GNPC immediately following such Discovery and shall place before the JMC for review its Appraisal Programme prior to submission thereof to the Minister. Within sixty (60) days of completion of the Appraisal Programme, a JMC meeting to discuss the Appraisal Programme results shall be convened to take place before submission of the detailed Appraisal Programme report provided for in Article 8.7;

v) The JMC will review Work Programmes and budgets and any amendments or revisions thereto, and Appraisal Programmes, submitted to it by Contractor pursuant to this Article 6, and timely give such advice as it deems appropriate which Contractor shall consider before submitting the Programme to GNPC and the Minister for their information.

6.5 From the first occurring Date of Commercial Discovery, the JMC shall have supervision of Petroleum Operations as follows:

i) Within sixty (60) days after the Date of Commercial Discovery, Contractor shall prepare and submit to the JMC for approval any revisions to its annual Work Programme and budget that may be necessary for the remainder of that Contract Year and for the rest of the Exploration Period;

ii) At least ninety (90) days before the commencement of each subsequent Calendar Year, Contractor shall submit to the JMC for review and approval a reasonably detailed Work Programme and budget setting forth all Development and Production Operations which Contractor proposes to carry out in that Calendar Year and the estimated cost thereof and shall also give an indication of Contractor's plans for the succeeding Calendar Year;

iii) Within sixty (60) days of the Date of Commencement of Commercial Production and thereafter not later than one hundred and twenty (120) days before the commencement of each Calendar Year, Contractor shall submit to the JMC for its review and approval an annual production schedule which shall be in accordance with good international oilfield practice, and shall be designed to provide the most efficient, beneficial and timely production of the Petroleum resources.

6.6 Unless superseded by a lifting agreement entered into by GNPC and Contractor, the JMC shall approve lifting schedules for Development and Production Areas. The JMC may review all of Contractor's reports on the conduct of Petroleum Operations.

6.7 The JMC shall approve Contractor's insurance programme and shall review and approve the programmes for training and technology transfer submitted by Contractor and the accompanying budgets for such schemes and programmes.

6.8 If during any meeting of the JMC the Parties are unable to reach agreement concerning any of the matters provided for in Article 6.5 and 6.6, the matter shall be deferred for reconsideration at a further meeting to be held not later than fifteen (15) days following the original meeting. If after such further meeting the Parties are still unable to reach agreement, the matter in dispute shall be referred to the Parties forthwith. Failing agreement within fifteen (15) days thereafter, the matter in dispute shall, at the request of any Party, be referred for resolution under Article 24.

ARTICLE 7

RIGHTS AND OBLIGATIONS OF CONTRACTOR AND GNPC

RIGHTS AND OBLIGATIONS OF CONTRACTOR

7. I Subject to the provisions of this Agreement, Contractor shall be responsible for the conduct of Petroleum Operations and shall:

a) Conduct Petroleum Operations with utmost diligence, efficiency and economy, in accordance with accepted international petroleum industry practices under the same or similar circumstances, observing sound technical and engineering practices using appropriate advanced technology and effective equipment, machinery, materials and methods;

b) Take all practicable steps to ensure compliance with Section 3 of the Petroleum Law; including ensuring the recovery and prevention of waste of Petroleum in the Contract Area in accordance with accepted international petroleum industry practices under the same or similar circumstances;

c) Prepare and maintain in Ghana full and accurate records of all Petroleum Operations performed under this Agreement;

d) Prepare and maintain accounts of all Petroleum Operations under this Agreement in such a manner as to present a full and accurate record of the costs of such operations, in accordance with the Accounting Guide;

e) Disclose to GNPC and the Minister any operating or other agreement among the Parties that constitute Contractor relating to the Petroleum Operations hereunder, which agreement shall not be inconsistent with the provisions of this Agreement.

7.2 In connection with its performance of Petroleum Operations, Contractor shall have the right within the terms of applicable law:

a) To establish offices in Ghana and to assign to those offices such representatives as it shall consider necessary for the purposes of this Agreement;

b) To use public lands for installation and operation of shore bases and terminals, harbours and related facilities, pipelines from fields to terminals and delivery facilities, camps and other housing;

c) To receive licenses and permission to install and operate such communications and transportation facilities as shall be necessary for the efficiency of its operations;

d) To bring to Ghana such number of Foreign National Employees as shall be necessary for Petroleum Operations, including employees assigned on permanent or resident status, with or without families, as well as those assigned on temporary basis such as rotational employees;

e) To provide or arrange for reasonable housing, schooling and other amenities, permanent and temporary, for its employees and to import personal and household effects, furniture and vehicles for the use of its personnel in Ghana;

f) To be solely responsible for provision of health, accident, pension and life insurance benefit plans on its Foreign National Employees and their families; and such employees shall not be required to participate in any insurance, compensation or other employee or social benefit programmes established in Ghana;

g) To have, together with its personnel, at all times the right of ingress to egress from its offices in Ghana, the Contract Area, and the facilities associated with Petroleum Operations under this Agreement in Ghana, including the offshore waters, using its owned or chartered means of land, sea and air transportation;

h) To engage such Subcontractors, expatriate and national, including consultants, and to bring such Subcontractors and their personnel to Ghana as are necessary in order to carry out the Petroleum Operations in a skillful, economic, safe and expeditious manner under the same or similar circumstances;

i) Provided further, Subcontractors shall have the same rights as Contractor specified in this Article 7.2 to the extent they are engaged by Contractor for the Petroleum Operations hereunder.

RIGHTS AND OBLIGATIONS OF GNPC

73 GNPC shall assist Contractor in carrying out Contractor's obligations expeditiously and efficiently as stipulated in this Agreement, and in particular GNPC shall use its best efforts to assist Contractor and its Subcontractors to:

a) Establish supply bases and obtain necessary communications facilities, equipment and supplies;

b) Obtain necessary approvals to open hank accounts in Ghana;

c) Subject to Article 21 hereof obtain entry visas and work permits for such number of Foreign National Employees of Contractor and its Subcontractors engaged in Petroleum Operations and members of their families who will be resident in Ghana, and make arrangements for their travel, arrival, medical services and other necessary amenities;

d) Comply with Ghana customs procedures and obtain permits for the importation of necessary materials;

e) Obtain the necessary permits to transport documents, samples or other forms of data to foreign countries for the purpose of analysis or processing, if such is deemed necessary for the purposes of Petroleum Operations;

f) Contact Government agencies dealing with fishing, meteorology, navigation and communications as required;

g) Identify qualified Ghanaian personnel as candidates for employment by Contractor in Petroleum Operations; and

h) Procure access for Contractor to infrastructure owned by the State or GNPC or any Affiliate of or entity controlled by the State or GNPC, or owned by any third party upon Contractor's request, subject to such third party's own capacity requirement, for the transportation and/or processing of Petroleum produced under this Agreement. Access to such infrastructure shall be on terms which are fair and reasonable taking account of the capacity and throughput requirement of Contractor and the respective risk, investment and cost of the Contractor and the infrastructure owner and in any event shall be on terms to Contractor no less favourable than those offered to be agreed with any other potential user.

7.4 All reasonable expenses incurred by GNPC in connection with any of the matters set out in Article 7.3 above shall be borne by Contractor.

7.5 GNPC shall use its best efforts to render assistance to Contractor in emergencies and major accidents, and such other assistance as may be requested by Contractor, provided that any reasonable expenses involved in such assistance shall be borne by Contractor.

ARTICLE 8

COMMERCIALITY

8.1 Contractor shall notify the Minister and GNPC in writing as soon as possible, after any Discovery is made, but in any event not later than thirty (30) days, after such Discovery is made.

8.2 As soon as possible after the analysis of the test results of such Discovery is complete and in any event not later than one hundred (100) days from the date of such Discovery, Contractor shall by a further notice in writing to the Minister indicate whether in the opinion of Contractor the Discovery merits appraisal.

8.3 Where the Contractor indicates that the Discovery does not merit appraisal, Contractor shall, subject to Article 8.17 and 8.19 below, relinquish the Discovery Area associated with the Discovery.

8.4 Where Contractor indicates that the Discovery merits appraisal, Contractor shall submit to the Minister an Appraisal Programme to be carried out by Contractor in respect of such Discovery.

8.5 Unless Contractor and the Minister otherwise agree in any particular case, Contractor shall have a period of two (2) years from the date of Discovery to complete the Appraisal Programme.

8.6 Unless the Minister requires revisions to the Appraisal Programme submitted under Article 8.4, Contractor shall commence to conduct the Appraisal Programme within one hundred and eighty (180) days from the date of approval of the Appraisal Programme by the Minister. Where the Contractor is unable to commence the conduct of the Appraisal Programme within one hundred and eighty (180) days from the date of approval of the Appraisal Programme by the Minister, the Minister shall notify Contractor that it risks having the Discovery Area released to GNPC and if within thirty (30) days of such notification Contractor does not commence to conduct the Appraisal Programme, the Discovery area shall be deemed relinquished to GNPC provided however that after Contractor actually embarks on appraisal work or obtains an extension of time for such work, such release shall not occur.

8.7 Not later than ninety (90) days from the date on which said Appraisal Programme relating to the Discovery is completed, Contractor will submit to the Minister a report containing the results of the Appraisal Programme. Such report shall include all available technical and economic data relevant to a determination of commerciality, including, but not limited to, geological and geophysical conditions, such as structural configuration, physical properties and the extent of reservoir rocks, areas, thickness and depth of pay zones, pressure, volume and temperature analysis of the reservoir fluids; preliminary estimates of Crude Oil and Natural Gas reserves; recovery drive characteristics; anticipated production performance per reservoir and per well; fluid

characteristics, including gravity, sulphur percentage, sediment and water percentage and refinery assay pattern. For the avoidance of doubt, all costs associated with the planning and execution of the Appraisal Programme shall be deductible as Petroleum Costs and shall be deemed included in Section 2.2 of the Accounting Guide.

8.8 Not later than ninety (90) days from the date on which said Appraisal Programme is completed, Contractor will, by a further notice in writing, inform the Minister whether the Discovery in the opinion of Contractor is or is not a Commercial Discovery.

8.9 If Contractor informs the Minister that the Discovery is not a Commercial Discovery, then subject to Articles 8.17 and 8.19, Contractor shall relinquish such Discovery Area; provided, however, that in appropriate cases, before declaring that a Discovery is not a Commercial Discovery, Contractor shall consult with the other Parties and may make appropriate representations proposing minor changes in the fiscal and other provisions of this Agreement which may, in the opinion of Contractor, affect the determination of commerciality. The other Parties may, where feasible, and in the best interests of the Parties agree to make such changes or modifications in the existing arrangements.

8.10 If Contractor pursuant to Article 8.8 informs the Minister that the Discovery is a Commercial Discovery, Contractor shall, not later than one hundred and eighty (180) days thereafter, prepare and submit to the Minister a Development Plan.

8.11 The Development Plan referred to in Article 8.10 shall be based on detailed engineering studies and shall include:

a) Contractor's proposals for the delineation of the proposed Development and Production Area and for the development of any reservoir(s), including the method for the disposal of Associated Gas in accordance with the provisions of Article 14.4;

b) The way in which the Development and Production of the reservoir is planned to be financed;

c) Contractor's proposals relating to the spacing, drilling and completion of wells, the production, storage, transportation and delivery facilities required for the production, storage and transportation of the Petroleum, including without limitation:

i) The estimated number, size and production capacity of production platforms if any;

ii) The estimated number of Production Wells;

iii) The particulars of feasible alternatives for transportation of the Petroleum, including pipelines;

iv) The particulars of onshore installations required, including the type and specifications or size thereof and

v) The particulars of other technical equipment required for the operations;

d) The estimated production profiles for Crude Oil and Natural Gas from the Petroleum reservoirs;

e) Estimates of capital and Production Operation expenditures;

f) The economic feasibility studies carried out by or for Contractor in respect of alternative methods for Development of the Discovery, taking into account:

i) Location;

ii) Water depth;

iii) Meteorological conditions;

iv) Estimates of capital and Production Operation expenditures; and

v) Any other relevant data and evaluation thereof;

g) The safety measures to be adopted in the course of the Development and Production Operations, including measures to deal with emergencies;

h) The necessary measures to be taken for the protection of the environment;

i) Contractor's proposals with respect to the procurement of goods and services obtainable in Ghana;

j) Contractor's plan for training and employment of Ghanaian nationals; and

k) The timetable for effecting Development Operations.

8.12 The date of the Minister's approval of the Development Plan shall be the Date of Commercial Discovery.

8.13 After thirty (30) days following its submission, the Development Plan shall be deemed approved as submitted, unless the Minister has before the end of the said thirty (30) day period given Contractor a notice in writing stating:

i) That the Development Plan as submitted has not been approved; and

ii) The revisions, proposed by the Minister, to the Development Plan as submitted, and the reasons thereof.

8.14 Where the Development Plan is not approved by the Minister as provided under Article 8.13 above, the Parties shall, within a period of thirty (30) days from the date of Contractor's receipt of the notice from the Minister as referred to under Article 8.13 above, meet to agree on the revisions proposed by the Minister to the Development Plan. In the event of failure to agree to the proposed revisions, within Fourteen (14) days following said meeting any matters in dispute between the Minister and the Contractor shall be referred for resolution in accordance with Article 24.

8.15 Where the issue in dispute referred for resolution pursuant to Article 24 is finally decided in favour of Contractor, the Minister shall forthwith give the requisite approval to the Development Plan submitted by Contractor.

8.16 Where the issue in question referred for resolution pursuant to Article 24 is finally decided in favour of the Minister in whole or in part, Contractor shall forthwith:

i) Amend the proposed Development Plan to give effect to the final decision rendered under Article 24, and the Minister shall give the requisite approval to such revised Development Plan; or

ii) Subject to Article 8.19 below relinquish the Discovery Area.

8.17 Notwithstanding the relinquishment provisions of Articles 8.3 and 8.9 above, if Contractor indicates that a Discovery does not at the time merit appraisal, or after appraisal does not appear to be a Commercial Discovery but may merit appraisal or potentially become commercial at a later date during the Exploration Period, then Contractor, need not relinquish the Discovery Area and may continue its Exploration Operations in the Contract Area during the Exploration Period; provided, that the Contractor shall explain what additional evaluations, including Exploration work or studies (within or outside the Discovery Area), are or may be planned in order to determine whether subsequent appraisal is warranted or that the Discovery is commercial. Such evaluations shall be performed by Contractor according to a specific timetable, subject to its right of earlier relinquishment of the Discovery Area. After completion of the evaluations, Contractor shall make the indications called for under Article 8.2 or 8.8 and either proceed with appraisal, confirm commerciality or relinquish the Discovery Area. In any case, if at the end of the Exploration Period, Contractor has not indicated its intent to proceed with an Appraisal Programme or that the Discovery is a Commercial Discovery, then the Discovery Area shall be relinquished.

8.18 Before Contractor indicates that the Discovery will not merit appraisal, or after Appraisal Programme, indicates it will not be a Commercial Discovery, Contractor may consult with the other Parties and may make appropriate representations proposing minor changes in the fiscal and other provisions of this Agreement which may, in the opinion of Contractor, affect the determination of commerciality. The other Parties may, agree to make such changes or modifications in the existing arrangements. In the event the Parties do not agree on such changes or modifications, and, if within sixty (60) days after such failure to agree, Contractor does not propose

additional evaluations, including Exploration work or studies, that are or may be planned in order to determine whether subsequent appraisal is warranted or that the Discovery is commercial, then subject to Article 8.19, Contractor shall relinquish the Discovery Area.

8.19 Nothing in Article 8.3, 8.9, 8.16 or 8.17 above shall be read or construed as requiring Contractor to relinquish:

a) Any area which constitutes or forms part of another Discovery Area in respect of which:

i) Contractor has given the Minister a separate notice indicating that such Discovery merits appraisal or confirmation; or

ii) Contractor has given the Minister a separate notice indicating that such Discovery is a Commercial Discovery; or

b) Any area which constitutes or forms part of a Development and Production Area.

8.20 In the event a field extends beyond the boundaries of the Contract Area, the Minister may require Contractor to exploit said Field in association with the third party holding the adjacent area pursuant to unitisation and engineering principles and practices in accordance with accepted international petroleum industry practices.

ARTICLE 9

SOLE RISK

9.1 Subject to and in accordance with the terms of this Article 9, GNPC shall have the right to conduct Sole Risk Operations.

9.2 GNPC shall not elect to conduct any Sole Risk operations during the Initial Exploration Period or within the boundaries of a Development and Production Area or a Discovery Area. A Sole Risk Operation to drill additional Exploration Wells or to penetrate and test horizons deeper than the agreed Well depth shall not be conducted if: (i) the Well in question has encountered potentially productive horizons; (ii) employing international petroleum industry practices under the same or similar circumstances, such operations are not technically feasible or cannot he conducted in a safe and prudent manner; (iii) such operations may unduly interfere with or delay Contractor's Petroleum Operations, or may result in additional costs to the Contractor, (iv) such operations will have a detrimental effect on the proper performance of the Contractor's Work Programme or (v) the objective is to drill to and/or test a horizon in which Contractor has made a Discovery or which Contractor has identified as being prospective or considered drilling to during the Exploration Period on the Contract Arca.

9.3 Subject to Article 9.2, during the Exploration Period GNPC may, at its sole risk and expense, require Contractor to continue drilling to penetrate and test horizons deeper than those contained in the Work Programme of Contractor or required under Article 4. Subject to Article 9.2, GNPC may also ask the Contractor to test a zone or zones, at GNPC's sole risk and expense, which Contractor has not included in or previously conducted tests in Contractor's test programme. Notice of this shall be given to Contractor in writing as early as possible prior to or during the drilling of an Exploration Well, but in any case, not after Contractor has begun operations to complete or abandon the well.

9.4 Upon receipt of a notice from GNPC under Article 9.3, Contractor shall promptly notify GNPC of the estimated cash requirements to conduct the Sole Risk Operation on GNPC's behalf; and shall provide GNPC a copy of such estimate. GNPC shall make financial arrangements satisfactory to the Contractor, failing which GNPC shall promptly pay such cash advance to Contractor in US Dollars in immediately available funds to the bank account designated by Contractor. If Contractor does not receive GNPC's cash advance payment in full within seven (7) days (if the proposed Sole Risk Operation will not be conducted before the end of such seven (7) day period) or within seventy-two (72) hours (if the drilling rig and other services, equipment and Subcontractors used in the drilling of the Exploration Well are on location waiting to commence the Sole Risk Operation), GNPC shall lose and no longer have the right to conduct such Sole Risk Operation and in such event Contractor shall have the right thereafter to conduct additional operations or plug and abandon such well. Regardless of the cash advance made by GNPC to Contractor, it is understood that GNPC shall bear and pay the entire cost, risk and expense of all expenditures, obligations and liabilities incurred by the Contractor in conducting the Sole Risk Operation. Contractor

shall not be required to use any of its own funds to pay any cost and expense of the Sole Risk Operation. Contractor shall not be obliged to commence or continue a Sole Risk Operation until satisfactory financial arrangements have been made or advance payment from GNPC received in full, as the case may be.

9.5 Stand-by costs incurred for the drilling rig and other services, equipment and Subcontractors used in the drilling of the Exploration Well, pending receipt of GNPC's payment of the cash advance to Contractor or any response from GNPC, shall be borne and paid by GNPC.

9.6 At any time before commencing a Sole Risk Operation, Contractor may elect to include the proposed Sole Risk Operation in its own Exploration Operations, in which case any resulting Discovery shall not be subject to or affected by the provisions of this Article 9.

9.7 The computation of liabilities and expenses incurred in a Sole Risk Operation, including the liabilities and expenses of Contractor for conducting such operations, shall be made in accordance with the principles set out in the Accounting Guide.

9.8 Where any Sole Risk Operation for deeper drilling results in a Discovery, GNPC shall, subject to Article 9.2, have the right at its sole cost, risk and expense to develop, produce and dispose of all Petroleum from that deeper horizon; provided, however, Contractor has the optional right to appraise and/or develop, as the case may be, the Discovery for its account under the terms of this Agreement if it so elects by notice to GNPC within a period of sixty (60) days after the date of such Discovery. In such case, Contractor shall reimburse GNPC for all expenses incurred by GNPC in connection with such Sole Risk Operations, and shall make satisfactory arrangements with GNPC for the payment of a premium equivalent to five hundred per cent (500%) or such expenses. Contractor shall, after reimbursing GNPC for all costs associated with its Sole Risk deeper drilling in said well, have the right to include Petroleum production from that well in its total production for the purposes of establishing a Commercial Discovery subject to and in accordance with Article 8.17 and Article 8.18, and if a Commercial Discovery is subsequently established, to develop, produce and dispose of the Petroleum in accordance with the provisions of this Agreement.

9.9 Subject to Article 9.2, GNPC shall have the right at its sole cost, risk and expense, **to** drill not more than two (2) wells within an area that Contractor intends to relinquish or no longer finds prospective; provided, that the Sole Risk Operation intended to be done by GNPC had not previously been scheduled for a work programme to be performed by a Contractor. Such area shall be of reasonable size in view of the geologic prospect defined by GNPC.

9.10 In exercise of such right, GNPC must take reasonable steps to have access to all information and data related to the intended Sole Risk Operation for drilling.

9.11 Based on GNPC's assessment of such data/information, GNPC shall prepare and submit to a specially convened meeting of the MC for its review, a reasonably detailed

prospect study including a budget and estimated cost and an indication of GNPC's tentative plan for drilling the prospect.

9.12 At any time before commencing a Sole Risk operation, Contractor may elect to include the proposed Sole Risk Operation in its own Exploration Operations in which case any resulting Discovery shall not be affected by the provisions of this Article 9.

9.13 If the JMC is not unanimous in its decision, the Contractor shall have sixty (60) days to review such proposal and data after which period the Parties will convene another JMC meeting within fourteen (14) days to agree on the inclusion or not of the proposal in the Contractor's Work Programme.

9.14 If the JMC is not unanimous in agreeing to include such proposal in the Contractor's Work Programme, the JMC shall refer the matter for resolution by the Minister of Energy. The Minister shall seek to resolve the matter by consultation and negotiations with the Parties. In the event that no agreement is reached within thirty (30) days after the date of referral to the Minister, the Contractor shall relinquish the prospect area for GNPC's Sole Risk Operation for drilling; provided, however, if GNPC has not commenced actual drilling operations within one hundred eighty (180) days from the date of such relinquishment by Contractor, GNPC shall lose the right to conduct such proposed Sole Risk drilling and the area relinquished by Contractor or shall be returned to and become a part of the Contract Area. If GNPC still desires to drill the proposed prospect as a Sole Risk Operation, GNPC shall be required to make the proposal again in accordance with Articles 9.10 through 9.15, inclusive.

9.15 Where GNPC's Sole Risk Operation for drilling results in a Discovery, Contractor shall have the right to appraise and/or develop, as the case may be, the Discovery for its account under the terms of this Agreement if it so elects within a period of sixty (60) days after such Discovery. In such case, Contractor shall reimburse GNPC for all expenses incurred by GNPC in connection with the sole risk drilling that made the Discovery, and shall make satisfactory arrangements with GNPC for the payment of a premium equivalent to seven hundred percent (700%) of such expenses. In such event, the area shall be returned to and be part of the Contract Area and thereafter subject to the terms of this Agreement as before the relinquishment by Contractor.

9.16 If Contractor does not exercise the option to appraise and/or develop a Sole Risk Discovery for its account pursuant to Article 9.8 or Article 9.16 above, then subject to and in accordance with Article 8.17 and Article 8.18, if Contractor does not propose additional evaluations, including Exploration work or studies, that are or may be planned in order to determine whether subsequent appraisal is warranted or that the Discovery is commercial, Contractor, shall relinquish the Discovery Area and/or shallower or deeper horizon, as the case may be, and in the event of such relinquishment, GNPC shall have a 100% undivided interest in such Discovery. In pursuance of the objective of achieving efficiency and viability in the development of Ghana's petroleum resources, the Parties shall proceed in good faith to negotiate a technically feasible joint development of their respective discoveries for mutual benefit, in accordance with accepted international petroleum industry practice.

9.17 Where GNPC's Sole Risk drilling results in a Discovery and upon appraisal the limits of the field are determined to extend beyond the area into the Contractor's retained area, the Parties shall proceed to undertake unitisation in accordance with accepted international petroleum industry practices under the same or similar circumstances.

9.18 Sole Risk Operations shall not extend the Exploration Period nor the term of this Agreement and Contractor shall complete any agreed program of work commenced by it under this Article at GNPC's sole risk, and subject to such provisions hereof as the Parties shall then agree, even though the Exploration Period as defined in Article 3 or the term of this Agreement may have expired.

9.19 GNPC shall indemnify and hold harmless Contractor against all costs, liabilities, actions, claims, demands and proceedings whatsoever brought by any third party or the State, arising out of or in connection with Sole Risk Operations, unless such actions, claims, demands and proceedings are caused by Contractor's Gross Negligence; provided, that under no circumstances shall Contractor be liable for consequential loss (including but not limited to loss of profit or loss of production).

ARTICLE 10

SHARING OF PETROLEUM

10.1 Gross Production of Petroleum from each Development and Production Area shall (subject to a Calendar Year adjustment developed under the provisions of Article 10.7) be distributed amongst the Parties as follows:

a) Seven and one half percent (7 1/2%)of the Gross Production of Crude Oil shall be delivered to the State as royalty, pursuant to the provisions of the Petroleum Law and the Petroleum Income Tax Law 1987; provided, that if all or any part of the accumulation of Crude Oil within such Area is located in water depths of two hundred (200) meters, (six hundred and fifty six (656) feet) or more, the rate of royalty for Crude Oil shall be five per cent (5%); and provided further that the rate of royalty for any Crude Oil having an API gravity of less than twenty (20) shall he five per cent (5%). The rate of royalty on the Gross Production of Natural Gas shall be five per cent (5%). Upon notice to Contractor, the State shall have the right to elect to receive cash in lieu of its royalty share of Crude Oil. The State's notice shall be given to Contractor at least ninety (90) days in advance of each Quarter or other period to be established pursuant to the provisions of Article 10.7. In such case, said share of Crude Oil shall be delivered to Contractor and it shall pay to the State the value of said share in cash at the relevant weighted average Market Price for the relevant Quarter (or period) as determined in accordance with Article 11.7;

b) The State's "AOE" (as hereinafter defined) share of Petroleum, if any, shall be levied in accordance with the Petroleum Law and the Petroleum Income Tax Law 1987 and shall be distributed to the State treasury out of the Contractor's share of Petroleum determined under Article 10.1 (d). The State shall also have the right to elect to receive cash in lieu of the AOE share of Petroleum accorded to it pursuant to Article 10.2. Notification of said election shall be given in the same notice in which the State notifies Contractor of its election to receive cash in lieu of Petroleum under Article 10.2(a). In such case, said share of Petroleum shall be delivered to Contractor and it shall pay to the State the value of said share in cash at the relevant weighted average Market Price for the relevant period as determined in accordance with Article 11.7 for Crude Oil and the price (value) for Natural Gas as determined under Article 14.20;

c) After distribution of such amounts of Petroleum as are required pursuant to Article 10.1(a) an amount of Petroleum, if any, shall be delivered to GNPC to the extent it is entitled for Sole Risk Operations under Article 9.

d) After distribution of such amounts of Petroleum as are required pursuant to Article 10.1(a) and (c) above, the remaining Petroleum produced from each Development and Production Area shall be distributed to Contractor and,

subject to (e) below, to GNPC on the basis of their respective Participating Interests in accordance with Article 2.4, 2.6 and 2.8.

e) In the event that GNPC has failed to pay any amounts due to Contractor pursuant to Article 15.2 in this Agreement (such amounts together with interest thereon in accordance with Article 26.6 being hereinafter called "default amounts") and for so long as any such default amounts remain unrecovered by Contractor, an amount of Petroleum shall be delivered to GNPC sufficient in value to reimburse it for its share of Production Costs paid by it to that date, until such share of Production Costs has been fully reimbursed to it, after which a volume of Petroleum shall be delivered to Contractor equivalent in value to the outstanding amounts of the aforesaid default amounts until such default amounts are fully recovered by Contractor. The value of the Crude Oil for the purpose of this Article 10 shall be at the weighted average Market Price determined pursuant to Article 11.7. The value of Natural Gas for the purpose of this Article 10 shall be determined pursuant to Article 14.20.

10.2 At any time the State shall be entitled to a portion of Contractor's share of Petroleum then being produced from each separate Development and Production Area (hereinafter referred to as "Additional Oil Entitlements" or "AOE") on the basis of the after Royalty, after-tax inflation-adjusted Rate of Return ("ROR") which Contractor has achieved with respect to such Development and Production Area as of that time. Contractor's ROR shall be calculated on its NCF and shall be determined separately for each Development and Production Area at the end of each Calendar Year in accordance with the following computation:

a) Definitions:

"NCF" means Contractor's net cash flow which shall he calculated for each Calendar Year from the Effective Date of this Agreement and which shall be computed in accordance with the following formula:

NCF = x-y-z

where:

"x" equals all revenues (if any) received during such Calendar Year by Contractor from the Development and Production Area, including an amount computed by multiplying the amount of Petroleum taken by Contractor during such Calendar Year in accordance with Article 10.1 (d) and (e) (if any) excluding such Petroleum taken by Contractor for payment of advances and interest in respect of Petroleum Costs incurred by Contractor on GNPC's behalf, and default amounts as defined in Article 10.1 (e) by the weighted average Market Price applicable to Crude Oil and the value applicable to Natural Gas (determined under Article 14.20) during the Calendar Year when lifted or sold (as applicable), plus any other proceeds specified in the Accounting Guide received by Contractor,

including, without limitation, the proceeds from the sale of any assets to which Contractor continues to have title. For the avoidance of doubt, "x" shall not include revenues from royalty or AOE Petroleum delivered to Contractor because the State has elected to receive cash in lieu or which is Petroleum lifted or sold by Contractor which is part of another Party's entitlement *(e.g.* Petroleum purchased by Contractor from GNPC or the State); but shall include revenues from Petroleum owned by Contractor but lifted by or sold to another Party *(e.g.* Crude Oil purchased by GNPC or the State from Contractor).

"y" equals the income tax paid by the Contractor to the State with respect to the Calendar Year in respect of the Development and Production Area. If there are two (2) or more Development and Production Areas, the total income tax paid by Contractor in accordance with the Petroleum Income Tax Law 1987 shall for purposes of this calculation be allocated to the Development and Production Area on the basis of hypothetical tax calculations for the separate Development and Production Areas. The hypothetical tax calculation for each Development and Production Area shall be determined by allocating the total amount of tax incurred for each Calendar Year by Contractor under the Petroleum Income Tax Law to each Development and Production Area based on the ratio that the chargeable income from a given Development and Production Area bears to the total chargeable income of Contractor. The chargeable income of Contractor is determined under section 2 of the Petroleum Income Tax Law and the chargeable income of a Development and Production Area shall be calculated by deducting from the gross income derived from or allocated to that Area those expenses deductible under section 3 of the Petroleum Income Tax Law which are directly attributable to that Area as well as those expenses deductible under the said section 3 which are not attributable to any Development and Production Area where the Development and Production in question had the earliest Date of Commencement of Commercial Production. A negative chargeable income for an Area shall be treated as zero for purposes of this allocation and not more (or less) than the total income tax paid by Contractor shall be allocated between the areas.

"z" equals all Petroleum Costs specified in the Accounting Guide and expended by Contractor during such Calendar Year or in the case of abandonment cost accrued in respect of such Calendar Year pursuant to Article 12.9(b) which are directly attributable or retrospectively deemed attributable to the Development and Production Area, including any Petroleum Costs paid by Contractor on GNPC's behalf, and not reimbursed by GNPC within the Calendar Year, provided that all Petroleum Costs for Exploration Operations not directly attributable to a specific Development and Production Area shall for

purposes of this calculation be allocated to the Development and Production Area having the earliest Date of Commencement of Commercial Production; and provided further that for the purpose of the ROR calculation, Petroleum Costs shall not include any amounts in respect of interest on loans obtained for the purposes of carrying out Petroleum Operations.

For the avoidance of doubt, where Petroleum Costs are expended before the first Date of Commencement of Commercial Production, the NCF computation shall nonetheless be made for each such Calendar Year and once a Development and Production Area is delineated, costs directly attributable to such Area as well as Exploration Costs not attributable to any other Area shall be retrospectively deemed allocated to the Development and Production Area having the first Date of Commencement of Commercial Production; provided that where, after the delineation of such Development and Production Area but before its Date of Commencement of Commercial Production, another Development and Production Area is delineated, Contractor may elect either to maintain the original retrospective allocation or reallocate those Exploration Costs attributable to the new Development and Production Area to such new area.

"FA_n", "SA_n" and "TA_n" means First Account, Second Account and Third Account, respectively, and represent amounts as of the last day of the Calendar Year in question as determined by the formulae in (b) below.

"FA_{n-1}", "SA_{n-1}" and "TA_{n-1}", respectively, mean the lesser of (i) the FA_n, SA_n, TA_n, as the case may be, as of the last day of the Calendar Year immediately preceding the Calendar Year in question, or (ii) zero. Stated otherwise, FA_{n-1} shall equal FA_n, as of the last day of the Calendar Year immediately preceding the Calendar Year in question if such FA_n, was a negative number, but shall equal zero if such FA_n, was a positive number.

Likewise, SA_{n-1} shall equal SA_n as of the last day of the Calendar Year immediately preceding the Calendar Year in question if such SA_n was a negative number, but shall equal zero if such SA_n was a positive number.

Likewise TA_{n-1} shall equal TA_n as of the last day of the Calendar Year immediately preceding the Calendar Year in question if such TA_n was a negative number, but shall equal zero if such TA_n was a positive number. In the ROR calculation for the first Calendar Year of Petroleum Operations, FA_{n-1}, SA_{n-1}, TA_{n-1} shall be zero.

"i" for the Calendar Year in question equals one (1) subtracted from the quotient of the United States Industrial Goods Wholesale Price Index ("USIGWPI) for the Calendar Year second preceding the Calendar Year in question *(e.g.* use August data for October's computation) as first reported in the International Financial statistics of the International Monetary Fund,

divided by the USIGWPI for the same second preceding Calendar Year of the immediately preceding Calendar Year as first reported in the International Financial Statistics of the International Monetary Fund. If the USIGWPI ceases to be published, a substitute U.S. Dollar-based price index shall be used.

"n" refers to the nth Calendar Year in question.

"n- I" refers to the Calendar Year immediately preceding the nth Calendar Year

b) Formulae:

$$FA_n = (FA_{n-1} \underline{(1 + 0.25 + i)}) + NCF$$

$$SA_n = (SA_{n-1} \underline{(1 + 0.30 + i)}) + NCF$$

In the calculation of SA_n an amount shall be subtracted from NCF identical to the value of any AOE which would be due to the State if reference were made hereunder only to the FA_n,

$$TA_n = (TA_{n-1} \underline{(1 + 0.40 + i)}) + NCF$$

In the calculation of TA_n an amount shall be subtracted from NCF identical to the value of any AOE which would be due to the State if reference were made hereunder only to the FA_n and SA_n.

c) Prospective Application:

The State's AOE measured in Barrels of Crude Oil or MMBTU as applicable will be as follows:

i) If FA_n, SA_n, and TA_n are all negative, the State's AOE for the Calendar Year in question shall be zero;

ii) If FA_n is positive and SA_n and TA_n are all negative, the State's AOE for the Calendar Year in question shall be equal to the absolute amount resulting from the following monetary calculation:

7.5% of the FA_n for that Calendar Year divided by the weighted average Market Price of Crude Oil as determined in accordance with Article 11.7 for Crude Oil and the weighted average price of Natural Gas for the Calendar Year determined in accordance with Article 14.20.

iii) If both FA_n, and SA_n are positive, but TA_n is negative, the State's AOE for the Calendar Year in question shall be equal to an absolute amount resulting from the following monetary calculation:

The aggregate of 7.5% of FA_n for that Calendar Year plus I5% of the SA_n for that Calendar Year all divided by the weighted average Market Price of Crude Oil as determined in accordance with Article 11.7 for Crude Oil and the weighted average price of Natural Gas for the Calendar Year determined in accordance with Article 14.20.

iv) If FA_n, SA_n and TA_n, are all positive the State's AOE for the Calendar Year in question shall be equal to the absolute amount resulting from the following monetary calculation:

The aggregate of 7.5% of the FA_n for that Calendar Year plus 15% of the SA_n for that Calendar Year, plus 25% of the TA_n for that Calendar Year, all divided by the weighted average Market Price Crude Oil as determined in accordance with Article 11.7 and the weighted average price of Natural Gas for the Calendar Year determined in accordance with Article 14.20.

d) The AOE calculations shall be made in U.S. Dollars with all non-dollar expenditures converted to U.S. Dollars in accordance with Section 1.3.5 of the Accounting Guide. When the AOE calculation cannot be definitively made because of disagreement on the price of Petroleum to use or any other factor in the formulae, then a provisional AOE calculation shall be made on the basis of best estimates of such factors, and such provisional calculation shall be subject to correction and revision upon the conclusive determination of such factors, and appropriate retroactive adjustments shall be made.

e) The AOE shall be calculated on a Calendar Year basis, with the AOE to be paid commencing with the first Calendar Year following the Calendar Year in which the FA_n, SA_n and TA_n, (as applicable) becomes positive. Because the precise amount of the AOE for a Calendar Year cannot be determined with certainty until after the end of that Calendar year, deliveries (or payments in lieu) of the AOE with respect to a Calendar Year shall be made during such Calendar Year based upon the Contractor's good faith estimates of the amounts owing, with any adjustments following the end of the Calendar Year to be settled pursuant to the procedures agreed to pursuant to Article 10.7. The Contractor of the annual tax return shall make final calculations of the AOE within thirty (30) days following the filing for such Calendar year pursuant to the Petroleum Income Tax Law, and the amount of the AOE shall be appropriately adjusted in the event of a subsequent adjustment of the amount of tax owing on such term.

10.3 GNPC shall act as agent for the State in the collection of all Petroleum or money accruing to the State under this Article and delivery or payment to GNPC by Contractor shall discharge Contractor's liability to deliver the share of the State.

10.4 The State or GNPC, may elect, in accordance with terms and conditions to be mutually agreed by the Parties, that all or part of the Crude Oil to be distributed to

the State or to GNPC pursuant to this Article 10 shall be sold and delivered by the State or GNPC to Contractor or its Affiliate for use and disposal; and in such case, Contractor or its Affiliate shall pay to the State or to GNPC, as the case may be, the weighted average Market Price for any Crude Oil so sold and delivered. Market Price of Crude Oil, for purposes of this Article 10.4, shall be determined in the manner specified in Article 11.7.

10.5 Except as otherwise provided in this Agreement, GNPC's and Contractor's respective right and entitlement to the volume of Gross Production of Petroleum at the first metering or fiscalization point shall be shared according to Articles 2.4 and 2.7. Ownership and risk of loss of all Petroleum lifted or sold by Contractor or GNPC shall pass to Contractor or GNPC, as the case may be, after the custody transfer at the fiscal metering skid at the outlet flange ("Delivery Point") of the marine terminal or other storage or holding facility or pipeline for loading into tankers or other transportation equipment referred to in Article 11.1.

10.6 Subject to the provisions of Article 15 hereof, Contractor shall have the right to freely export and dispose of all the Petroleum allocated and/or delivered to it pursuant to this Agreement.

10.7 The Parties shall through consultation enter into supplementary agreements concerning Crude Oil lifting procedures, lifting and tanker schedules, loading conditions, Crude Oil metering, and the settlement of lifting imbalances, if any, among the Parties at the end of each Calendar Year. The Crude Oil to be distributed or otherwise made available to the Parties in each Quarter in accordance with the preceding provisions of this Article shall, insofar as possible, be in reasonably equal quarterly quantities.

10.8 To assist in the making of the AOE calculation in accordance with Article 10.2, there is attached as Annex 3 to this Agreement a worked example of the calculation using hypothetical figures, rates and thresholds, for the purpose of illustration only.

ARTICLE 11

MEASUREMENT AND PRICING OF PETROLEUM

11.1 Crude Oil shall be delivered by Contractor to storage tanks or other suitable holding facility constructed, maintained and operated in accordance with applicable laws and good international petroleum industry oilfield practice *(e.g.* American Petroleum Institute) under the same or similar circumstances. Crude Oil shall be metered or otherwise measured for quantity and tested for quality in such storage tanks or other facility for all purposes of this Agreement. Any Party may request that measurements and tests be done by an internationally recognised inspection company. Contractor shall arrange and pay for the conduct of any measurement, or test so requested, provided however, that in the case of (I) a test requested for quality purposes and (2) a test requested on metering (or measurement) devices where the test demonstrates that such devices are accurate within acceptable tolerances, the Party requesting the test shall reimburse Contractor for the costs associated with the test or tests.

11.2 GNPC or its authorized agent shall have the right:

a) To be present at and to observe such measurement of Crude Oil; and

b) To examine and test whatever appliances are used by Contractor.

11.3 In the event that GNPC considers Contractor's methods of measurement to be inaccurate, GNPC shall notify Contractor to this effect and the Parties shall meet within ten (10) days of such notification to discuss the matter. If after thirty (30) days, the Parties cannot agree over the issue they shall refer for resolution under Article 24, the sole question of whether Contractor's method of measuring Crude Oil is accurate. Retrospective adjustments to measurements shall be made where necessary to give effect to the decision rendered under Article 24.

11.4 If, upon the examination or testing of appliances provided for in Article 11.2, any such appliances shall be discovered to be defective:

a) Contractor shall take immediate steps to repair or replace such appliance; and

b) Subject to the establishment of the contrary, such error shall be deemed to have existed for three (3) months or since the date of the last examination and testing, whichever occurred more recently.

11.5 In the event that Contractor desires to adjust, repair or replace any measuring appliance, it shall give GNPC reasonable notice to enable GNPC or its authorized agent to be present.

11.6 Contractor shall keep full and accurate accounts concerning all Petroleum measured as aforesaid and provide GNPC with copies thereof on a monthly basis, not later than ten (10) days after the end of each month.

11.7 The Market Price for Crude Oil delivered to Contractor hereunder ("Market Price") shall be established with respect to each lifting or other period as provided elsewhere as follows:

a) On Crude Oil sold by Contractor in "arm's-length commercial transactions" (defined below), the Market Price shall be the price actually realized by Contractor on such sales;

b) On Crude Oil sold by Contractor not in an arm's-length commercial transaction, on exports by Contractor without sale or on sales under Article 15.2, the Market Price shall be determined by reference to world Market Prices of comparable Crude Oils sold in arm's-length transactions, and adjusted for oil quality and conditions of pricing, delivery and payment; provided that in the case of sales under Article 15.2 where such sales relate to part only of Contractor's entitlement, prices actually realised by Contractor in sales of the balance of its proportionate share falling within Article 11.7(a) above shall be taken into account in determining Market Price;

c) Sales in "arm's-length commercial transactions" shall mean sales to purchasers independent of the seller, which do not involve Crude Oil exchange or barter transactions, government to government transaction, sales directly or indirectly to Affiliates, or sales involving consideration other than payment in U.S. Dollar or currencies convertible thereto, or affected in whole or in part by considerations other than the usual economic incentives for commercial arm's length Crude Oil sales;

d) The price of Crude Oil shall be expressed in U.S. Dollars per barrel, F.O.B. the Delivery Point by Contractor;

e) If the quality of Crude Oils produced from the Contract Area is different, Contractor may commingle such Crude Oils and the Market Price shall be determined by reference to such commingled stream.

11.8 Contractor shall notify GNPC of the Market Price determined by it for its respective lifting during each Quarter not later than thirty (30) days after the end of that Quarter.

11.9 If GNPC considers that the price notified by Contractor was not correctly determined in accordance with the provisions of Article 11.7, it shall so notify Contractor not later than thirty (30) days after notification by Contractor of such price, and GNPC and Contractor shall meet not later than twenty (20) days thereafter to resolve any differences of such Market Price.

11.10 In the event that GNPC and Contractor fail to agree upon the commencement of meetings for that purpose, or if having met, cannot agree on the Applicable Market Price, the Market Price shall be referred for determination in accordance with Article 24 of this Agreement.

11.11 Pending a determination under Article 11.10, the Market Price will be deemed to be the last Market Price agreed or determined, as the case may be, or if there has been no such previous agreement or determination, the price notified by Contractor for the lifting in question under Article 11.8. Should the determined price be different from that used in accordance with the foregoing then the difference plus interest at the Specified Rate shall be paid in cash or in Crude Oil by or to Contractor, as the case may be, within thirty (30) days of such determination.

ARTICLE 12

TAXATION AND OTHER IMPOSTS

12.1 No tax, duty, fee or other impost (including VAT) shall be imposed by the State or any entity or Affiliate political subdivision on Contractor, its Subcontractors or its Affiliates in respect of activities related to Petroleum Operations and to the sale and export of Petroleum other than as provided in this Article.

12.2 Contractor shall be subject to the following:

(i) Royalty as provided for in Articles 10 and 14.17(a);

(ii) income Tax at the rate of thirty-five percent (35%), calculated in accordance with the Petroleum Income Tax Law 1987 (PNDC L.188) or at such lower rate as may be applicable under an amended Petroleum Income Tax Law;

(iii) Additional Oil Entitlement as provided for in Article 10.2;

(iv) Payments for rental of Government property, public lands or for the provisions of specific services requested by Contractor from State Affiliates; provided, however, that the rates charged Contractor for such rentals or services shall not exceed the rates charged to other members of the public who receive similar services or rentals;

(v) Surface rentals payable to the State pursuant to Section 18 of the Petroleum Law per square kilometre of the Contract Area remaining at the beginning of each Calendar Year or upon the creation of a Development and Production Area, as the case may be, in the amounts as set forth below

Phase of Operation	Surface Rentals Per Annum
Initial Exploration Period	US $ 20 per sq. km.
1st Extension Period	US $ 25 per sq. km.
2nd Extension Period	US $ 30 per sq. km.
Development & Production Area	US $100 per sq. km.

Provided, that a pro-rata payment shall be made to cover the period from the Effective Date to the beginning of the first Calendar Year.

(vi) Taxes, duties, fees or other imposts of a minor nature and amount excluding any that relate to the stamping and registration of this (1) Agreement, (2) any assignment of interest in this Agreement, or (3) any contract in respect of Petroleum Operations between Contractor and any Subcontractor.

12.3 Save for withholding tax at a rate of five percent (5%) from the aggregate amount due to any Subcontractor if and when required by Section 27 (1) of the Petroleum Income Tax Law, Contractor shall not be obliged to withhold any amount in respect of tax from any sum due from Contractor to any Subcontractor. Notwithstanding the foregoing the withholding tax in respect of services provided to Contractor by an Affiliate of any company comprising Contractor shall be waived provided such services are charged at cost.

12.4 Contractor shall not be liable for any export tax on Petroleum exported from Ghana and no duty or any other charge shall be levied on such exports. Vessels or other means of loading and transportation used in the export of Contractor's Petroleum from Ghana shall not be liable for any tax, duty or other charge by reason of their use for that purpose.

12.5 Subject to the local purchase obligations hereunder, Contractor and Subcontractors may import into Ghana all plant, equipment and materials to be used solely and exclusively in the conduct of Petroleum Operations without payment of customs and other duties, taxes, fees and charges on imports, save minor administrative charges;

PROVIDED THAT:

a) GNPC shall have the right of first refusal for any item imported duty-free under this Article which is later sold in Ghana on condition that the Ghana Customs is notified about the intended sale; and

b) Where GNPC does not exercise its right of purchase, Contractor may sell to any other person only subject to all import duty and taxes as if such items were being imported at the time of such sale; provided, however, that no duty or tax shall be levied if the purchaser could have imported the item sold free of duty or tax under an exemption similar to Contractor's hereunder.

12.6 Foreign National Employees of Contractor or its Affiliates, and of its Subcontractors, shall be permitted to import into Ghana free of import duty their personal and household effects in accordance with the Section 22.7 of PNDCL 64; provided, however, that no property imported by such employee shall be resold by such employee in Ghana except in accordance with Article 12.5.

12.7 Subject to GNPC's rights under Article 19, Contractor, Affiliates and Subcontractors and Foreign National Employees shall have the right to export from Ghana all previously imported items as defined. Such exports shall be exempt from all customs and other duties, taxes, fees and charges on exports, save minor administrative charges.

12.8 The Ghana Income Tax law applicable generally to individuals who are not employed in the petroleum industry shall apply in the same fashion and at the same rates to employees of Contractor, its Affiliates and its Subcontractors; provided, however, that Foreign National Employees of Contractor, its Affiliates, and its Subcontractors

shall be exempt from the income tax and withholding tax liabilities if they are resident in Ghana for thirty (30) days or less in any Calendar Year.

12.9 Pursuant to Part 1 section 3 (2) of the Petroleum Income Tax Law, the parties hereby confirm that in respect of Capital allowance deductions for the purposes of calculating chargeable income of the Contractor, GNPC shall make sufficient arrangements to ensure that the Contractor has the option to fully depreciate in five (5) years. The mode of calculation shall be in accordance with the Capital Allowances schedule annexed to the Petroleum Income Tax Law 1987 (PNDC L.188).

12.10 GNPC shall submit to the appropriate State authorities for approval to enable the accrual of cost for abandonment as provided in Section 28 of the Petroleum Law within one (1) year of the Effective Date, to enable Contractor to have such cost allowed as deduction against chargeable income prior to abandonment, using the same method as described for a Petroleum Capital expenditure under the Petroleum Income Tax Law, five (5) years prior to abandonment or after fifty percent (50%) of the reserves are depleted, whichever comes later, based on estimates of abandonment cost (subject to adjustment to actuals).

12.11 It is the intent of the Parties that payments by Contractor of tax levied by the Petroleum Income Tax Law qualify as creditable against the income tax liability of each company comprising Contractor in the jurisdiction of its or an Affiliate's incorporation and any other relevant jurisdiction. Should the fiscal authority involved determine that the Petroleum Income Tax does not impose a creditable tax, the Parties agree to negotiate in good faith with a view to establishing a creditable tax on the precondition that no adverse effect should occur to the economic rights of GNPC or the State.

12.12 Contractor shall be entitled to economic and fiscal stability according to the rights and benefits as defined in this Agreement.

ARTICLE 13

FOREIGN EXCHANGE TRANSACTIONS

13.1 Contractor shall, for the purpose of this Agreement, be entitled to receive, remit, keep and utilize freely abroad all the foreign currency obtained from the sales of the Petroleum assigned to it by this Agreement or purchased hereunder, or from transfers, as well as its own capital, receipts from loans and in general all assets thereby acquired abroad. Upon making adequate arrangements with regard to its commitment to conduct Petroleum Operations, Contractor shall be free to dispose of this foreign currency or assets as it deems fit.

13.2 Contractor shall have the right to open and maintain in Ghana bank accounts in foreign currency and Ghanaian currency. No restriction shall be made on the import by Contractor in an authorized manner of funds assigned to the performance of the Petroleum. Operations and Contractor shall be entitled to purchase Ghanaian currency through authorized means, without discrimination, at the prevailing rate of exchange; provided, however, that such prevailing rate applicable to Contractor hereunder for all transactions for converting Ghanaian currency into U.S. Dollars, and vice versa, shall be at a buying or selling, as the case may be, rate of exchange not less favourable to Contractor than that quoted by the State or its foreign exchange control authority to any person or entity on the dates of such conversion (excepting those special rates provided by the State to certain defined groups for special, limited purposes).

13.3 Contractor shall be entitled to convert in an authorized manner into foreign currencies of its choice funds imported by Contractor for the Petroleum Operations and held in Ghana which exceeds its local requirements at the prevailing rate of exchange referred to in Article 13.2 and remit and retain such foreign currencies outside Ghana.

13.4 In the event of resale by Contractor or its Affiliate of Crude Oil purchased from the State or GNPC, the State or GNPC shall have the right to request payment for such sales of its share of production to Contractor or its Affiliate to be held in the foreign currency in which the resale transaction took place or in U.S. Dollars.

13.5 Contractor shall have the right to make direct payments outside of Ghana from its home offices and elsewhere, to its Foreign National Employees, and to those of its Subcontractors and suppliers "not resident in Ghana" (as that term is defined in part IV, Division I, Section 160 of the Internal Revenue Act at 2000, Act 592) for wages, salaries, purchases of goods and performance of services, whether imported into Ghana or supplied or performed therein, for Petroleum Operations carried out hereunder, in accordance with the provisions of this Agreement, in respect of services performed within the framework of this Agreement. Such payments shall be considered as part of the costs incurred in Petroleum Operations. In the event of any changes in the location of Operator's home or other offices, Operator shall so notify GNPC and the State.

13.6 All payments which this Agreement obligates Contractor to make to GNPC or the State, including income taxes, shall be made in U.S. Dollars, except as requested otherwise pursuant to Article 13.4 above. All payments shall be made by electronic transfer in immediately available funds to a bank to be designated by GNPC or the State, and reasonably accessible to Contractor by way of its being able to receive payments made by Contractor and give a confirmation of receipt thereof, or in such other manner as may be mutually agreed.

13.7 All payments which this Agreement obligates either GNPC or the State to make to Contractor shall be made in U.S. Dollars. All payments shall be made by electronic transfer in immediately available funds to a commercial bank to be designated by Contractor, and reasonably accessible to GNPC or the State by way of its being able to receive payments made by GNPC or the State and give confirmation of receipt thereof, or in such other manner as may be mutually agreed.

ARTICLE 14

SPECIAL PROVISIONS FOR NATURAL GAS

PART 1 - GENERAL

14.1 Contractor shall have the right to use Natural Gas produced from any Development and Production Area for Petroleum Operation within the Contract Area such as reinjection for pressure maintenance and/or power generation.

14.2 Contractor shall have the right to flare Natural Gas:

a) To the extent provided in an approved Development Plan;

b) During production testing operations;

c) When required for the safety of persons engaged in Petroleum Operations in accordance with international petroleum industry practice;

d) Where reinjection is inadvisable from the point of view of good reservoir or petroleum engineering practice; or

e) As otherwise authorized by the Minister.

14.3 Contractor shall have the right to extract condensate and Natural Gas liquids for disposition under the provisions relating to Crude Oil. Residual Natural Gas remaining after the extraction of condensate and Natural Gas liquids is subject to the provisions of this Article.

PART II - ASSOCIATED GAS

14.4 Based on the principle of full utilization of Associated Gas and without impediment to Crude Oil production, the Development Plan of each Development and Production Area shall include a plan of utilization for Associated Gas.

14.5 If Contractor considers production processing and utilization of Associated Gas from any Development and Production Area to be non-economic, GNPC shall have the option to offtake such Associated Gas at the outlet flange of the gas-oil separator at its sole risk and cost for its own use and to that end the Development Plan proposed by Contractor shall include:

a) A statement of the facilities necessary for the delivery to GNPC of such Associated Gas; and

b) A plan for the reinjection of such Associated Gas into the reservoir.

14.6 A. If GNPC elects to offtake Associated Gas under Article 14.5 above, GNPC shall pay for the cost of any additional facilities and any related production cost required for the delivery of the gas to GNPC, and/or for the reinjection of such Associated Gas for future delivery, provided that:

(i) If Contractor subsequently wishes to participate in GNPC's gas utilization programme, it shall reimburse GNPC for the costs of such facilities plus a premium of three hundred percent (300%); or

(ii) If Contractor subsequently develops a gas utilization programme and requires the use of such facilities, Contractor shall pay GNPC an agreed fee for such use.

B. If Contractor considers that it may be economic to produce Associated Gas for sale, the provision of Articles 14.12, 14.13 and part IV below shall apply as to such Associated Gas.

C. The decision of GNPC as to whether or not to exercise the option provided for in Article 14.5 shall be made in a timely manner. In making any such decision and in its subsequent conduct GNPC shall not create obstacles to, or prevent or delay, the orderly start up or continuation of the production of crude oil as envisaged in Contractor's plan of development.

PART III - NON-ASSOCIATED GAS

14.7 Contractor shall notify the Minister in writing as soon as any Discovery of Non-Associated Gas is made in the Contract Area.

14.8 As soon as possible after the technical evaluation of the test results of such Discovery is complete and in any event not later than one hundred eighty (180) days from the date of Discovery, Contractor shall by a further notice in writing to the Minister (the "Notice") indicate whether in Contractor's opinion the Discovery merits appraisal.

14.9 Where Contractor's Notice indicates that the Discovery does not at that time merit appraisal but may merit appraisal or additional evaluation at a later date during the Exploration Period or during the initial period under a new petroleum agreement made pursuant to Article 14.18A below, then Contractor need not submit a proposed Appraisal Programme at that time but instead shall indicate what other studies or evaluation may be warranted before an Appraisal Programme is undertaken. A timetable for such evaluation or study shall be agreed with the Minister and GNPC within one hundred and twenty (120) days of Contractor's Notice in Article 14.18. Where Contractor's Notice indicates that the Discovery will not merit appraisal at any time during the Exploration Period or during the initial period under a new petroleum agreement made pursuant to Article 14.18A, then GNPC may by notice to Contractor require Contractor to relinquish the rights to the Non-Associated Gas within that Discovery Area.

14.10 Where Contractor's Notice indicates that the Discovery merits the drilling of one or more Appraisal Wells at that time, Contractor shall prepare and submit to the JMC the appropriate Appraisal Programme which programme shall be scheduled to be completed within two (2) years of the submission of the Notice to the Minister.

14.11 Not later than ninety (90) days from the date on which the Appraisal Programme relating to a Discovery is concluded, Contractor shall submit to the Minister a report containing the results of the Appraisal Programme. If the report concludes that the Discovery merits commercial assessment, Contractor shall notify the Minister within one hundred and eighty (180) days from the date on which the Appraisal Programme relating to the Discovery was completed of a programme of such assessment and shall conduct such programme during the rest of the Exploration Period and, if applicable, during the initial period under a new Petroleum Agreement made pursuant to Article 14.18. Notwithstanding the above, Contractor may also notify the Minister that commercial assessment of the Discovery is not warranted at that time but the Discovery may merit such assessment at a later date during the Exploration Period or during the initial period aforesaid. If Contractor so notifies the Minister, Contractor shall also indicate what other studies or evaluation may be warranted before a commercial assessment is undertaken.

14.12 The purpose of the commercial assessment shall be to study the uses to which production from the Discovery Area, separately or together with any Natural Gas referred to in Part Il of this Article 14, can be devoted and whether involving exports or domestic utilization. As part of the assessment, the Parties shall also pursue discussions on the required contractual arrangements for disposition of the Natural Gas to potential purchasers and/or consumers of the Natural Gas, without prejudice to Contractor's right to conduct separate discussions on behalf of the Parties on sales and other contractual arrangements with any potential buyer, transporter or other relevant entity.

14.13 Contractor may consult with the other Parties and may make appropriate representations proposing changes in the fiscal and other provisions of this Agreement which may, in the opinion of Contractor, affect the above determinations made pursuant to Articles 14.10 and 14.11. The other Parties may, where feasible and in the best interests of the Parties, agree to make such changes or modifications in the existing arrangements.

14.14 Nothing in this Part III of Article 14 shall be read or construed as requiring Contractor to relinquish any area:

i) Which constitutes or forms part of another Discovery Area in respect of which Contractor has given to the Minister a separate notice indicating that such Discovery merits confirmation or commercial assessments;

ii) Which Contractor has given the Minister a separate notice indicating that such Discovery is a Commercial Discovery; or

iii) Which constitutes or forms part of a Development and Production Area.

PART IV - NATURAL GAS PROJECTS

14.15 If at any time during the commercial assessment Contractor informs the Minister in writing that the Natural Gas Discovery can be produced commercially, it shall as soon as reasonably possible thereafter submit to the Minister and to GNPC its proposals relating to the development of the Discovery in accordance with Article 8.

14.16 If at any time during the commercial assessment Contractor has identified a market in Ghana for the reserves of Associated and/or Non-Associated Gas or any part thereof that can be saved without prejudice to an export project, the Parties shall proceed in good faith to negotiate the appropriate contractual arrangements for the disposition of the Natural Gas. In the event of a domestic market for such Natural Gas, Contractor and GNPC shall negotiate in good faith on terms and price for the delivery into the domestic market of Contractor's share of gas. The price and terms offered by GNPC for the Natural Gas shall be fair and reasonable taking into account among other things, the Contractor's risk and cost of developing the Natural Gas and the uses which will be made of the Natural Gas. If the Parties are unable to reach agreement on the price and other terms as aforesaid within sixty (60) days of such negotiations commencing, or such longer period as the Contractor and GNPC may mutually agree, Contractor shall be free to dispose of such gas to one or more third parties on the terms, including price, which are more favourable than those offered by GNPC. GNPC and the State agree to co-operate with and facilitate any proposals for the creating of a market for Natural Gas or for accessing an existing Natural Gas market whether through export, through the supply of Natural Gas for power generation, conversion to liquids or otherwise.

14.17 In the event of a Discovery of Natural Gas in the Contract Area which is to be developed and commercially produced, the provisions of this Agreement in respect to interests, rights and obligations of the Parties regarding Crude Oil shall apply to Natural Gas, with the necessary changes in points of detail, except with respect to specific provisions in this Agreement concerning Natural Gas and different or additional provisions concerning Natural Gas which may be agreed by the Parties in the future.

a) The system for the allocation of Natural Gas among the Parties shall follow the same general format as Article 10.1 provides for Crude Oil, with the exception that the royalty to be delivered to the State on Natural Gas shall be at the rate of five percent (5%) of the annual Gross Production of Natural Gas as an incentive to enhance the viability of a Natural Gas project on the basis herein provided for;

b) The Parties recognize that projects for the development and production of Natural Gas are generally long-term in nature for both the project developers and the customers who purchase the Natural Gas. Substantial investments and dedication of facilities require long-term commitments on both sides. This

Agreement, being for a specific term of years, may not cover the length of time for which customers in given cases will require commitments on the part of the Parties to this Agreement to deliver their respective shares of the output. Accordingly the Parties agree to consider undertaking such commitments where reasonably required for the efficient and viable development of a Natural Gas project. It is recognized that, unless otherwise agreed by the Parties hereto, Contractor will have no right or interest in the project or the Natural Gas produced and delivered after this Agreement has expired unless a petroleum agreement pursuant to Article 14.18(A) has been entered into;

c) In the event that Contractor or an Affiliate decides to construct facilities to receive Natural Gas from the Development and Production Area for further processing or for use as a feedstock or fuel in order to convert such a Natural Gas into one or more commercially marketable products, the Contractor shall be entitled to pay GNPC or the State for such gas the price, if any, paid by the State or GNPC under Article 14.16;

d) The Parties will consider collaboration in obtaining any common external financing available for Natural Gas processing or Natural Gas utilization facilities, including project financing; however, each Party shall remain free to finance externally its share of such facilities to the extent it prefers to do so.

14.18 A. Where Contractor has, during the continuance of the Exploration Period, made a Discovery of Non-Associated Gas; but has not before the end of the Exploration Period declared that Discovery to be a Commercial Discovery, the State and GNPC will, if Contractor so requests, enter into a new petroleum agreement with Contractor in respect of the Discovery Area to which that Discovery relates.

B. The State and GNPC shall not be under any obligation to enter into an agreement pursuant to Article 14.18(A) unless before the end of the Exploration Period Contractor has carried out an Appraisal Program in respect of that Discovery pursuant to Article 14.10 and submitted to the Minister a report thereon pursuant to Article 14.11, or has notified the Minister of reasonable arrangements to undertake and complete such an Appraisal Program during the period provided for in Article 14.18 (C) (i) below.

C. The petroleum agreement entered into pursuant to Article 14.18(A):

i) Shall, unless the Discovery in respect of which the Agreement has been made is declared by Contractor to be a Commercial Discovery, continue in force for an initial period not exceeding five (5) years;

ii) Shall in the event that the Discovery is declared by Contractor to a be Commercial Discovery:

a) Continue in force for an aggregate period not exceeding thirty (30) years;

b) Include, or be deemed to include, all the provisions which, *mutatis mutandis,* would have applied to a Commercial Discovery of Non-Associated Gas pursuant to Article 14.17 if Contractor had declared such Discovery to be a Commercial Discovery under this Agreement;

iii) Shall contain in respect of the initial period or of any renewal period details of the evaluations or studies which Contractor proposes to undertake in order to determine or keep under review the commerciality of the Discovery.

iv) Shall confer on GNPC pre-emptive rights in respect of the Gas contained in the reservoir to which the Discovery relates substantially in the form of the provisions hereinafter set out in Article 14.18(D).

D. Where Contractor has not declared the Discovery to be a Commercial Discovery, if GNPC has identified a market for the Gas contained in the reservoir to which the Discovery relates, or any part thereof, it may at any time during the initial period or the aggregate period referred to in Article 14.18C(ii)(a) above serve on Contractor a notice giving particulars of the quantities of Natural Gas required to serve that market and the price offered; and on the basis of the procedure detailed in Article 9, exercise the right referred to in Article 14.18C(iv) above.

PART V - VALUE OF NATURAL GAS

14.19 For the purposes of calculating the State's 5% royalty share on Natural Gas, if the State elects to take its royalty on Natural Gas in cash, the value of such Natural Gas shall be the actual realised price received by the Contractor, less, transportation, compression and marketing costs.

14.20 Notwithstanding Articles 14.16 and 14.19 above, in view of the fact that it is the desire of GNPC that the AOE's levied for Crude Oil and Natural Gas are identical, GNPC, the Minister and Contractor shall use their best efforts to ensure that the value of the Natural Gas expressed in British Thermal Units (BTU), shall not be less than the value of the thermal equivalent of the mean average price for the applicable Calendar Year, as the case may be, of a marker crude oil quoted daily by *Platt's Oilgram* in the London, England futures market; provided, however, if a valuation is required hereunder on a Monthly basis, the mean average price of such crude oil for three months shall be used, such months being the one previous, the current and the succeeding.

ARTICLE 15

DOMESTIC SUPPLY REQUIREMENTS (CRUDE OIL)

15.1 Crude Oil for consumption in Ghana (in this Article called the "Domestic Supply Requirement") shall be supplied at the Delivery Point, to the extent possible, by the State and GNPC from their respective entitlements under this Agreement and under any other agreement for the production of Crude Oil in Ghana.

15.2 In the event that Crude Oil available to the State pursuant to Article 15.1 is insufficient to fulfil the Domestic Supply Requirement, Contractor shall be, upon notice from the State be obliged, together with any third parties which produce Crude Oil in Ghana, to supply a volume of Crude Oil to be used for such Domestic Supply Requirements, calculated on the basis of the ratio of Contractor's entitlement to Crude Oil under Article 10.1(d) to the entitlements of all such third parties providing Crude Oil in Ghana, and provided that Contractor's obligation to supply Crude Oil for purposes of meeting the Domestic Supply Requirement shall not exceed twenty-five percent (25%) of the total of Contractor's entitlement of Gross Production of Crude Oil after deduction of the State's royalty under this Agreement. The Domestic Supply Requirement shall take effect on the earlier of:

(i) The date on which Contractor is free from any pre-existing contractual obligations; and

(ii) Six (6) months from the date of the State's notice.

If the State requires such Crude Oil sooner, Contractor shall only be obligated to supply such quantity of Crude Oil as and when it becomes available on expiry of pre-existing contract(s). Contractor shall not enter into any contractual obligations for the sole purpose of precluding such Domestic Supply Requirement. If the State has reason to believe that this has occurred, GNPC or the Minister shall notify Contractor that the matter is in dispute and the issue shall be referred for resolution in accordance with Article 24.

The State shall purchase any Crude Oil supplied by Contractor pursuant to this Article at a price which matches the weighted average Market Price determined under Article 11.7 for the Month of delivery. The State shall pay such prices in accordance with Article 13.7 within thirty (30) days after receipt of Contractor's invoice, failing which Contractor's obligations in respect of the Domestic Supply Requirement under this Article 15 shall be suspended until payment is made good, at which time deliveries shall be resumed, subject to any alternative commitments that may have been reasonably entered into by Contractor to dispose of the Domestic Supply Requirement during the period of default in payment. Contractor shall recover any amount due and unpaid by State, plus interest at the interest rate defined in Article 26.6, from GNPC's share of Crude Oil as provided in Article 10.1(e).

ARTICLE 16

INFORMATION AND REPORTS: CONFIDENTIALITY

16.1 Contractor shall keep GNPC regularly and fully informed of Petroleum Operations being carried out by Contractor and provide GNPC with all information, data, (film, paper and digital forms), samples, interpretations and reports, produced in or as a result of such operations (including progress and completion reports), including, but not limited to the following:

(a) Processed seismic data and interpretations thereof;

(b) Well data, including but not limited to electric logs and other wireline surveys, and mud logging reports and logs, samples of cuttings and cores and analyses made therefrom;

(c) Any reports prepared from drilling data or geological or geophysical data, including maps or illustrations derived therefrom;

(d) Well testing and well completion reports;

(e) Reports dealing with location surveys, seabed conditions and seafloor hazards and any other reports dealing with well, platform or pipeline locations;

(f) Reservoir investigations and estimates regarding reserves, field limits and economic evaluations relating to future operations;

(g) Daily (during drilling and seismic operations), weekly, monthly and other regular reports on Petroleum Operations;

(h) Comprehensive final reports upon the completion of each specific project or operation;

(i) Contingency programs and reports on safety and accidents; and

(j) Procurement plans, subcontracts and contracts for the provision of services to Contractor.

Certain of the above data shall be provided on film, paper and in digital format as indicated by GNPC. In respect of the reports, one (1) diskette copy on an agreed compatible format shall be submitted in addition to the paper copies.

16.2 Contractor shall have the right to retain for its own use in connection with the conduct of Petroleum Operations under this Agreement copies of data, well logs, maps, magnetic tapes, other geological and geophysical information, portions of core samples and copies of reports, studies and analyses, referred to in Article 16.1.

16.3 Not later than ninety (90) days following the end of each Calendar Year, Contractor shall submit to GNPC a report covering Petroleum Operations performed in the Contract Area during such Calendar Year. Such report shall include, but not be limited to:

(a) A statement of the number of Exploration Wells, Appraisal Wells and Development Wells drilled, the depth of each such well, and a map on which drilling locations are indicated;

(b) A statement of any Petroleum encountered during Petroleum Operations, as well as a statement of any fresh water layers encountered and of any other minerals discovered;

(c) A statement of the quantity of Petroleum produced and of all other minerals produced therewith from the same reservoir or deposit;

(d) A summary of the nature and extent of all Exploration activities in the Contract Area;

(e) A general summary of all Petroleum Operations in the Contract Area; and

(f) A statement of the number of employees engaged in Petroleum Operations in Ghana, identified as Ghanaian or non-Ghanaian. Contractor will inform the latter that details as to nationality are required by GNPC and that Contractor is available to assist them to supply that information.

16.4 All data, information and reports, including interpretation and analysis supplied by Contractor required or produced pursuant to this Agreement, including without limitation, that described in Articles 16.1, 16.2 and 16.3, shall be treated as confidential and shall not be disclosed by any Party to any other person without the express written consent of the other Parties.

16.5 The provisions of Article 16.4 shall not prevent disclosure:

(a) By GNPC or the State:

(i) To any agency of the State or to any adviser or consultant to GNPC or the State; or

(ii) For the purpose of obtaining a Petroleum Agreement in respect of any acreage adjacent to the Contract Area.

(b) By Contractor:

i) To its Affiliates, advisers or consultants;

ii) To a bona fide potential assignee of all or part of Contractor's interest hereunder, provided GNPC is given prior notice of such potential assignee;

iii) To banks or other lending institutions for the purpose of seeking external financing of costs of the Petroleum Operations;

iv) To non-Affiliates who shall provide services for the Petroleum Operations, including Subcontractors, vendors and other service contractors, where this is essential for their provision of such services, and provided GNPC is notified about such disclosure;

v) To any governmental agencies for obtaining necessary rulings, permits, licenses and approvals, or as may be required by applicable law or financial stock exchange, accounting or reporting practices, and provided GNPC is notified about such disclosure; or

vi) Such persons and for such purposes as the Joint Management Committee may permit from time to time.

(c) By any Party:

(i) To the extent necessary in any Arbitration Proceedings or proceedings before a Sole Expert or in proceedings before any court;

(ii) With respect to such data, information and reports, which, through no fault of the disclosing Party, is in the public domain.

16.6 Any Party disclosing information or providing data to any third party under this Article shall require such persons to undertake the confidentiality of such data. Promptly after the Effective Date, the Parties shall agree upon a mutually acceptable international petroleum industry standard form of confidentiality agreement. Contractor shall require the execution of such agreement by a potential assignee prior to disclosure of such data; and shall provide copies of all such signed agreements to GNPC.

ARTICLE 17

INSPECTION, SAFETY AND ENVIRONMENTAL PROTECTION

17.1 The Minister and/or GNPC shall have the right of access to all sites and offices of Contractor and the right to inspect all buildings and installations used by Contractor relating to Petroleum Operations. Such inspections and audits shall take place in consultation with Contractor and at such times and in such manner as not unduly to interfere with the normal operations of Contractor.

17.2 Contractor shall take all necessary steps, in accordance with accepted petroleum industry practice, to perform activities pursuant to the Agreement in a safe manner and shall comply with all requirements of the Law of Ghana including labour, health safety and environmental regulations issued by the Ghana Environmental Protection Agency.

17.3 Contractor shall provide an effective and safe system for disposal of water and waste oil, oil base mud and cuttings in accordance with accepted international petroleum industry practice in the same or similar circumstances, and shall provide for the safe completion or abandonment of all boreholes and wells.

17.4 Contractor shall exercise its rights and carry out its responsibilities under this Contract in accordance with accepted international petroleum industry practice in the same or similar circumstances, and shall take steps in such manner in an effort to:

(a) Result in minimum ecological damage or destruction;

(b) Control the flow and prevent the escape or the avoidable waste of Petroleum discovered in or produced from the Contract Area;

(c) Prevent damage to Petroleum-bearing strata;

(d) Prevent the entrance of water through boreholes and wells to Petroleum-bearing strata, except for the purpose of secondary recovery;

(e) Prevent damage to onshore lands and to trees, crops, buildings or other structures; and

(f) Avoid any actions, which would endanger the health or safety of persons.

17.5 If Contractor's failure to comply with the requirements of Article 17.4 results in the release of Petroleum or other materials on the seabed, in the sea, on land or in fresh water, or if Contractor's operations result in any other form of pollution or otherwise cause harm to fresh water, marine, plant or animal life, Contractor shall, in accordance with accepted international petroleum industry practice in the same or similar circumstances, promptly take all necessary measures to control the pollution, to clean up Petroleum or released material, or to repair, to the maximum extent

feasible, damage resulting from any such circumstances. If such release or pollution results directly from the Gross Negligence or wilful misconduct of Contractor, the cost of such cleanup and repair activities shall be borne by Contractor and shall not be included as Petroleum Cost under this Agreement.

17.6 Contractor shall notify GNPC immediately in the event of any emergency or major accident and shall take such action, as may be prescribed by GNPC's emergency procedures and by accepted international petroleum industry practices in the same or similar circumstances.

17.7 If Contractor does not act promptly so as to control, clean up or repair any pollution or damage, GNPC may, after giving Contractor reasonable notice in the circumstances, take any actions which are necessary, in accordance with accepted international petroleum industry practice in the same or similar circumstances and the reasonable costs and expenses of such actions shall be borne by Contractor and shall, subject to Article 17.5 be included as Petroleum Costs.

ARTICLE 18

ACCOUNTING AND AUDITING

18.1 Contractor shall maintain, at its offices in Ghana, books of account and supporting records in the manner required by applicable law and generally accepted accounting principles used in the international petroleum industry and shall file reports, tax returns and any other documents and any other financial returns which are required by applicable law.

18.2 In addition to the books and reports required by Article 18.1 Contractor shall maintain, at its office in Ghana, a set of accounts and records relating to Petroleum Operations under this Agreement. Such accounts shall be kept in accordance with the requirements of the applicable law and generally accepted accounting principles used in the international petroleum industry.

18.3 The accounts required by Articles 18.1 and 18.2 shall be kept in United States Dollars.

18.4 Contractor will provide GNPC with quarterly summaries of the Petroleum Costs incurred under this Agreement.

18.5 GNPC shall review all financial statements submitted by the Contractor as required by this Agreement, and shall signify its provisional approval or disapproval of such statements in writing within ninety (90) days of receipt, failing which the financial statements as submitted by Contractor shall be deemed approved by GNPC; in the event that GNPC indicates its disapproval of any such statement, the Parties shall meet within fifteen (15) days of Contractor's receipt of the notice of disapproval to review the matter. In the event that the matter cannot be resolved, any Party may refer it for resolution under Article 24.

18.6 Notwithstanding any provisional approval pursuant to Article 18.5 GNPC shall have the right at its sole expense and upon giving reasonable notice in writing to Contractor to audit the books and accounts of Contractor relating to Petroleum Operations within two (2) years from the submission by Contractor of any report of financial statement. GNPC shall not, in carrying out such audit, interfere unreasonably with the conduct of Petroleum Operations. Any such audit shall be undertaken by an independent international auditing firm and shall be completed within six (6) months after commencement, failing which, the books and accounts covering such period shall be deemed approved. Contractor shall provide all necessary facilities for auditors appointed hereunder by GNPC including working space and access to all relevant personnel, records, files and other materials.

If GNPC desires verification of charges from an Affiliate, Contractor shall at GNPC's sole expense obtain for GNPC or its representatives an audit certificate to this purpose from the statutory auditors of the Affiliate concerned. Copies of audit reports shall be provided to the Contractor and GNPC. Any unresolved audit claim resulting

from such audit, upon which Contractor and GNPC are unable to agree shall be submitted to the JMC for decision, which must be unanimous. In the event that a unanimous decision is not reached in respect of any audit claim, then such unresolved audit claim shall be submitted for resolution in accordance with Article 24. Subject to any adjustments resulting from such audits, Contractor's accounts and financial statements shall be considered to be correct on expiry of a period of two (2) years from the date of their submission to GNPC, unless before the expiry of such two year period GNPC has notified Contractor in writing of any exceptions to such accounts and financial statements failing which they shall be deemed correct.

18.7 Nothing in this Article shall be read or construed as placing a limit on GNPC's access to Contractor's books and accounts in respect of matters arising under Article 23.4 (a).

ARTICLE 19

TITLE TO AND CONTROL OF GOODS AND EQUIPMENT

19.1 GNPC shall be the sole and unconditional owner of

(a) Petroleum produced and recovered as a result of Petroleum Operations, except for such Petroleum as is distributed to the State and to Contractor pursuant to Article 10 or 14 hereof;

(b) All physical assets, other than those to which Articles 19.3 or 19.4 apply, which are purchased, installed, constructed or used by Contractor in Petroleum Operations, as and from the time that:

i) The full cost thereof has been recovered by Contractor in accordance with the provisions of the Accounting Guide from its proportionate share of Petroleum revenues and any other revenues it receives in respect of Petroleum Operations; or

ii) This Agreement is terminated pursuant to Articles 23.4 and 23.5 and Contractor has not disposed of such assets prior to such termination, whichever occurs first.

19.2 Contractor shall have the use of the assets referred to in Article 19.1 (b) for purposes of its Petroleum Operations under this Agreement without payment; provided that Contractor shall remain liable for maintenance, insurance and other costs associated with such use in accordance with international petroleum industry practices in the same or similar circumstances.

19.3 Equipment or any other assets rented or leased by Contractor or owned by a Subcontractor which is imported into Ghana for use in Petroleum Operations and subsequently re-exported therefrom, which is of the type customarily leased for such use in accordance with international petroleum industry practice or which is otherwise not owned by Contractor shall not be transferred to GNPC. No equipment or assets owned or leased by a Subcontractor shall by reason of the provisions of this Article 19 be deemed to be transferred to GNPC.

19.4 Upon the termination of Petroleum Operations in any Area, Contractor shall give GNPC the option to acquire any movable and immovable assets owned by Contractor and used for such Petroleum Operations and not affected by the provisions of Article 19.1 (b) at a reasonable and mutually agreed price, always provided that Contractor does not require such assets for Contractor's Petroleum Operations in the Contract Area.

19.5 All assets, which are not affected by Article 19.1(b) nor subject to Articles 19.4 or 19.5 above, and all Subcontractor equipment, may be freely exported by Contractor or its Subcontractor, respectively, at its discretion.

19.6 Nothing in this Article 19 shall prevent the Parties from entering into arrangements in respect of assets that are jointly owned under this Agreement in which the Parties share in the revenues or other benefits arising out of the use of such assets by other Parties.

ARTICLE 20

PURCHASING AND PROCUREMENT

20.1 In the acquisition of plant, equipment, services and supplies for Petroleum Operations, Contractor shall give preference to materials, services and products produced in Ghana, including shipping services provided by vessels owned or controlled by Ghanaian shipping companies, if such materials, services and products can be shown to meet standards generally acceptable to international oil and gas companies and supplied at prices, grades, quantities, delivery dates and on other commercial terms equivalent to or more favourable than those at which such materials, services and products can be supplied from outside Ghana.

20.2 For the purposes of Article 20.1, price comparisons shall be made on a C.I.F. Accra delivered basis.

ARTICLE 21

EMPLOYMENT AND TRAINING

21.1 In order to establish programmes to train Ghanaian personnel for work in Petroleum Operations and for the transfer of management and technical skills required for the efficient conduct of Petroleum Operations, Contractor shall pay to GNPC to maintain and implement such programs, the following sums of money during the respective terms under this Agreement

Period	Annual Training Amount	
Initial Exploration Period	US$	125,000
First Extension Period	US$	100,000
Second Extension Period and after	US$	75,000
Development and Production Period	US$	100,000

The above amounts shall be payable within thirty (30) days after the beginning of each Calendar Year; provided that the applicable amount shall be *pro rata* for any portion of less than a full Calendar Year *(e.g.* from the Effective Date to the end of the Calendar Year).

GNPC shall prepare and present to the JMC its recommendation for such programs on an annual basis and shall consider any suggestions made by Contractor's JMC representative. The amount paid by Contractor under this Article 21.1 shall qualify for deduction against income tax under the Income Tax Law and shall be considered Petroleum Cost.

21.2 Where qualified Ghanaian personnel are available for employment in the conduct of Petroleum Operations, Contractor shall ensure that in the engagement of personnel it shall as far as reasonably possible provide opportunities for the employment of such personnel. For this purpose, Contractor shall submit to GNPC an employment plan with number of persons and the required professions and technical capabilities prior to the performance of Petroleum Operations. GNPC shall provide the qualified personnel according to the said plan.

21.3 Contractor shall, if so requested by GNPC, provide opportunities for a mutually agreed number of personnel nominated by GNPC to be seconded for on-the-job training or attachment in all phases of its Petroleum Operations under a mutually agreed secondment contract. GNPC shall present recommendations and consult with Contractor as to the number of proposed secondees, the nature of their secondment and the estimate of expenses thereof and shall obtain the approval of the JMC

thereto. Secondees shall at all times remain employed by, and receive their salaries from GNPC. Expenses of secondment shall not be credited against the training obligation under Article 21.1. Expenses of secondment shall be borne by Contractor and shall qualify for deduction against income tax under the Petroleum Income Tax Law and shall be considered Petroleum Cost.

21.4 Contractor shall regularly provide to GNPC information and data relating to worldwide petroleum science and technology, petroleum economics and engineering available to Contractor, and shall assist GNPC personnel in every way to acquire knowledge and skills in all aspects of the petroleum industry including, without limitation, providing for GNPC personnel to attend courses at universities in the United States, such as the University of Oklahoma; and the costs of such shall be credited against the Contractor's obligations in Article 21.1.

21.5 It is agreed that there will be no disclosure or transfer of any documents, data, know-how, technology or other information owned or supplied by Contractor, its Affiliates, or non Affiliates, to third parties without Contractor's prior written consent, and then only upon agreement by the recipients to retain such information in strict confidence.

ARTICLE 22

FORCE MAJEURE

22.1 The failure of a Party to fulfil any term or condition of this Agreement, except for the payment of monies, shall be excused if and to the extent that such failure arises from Force Majeure, provided that, if the event is reasonably foreseeable such party shall have prior thereto taken all appropriate precautions and all reasonable alternative measures with the objective of carrying out the terms and conditions of this Agreement. A Party affected by an event of Force Majeure shall promptly give the other Parties notice of such event and also of the restoration of normal conditions.

22.2 A Party unable by an event of Force Majeure to perform any obligation hereunder shall take all reasonable measures to remove its inability to fulfil the terms and conditions of this Agreement with a minimum of delay, and the Parties shall take all reasonable measures to minimize the consequences of any event of Force Majeure.

22.3 Any period set herein for the completion by a Party of any act required or permitted to be done hereunder, shall be extended for a period of time equal to that during which such Party was unable to perform such actions as a result of Force Majeure, together with such time as may be required for the resumption of Petroleum Operations.

22.4 Except in the case of

a) a law of general application

b) an action taken in consequence of an emergency arising from a condition of Force Majeure,

GNPC may not claim Force Majeure in respect of any action or provision of the State or any agency of the State.

ARTICLE 23

TERM AND TERMINATION

23.1 Subject to this Article 23 and to the Petroleum (Exploration and Production) Law, PNDCL 84 (Section 12) the term of this Agreement shall be thirty (30) years commencing from the Effective Date.

23.2 At the end of the term provided for in Article 23.1, provided that this Agreement has not earlier been terminated, the Parties may negotiate concerning the terms and conditions of a further agreement with respect to the Contract Area or any part thereof, but no failure to enter any such further agreement shall give rise to arbitration pursuant to Article 24 hereof.

233 Subject to Article 22, termination of this Agreement shall result upon the occurrence of any of the following:

(a) The relinquishment or surrender of the entire Contract Area:,

(b) The termination of the Exploration Period, including extensions pursuant to Article 3, without notification by Contractor of commerciality pursuant to Article 8 in respect of a Discovery of Petroleum in the Contract Area; provided, however, termination shall not occur while Contractor has the right to evaluate a Discovery for appraisal or commerciality and/or propose a Development Plan pursuant to Articles 8 or 14, or once a Development Plan has been approved, nor when the provisions of Articles 8.13 through 8.19 are applicable:

(c) If, following a notice that a Discovery is commercial the Exploration Period terminates under Article 3 without a Development Plan being approved, provided however that termination shall not occur when the provisions of Articles 8.13 through 8.19 are applicable; or

(d) The failure of Contractor through any cause other than Force Majeure, to commence preparations with respect to Development Operations pursuant to Article 8.11.

23.4 Subject to Article 22 and pursuant to procedures described in Article 23.5 below, GNPC and/or the State may terminate this Agreement upon the uncorrected occurrence of any of the events (or failures to act listed) below:

(a) The submission by Contractor to GNPC of a written statement which Contractor knows or should have known to be false, in a material particular; provided that in the event of intent on the part of Contractor to cause serious damage to GNPC or the State, a period for remedy of such false statement shall not be given;

(b) The assignment or purported assignment by Contractor of this Agreement contrary to the provisions of Article 25 hereof;

(c) The insolvency or bankruptcy of Contractor, the entry by Contractor into any agreements or composition with its creditors, taking advantage of any law for the benefit of debtors or Contractor's entry into liquidation, or receivership, whether compulsory or voluntary, and there is thereby justifiable anticipation that the obligations of Contractor hereunder will not be performed; provided, however, if Contractor is comprised of inure than one non-Affiliated entity, application of the above condition to less than all entities comprising the Contractor shall not be a cause for termination of this Agreement;

(d) The intentional extraction by Contractor of any material of potential economic value other than as authorized under this Agreement, or any applicable law except for such extraction as may be unavoidable as a result of Petroleum Operations conducted in accordance with accepted international petroleum industry practice in the same or similar circumstances;

(e) Failure by Contractor to fulfil its minimum work obligations pursuant to Article 4; save where the Minister has waived the default;

(f) Substantial and material failure by Contractor to comply with any of its obligations pursuant to Article 7.1 hereof;

(g) Failure by Contractor to make any payment of any sum properly due to GNPC or the State pursuant to this Agreement within thirty (30) days after receiving notice that such payment is due, except where liability for payment of such sum is disputed in good faith by Contractor in which case the matter shall be referred to arbitration under Article 24.

(h) Failure by Contractor to comply with any decisions reached as a result of any arbitration proceedings conducted pursuant to Article 24 hereof.

23.5 If GNPC and/or the State believe an event or failure to act as described in Article 23.4 above has occurred, a written notice shall be given to Contractor describing the event or failure. Contractor shall have thirty (30) days from receipt of said notice to commence and pursue remedy of the event or failure cited in the notice. If after said thirty (30) days Contractor has failed to commence appropriate remedial action, GNPC and/or the State may then issue a written "Notice of Termination" to Contractor which shall become effective thirty (30) days from receipt of said Notice by Contractor unless Contractor has referred the matter to arbitration. In the event that Contractor disputes whether an event specified in Article 23.3 or Article 23.4 has occurred or been remedied, Contractor may, any time up to the effective date of any Notice of Termination refer the dispute to arbitration pursuant to Article 24 hereof. If so referred, GNPC and/or the State may not terminate this Agreement in respect of such event except in accordance with the terms of any resulting arbitration award.

23.6 Upon termination of this Agreement, all rights of Contractor hereunder shall cease, except for such rights as may at such time have accrued, and without prejudice to any obligation or liability imposed or incurred under this Agreement prior to termination and to such rights and obligations as the Parties may have under applicable law.

23.7 Upon termination of this Agreement or in the event of an assignment of all the rights of Contractor, all wells and associated facilities shall be left in a state of good repair in accordance with accepted international petroleum industry practice.

ARTICLE 24

CONSULTATION, ARBITRATION AND INDEPENDENT EXPERT

24.1 Except in the cases specified in Article 26.4 any dispute or difference arising between the State and GNPC or either of them on one hand and Contractor on the other hand in relation to or in connection with or arising Out of any terms and conditions of this Agreement shall he resolved by consultation and negotiation, provided that if no agreement is reached within thirty (30) days after the date when either Party notifies the other that a dispute or difference exists within the meaning of this Article or such longer period specifically agreed to by the Parties or provided elsewhere in the Agreement, any Party shall have the right subject to Article 24.14 to have such dispute or difference settled through international arbitration, in accordance with the terms and provisions set forth below.

24.2 The State and GNPC and Contractor hereby consent to submit to the International Center for Settlement of Investment Disputes (hereinafter the "Centre") any dispute arising out of or relating to this Agreement for settlement by final and binding arbitration pursuant to the *Convention on the Settlement of Investment Disputes between States and Nationals of Other States* (hereinafter the "Convention"). The Convention was signed by the State on November 26, 1965, ratified on July 13, 1966, and entered into Force in the Republic of Ghana on October 14, 1966.

24.3 It is hereby stipulated that the work and expenditure required to be made under this Agreement is an investment.

24.4 GNPC is an agency of the State which has not, as of this date, been designated to the Centre by the State in accordance with Article 25(1) of the Convention. Therefore, in accordance with Article 25(3) of the Convention, the State, by being a signatory to this Agreement, does hereby give its approval and consent to designate GNPC in accordance with Article 25(1) of the Convention.

24.5 It is hereby agreed that Kosmos is a national or the Cayman Islands, a designee of the United Kingdom, one of the Contracting States under the Convention.

24.6 It is hereby agreed that the right of the Contractor to refer a dispute to the Centre pursuant to this Agreement shall not be affected by the fact that the Contractor has received full or partial compensation from any third party with respect to any loss or injury that is the subject of the dispute; provided that the State or GNPC may require evidence that such third party agrees to the exercise of that right by the Contractor.

24.7 Any Arbitral Tribunal constituted pursuant to this Agreement shall consist of three (3) arbitrators; one (1) arbitrator appointed by the State or GNPC and the other appointed by the Contractor. The two arbitrators thus chosen shall appoint the third arbitrator, who shall be President of the Tribunal. Failing the agreement of the two arbitrators to appoint a third, the Secretary-General of the Centre shall appoint the third arbitrator who shall not be a citizen or resident of the country of any of the Parties' nationality and who shall have substantial experience in international petroleum industry matters.

24.8 Any Arbitral Tribunal constituted pursuant to this Agreement shall apply the laws of the Republic of Ghana in force on the Effective Date, consistent with such rules of international law as may be applicable, including rules and principles as have been applied by. international tribunals.

24.9 Any Arbitral Tribunal constituted pursuant to this Agreement shall have the power to decide a dispute in justice and in good faith *(i.e. ex aequo et bono).*

24.10 It is expressly understood and agreed by the Parties that no Party shall be required to take any steps to pursue or exhaust the judicial remedies available under the laws of Ghana with respect to the dispute before a Party institutes an arbitration proceeding under the Convention.

24.11 The State and GNPC each hereby waives any right of sovereign immunity as to it and its property in respect of the enforcement and execution of any award rendered by an Arbitral Tribunal constituted pursuant to this Agreement.

24.12 Any arbitration proceeding pursuant to this Agreement shall be conducted in accordance with the Arbitration Rules of the Centre in effect on the date on which the proceeding is instituted. The Parties agree that any arbitration proceeding conducted pursuant to this Agreement shall be held in London, England at the International Centre for Dispute Resolution. The language of the arbitration shall be English. The arbitration proceeding and any award shall be held strictly confidential, except as required for enforcement.

24.13 In any arbitration proceeding conducted pursuant to this agreement, the fees and expenses of the members of the Arbitral Tribunal as well as the charges for the use of the facilities of the Centre shall be borne equally by the Parties.

24.14 In lieu of resorting to arbitration, the Parties to a dispute arising under this Agreement, including the Accounting Guide, which such Parties by mutual agreement may consider appropriate may be referred for determination by a Sole Expert to be appointed by agreement of the Parties. In such case, the Parties shall agree on the terms of reference for such proceeding, the schedule of presentation of evidence and testimony of witnesses, and other procedural matters. The decision of the Sole Expert shall be final and binding upon the Parties. The Sole Expert shall have ninety (90) days after his appointment to decide the case, subject to any extensions mutually agreed to by the Parties to the dispute. Upon failure of the Sole Expert to decide the matter timely, any Party may call for arbitration under Article 24.1 above.

ARTICLE 25

ASSIGNMENT

25.1 This Agreement shall not he assigned by any or all of the companies comprising Contractor directly or indirectly in whole or in part without the prior written consent of GNPC, and the Minister, which consent shall not be unreasonably denied, withheld or delayed.

25.2 Any assignment of this Agreement shall bind the assignee as a Party to this Agreement to all the terms and conditions hereof unless otherwise agreed, and as a condition to any assignment, Contractor shall provide an unconditional undertaking by the assignee to assume all obligations assigned by the assignor under this Agreement.

25.3 Where in consequence of an assignment hereunder Contractor is more than one person:

a) any operating or other agreement made between the persons who constitute Contractor and relating to the Petroleum Operations hereunder shall be disclosed to GNPC and the Minister and shall not be inconsistent with the provisions of this Agreement;

b) No change in the scope of the Petroleum Operations may take place without the prior approval in writing of GNPC, which approval shall not be unreasonably delayed or withheld; and

c) The duties and obligations of Contractor hereunder shall be joint and several except those relating to the payment of income tax pursuant to Article 12 which shall be the several obligation of each such entity or person.

25.4 GNPC's acquisition of additional participating interest pursuant to Article 9 shall not be deemed to be an assignment within the meaning of this Article 25.

ARTICLE 26

MISCELLANEOUS

26.1 This Agreement and the relationship between the State and GNPC on one hand and Contractor on the other shall be governed by and construed with the laws of the Republic of Ghana consistent with such rules of international law as may be applicable, including rules and principles as have been applied by international tribunals.

26.2 The State, its departments and agencies, shall support this Agreement and shall take no action which prevents or impedes the due exercise and performance of rights and obligations of the Parties hereunder. As of the Effective Date of this Agreement and throughout its term, the State guarantees Contractor the stability of the terms and conditions of this Agreement as well as the fiscal and contractual framework hereof specifically including those terms and conditions and that framework that are based upon or subject to the provisions of the laws and regulations of Ghana (and any interpretations thereof) including, without limitation, the Petroleum Income Tax Law, the Petroleum Law, the GNPC Law and those other laws, regulations and decrees that are applicable hereto. The State further represent and guarantees that the Contract Area is wholly within Ghana's territorial waters and is not subject to any dispute.

26.3 This Agreement and the rights and obligations specified herein may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the Parties. Any legislative or administrative act of the State or any of its agencies or subdivisions which purports to vary any such right or obligation shall, to the extent sought to be applied to this Agreement, constitute a breach of this Agreement by the State; provided, however, if the Petroleum (Exploration and Production) Law, 1984 (PNDCL 84) is amended or replaced (superseded), Contractor shall be entitled to enjoy and this Agreement (and any new petroleum agreement referred to herein) shall be deemed to include (or include — as applicable) the terms and conditions in such amendment or replacement law that favourably affect the rights and/or obligations of the Contractor under this Agreement.

26.4 Where a Party considers that a significant change in the circumstances prevailing at the time the Agreement was entered into, has occurred affecting the economic balance of the Agreement, the Party adversely affected thereby shall notify the other Parties in writing of the claimed change with a statement of how the claimed change has affected such economic balance or has otherwise affected relations between the Parties. The other Parties shall indicate in writing their reaction to such notification within a period of two

(2) months after receipt of such notification. If such significant changes are established by the Parties to have occurred, the Parties shall meet to engage in negotiations and shall effect such changes in, or rectification of, these provisions as they may agree are necessary to restore the relative economic position of the Parties as at the date of this Agreement.

26.5 No waiver by any Party of any of its rights hereunder shall be construed or implied, but shall be binding on such Party only if made specifically, expressly and in writing.

26.6 Except for payment obligations arising under the Petroleum Income Tax Law, any Party failing to pay any amounts payable by it under this Agreement (including the provisions of Annex 2) on the respective dates on which such amounts are payable by such Party hereunder shall be obligated to pay interest on such unpaid amounts to the Party to which such amounts are payable. The rate of such interest with respect to each day of delay during the period of such non-payment shall be the rate which the National Westminster Bank, London, certifies to be the London Interbank offered rate (LIBOR) in the London Interbank Eurodollar market on thirty (30) day deposits, in effect on the last business day of the respective preceding Month, plus five percent (5%). Such interest shall accrue from the respective dates such amounts are payable until the amounts are actually duly paid. The Party to whom any such amount is payable may give notice of non-payment to the Party in default and if such amount is not paid within fifteen (15) days after such notice, the Party to which the amount is owed may, in addition to the interest referred to above, and without prejudice to Article 10.1 (e) seek remedies available pursuant to Article 24.

26.7 A. The rights and obligations under this Agreement of the State and GNPC on the one hand and Contractor on the other shall be separate and proportional and not joint. This Agreement shall not be construed as creating a partnership or joint venture, nor an association or trust (under any law other than the Petroleum Law), or as authorizing any Party to act as agent, servant or employee for any other Party for any purpose whatsoever except as provided in Article 10.4.

B. The duties and obligations of each party constituting Contractor hereunder shall be joint and several and it is recognized that each such party shall own and be responsible for its undivided interest in the rights and obligations of Contractor hereunder; provided, however, that the following payments shall be the separate obligation of and shall be made by each Party which constitutes the Contractor:

i) Payments under the Petroleum Income Tax Law;

ii) Payments of royalty taken in cash under the provisions of Article 10.1(a); and

iii) AOE share under the provisions of Article 10.1(b).

26.8 Each Party warrants that it and its Affiliates have not made, offered, or authorized and will not make, offer, or authorize with respect to the matters which are the subject of this Agreement, any payment, gift, promise or other advantage, whether directly or through any other person or entity, to or for the use or benefit of any public official (i.e., any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization) or any political party or political party official or candidate for office, where such payment, gift, promise or advantage would violate (i) the applicable laws of Ghana; (ii) the laws of the country of incorporation of such Party or such Party's ultimate parent company and of the principal place of business of such ultimate parent company; or (iii) the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999, and the Convention's Commentaries. Each Party shall defend, indemnify and hold the other Parties harmless from and against any and all claims, damages, losses, penalties, costs and expenses arising from or related to, any breach by such first Party of such warranty. Such indemnity obligation shall survive termination or expiration of this Agreement. Each Party shall in good time (i) respond in reasonable detail to any notice from any other Party reasonably connected with the above-stated warranty; and (ii) furnish applicable documentary support for such response upon request from such other Party.

26.9 This Agreement shall not take effect unless and until it is ratified by the Parliament of Ghana and this Agreement has been executed by the Parties, whichever occurs later (the "Effective Date").

ARTICLE 27

NOTICE

27. Any Notice, Application, Requests, Agreements, Consent, Approval, Instruction, Delegation, Waiver or other communication required or permitted to be given hereunder shall be in writing and shall be deemed to have been properly given when delivered in person to an authorized representative of the Party to whom such notice is directed or when actually received by such Party through registered mail, telex or telefax at the following address or at such other address as the Party shall specify in writing fifteen (15) days in advance:

FOR THE STATE:

Minister of Energy
Ministry of Energy
Private Mail Bag
Ministry Post Office
Accra, Ghana

Telephone:	*233 21 667090*
Telex:	*2436 ENERGY GH*
Telefax:	*233 21 668262*
E-Mail:	*Energyl@ghana.com*

FOR GHANA NATIONAL PETROLEUM CORPORATION.

The Managing Director
Ghana National Petroleum Corporation
Petroleum House
Harbour Road
Private Mail Bag
Tema, Ghana

Telephone:	*233 22 204726*
Telex:	*2188 or 2704 GNPC GH*
Telefax:	*233 22 202854*
E-Mail:	*mo.boateng@gnpcghana.com*

FOR CONTRACTOR:

Kosmos Energy Ghana HC.
c/o Kosmos Energy, LLC
8401 N. Central Expressway
Suite 280
Dallas, Texas 75225
U.S.A.
ATTN: Craig Glick

Telephone:	*+00 1 214 363 0700*
Telefax:	*+001 214 363 9024*
E-Mail	CGlick@kosmosenergy.com

THE E. O GROUP
Private Mail Bag CT 123
Cantonments – Accra.
GHANA.

ATTN: Mr. George Y. Owusu.
Director

Telephone: (001) 832-489-8100 (mobile)
(001) 281-470-1784 (Res.)
Telefax: (001) 281-470-9300
E-mail: gyowusu@prodigv net.

IN WITNESS WHEREOF the Parties have caused this Agreement to be executed by their duly authorized representatives as of the date first written above.

FOR THE STATE Witnessed:

By /s/ AUTHORIZED SIGNATORY By _____

Its _____ Its _____

FOR GHANA NATIONAL PERTOLEUM CORPORATION Witnessed:

By /s/ GHANA NATIONAL PERTOLEUM CORPORATION By _____

Its _____ Its _____

FOR CONTRACTOR

KOSMOS ENERGY GHANA HC Witnessed:

By /s/ KOSMOS ENERGY GHANA HC By _____

Its _____ Its _____

The E.O. GROUP Witnessed:

By /s/ THE E.O. GROUP By _____

Its _____ Its _____

ANNEX 1 PAGE 1

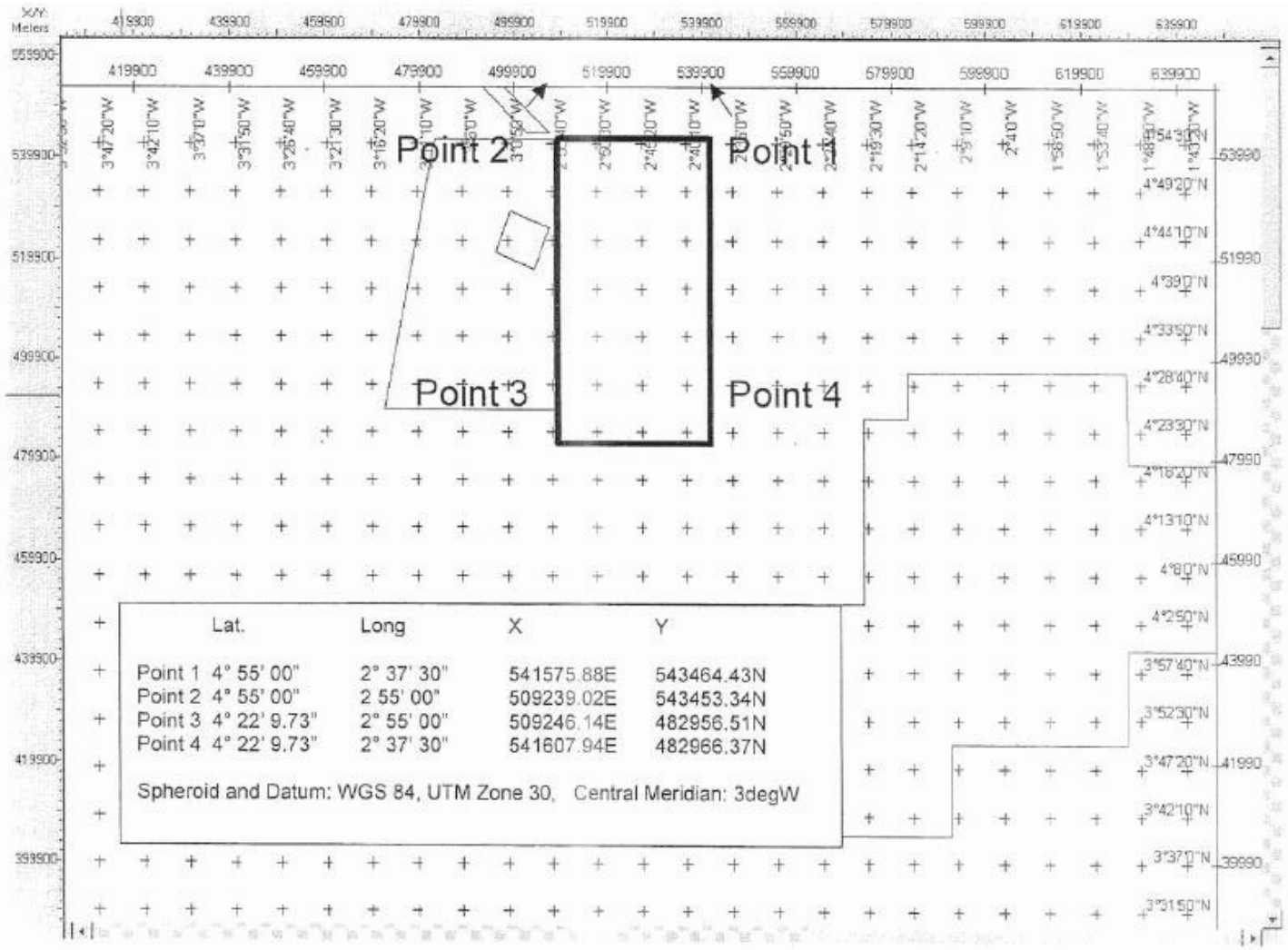
Contract Area

The Contract Area of one thousand, nine hundred and fifty-seven point zero five square kilometres (1957.05 sq. km) (483,598.926 acres) based on a WGS-84 spheriod and UTM projection system.

The Contract Area is designated by the Co-ordinates of the following points:

POINT	LONGITUDE	LATITUDE
A	2° 55'00"W	4° 55'00"N
B	2° 37' 30" W	4° 55' 00"N
C	2° 37' 30" W	4° 22' 9.73"N
D	2° 55' 00" W	4° 22'9.73"N

The map of the Contract Area is shown on the following page.


X/Y Meters
Point 2
Point 1
Point 3
Point 4
Lat. Long X Y
Point 1 4° 55' 00" 2° 37' 30" 541575.88E 543464.43N
Point 2 4° 55' 00" 2 55' 00" 509239.02E 543453.34N
Point 3 4° 22' 9.73" 2° 55' 00" 509246.14E 482956.51N
Point 4 4° 22' 9.73" 2° 37' 30" 541607.94E 482966.37N
Spheroid and Datum: WGS 84, UTM Zone 30, Central Meridian: 3degW

ANNEX 2

ACCOUNTING GUIDE

The purpose of this Accounting Guide is to establish equitable methods as between the Parties for determining charges and credits applicable to Petroleum Operations under the Agreement. Principles established by this Accounting Guide shall truly reflect the Contractor's actual cost.

SECTION 1

1.1 GENERAL PROVISIONS

1.1.1 Words and terms appearing in this Annex shall have the same meaning as in the Agreement to which this is attached and to that end, shall be defined in accordance with Article l of the Agreement. A reference to an Article in this Annex shall, unless otherwise indicated, refer to an Article in the Agreement.

1.1.2 This Annex may be amended by written agreement upon a unanimous decision of the JMC.

1.1.3 In the event of a conflict between the provisions of the Accounting Guide and the provisions of the Agreement, the provisions of the Agreement shall prevail.

1.2 STATEMENTS REQUIRED TO BE SUBMITTED BY CONTRACTOR

1.2.1 Within sixty (60) days from the Effective Date, Contractor shall propose to GNPC an outline of the chart of accounts, operating records and reports to he prepared and maintained, which shall describe the basis of the accounting principles and procedures to be used during the term of the Agreement, and shall be consistent with normal practice of the international petroleum industry and Article 18.2.

1.2.2 Within ninety (90) days of the receipt of such proposal, GNPC shall either accept it or request such revisions as GNPC deems necessary. Failure to notify Contractor of any requested revisions within a ninety (90) day period shall be deemed acceptance of such proposal.

1.2.3 Within one hundred and eighty (180) days from the Effective Date, the Parties shall either agree on such outline or submit any outstanding issue for determination by a Sole Expert pursuant to the provisions of Article 24.

1.2.4 Following agreement over the outline, Contractor shall prepare and submit to GNPC formal copies of the chart of accounts relating to the accounting, recording and reporting fitnctions listed in such outline. Contractor shall also permit GNPC to inspect its manuals and to review all procedures which are to be followed under the Agreement.

1.2.5 Without prejudice to the generality of the foregoing, Contractor shall make separate statements relating to Petroleum Operations for each Development and Production Area as follows:

a) Cash Call Statement (see Section 5)
b) Production Statement (see Section 6)
c) Value of Production Statement (see Section 7)

d) Cost Statement (see Section 8)
e) Statement of Expenditures and Receipts (see Section 9)
f) Final End-of-Year Statement (see Section 10)
g) Budget Statement (see Section 11)
h) Long Range Plan and Forecast (see Section 12)

1.3 **LANGUAGE, MEASUREMENT, AND UNITS OF ACCOUNTS**

1.3.1 The U.S. Dollar being the currency unit for investments and compensation hereunder shall therefore be the unit of currency for all bookkeeping and reporting under the Agreement. When transactions for an asset, capital item or liability are in Ghana Cedis or currency other than the U.S. Dollar, amounts in such other currency shall be immediately converted to U.S. Dollars at the rate actually incurred, and accounts required for the purposes of this Agreement shall be maintained only in U.S. Dollars.

1.3.2 Measurement required under this Annex shall be in the metric system and Barrels.

1.3.3 The English language shall be employed.

1 .3.4 Where necessary for purposes of clarification, Contractor may also prepare financial reports in Other languages, units of measurement and currencies

1.3.5 It is the intent of the Parties that no Party shall experience any gain or loss at the expense of or to the benefit of the other as a result of exchange of currency. Where any such currency exchange gain or loss arises it shall be charged or credited to the accounts under the Agreement.

1.3.6 The rate of exchange for the conversion of currency shall he the rate actually incurred in the purchase or sale of currencies required in Petroleum Operations as allowed under the Laws of Ghana,

1.3.7 To translate revenue received and expenditures made in Ghana Cedis or in U.S. Dollars, the average of the monthly rate between the currencies shall be used.

SECTION 2

CLASSIFICATION AND ALLOTMENT OF COSTS AND EXPENDITURE

2.1 All expenditure relating to Petroleum Operations shall be classified, as follows:

a) Exploration Expenditure;
b) Development Expenditure;
c) Production Expenditure;
d) Service Costs; and
e) General and Administrative Expenses

and shall he defined and allocated as herein below provided.

2.2 **EXPLORATION EXPENDITURE**

Exploration Expenditure shall consist of all direct, indirect and allocated costs incurred in the search for and appraisal of Petroleum in the Contract Area, including but not limited to, expenditure for:

a) Aerial, geographical, geochemical, paleontological, geological, bathymetrical, topographical and seismic surveys, other geophysical studies and all relevant studies and their interpretation;

b) Borehole drilling and water well drilling;

c) Labour, consumables, materials and services used in drilling wells with the objective of finding new Petroleum reservoirs or for the purpose of appraising of Petroleum reservoirs already discovered, provided such wells arc not completed as producing wells save such wells temporarily abandoned for future use as producing well;

d) Facilities used solely for Exploration Operations, including access roads, where applicable, and purchased geological and geophysical information;

e) All Service Costs allocated to the Exploration Operations on an equitable basis;

f) All General and Administrative Expenses allocated to Exploration Operations based on the percentage share of projected budget expenditure which will be adjusted to actual expenditure at the end of each Calendar Year;

g) Direct costs of technical work performed by Contractor, Affiliates and Subcontractors in Exploration Operations;

h) All of the above costs in connection with or related to an Appraisal Programme.

2.3 **DEVELOPMENT EXPENDITURE**

Development Expenditure shall consist of all expenditure incurred in Development Operations, including but not limited to, expenditure for:

a) drilling wells which are completed as producing wells and drilling wells for purposes of producing a Petroleum reservoir already discovered, whether these wells are dry or producing;

b) tangible drilling costs for completing wells such as installation of casing or equipment or otherwise equipping a well after it has been drilled for the purpose of bringing such well into use as a producing well;

c) intangible drilling costs such as labour, consumable material and services having no salvage value which are incurred in drilling and deepening of wells for producing purposes;

d) field facilities such as pipelines, flow lines, production and treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, offshore platforms and production facilities, Petroleum storage facilities (whether offshore or onshore) and access roads for Production Operations;

e) engineering and design studies for field facilities;

f) all service costs allocated to Development Operations on an equitable basis;

g) all General and Administrative Expenses (incurred within and/or outside Ghana) allocated to Development Operations based on the percentage share of projected budget expenditure which will be adjusted to actual expenditure at the end of the year.

2.4 **PRODUCTION EXPENDITURE**

Production Expenditure shall consist of but not limited to all expenditure incurred in Petroleum Operations after the Date of Commencement of Commercial Production, such expenditure being other than Exploration Expenditure, Development Expenditure, General and Administrative Expenses and Service Costs. The balance of General and Administrative Expenses and Service Costs not allocated to Exploration Operations or to Development Operations under Section 2.2 and 2.3 shall be allocated to Production Expenditure.

2.5 **SERVICE COSTS**

2.5.1 Service Costs shall consist of but not limited to all direct and indirect expenditure incurred in support of Petroleum Operations (within and/or outside Ghana), including but not be limited to the construction, installation, purchase, hire or charter (as applicable) of the following: of warehouses, piers, marine vessels, vehicles, motorised rolling equipment, aircraft, fire security stations, workshops, water and sewerage plants, power plants, offices, housing community and recreational facilities and furniture, fixtures, tools land, equipment used in such construction or installation.

Service Costs in any Calendar Year shall include the total costs incurred in such year to purchase and construct or install such facilities as well as the annual costs of maintaining and operating such facilities.

2.5.2 All Service Costs will be regularly allocated on an equitable basis to Exploration Expenditure, Development Expenditure and Production Expenditure.

2.6 **GENERAL AND ADMINISTRATIVE EXPENSES**

General and Administrative Expenses shall consist of:

2.6.1 All main office, field and general administrative costs benefiting Petroleum Operations (whether incurred within and/or outside Ghana) including but not limited to, supervisory, technical, accounting financial, legal, and employee relations services;

2.6.2 An overhead charge for the actual unallocated cost of services rendered outside the Republic of Ghana by Contractor or its Affiliates, whether in or outside the Republic of Ghana, for managing Petroleum Operations and for staff advice and assistance, including but not limited to financial, legal, accounting and employee relations services.

2.6.3 All General and Administrative Expenses will be regularly allocated as specified in subsections 2.2 (f), 2.3 (g) and 2.4 to Exploration Expenditure, Development Expenditure and Production Expenditure.

SECTION 3

COSTS, EXPENSES, EXPENDITURES AND CREDITS OF CONTRACTOR

3.1 Contractor for the purpose of this Agreement shall charge the following allowable costs to the accounts:

a) costs of acquiring surface rights;
b) labour and associated labour costs;
c) transportation costs;
d) charges for services;
e) material costs;
f) rentals, duties and other assessments;
g) insurance and losses;
h) legal expenses;
i) training expenses;
j) General and Administrative Expenses;
k) utility costs;
1) office facility charges;
m) communication charges;
n) ecological and environmental charges;
o) abandonment cost; and
p) such other costs necessary for the Petroleum Operations

3.2 **COST OF ACQUIRING SURFACE RIGHTS AND RELINQUISHMENT**

Cost of acquiring surface rights shall consist of all direct costs attributable to the acquisition, renewal or relinquishment of surface rights acquired and maintained in force over the Contract Area.

3.3 **LABOUR AND ASSOCIATED LABOUR COSTS**

Labour and associated labour costs shall include but not be limited to:

a) gross salaries wages and benefits including bonuses of those employees of Contractor and of its Affiliates engaged in Petroleum Operations who are permanently or temporarily assigned to Ghana;

b) costs of holidays, vacation, sickness and disability payments applicable to the salaries and wages chargeable under (a);

c) expenses or contributions made pursuant to assessments or obligations imposed under the laws of the Republic of Ghana which are applicable to cost of salaries and wages chargeable under (a);

d) cost of established plans for employees' life insurance, hospitalisation, pensions and other benefits of a like nature customarily granted to employees; and

e) reasonable travel and personal expenses of employees and families, including those made for travel and relocation of the personnel, all of which shall be in accordance with usual practice of the Contractor.

3.4 **TRANSPORTATION COSTS**

Transportation costs and other related costs of transportation of employees, equipment, materials, consumables and supplies necessary for the conduct of Petroleum Operations.

3.5 **CHARGES FOR SERVICES**

3.5.1 Charges for services shall include but not be limited to:

a) actual costs under third party contracts for technical and all other services entered into by Contractor for Petroleum Operations made with third parties, other than Affiliates of Contractor; provided that the prices paid by Contractor are no higher than the prevailing rates for such services in the regional *(ie.* Gulf of Guinea) market;

b) cost of technical and other services of personnel assigned by the Contractor and its Affiliates when performing management, engineering, geological, geophysical, operations, technical, administrative, legal, accounting, treasury, tax, employee relations, computer services, purchasing, and all other functions for the direct benefit of Petroleum Operations.

c) cost of general services, including, but not limited to, professional consultants and others who perform services for the direct benefit of Petroleum Operations.

3.5.2 Services furnished by Contractor and its Affiliates shall be charged at rates commensurate with those currently prevailing for such services in the regional *(i.e.* Gulf of Guinea) market.

3.6 **RENTALS, DUTIES AND OTHER ASSESSMENTS**

All rentals, taxes, duties, levies, charges, fees, contributions and any other assessments and charges levied by the Government in connection with Petroleum Operations or paid for the benefit of Petroleum Operations, with the exception of the income tax specified in the Article 12.2 (ii).

3.7 **INSURANCE AND LOSSES**

a) Insurance premia and costs incurred for insurance, provided that if such insurance is wholly or partly placed with an Affiliate of Contractor, such premia and costs shall be recoverable only to the extent not in excess of those generally charged by competitive insurance companies other than Affiliate; and;

b) Costs and losses incurred as a consequence of events, which are, insofar as not made good by insurance, allowable under Article 17 of this Agreement.

c) Costs or expenses necessary for the repair or replacement of property resulting from damage or losses incurred.

3.8 **LEGAL EXPENSES**

All costs and expenses of litigation, arbitration, mediation and legal or related services necessary or expedient for the procuring, perfecting, retaining and protecting the rights hereunder and in defending or prosecuting lawsuits involving the Contract Area or any third party claim arising out of Petroleum Operations or activities under the Agreement, or sums paid in respect of legal services necessary or expedient for the protection of the joint interest of GNPC and Contractor; provided that where legal services are rendered in such matters by lawyers that are employees of Contractor or an Affiliate of Contractor, such compensation will be included instead under Section 3.3 or 3.5.

3.9 **TRAINING COSTS**

All costs and expenses incurred by Contractor in training of its employees and nominees of GNPC to the extent that such training is attributable to Petroleum Operations under the Agreement including, without limitations, the amounts referred to in Article 21.1.

3.10 **GENERAL AND ADMINISTRATIVE EXPENSES**

General and Administrative Expenses shall consist of the costs described in Subsection 2.6.1 and the charge described in Subsection 2.6.2.

3.11 **UTILITY COSTS**

Any water, electricity, heating, fuel or other energy and utility costs used and consumed for the Petroleum Operations.

3.12 **OFFICE FACILITY CHARGES**

The cost and expenses of constructing, establishing, maintaining and operating offices, camps, housing and any other facilities necessary to the conduct of Petroleum Operations. The cost of constructing or otherwise establishing any

operating facility which may he used at any time in operations of more than one Development and Production Area shall be charged initially to the Development and Production Area for which the facility is first used. Costs incurred, thereafter shall be allocated in a reasonable manner, consistent with generally accepted international petroleum industry accounting practice, to the Development and Production Area for which the facility is used.

3.13 **COMMUNICATION CHARGES**

The costs of acquiring, leading, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities.

3.14 **ECOLOGICAL AND ENVIRONMENTAL CHARGES**

All charges for environmental protection and safety measures conducted in the Contract Area including, without limitation, those in accordance with Article 17 of the Agreement.

3.15 **ABANDONMENT COST**

Cost relating to the decommissioning and abandonment of Petroleum Operations and facilities, site restoration and other associated operations accrued from a reasonable date in advance based on estimate of such cost (with subsequent adjustments to actuals) as provided in Article 12.10.

3.16 **OTHER COSTS**

Any other costs not covered or dealt with in the foregoing provisions which are incurred and not mentioned in Section 3.17 for the necessary and proper conduct of Petroleum Operations.

3.17 **COSTS NOT ALLOWABLE UNDER THE AGREEMENT**

The following costs shall not be allowable under the Agreement:

a) commission paid to intermediaries by Contractor,

b) charitable donations and contributions, except where prior approval has been obtained from GNPC;

c) interests incurred on loans raised by the Contractor, provided that it shall be deductible for income tax purposes pursuant to the Petroleum Income Tax Law;

d) petroleum marketing costs or costs of transporting petroleum beyond the Delivery Point;

e) the costs of any bank guarantees under the Agreement and any other costs spent on indemnities with regard to non-fulfilment of contractual obligations, without prejudice to the Petroleum Income Tax Law;

f) premium paid as a result of GNPC's Sole Risk Operations under Article 9 of this Agreement;

g) cost of arbitration under Article 24 of the Agreement or dispute settlement by any independent expert under the terms of the Agreement;

h) final and unappealable fines and penalties imposed by a competent Court of Law;

i) cost incurred as a result of Contractor's gross negligence or wilful misconduct chargeable to Contractor or the Operator under the terms of the Agreement.

3.18 **ALLOWABLE AND DEDUCTIBILITY**

The costs and expenses set forth herein shall be for the purpose of determining allowable or non-allowable costs and expenses only and shall have no bearing on Contractor's eligibility or otherwise for deductions in computing Contractor's net income from Petroleum Operations for income tax purposes or for purposes of Article 10 under this Agreement.

3.19 **CREDITS UNDER THE AGREEMENT**

The net proceeds of the following transactions will be credited to the accounts under the Agreement:

a) the net proceeds of any insurance or claim in connection with Petroleum Operations or any assets charged to the accounts under the Agreements when such Petroleum Operations or assets were insured and the premia charged to the accounts under the Agreement;

b) revenue received from third parties for the use of property or assets charged to the accounts under this Agreement;

c) any adjustment from the suppliers or manufacturers or their agents in connection with a defective equipment or material the cost of which was previously charged to the account under the Agreement;

d) the proceeds received for materials imported previously charged to the account under the Agreement and subsequently exported from the Republic of Ghana or transferred or sold to third parties without being used in the Petroleum Operations;

e) rentals, refunds or other credits received which apply to any charge which has been made to the account under the Agreement, but excluding any award granted under arbitration or sole expert proceedings;

f) the proceeds from the sale or exchange of plant or facilities from the Development and Production Area or plant or facilities the acquisition

costs of which have been deducted in the AOE computation for the relevant Development and Production Area.

g) the proceeds derived from the sale or issue of any intellectual property the development cost of which were incurred pursuant to this Agreement;

h) the proceeds from the sate of any petroleum information derived from Petroleum Operations under this Agreement.

3.20 **DUPLICATION OF CHARGES AND CREDITS**

Notwithstanding any provision to the contrary in this Annex, it is the intention that there shall be no duplication of charges or credits in the accounts under the Agreement.

SECTION 4

MATERIAL

4.1 VALUE OF MATERIAL CHARGED TO THE ACCOUNTS UNDER THE AGREEMENT

Material purchased, leased or rented by Contractor for use in Petroleum Operations shall be valued at the actual net cost incurred by Contractor. The net cost shall include invoice price, less trade and cash discounts, if any, purchase and procurement fees, plus freight and forwarding charges between point of supply and point of shipment, freight to port of destination and on to point of usage or installation, including but not limited to, insurance, taxes, customs duties, consular fees, other items incurred on such material, and any other related costs actually paid.

4.2 VALUE OF MATERIAL PURCHASED FROM AN AFFILIATE

Contractor shall notify GNPC of any goods supplied by an Affiliate of Contractor. Materials purchased from Affiliate of Contractor shall be charged at the prices specified in Sections 4.2.1, 4.2.2 and 4.2.3.

4.2.1 New Material (Condition "A")

New material shall be classified as Condition "A". Such material shall be valued at the prevailing market price, plus expenses incurred in procuring such new materials, and in moving such materials to the locations where the material shall be used.

4.2.2 Used Material (Condition "B")

Used material shall be classified as Condition "B" provided that it is in sound and serviceable condition and is suitable for reuse without reconditioning. Such material shall be valued at not more than seventy five percent (75%) of the current price of new material valued according to Section 4.2.1 above.

4.2.3 Used Material (Condition "C")

Used material which is serviceable for original function as good second hand material after reconditioning and cannot be classified as Condition "B" shall be classified as Condition "C". Such material shall be valued at not more than fifty percent (50%) of the current price of new material valued according to Section 4.2.1 above. The cost of reconditioning shall be charged to the reconditioned material provided that that the value of such Condition "C" material plus the

cost of reconditioning does not exceed the value of Condition "B" material.

4.3 **CLASSIFICATION OF MATERIALS**

Material costs shall be charged to the respective Exploration Expenditure, Development Expenditure, Production Expenditure accounts at the time the material is acquired and on the basis of the intended use of the material. Should such material subsequently be used other than as intended, the relevant charge will be transferred to the appropriate account.

4.4 **DISPOSAL OF MATERIALS**

Sales of materials and other property shall be recorded at the net amount collected by the Contractor from the purchaser.

4.5 **WARRANTY OF MATERIALS**

In the case of defective material or equipment, any adjustment received by Contractor from the suppliers or manufacturers of such materials or their agents will be credited to the accounts under the Agreement. Contractor does not warrant any material.

4.6 **CONTROLLABLE MATERIALS**

4.6.1 The Contractor shall control the acquisition, location, storage and disposition of materials which are subject to accounting record control, physical inventory and adjustment for overages and shortages (hereinafter referred to as "Controllable Material").

4.6.2 Unless additional inventories are scheduled by the JMC, Contractor shall conduct one physical inventory of the Controllable Material each Calendar Year which shall be completed prior to the end of each such year. The Contractor shall conduct said inventory on a date to be approved by the JMC. Failure on the part of GNPC to participate in a JMC scheduled to approved physical inventory shall be regarded as approval of the results of the physical inventory as conducted by the Contractor.

4.6.3 The gain or loss resulting from the physical inventory shall be reflected in the stock records of Controllable Materials. The Contractor shall compile a reconciliation of the inventory with a reasonable explanation for such gains or losses. Failure on the part of GNPC to object to Contractor's reconciliation within thirty (30) days of compilation of said reconciliation shall be regarded as approval by GNPC.

SECTION 5

CASH CALL STATEMENT

5.1 In respect of any Production Costs to which GNPC is contributing for any Development and Production Area in which GNPC is contributing for its Participating Interest, and in any case, where Contractor conducts a Sole Risk Operation on GNPC's account, Contractor shall at least fifteen (15) days prior to the commencement of any Month, submit a Cash Call Statement to GNPC for its share of Production Operations, or subject to Article 9.4, Sole Risk Operation expenditures, as applicable. Such Cash Call Statement shall include the following information:

a) Due Date;

b) Payment Instructions;

c) The balance prior to the Cash Call being issued;

d) Amount of US Dollars due; and

e) An estimation of the amounts of US Dollars required from GNPC for the following month.

5.2 Not later than the twenty-fifth day of each Month, Contractor will furnish GNPC a statement reflecting for the previous Month:

a) Payments;

b) The nature of such payments by appropriate classifications; and

c) The balance due to or from GNPC.

5.3 Contractor may in the case where a large unforeseen expenditure becomes necessary issue a special Cash Call Statement requiring GNPC to meet such Cash Call within ten (10) days of receipt of such Statement.

SECTION 6

PRODUCTION STATEMENT

6.1 Subsequent to the Date of Commencement of Commercial Production from the Contract Area, Contractor shall submit a monthly Production Statement to GNPC showing the following information for each Development and Production Area as appropriate:

a) the quantity of Crude Oil produced and saved;

b) the quantity of Natural Gas produced and saved;

c) the quantities of Petroleum used for the purpose of conducting drilling and Production Operations, pumping to field storage and reinjections;

d) the quantities of Natural Gas flared;

e) the size of Petroleum stocks held at the beginning of the Month;

f) the size of Petroleum stocks held at the end of the Month.

6.2 The Production Statement of each Calendar Month shall be submitted to GNPC not later than ten (10) working days after the end of such Month.

SECTION 7

VALUE OF PRODUCTION STATEMENT

7. Contractor shall prepare a statement providing calculations of the value of Crude Oil produced and saved during each Quarter based on the Market Price established under Article II of the Agreement as well as the amounts of Crude Oil allocated to each of the Parties during that Quarter. Such Statement shall be submitted to the Minister and to GNPC not later than thirty (30) days following the determination, notification and acceptance of the Market Price to GNPC according to Article II of the Agreement.

SECTION 8

COST STATEMENT

8.1 Contractor shall prepare with respect to each Quarter, a Cost Statement containing the following information:

a) Total Petroleum Costs in previous Quarters, if any;

b) Petroleum Costs for the Quarter in question;

c) Total Petroleum Costs as of the end of the Quarter in question (subsection 8.1 (a) plus subsection 8.1 (b)

d) Petroleum Costs for Development Operations advanced in the Quarter in respect of GNPC's Participating Interest pursuant to Article 2.4 of the Agreement;

e) Costs as specified in (d) above which have been recovered during the Quarter pursuant to Article 10.1 of the Agreement and the balance, if any, of such costs unrecovered and carried forward for recovery in a later period.

Petroleum Costs for Exploration, Development and Production Operations as detailed above shall be separately identified for each Development and Production Area. Petroleum Costs for Exploration Operations not directly attributable to a specific Development Area shall be shown separately.

8.2 The Cost Statement of each Quarter shall be submitted to GNPC no later than thirty (30) days after the end of such Quarter.

SECTION 9

STATEMENT OF EXPENDITURES AND RECEIPTS

9.1 Subsequent to the Date of Commencement of Commercial Production from the Contract Area, Contractor shall prepare with respect to each Quarter a Statement of Expenditures and Receipts. The Statement will distinguish between Exploration Expenditure and Development Expenditure and Production Expenditure and will identify major items of expenditure within these categories. The statement will show the following:

a) actual expenditures and receipts for the Quarter in question;

b) cumulative expenditure and receipts for the budget year in question;

c) latest forecast of cumulative expenditures at the year end; and

d) variations between budget forecast and latest forecast and explanations therefor.

9.2 The Statement of Expenditures and Receipts of each Calendar Quarter shall be submitted to GNPC not later than forty-five (45) days after the end of such Quarter for provisional approval by GNPC.

SECTION 10

FINAL END-OF-YEAR STATEMENT

10. The Contractor will prepare a Final End-of-Year Statement. The Statement will contain information as provided in the Production Statement, Value of Production Statements, Cost Statement and Statement of Expenditures and Receipts. as appropriate. The Final End-of-year Statement of each Calendar Year shall be submitted to GNPC within ninety (90) days of the end of such Calendar Year. Any necessary subsequent adjustments shall he reported promptly to GNPC.

SECTION 11

BUDGET STATEMENT

11.1 The Contractor shall prepare an annual Budget Statement. This will distinguish between Exploration Expenditure, Development Expenditure and Production Expenditure and will show the following;

a) Forecast Expenditures and Receipts for the budget year under the Agreement;

b) cumulative Expenditures and Receipts to the end of said budget year; and

c) the most important individual items of Exploration Expenditures, Development Expenditures and Production Expenditures for said budget year.

The budget may include a budget line or lines for unforeseen expenditures which, however, shall not exceed ten percent (10%) of the total budgetary expenditure.

11.2 The Budget Statement shall be submitted to GNPC and the JMC with respect to each budget year no less than ninety (90) days before the start of such year, except in the case of the first year of the Agreement when the Budget Statement shall be submitted within ninety (90) days after the Effective Date.

11.3 Where Contractor foresees that during the budget period expenditures have to be made in excess of the ten percent (10%) pursuant to Section 11.1 hereof, Contractor shall submit a revision of the budget to GNPC.

SECTION 12

LONG RANGE PLAN AND FORECAST

12.1 Contractor shall prepare and submit to GNPC the following:

a) During Exploration Period, an Exploration Plan for each year commencing as of the Effective Date which shall contain the following information:

i) Estimated Exploration Costs showing outlays for each of the years or the number of years agreed and covered by the Plan;

ii) Details of seismic operations for each such year;

iii) Details of drilling activities planned for each such year;

iv) Details of infrastructure utilisation and requirements.

The Exploration Plan shall be revised on each anniversary of the Effective Date. Contractor shall prepare and submit to GNPC the first Exploration Plan for the First Subperiod of eighteen (18) months within ninety (90) days after the Effective Date and thereafter shall prepare and submit to GNPC no later than ninety (90) days before the start of such year during the Exploration Period, a revised Exploration Plan.

b) In the event of a Development Plan being approved, the Contractor shall prepare a Development forecast for each Calendar Year of the Development Period, which shall contain the following information:

i) forecast of capital expenditure portions of Development Expenditures and Production Expenditures for each Calendar Year of the Development Period;

ii) forecast of Production Expenditures for each Calendar Year;

iii) forecast of Petroleum production for each Calendar year;

iv) forecast of number and types of personnel employed in the Petroleum Operations in the Republic of Ghana;

v) description of proposed Petroleum marketing arrangements;

vi) description of main technologies employed; and

vii) description of the working relationship of Contractor to GNPC.

c) The Development forecast shall be revised at the beginning of each Calendar Year commencing as of the second year of the first Development Period. Contractor shall prepare and submit to GNPC the first Development forecast within one hundred and twenty (120) days after the first Date of Commercial Discovery and Contractor commences the implementation of the Development Plan and thereafter shall prepare and submit a revised Development forecast to GNPC no later than thirty (30) days before each Calendar Year commencing as of the second year of the first Development forecast.

12.2 **CHANGES OF PLAN AND FORECAST**

It is recognised by Contractor and GNPC that the details of the Exploration Plan and Development forecast may require changes in the light of existing circumstances and nothing herein contained shall limit the flexibility to make such changes. Consistent with the foregoing the said Plan and Forecast may be revised when appropriate. The Exploration Plan and Development Forecast are for planning and discussion purposes only.

ANNEX 3

SAMPLE AOE CALCULATION

SAMPLE ADDITIONAL OIL ENTITLEMENT CALCULATION

This sample calculation has been prepared to illustrate the Additional Oil Entitlement (AOE) provisions of Article 10 of the Petroleum Agreement to which this Annex 3 is attached and made a part thereof. The assumptions used, year-by-year cash flows, inflation rate, and resulting AOE payments are hypothetical only and are neither based upon nor do they represent an actual situation.

Sample AOE Calculation:

Contractor's Revenues minus Income Taxes minus "Petroleum Costs"

- Income Tax Rate: 35%
- Petroleum Costs: Contractor's Petroleum Costs including costs advanced on GNPC's behalf

Additional Oil Entitlement (AOE):

Discounted Cash Flow

Real Rate of Return (%*)	AOE Rate (%)
12½ or less	0
Over 12½	12
Over 17½	18
Over 22½	24
Over 27½	28

*Rate of Return exclusive of Inflation

SAMPLE AOE CALCULATION (MILLION US DOLLARS)

YEAR	CONTRACTOR'S HYPOTHETICAL NET CASH FLOW	FAN@ 17.50% P.A.	AOE 1 12%	SAN @ 22.50% P.A.	AOE 2 18%	TAN @ 27.50% P.A.	AOE 3 24%	ZAN @ 32.50% P.A.	AOE 4 28%	TOTAL AOE PAYMENTS
1	(2.0)	(2.0)	—	(2.0)	—	(2.0)	—	(2.0)	—	—
2	(15.0)	(17.4)	—	(17.5)	—	(17.6)	—	(17.7)	—	—
3	(15.0)	(35.4)	—	(36.4)	—	(37.4)	—	(38.4)	—	—
4	(20.0)	(61.6)	—	(64.6)	—	(67.7)	—	(70.91)	—	—
5	(50.0)	(122.4)	—	(129.1)	—	(136.3)	—	(143.9)	—	—
6	(75.0)	(218.8)	—	(233.1)	—	(248.7)	—	(265.7)	—	—
7	75.0	(182.1)	—	(210.6)	—	(242.1)	—	(277,0)	—	—
8	80.0	(133.9)	—	(178.0)	—	(228.7)	—	(287.0)	—	—
9	100.0	(57.3)	—	(118.0)	—	(191.6)	—	(280.3)	—	—
10	150.0	82.6	9.9	(4.5)	—	(104.2)	—	(231.3)	—	9.9
11	125.0	125.0	15.0	104.5	18.8	(41.7)	—	(215.3)	—	33.8
12	75.0	75.0	9.0	66.0	11.9	1.0	0.2	(231.4)	—	21.1
13	40.0	40.0	4.8	35.2	6.3	28.9	6.9	(284.6)	—	18.1
14	20.0	20.0	2.4	17.6	3.2	14.4	3.5	(366.2)	—	9.0
15	5.0	5.0	0.6	4.4	0.8	3.6	0.9	(482.5)	—	2.3
TOTAL	**493**		**41.7**		**41.0**		**11.5**		**—**	**94.2**

NOTES

1) RATES OF RETURN USED ABOVE INCLUDE INFLATION OF 5%

2) YEAR 10: AOE 1 = 0.12 * $82.6 MM (i.e. 0.12 TIMES CUMULATIVE CASH FLOWS COMPOUNDED AT 17.5% PER ANNUM) = $9.9 MM

3) YEARS 11 THROUGH 15: AOE1 IN Nth YEAR = Nth YEAR FA * 0.12

4) YEAR 10: SA = $118 MM * 1.225 + ($150 MM - $9.9 MM) = $4.5 MM

5) YEAR 11: AOE2 = 018 * $104.5 (i.e. AOE RATE TIMES CUMULATIVE CASH FLOW LESS AOE1 PAYMENTS COMPOUNDED AT 22.5% PER ANNUM) = $18.8 MM

ANNEX 4

PARENT COMPANY GUARANTEE

GUARANTY AND SUPPORT AGREEMENT

THIS GUARANTY AND SUPPORT AGREEMENT (herein called this "Guaranty"), dated as of , 2004, is made by Kosmos Energy Holdings, a Cayman Islands Exempted Company limited by guarantee but not having a share capital (herein called the "Parent").

WHEREAS, the Parent is the owner of all of the outstanding equity interests of Kosmos Energy Ghana HC, a Cayman Islands exempted company (herein called the "Subsidiary"); and

WHEREAS, the Subsidiary has executed a Petroleum Agreement with the Ghana National Petroleum Corporation (the "Counterparty") with respect to petroleum exploration, development and production within Ghana (the "Agreement"); and

WHEREAS, the Parent has determined that it is in its best interests to make the guaranties and agreements and provide the support for the Subsidiary with respect to the Agreement as provided herein;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to induce the Counterparty to execute and deliver the Agreement, and recognizing that the Counterparty would not have executed and delivered the Agreement without receiving the benefit of this Agreement from Parent, the Parent hereby agrees as follows for the benefit of the Counterparty:

1. Terms. Terms used in this Guaranty and not otherwise defined shall have the respective meanings set forth in the Agreement.

2. Guaranty of Performance. The Parent hereby absolutely and unconditionally guarantees the prompt, complete and full performance, when due, of all obligations, agreements and undertakings of the Subsidiary under the Agreement and any other agreement made by the Subsidiary or an Affiliate thereof with the Counterparty. The obligations of the Parent under this Guaranty are independent of the obligations of the Subsidiary and its Affiliates, and the Counterparty may proceed directly to enforce all rights under this Guaranty without proceeding against or joining the Subsidiary or any of its Affiliates or any other person.

3. Support. In addition to and without limiting the foregoing, the Parent will provide or will cause to he provided to the Subsidiary such funds as may be required from time to time by the Subsidiary in order for the Subsidiary to pay its obligations in accordance with the terms of the Agreement.

4. Affiliates. The Parent or any of its Affiliates will not take action which would in any manner circumvent the provisions of the Agreement.

5. Term. The obligations of the Parent under this Guaranty shall commence as of the date hereof and shall continue until the earlier to occur of (i) the termination of the Agreement (except with respect to any obligations hereunder as to

any matters arising or occurring prior to such termination, which obligations shall continue until performed or satisfied in full), or (ii) the written waiver of the obligations hereunder by the Counterparty.

6. No impairment. The obligations of the Parent arising under this Guaranty shall remain in full force and effect without regard to, and shall in nowise be affected or impaired by any of the following, whether or not notice to or consent by the Parent has been given:

(a) Any amendment to or modification of the Agreement;

(b) Any failure, omission or delay to enforce, assert or exercise any right, power, privilege or remedy conferred by the terms of the Agreement;

(c) Any exercise or waiver of any right, power, privilege or remedy conferred by the terms of the Agreement, or the waiver of any default thereunder;

(d) The voluntary or involuntary liquidation, dissolution, sale of all or substantially all assets, marshaling of assets or liabilities, receivership, conservatorship, assignment for the benefit of creditors, insolvency, bankruptcy, reorganization, arrangement or composition of the Subsidiary or any Affiliate thereof, or other proceedings under laws for the protection of debtors affecting the Subsidiary or an Affiliate thereof, or any discharge of the Subsidiary or an Affiliate thereof from liability or rejection of burdensome contracts or obligations in the course of or resulting from any such proceedings; or

(e) Any other circumstances similar in effect to the foregoing.

The provisions of this Agreement shall extend to and be applicable to all renewals, amendments, extensions and modifications of the Agreement, and all references herein to the Agreement shall he deemed to include any renewal, extension, amendment or modification thereof.

7. No Delay or Waiver. No delay on the part of the Counterparty in exercising any right hereunder or any failure to exercise any such right shall operate as a waiver of such right; nor in any event shall any modification or waiver of the provisions hereof be effective unless in writing; nor shall any such waiver be applicable except in the specific instance for which given.

8. Waiver of Notice. The Parent hereby expressly waives notice of acceptance of this Guaranty, notice of default and all other notices whatsoever, any demand hereunder, the prosecution of any suits against the Subsidiary or its Affiliates and diligence in taking any action under this Guaranty.

9. Invalidity of Particular Provisions. If any term or provision of this Agreement shall be determined to be unenforceable, all other terms and provisions hereof shall nevertheless remain effective and shall be enforced to the fullest extent permitted by applicable law.

11. Successors and Assigns. This Guaranty shall be binding upon the Parent and its successors and assigns and shall inure to the benefit of the

Counterparty and its successors and assigns. Except for the Counterparty and its successors and assigns, no person shall have any interest in this Guaranty or shall be entitled to enforce any of the obligations of the Parent contained herein, and, accordingly, it is specifically agreed there are no third party beneficiaries to this Guaranty.

12. Governing Law. This Guaranty and the rights and obligations created hereunder shall be governed by and interpreted, construed and enforced in accordance with the laws of the .

13. Specific Performance. The Parent recognizes that it is impossible to measure in money the damages which may accrue to the Counterparty by reason of the Parent's failure to perform any of its obligations under this Guaranty. Therefore, the Parent agrees that, in any action or proceeding instituted to enforce the provisions hereof, specific performance may be sought and obtained for any breach of this Guaranty, provided that nothing contained in this paragraph shall limit or be construed to limit any right, remedy or obligation contained in the Agreement.

IN WITNESS WHEREOF, the Parent has executed this Agreement as of the day and year first above written.

KOSMOS ENERGY HOLDINGS

By: _____

Exhibit 10.2

JOINT OPERATING AGREEMENT

KOSMOS ENERGY GHANA HC (1)

THE E.O. GROUP (2)

OPERATING AGREEMENT IN RESPECT OF

WEST CAPE THREE POINTS BLOCK

OFFSHORE GHANA

INDEX

OPERATING AGREEMENT

THIS AGREEMENT is made as of the Effective Date among Kosmos Energy Ghana HC, a Cayman Islands exempted company (hereinafter referred to as "Kosmos"); and the E.O. Group, a company incorporated in Ghana (hereinafter referred to as "EO"). The companies named above may sometimes individually be referred to as "Party" and collectively as the "Parties".

WITNESSETH:

WHEREAS, the Parties have entered into a Petroleum Agreement dated July 22, 2004, with the Ghana National Petroleum Corporation (hereinafter referred to as "GNPC") and the Government of the Republic of Ghana (hereinafter referred to as the "State") covering West Cape Three Points Block, Offshore Ghana; and

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

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

ARTICLE I - DEFINITIONS

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

1.1 **Accounting Procedure** means the rules, provisions and conditions set forth and contained in Exhibit A to this Agreement.

1.2 **AFE** means an authorization for expenditure pursuant to Article 6.6.

1.3 **Affiliate** means, in relation to any Party, a company, partnership, person or other legal entity which controls, or is controlled by, or which is controlled by an entity which controls, such Party. Control means the ownership directly or indirectly of fifty (50) percent or more of the voting rights in a company, partnership or legal entity.

1.4 **Agreed Interest Rate** means interest compounded on a monthly basis, at the rate per annum equal to the one (1) month term, London Interbank Offered Rate (LIBOR rate) for U.S. dollar deposits, as published by The Wall Street Journal or if not published, then by the Financial Times of London, plus five (5) percentage points, applicable on the first Business Day prior to the due date of payment and thereafter on the first Business Day of each succeeding calendar month. If the aforesaid rate is contrary to any applicable usury law, the rate of interest to be charged shall be the maximum rate permitted by such applicable law.

1.5 **Agreement** means this agreement, together with the Exhibits attached to this agreement, and any extension, renewal or amendment hereof agreed to in writing by the Parties.

1.6 **Appraisal Well** has the meaning given in the Contract.

1.7 **Barrel** has the meaning given in the Contract.

1.8 **Business Day** means a day, other than a Saturday or Sunday, on which the banks in both Dallas, Texas, and Accra, Ghana are customarily open for business.

1.9 **Calendar Quarter** means a period of three (3) months commencing with January 1 and ending on the following March 31, a period of three (3) months commencing with April 1 and ending on the following June 30, a period of three (3) months commencing with July 1 and ending on the following September 30, or a period of three (3) months commencing with October 1 and ending on the following December 31 according to the Gregorian Calendar.

1.10 **Calendar Year** means a period of twelve (12) months commencing with January 1 and ending on the following December 31 according to the Gregorian Calendar.

1.11 **Cash Premium** means the payment made pursuant to Article 7.5(B) by a Non-Consenting Party to reinstate its rights to participate in an Exclusive Operation.

1.12 **Commercial Discovery** means any Discovery which is sufficient to entitle the Parties to apply for authorization from the Government to commence exploitation.

1.13 **Completion** means an operation intended to complete a well through the Christmas tree as a producer of Hydrocarbons in one or more Zones, including, but not limited to, the setting of production casing, perforating, stimulating the well and production Testing conducted in such operation. Complete and other derivatives shall be construed accordingly.

1.14 **Consenting Party** means a Party who agrees to participate in and pay its share of the cost of an Exclusive Operation.

1.15 **Contract** means the Petroleum Agreement concluded between GNPC, the State and the Parties identified in the recitals of this Agreement and any extension, renewal or amendment thereof agreed to in writing by the Parties and those laws, statutes, rules and regulations with respect to the exploration, development and production of Hydrocarbons that govern such instrument or are incorporated by the terms of such instrument.

1.16 **Contract Area** has the meaning given in the Contract

1.17 **Cost Oil** means that portion of the total production of Hydrocarbons, if any, which is allocated to the Parties under the Contract for the recovery of Petroleum Costs.

1.18 **Day** means a calendar day unless otherwise specifically provided.

1.19 **Default Notice** shall have the meaning ascribed in Article 8.1.

1.20 **Defaulting Party** shall have the meaning ascribed in Article 8.1.

1.21 **Deepening** means an operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the deepest Zone proposed in the associated AFE, whichever is the deeper. Deepen and other derivatives shall be construed accordingly.

1.22 **Development Plan** means a plan for the development of Hydrocarbons from an Exploitation Area.

1.23 **Development Well** has the meaning given in the Contract.

1.24 **Discovery** means the discovery of an accumulation of Hydrocarbons whose existence until that moment was unproven by drilling.

1.25 **Effective Date** means the date this Agreement comes into effect as stated in Article II.

1.26 **Entitlement** means a quantity of Hydrocarbons of which a Party has the right and obligation to take delivery pursuant to the Contract or, if applicable, an offtake agreement, and the terms of this Agreement, after adjustment for overlifts and underlifts.

1.27 **Exclusive Operation** means those operations and activities carried out pursuant to this Agreement, the costs of which are chargeable to the account of less than all the Parties.

1.28 **Exclusive Well** means a well drilled pursuant to an Exclusive Operation.

1.29 **Exploitation Area** means that part of the Contract Area which is established for development of a Commercial Discovery pursuant to the Contract or if the Contract does not establish an exploitation area, then that part of the Contract Area which is delineated as the exploitation area in a Development Plan approved as a Joint Operation or as an Exclusive Operation.

1.30 **Exploitation Period** means any and all periods of exploitation during which the production and removal of Hydrocarbons is permitted under the Contract.

1.31 **Exploration Period** means any and all periods of exploration set out in the Contract.

1.32 **Exploration Well** has the meaning given in the Contract.

1.33 **G & G Data** means only geological, geophysical and geochemical data and other similar information that is not obtained through a well bore.

1.34 **GNPC** has the meaning given in the recitals to this Agreement, and shall include any successor of GNPC (as defined therein) as a party to the Contract.

1.35 **Government** means the government of Ghana, including any state or municipal government or authority within Ghana, and any political subdivision or agency or instrumentality thereof, including without limitation GNPC.

1.36 **Gross Negligence** means any act or failure to act (whether sole, joint or concurrent) by any person or entity which was intended to cause, or which was in reckless disregard of or wanton indifference to, harmful consequences such person or entity knew, or should have known, such act or failure would have on the safety or property of another person or entity.

1.37 **Hydrocarbons** means all substances including liquid and gaseous hydrocarbons which are subject to and covered by the Contract.

1.38 **Joint Account** means the accounts maintained by Operator in accordance with the provisions of this Agreement and of the Accounting Procedure for Joint Operations.

1.39 **Joint Management Committee** means the committee established pursuant to Article 6 of the Contract.

1.40 **Joint Operations** means those operations and activities carried out by Operator pursuant to this Agreement, the costs of which are chargeable to all Parties.

1.41 **Joint Property** means, at any point in time, all wells, facilities, equipment, materials, information, funds and the property held for use in Joint Operations.

1.42 **Minimum Work Obligations** means those work and/or expenditure obligations specified in the Contract which must be performed during the then current Contract phase or period in order to satisfy the obligations of the Contract.

1.43 **Non-Consenting Party** means a Party who elects not to participate in an Exclusive Operation.

1.44 **Non-Operator(s)** means the Party or Parties to this Agreement other than Operator.

1.45 **Operating Committee** means the committee constituted in accordance with Article V.

1.46 **Operator** means a Party to this Agreement designated as such in accordance with this Agreement.

1.47 **Participating Interest** means the undivided percentage interest of each Party in the rights and obligations derived from the Contract and this Agreement.

1.48 **Party** means any of the entities named in the first paragraph to this Agreement and any respective permitted successors or assigns.

1.49 **Petroleum Costs** means costs and expenses incurred by the Parties and allowed to be recovered pursuant to the Contract.

1.50 **Plugging Back** means a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone. Plug Back and other derivatives shall be construed accordingly.

1.51 **Production Bonus** means any bonus payable by the Parties under the Contract on attainment of any specified rate, level or quantity of production of Hydrocarbons.

1.52 **Profit Oil** means that portion of the total production of Hydrocarbons, in excess of Cost Oil, which is allocated to the Parties under the terms of the Contract.

1.53 **Reallocation Cost Oil** shall have the meaning ascribed in Article 19.2.

1.54 **Recompletion** means an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore. Recomplete and other derivatives shall be construed accordingly.

1.55 **Reworking** means an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but are not limited to, well stimulation operations, but exclude any routine repair or maintenance work, or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well. Rework and other derivatives shall be construed accordingly.

1.56 **Senior Supervisory Personnel** means with respect to a Party, any individual who functions as such Party's designated manager or supervisor who is responsible for, or in charge of onsite drilling, construction or production and related operations, or any other field operations.

1.57 **Sidetracking** means the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or to drill around junk in the hole or to overcome other mechanical difficulties. Sidetrack and other derivatives shall be construed accordingly.

1.58 **Testing** means an operation intended to evaluate the capacity of a Zone to produce Hydrocarbons. Test and other derivatives shall be construed accordingly.

1.59 **Work Program and Budget** means a work program for Joint Operations and budget therefor as described and approved in accordance with Article VI.

1.60 **Zone** means a stratum of earth containing or thought to contain an accumulation of Hydrocarbons separately producible from any other accumulation of Hydrocarbons.

ARTICLE II- EFFECTIVE DATE AND TERM

This Agreement shall be effective as of the Effective Date of the Contract and shall continue in effect until the Contract terminates and all materials, equipment and personal property used in connection with the Joint Operations have been removed and disposed of, and final settlement has been made among the Parties.

Notwithstanding the preceding sentence:

(A) Article X shall remain in effect until all wells have been properly abandoned; and

(B) Article 4.5 and Article XVIII shall remain in effect until all obligations, claims, arbitrations and lawsuits have been settled or otherwise resolved.

ARTICLE III - SCOPE

3.1 **Scope**

(A) The purpose of this Agreement is to establish the respective rights and obligations of the Parties with regard to operations under the Contract, including without limitation the joint exploration, appraisal, development and production of Hydrocarbon reserves from the Contract Area.

(B) Without limiting the generality of Article 3.1(A), the following activities are outside of the scope of this Agreement and are not addressed herein:

(1) Construction, operation, maintenance, repair and removal of facilities downstream from the point of delivery of the Parties' shares of Hydrocarbons under the offtake agreement provided for in Article 9.2;

(2) Transportation of Hydrocarbons beyond the point of delivery of the Parties' shares of Hydrocarbons under the offtake agreement provided for in Article 9.2;

(3) Marketing and sales of Hydrocarbons, except as expressly provided in Articles 7.5, 7.10(E) and 8.4 and in Article IX;

(4) Acquisition of rights to explore for, appraise, develop or produce Hydrocarbons outside of the Contract Area (other than as a consequence of unitization with an adjoining contract area under the terms of the Contract); and

(5) Exploration, appraisal, development or production of minerals other than Hydrocarbons, whether inside or outside of the Contract Area.

3.2 **Participating Interest**

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

Kosmos	96.5%
EO	15%

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

(C) The Parties recognize the rights of GNPC under Article 2.4 of the Contract pursuant to which GNPC has a 10% participating interest in ail petroleum operations under the Contract.

3.3 **Ownership, Obligations and Liabilities Ownership**

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

(B) Unless otherwise provided in this Agreement, the obligations of the Parties under the Contract and all liabilities and expenses incurred by Operator in connection with Joint Operations shall be charged to the Joint Account and all credits to the Joint Account shall be shared by the Parties, as among themselves, in accordance with their respective Participating Interests.

(C) Each Party shall pay when due, in accordance with the Accounting Procedure, its Participating Interest share of Joint Account expenses, including cash advances and interest, accrued pursuant to this Agreement. The Parties agree that time is of the essence for payments owing under this Agreement. A Party's payment of any charge under this Agreement shall be without prejudice to its right to later contest the charge.

3.4 **Government Participation**

If GNPC elects to acquire an Additional Paying Interest (as defined in the Contract) pursuant to Article 2.6 of the Contract, the Parties (other than EO) shall contribute, in proportion to their respective Participating Interests, to the additional interest to be acquired by GNPC and shall execute such documents as may be necessary to effect such transfer of interests. All payments received for the acquisition of such interests shall be credited to the Parties (other than HO or GNPC in the event that GNPC is or becomes a party to this Agreement) in proportion to their Participating Interests.

ARTICLE IV- OPERATOR

4.1 **Designation of Operator Designation**

Kosmos is designated as Operator and, without prejudice to the following provisions of this Article IV, agrees to act as such.

4.2 **Rights and Duties of Operator**

(A) Subject to the terms and conditions of this Agreement, Operator shall have all of the rights, functions and duties of Operator under the Contract and shall have exclusive charge of and shall conduct all Joint Operations. Operator may employ independent contractors and/or agents (which may include Affiliates of Operator) in such Joint Operations.

(B) In the conduct of Joint Operations Operator shall:

(1) Perform Joint Operations in accordance with the provisions of the Contract, this Agreement and the instructions of the Operating Committee not in conflict with this Agreement;

(2) Conduct all Joint Operations in a diligent, safe and efficient manner in accordance with good and prudent oil field practices and conservation principles generally followed by the international petroleum industry under similar circumstance;

(3) Subject to Article 4.6 and the Accounting Procedure, neither gain a profit nor suffer a loss as a result of being the Operator in its conduct of Joint Operations, provided that Operator may rely upon Operating Committee approval of specific accounting practices not in conflict with the Accounting Procedure;

(4) Perform the duties for the Operating Committee set out in Article V, and prepare and submit to the Operating Committee the proposed Work Programs, Budgets and AFEs as provided in Article VI;

(5) Acquire all permits, consents, approvals, surface or other rights that may be required for or in connection with the conduct of Joint Operations;

(6) Upon receipt of reasonable advance notice, permit the representatives of any of the Parties to have at all reasonable times and at their own risk and expense reasonable access to the Joint Operations with the right to observe all such Joint Operations and to inspect all Joint Property and to conduct financial audits as provided in the Accounting Procedure;

(7) Maintain the Contract in full force and effect to the full extent possible in accordance with such good and prudent petroleum industry practices as are generally followed by operators in the international petroleum industry under similar circumstances. Operator shall, in a timely manner, pay and discharge all liabilities and expenses incurred in connection with Joint Operations and use its reasonable efforts to keep and maintain the Joint Property free from all liens, charges and encumbrances arising out of Joint Operations;

(8) Pay to the Government for the Joint Account, within the periods and in the manner prescribed by the Contract and all applicable laws and regulations, all periodic payments, royalties, taxes, fees and other payments pertaining to Joint Operations, but excluding: (i) any taxes measured by the incomes of the Parties and (ii) any royalty payable under or in respect of the Contract;

(9) Carry out the obligations of Operator pursuant to the Contract, including, but not limited to, preparing and furnishing such reports, records and information as may be required pursuant to the Contract;

(10) Have in accordance with the decisions of the Operating Committee, the exclusive right and obligation to represent the Parties in all dealings with the Government with respect to matters arising under the Contract and Joint Operations. Operator shall notify the other Parties as soon as possible of such meetings. Non-Operators shall have the right to attend such meetings but only in the capacity of observers. Nothing contained in this Agreement shall restrict any Party from holding discussions with the Government with respect to any issue peculiar to its particular business interests arising under the Contract or this Agreement, but in such event such Party shall promptly

advise the Parties, if possible, before and in any event promptly after such discussions, provided that such Party shall not be required to divulge to the Parties any matters discussed to the extent the same involve proprietary information on matters not affecting the Parties;

(11) Take all necessary and proper measures for the protection of life, health, the environment and property in the case of an emergency; provided, however, that Operator shall immediately notify the Parties of the details of such emergency and measures; and

(12) Include, to the extent practical, in its contracts with independent contractors and to the extent lawful, provisions which:

(a) establish that such contractors can only enforce their contracts against Operator;

(b) permit Operator, on behalf of itself and Non-Operators, to enforce contractual indemnities against, and recover losses and damages suffered by them (insofar as recovered under their contracts) from, such contractors; and

(c) require such contractors to take insurance required by Article 4.7(F).

4.3 **Employees of Operator**

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

4.4 **Information Supplied by Operator**

(A) Operator shall provide Non-Operators the following data and reports as they are currently produced or compiled from the Joint Operations:

(1) Copies of all logs or surveys;

(2) Daily drilling progress reports;

(3) Copies of all Tests and core analysis reports;

(4) Copies of the plugging reports;

(5) Copies of the final geological and geophysical maps and reports;

(6) Engineering studies, development schedules and annual progress reports on development projects;

(7) Field and well performance reports, including reservoir studies and reserve estimates;

(8) Copies of all reports relating to Joint Operations furnished by Operator to the Government, except magnetic tapes which shall be stored by Operator and made available for inspection and/or copying at the sole expense of the Non-Operator requesting same;

(9) Other reports as frequently as is justified by the activities or as instructed by the Operating Committee; and

(10) Subject to Article 15.3, such additional information for Non-Operators as they or any of them may request, provided that the requesting Party or Parties pay the costs of preparation of such information and that the preparation of such information will not unduly burden Operator's administrative and technical personnel. Only Non-Operators who pay such costs shall receive such additional information.

(B) Operator shall give Non-Operators access at all reasonable times to all other data acquired in the conduct of Joint Operations. Any Non-Operator may make copies of such other data at its sole expense.

4.5 **Settlement of Claims and Lawsuits**

(A) Operator shall promptly notify the Parties of any and all material claims or suits and such other claims and suits as the Operating Committee may direct which arise out of Joint Operations or relate in any way to Joint Operations. Operator shall represent the Parties and defend or oppose the claim or suit. Operator may in its sole discretion compromise or settle any such claim or suit or any related series of claims or suits for an amount not to exceed the equivalent of U.S. dollars five hundred thousand (U.S. $500,000) exclusive of legal fees. Operator shall obtain the approval and direction of the Operating Committee on amounts in excess of the above stated amount. Each Non-Operator shall have the right to be represented by its own counsel at its own expense in the settlement, compromise or defense of such claims or suits.

(B) Any Non-Operator shall promptly notify the other Parties of any claim made against such Non-Operator by a third party which arises out of or may affect the Joint Operations, and such Non-Operator shall defend or settle the same in accordance with any directions given by the Operating Committee. Those costs, expenses and damages incurred pursuant to such defense or settlement which are attributable to Joint Operations shall be for the Joint Account.

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

4.6 **Limitation on Liability of Operator**

(A) Except as set out in this Article 4.6, neither the Party designated as Operator nor any other Indemnitee (as defined below) shall bear (except as a Party to the extent of its Participating Interest share) any damage, loss, cost, expense or liability resulting from performing (or failing to perform) the duties and functions of the Operator, and the Indemnitees are hereby released from liability to Non-Operators for any and all damages, losses, costs, expenses and liabilities arising out of, incident to or resulting from such performance or failure to perform, even though caused in whole or in part by a pre-existing defect, the negligence (whether sole, joint or concurrent), gross negligence, strict liability or other legal fault of Operator (or any such Indemnitee).

(B) Except as set out in this Article 4.6, the Parties shall in proportion to their Participating Interests defend and indemnify Operator and its Affiliates, and the officers and directors of both (collectively, the "Indemnitees"), from any and all damages, losses, costs, expenses (including reasonable legal costs, expenses and

attorneys' fees) and liabilities incident to claims, demands or causes of action brought by or on behalf of any person or entity, which claims, demands or causes of action arise out of, are incident to or result from Joint Operations, even though caused in whole or in part by a pre-existing defect, the negligence (whether sole, joint or concurrent), gross negligence, strict liability or other legal fault of Operator (or any such Indemnitee).

(C) Notwithstanding Articles 4.6(A) and 4.6(B), if any Senior Supervisory Personnel of Operator or its Affiliates engage in Gross Negligence that proximately causes the Parties to incur damage, loss, cost, expense or liability for claims, demands or causes of action referred to in Articles 4.6(A) or 4.6(B), then, in addition to its Participating Interest share Operator shall bear the actual damage, loss, cost, expense and liability to repair, replace and/or remove Joint Property so damaged or lost, if any

(D) Nothing in this Article 4.6 shall be deemed to relieve the Party designated as Operator from its Participating Interest share of any damage, loss, cost, expense or liability arising out of, incident to or resulting from Joint Operations.

(E) Notwithstanding the foregoing, under no circumstances shall any Indemnitee (except as a Party to the extent of its participating interest) bear any damages, loss, cost, expense or liability for environmental, consequential, punitive or any other similar indirect damages or losses, including but not limited to those arising from business interruption, reservoir or formation damage, inability to produce hydrocarbons, loss of profits, pollution control and environmental amelioration or rehabilitation.

4.7 **Insurance Obtained by Operator**

(A) Operator shall procure and maintain or cause to be procured and maintained for the Joint Account all insurance in the types and amounts required by the Contract and applicable laws, rules and regulations.

(B) Operator shall obtain such further insurance, at competitive rates, as the Operating Committee may from time to time require.

(C) Any Party may elect not to participate in the insurance to be procured under Article 4.7(B) provided such Party:

(1) gives prompt notice to that effect to Operator;

(2) does nothing which may interfere with Operator's negotiations for such insurance for the other Parties; and

(3) obtains and maintains such insurance (in respect of which an annual certificate of adequate coverage from a reputable insurer shall be sufficient evidence) or other evidence of financial responsibility which fully covers its Participating Interest share of the risks that would be covered by the insurance procured under Article 4.7 (B), and which the Operating Committee may determine to be acceptable. No such determination of acceptability shall in any way absolve a non-participating Party from its obligation to meet each cash call including any cash call in respect of damages and losses and/or the costs of remedying the same in accordance with the terms of this Agreement. If such Party obtains other insurance, such insurance shall contain a waiver of subrogation in favor of all the other Parties, the Operator and their insurers but only in respect of their interests under this Agreement.

(D) The cost of insurance in which all the Parties are participating shall be for the Joint Account and the cost of insurance in which less than all the Parties are participating shall be charged to the Parties participating in proportion to their respective Participating Interests.

(E) Operator shall, in respect of all insurance obtained pursuant to this Article 4.7:

(1) promptly inform the participating Parties when such insurance is obtained and supply them with certificates of insurance or copies of the relevant policies when the same are issued;

(2) arrange for the participating Parties, according to their respective Participating Interests, to be named as co-insureds on the relevant policies with waivers of subrogation in favor of all the Parties; and

(3) duly file all claims and take all necessary and proper steps to collect any proceeds and credit any proceeds to the participating Parties in proportion to their respective Participating Interests.

(F) Operator shall use its reasonable efforts to require all contractors performing work in respect of Joint Operations to obtain and maintain any and all insurance in the types and amounts required by any applicable laws, rules and regulations or any decision of the Operating Committee and shall use its reasonable efforts to require all such contractors to name the Parties as additional insureds on such contractors' insurance policies or to obtain from their insurers waivers of all rights of recourse against Operator, Non-Operators and their insurers.

4.8 **Commingling of Funds**

Operator may commingle with its own funds the monies which it receives from or for the Joint Account pursuant to this Agreement. Notwithstanding that monies of a Non-Operator have been commingled with Operator's funds, the Operator shall account to the Non-Operators for the monies of a Non-Operator advanced or paid to Operator, whether for the conduct of Joint Operations or as proceeds from the sale of production under this Agreement. Such monies shall be applied only to their intended use and shall in no way be deemed to be funds belonging to Operator.

4.9 **Resignation of Operator**

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

4.10 **Removal of Operator**

(A) Subject to Article 4,11, Operator shall be removed upon receipt of notice from any Non-Operator if:

(1) An order is made by a court or an effective resolution is passed for the reorganization under any bankruptcy law, dissolution, liquidation, or winding up of Operator;

(2) Operator dissolves, liquidates, is wound up, or otherwise terminates its existence;

(3) Operator becomes insolvent, bankrupt or makes an assignment for the benefit of creditors; or

(4) A receiver is appointed for a substantial part of Operator's assets.

(B) Subject to Article 4.11, Operator may be removed by the decision of the Non-Operators if Operator has committed a material breach of this Agreement and has either failed to commence to cure that breach within thirty (30) Days of receipt of a notice from Non-Operators detailing the alleged breach or failed to diligently pursue the cure to completion. Any decision of Non-Operators to give notice of breach to Operator or to remove Operator under this Article 4.10(B) shall be made by an affirmative vote of Non-Operators holding a combined Participating Interest of at least sixty seven percent (67%).

(C) If Operator together with any Affiliate of Operator is or becomes the holder of a Participating Interest of less than ten percent (10%), then Operator shall be required to promptly notify the other Parties. The Operating Committee shall then vote within thirty (30) Days of such notification on whether or not a successor Operator should be named pursuant to Article 4.11.

4.11 **Appointment of Successor**

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

(A) The Operating Committee shall meet as soon as possible to appoint a successor Operator pursuant to the voting procedure of Article 5.9. However, no Party may be appointed successor Operator against its will.

(B) If the Operator disputes commission of or failure to rectify a material breach alleged pursuant to Article 4.10(B) and proceedings are initiated pursuant to Article XVIII, no successor Operator may be appointed pending the conclusion or abandonment of such proceedings, subject to the terms of Article 8.3 with respect to Operator's breach of its payment obligations.

(C) If an Operator is removed, other than in the case of Article 4.10(C) or Article 4.10(D), neither Operator nor any Affiliate of Operator shall have the right to vote for itself on the appointment of a successor Operator, nor be considered as a candidate for the successor Operator.

(D) A resigning or removed Operator shall be compensated out of the Joint Account for its reasonable expenses directly related to its resignation or removal, except in the case of Article 4.10(B).

(E) The resigning or removed Operator and the successor Operator shall arrange for the taking of an inventory of all Joint Property and Hydrocarbons, and an audit of the books and records of the removed Operator. Such inventory and audit shall be completed, if possible, no later than the effective date of the change of Operator and shall be subject to the approval of the Operating Committee. The liabilities and expenses of such inventory and audit shall be charged to the Joint Account.

(F) The resignation or removal of Operator and its replacement by the successor Operator shall not become effective prior to receipt of any necessary Government approvals.

(G) Upon the effective date of the resignation or removal, the successor Operator shall succeed to all duties, rights and authority prescribed for Operator. The former Operator shall transfer to the successor Operator custody of all Joint Property, books of account, records and other documents maintained by Operator pertaining to the Contract Area and to Joint Operations. Upon delivery of the above-described

property and data, the former Operator shall be released and discharged from all obligations and liabilities as Operator accruing after such date.

ARTICLE V - OPERATING COMMITTEE

5.1 Establishment of Operating Committee

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

5.2 Powers and Duties of Operating Committee

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

5.3 Authority to Vote

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

5.4 Subcommittees

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

5.5 Notice of Meeting

(A) Operator may call a meeting of the Operating Committee by giving notice to the Parties at least fifteen (15) Days in advance of such meeting.

(B) Any Non-Operator may request a meeting of the Operating Committee by giving notice to all the other Parties. Upon receiving such request, Operator shall call such meeting for a date not less than fifteen (15) Days nor more than twenty (20) Days after receipt of the request.

(C) The notice periods above may only be waived with the unanimous consent of all the Parties.

5.6 **Contents of Meeting Notice**

(A) Each notice of a meeting of the Operating Committee as provided by Operator shall contain:

(1) The date, time and location of the meeting; and

(2) An agenda of the matters and proposals to be considered and/or voted upon.

(B) A Party, by nonce to the other Parties given not less than seven (7) Days prior to a meeting, may add additional matters to the agenda for a meeting.

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

5.7 **Location of Meetings**

All meetings of the Operating Committee shall be held in Dallas, Texas, or elsewhere as may be decided by the Operator.

5.8 **Operator's Duties for Meetings**

(A) With respect to meetings of the Operating Committee and any subcommittee, Operator's duties shall include, but not be limited to:

(1) Timely preparation and distribution of the agenda;

(2) Organization and conduct of the meeting; and

(3) Preparation of a written record or minutes of each meeting.

(B) Operator shall have the right to appoint the chairman of the Operating Committee and all subcommittees.

5.9 **Voting Procedure**

Except as otherwise expressly provided in this Agreement, all decisions, approvals and other actions of the Operating Committee on all proposals coming before it shall be decided by the affirmative vote of Parties which are not Affiliates then having collectively at least sixty percent (60%) of the Participating Interests.

5.10 **Record of Votes**

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

5.11 **Minutes**

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

the votes recorded under Article 5.10 shall take precedence over the minutes described above.

5.12 **Voting by Notice**

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

(1) twenty four (24) hours in the case of operations which involve the use of a drilling rig that is standing by in the Contract Area.

(2) fourteen (14) Days in the case of all other proposals.

(B) Except in the case of Article 5.12(A)(1), any Non-Operator may by notice delivered to all Parties within five (5) Days of receipt of Operator's notice request that the proposal be decided at a meeting rather than by notice. In such an event, that proposal shall be decided at a meeting duly called for that purpose.

(C) Except as provided in Article X, any Party failing to communicate its vote in a timely manner shall be deemed to have voted against such proposal.

(D) If a meeting is not requested, then at the expiration of the appropriate time period, Operator shall give each Party a confirmation notice stating the tabulation and results of the vote.

5.13 **Effect of Vote**

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

(A) If pursuant to this Article V, a Joint Operation, other than an operation to fulfill the Minimum Work Obligations, has been properly proposed to the Operating Committee and the Operating Committee has not approved such proposal in a timely manner, then any Party shall have the right for the appropriate period specified below to propose in accordance with Article VII, an Exclusive Operation involving operations essentially the same as those proposed for such Joint Operation.

(1) For proposals involving the use of a drilling rig that is standing by in the Contract Area, such right shall be exercisable for twenty-four (24) hours after the time specified in Article 5.12(A)(1) has expired or after receipt of Operator's notice given pursuant to Article 5.13(D), as applicable.

(2) For proposals to develop a Discovery, such right shall be exercisable for ten (10) Days after the date the Operating Committee was required to consider such proposal pursuant to Article 5.6 or Article 5.12;

(3) For all other proposals, such right shall be exercisable for five (5) Days after the date the Operating Committee was required to consider such proposal pursuant to Article 5.6 or Article 5.12.

(B) If a Party voted against any proposal which was approved by the Operating Committee and which could be conducted as an Exclusive Operation pursuant to Article VII, other than any proposal relating to Minimum Work Obligations, then such Party shall have the right not to participate in the operation contemplated by

such approval. Any such Party wishing to exercise its right of non-consent must give notice of non-consent to all other Parties within five (5) Days (or within twenty-four (24) hours if the drilling rig to be used in such operation is standing by in the Contract Area) following Operating Committee approval of such proposal. The Parties that were not entitled to give or did not give notice of non-consent shall be Consenting Parties as to the operation contemplated by the Operating Committee approval, and shall conduct such operation as an Exclusive Operation under Article VII. Any Party that gave notice of non-consent shall be a Non-Consenting Party as to such Exclusive Operation.

(C) If the Consenting Parties to an Exclusive Operation under Article 5.13(A) or Article 5.13(B) concur, then the Operating Committee may, at any time, pursuant to this Article V, reconsider and approve, decide or take action on any proposal that the Operating Committee declined to approve earlier, or modify or revoke an earlier approval, decision or action.

(D) Once a Joint Operation for the drilling, Deepening, Testing, Sidetracking, Plugging Back, Completing, Recomputing, Reworking or plugging of a well, has been approved and commenced, such operation shall not be discontinued without the consent of the Operating Committee; provided, however, that such operation may be discontinued, if:

(1) an impenetrable substance or other condition in the hole is encountered which in the reasonable judgment of Operator causes the continuation of such operation to be impractical; or

(2) other circumstances occur which in the reasonable judgment of Operator cause the continuation of such operation to be unwarranted and after notice the Operating Committee within the period required under Article 5.12(A)(1) approves discontinuing such operation.

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

5.14 **Management Committee Participation**

(A) Subject to the following provisions of this Article 5.14, each Party shall appoint one representative to serve as a member of the Joint Management Committee in accordance with Article 6.2 of the Contract.

(B) In the event that there are fewer Parties to this Agreement than the number of Contractor representatives on the Joint Management Committee provided for in the Contract, the Operator shall, in addition to any representatives appointed by the Non-Operators in accordance with this Article 5.14, appoint such representatives as the Operator may in its absolute discretion select to serve on the Joint Management Committee in accordance with Article 6.2 of the Contract.

(C) In the event that there are more than two (2) Parties to this Agreement:

(1) the Parties with the two (2) greatest Participating Interests; or

(2) if the Operator is not one of such two Parties, the Operator and the Party with the greatest Participating Interest,

shall each appoint one representative to serve on the Joint Management Committee in accordance with Article 6.2 of the Contract (and this Article 5.14 shall apply mutatis mutandis in the event that the Contract provides for any number of Contractor representatives on the Joint Management Committee other than two (2)).

(D) The Joint Management Committee representative appointed by the Operator shall have the sole right to exercise all voting rights of the Contractor on the Joint Management Committee under Article 6 of the Contract and shall exercise such voting rights in accordance with the prior decisions of the Operating Committee.

(E) At meetings of the Joint Management Committee, the representatives of any Non-Operator shall not vote and shall not seek or request any decision of the Joint Management Committee which is contrary to any prior decision of the Operating Committee.

ARTICLE VI – WORK PROGRAMS AND BUDGETS

6.1 Exploration and Appraisal

(A) Not less than sixty (60) Days prior to each date on which a Work Program and Budget is required to be submitted to the Joint Management Committee pursuant to clause 6.1 of the Contract, Operator shall deliver to the Parties a proposed Work Program and Budget detailing the Joint Operations to be performed for the relevant Calendar Year. Within thirty (30) Days of such delivery, the Operating Committee shall meet to consider and to endeavor to agree on a Work Program and Budget.

(B) If a Discovery is made. Operator shall deliver any notice of Discovery required under the Contract and shall as soon as possible submit to the Parties a report containing available details concerning the Discovery and Operator's recommendation as to whether the Discovery merits appraisal. If the Operating Committee determines that the Discovery merits appraisal, Operator within thirty (30) Days, shall deliver to the Parties a proposed Work Program and Budget for the appraisal of the Discovery. Within thirty (30) Days of such delivery, or earlier if necessary to meet any applicable deadline under the Contract, the Operating Committee shall meet to consider, modify and then either approve or reject the appraisal Work Program and Budget. If the appraisal Work Program and Budget is approved by the Operating Committee, Operator shall take such steps as may be required under the Contract to secure approval of the appraisal Work Program and Budget by the Government. In the event the Government requires changes in the appraisal Work Program and Budget, the matter shall be resubmitted to the Operating Committee for further consideration.

(C) The Work Program and Budget agreed pursuant to this Article 6.1 shall include the Minimum Work Obligations, or at least that part of such Minimum Work Obligations required to be carried out during the Calendar Year in question under the terms of the Contract. If within the time periods prescribed in this Article 6.1 the Operating Committee is unable to agree on such a Work Program and Budget, then the proposal capable of satisfying the Minimum Work Obligations for the Calendar Year in question that receives the largest Participating Interest vote (even if less than the applicable percentage under Article 5.9) shall be deemed adopted as part of the annual Work Program and Budget. If competing proposals receive equal votes, then Operator shall choose between those competing proposals. Any portion of a Work Program and Budget adopted pursuant to this Article 6.1(D) instead of Article 5.9 shall include only such operations for the Joint Account as are necessary to maintain

the Contract in full force and effect, including such operations as are necessary to fulfill the Minimum Work Obligations required for the given Calendar Year.

(D) Any approved Work Program and Budget may be revised by the Operating Committee from time to time. To the extent such revisions are approved by the Operating Committee, the Work Program and Budget shall be amended accordingly. The Operator shall prepare and submit a corresponding work program and budget amendment to the Government if required by the terms of the Contract.

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

(1) an Exploration Well, whether by drilling, Deepening or Sidetracking, shall include approval for all expenditures necessary for drilling, Deepening or Sidetracking, as applicable, and Testing and Completing such Exploration Well.

(2) an Appraisal Well, whether by drilling, Deepening or Sidetracking, shall include approval for all expenditures necessary for drilling. Deepening or Sidetracking, as applicable, and Testing and Completing such Appraisal Well.

(F) Any Party desiring to propose a Completion attempt, or an alternative Completion attempt, must do so within the time period provided in Article 5.12(A)(1) by notifying all other Parties. Any such proposal shall include an AFE for such Completion costs.

6.2 Development

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

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

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

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

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

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

(C) If the Development Plan is approved, such work shall be incorporated into and form part of annual Work Programs and Budgets, and the Operating Committee shall endeavor to agree to such Work Program and Budgets, including any necessary or appropriate revisions to the Work Program and Budget for the approved Development Plan.

6.3 **Production**

On or before the 1st Day of April of each Calendar Year, Operator shall deliver to the Parties a proposed production Work Program and Budget detailing the Joint Operations to be performed in the Exploitation Area and the projected production schedule for the following Calendar Year. Within thirty (30) Days of such delivery, the Operating Committee shall agree upon a production Work Program and Budget.

6.3 **Itemization of Expenditures**

(A) During the preparation of the proposed Work Programs and Budgets and Development Plans contemplated in this Article VI, Operator shall consult with the Operating Committee or the appropriate subcommittees regarding the contents of such Work Programs and Budgets and Development Plans.

(B) Each Work Program and Budget and Development Plan submitted by Operator shall contain an itemized estimate of the costs of Joint Operations and all other expenditures to be made for the Joint Account during the Calendar Year in question and shall, *inter alia:*

(1) identify each work category in sufficient detail to afford the ready identification of the nature, scope and duration of the activity in question;

(2) include such reasonable information regarding Operator's allocation procedures and estimated manpower costs as the Operating Committee may determine;

(3) comply with the requirements of the Contract; and

(4) contain an estimate of funds to be expended by Calendar Quarter.

(C) The Work Program and Budget shall designate the portion or portions of the Contract Area in which Joint Operations itemized in such Work Program and Budget are to be conducted and shall specify the kind and extent of such operations in such detail as the Operating Committee may deem suitable.

6.4 **Contract Awards**

Operator shall award each contract for Joint Operations under any approved Work Program and Budget on the following basis (the amounts stated are in thousands of U.S. dollars):

	Procedure A	**Procedure B**	**Procedure C**
Exploration and Appraisal Operations	$0 to $250,000	$250,001 to $2,499,999	$2,500,000+
Development Operations	$0 to $250,000	$250,001 to $2,499,999	$2,500,000+
Production Operations	$0 to $250,000	$250,001 to $2,499,999	$2,500,000+

Procedure

(A) Operator shall award the contract to the best qualified contractor as determined by cost and ability to perform the contract without the obligation to tender and without informing or seeking the approval of the Operating Committee, except that before entering into contracts with Affiliates of the Operator exceeding U.S. dollars one hundred thousand (U.S.$100,000). Operator shall obtain the approval of the Operating Committee.

Procedure

(B) Operator shall:

(1) Provide the Parties with a list of the entities whom Operator proposes to invite to tender for the said contract;

(2) Add to such list any entity whom a Party requests to be added within fourteen (14) Days of receipt of such list;

(3) Complete the tendering process within a reasonable period of time;

(4) Inform the Parties of the entities to whom the contract has been awarded, provided that before awarding contracts to Affiliates of the Operator which exceed U.S. dollars one hundred thousand (U.S.$100,000), Operator shall obtain the approval of the Operating Committee;

(5) Circulate to the Parties a competitive bid analysis stating the reasons for the choice made; and

(6) Upon the request of a Party, provide such Party with a copy of the final version of the contract awarded.

Procedure

(C) Operator shall:

(1) Provide the Parties with a list of the entities whom Operator proposes to invite to tender for the said contract;

(2) Add to such list any entity whom a Party requests to be added within fourteen (14) Days of receipt of such list;

(3) Prepare and dispatch the tender documents to the entities on the list as aforesaid and to Non-Operators;

(4) After the expiration of the period allowed for tendering, consider and analyze the details of all bids received;

(5) Prepare and circulate to the Parties a competitive bid analysis, stating Operator's recommendation as to the entity to whom the contract should be awarded, the reasons therefor, and the technical, commercial and contractual terms to be agreed upon;

(6) Obtain the approval of the Operating Committee to the recommended bid; and

(7) Upon the request of a Party, provide such Party with a copy of the final version of the contract.

6.5 **Authorization for Expenditure ("AFE") Procedure**

(A) Prior to incurring any commitment or expenditure for the Joint Account, which is estimated to be:

(1) In excess of U.S. dollars fifty thousand (U.S.$50,000) in an exploration or appraisal Work Program and Budget;

(2) In excess of U.S. dollars fifty thousand (U.S.$50,000) in a development Work Program and Budget; and

(3) In excess of U.S. dollars fifty thousand (U.S.$50,000) in a production Work Program and Budget, Operator shall send to each Non-Operator an AFE as described in Article 6.6(C). Notwithstanding the above, Operator shall not be obliged to furnish an AFE to the Parties with respect to any Minimum Work Obligations, workovers of wells and general and administrative costs that are listed as separate line items in an approved Work Program and Budget.

(B) All AFEs shall be for informational purposes only. Approval of an operation in the current Work Program and Budget shall authorize Operator to conduct the operation (subject to Article 6.7) without further authorization from the Operating Committee.

6.6 **Overexpenditures of Work Programs and Budgets**

(A) For expenditures on any line item of an approved Work Program and Budget, Operator shall be entitled to incur without further approval of the Operating Committee an overexpenditure for such line item up to ten percent (10%) of the authorized amount for such line item; provided that the cumulative total of all overexpenditures for a Calendar Year shall not exceed five percent (5%) of the total Work Program and Budget in question.

(B) At such time that Operator is certain that the limits of Article 6.7(A) will be exceeded, Operator shall furnish a supplemental AFE for the estimated overexpenditures to the Operating Committee for its approval and shall provide the Parties with full details of such overexpenditures. Operator shall promptly give notice of the amounts of overexpenditures when actually incurred.

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

ARTICLE VII - OPERATIONS BY LESS THAN ALL PARTIES

7.1 **Limitation on Applicability**

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

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

(C) Except for Exclusive Operations relating to Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompletions or Reworking of a well originally drilled to fulfill the Minimum Work Obligations, no Exclusive Operations may be proposed or conducted during any period, subperiod or extension period of the Exploration Period until the Minimum Work Obligations under the Contract are fulfilled in relation to such period, subperiod or extension period.

(D) No Party may propose or conduct an Exclusive Operation under this Article VII, unless and until such Party has properly exercised its right to propose an Exclusive Operation pursuant to Article 5.13, or is entitled to conduct an Exclusive Operation pursuant to Article X.

(E) Any operation that may be proposed and conducted as a Joint Operation, other than operations pursuant to an approved Development Plan, may be proposed and conducted as an Exclusive Operation, subject to the terms of this Article VII.

7.2 **Procedure to Propose Exclusive Operations**

(A) Subject to Article 7.1, if any Party proposes to conduct an Exclusive Operation, such Party shall give notice of the proposed operation to all Parties, other than Non-Consenting Parties who have relinquished their rights to participate in such operation pursuant to Article 7.4(B) or Article 7.4(F) and have no option to reinstate such rights under Article 7.4(C). Such notice shall specify that such operation is proposed as an Exclusive Operation, the work to be performed, the location, the objectives, and estimated cost of such operation.

(B) Any Party entitled to receive such notice shall have the right to participate in the proposed operation.

(1) For proposals to Deepen, Test, Complete, Sidetrack, Plug Back, Recomplete or Rework involving the use of a drilling rig that is standing by in the Contract Area, any such Party wishing to exercise such right must so notify Operator within twenty-four (24) hours after receipt of the notice proposing the Exclusive Operation.

(2) For proposals to develop a Discovery, any Party wishing to exercise such right must so notify the Party proposing to develop within twenty (20) Days after receipt of the notice proposing the Exclusive Operation.

(3) For all other proposals, any such Party wishing to exercise such right must so notify Operator within ten (10) Days after receipt of the notice proposing the Exclusive Operation;

(C) Failure of a Party to whom a proposal notice is delivered to properly reply within the period specified above shall constitute an election by that Party not to participate in the proposed operation.

(D) If all Parties properly exercise their rights to participate, then the proposed operation shall be conducted as a Joint Operation. The Operator shall commence such Joint Operation as promptly as practicable and conduct it with due diligence.

(E) If less than all Parties entitled to receive such proposal notice properly exercise their rights to participate, then:

(1) The Party proposing the Exclusive Operation, together with any other Consenting Parties, shall have the right exercisable for the applicable notice

period set out in Article 7.2(B), to instruct Operator (subject to Article 7.10(G)) to conduct the Exclusive Operation.

(2) If the Exclusive Operation is conducted, the Consenting Parties shall bear the sole liability and expense of such Exclusive Operation, with each Consenting Party bearing a fraction of such liability and expense, the numerator of which is such Consenting Party's Participating Interest as stated in Article 3.2(A) and the denominator of which is the aggregate of the Participating Interests of the Consenting Parties as stated in Article 3.2(A), or as the Consenting Parties may otherwise agree.

(3) If such Exclusive Operation has not been commenced within ninety (90) Days (excluding any extension specifically agreed by all Parties or allowed by the force majeure provisions of Article XVI) after the date of the instruction given to Operator under Article 7.2(E)(1), the right to conduct such Exclusive Operation shall terminate. If any Party still desires to conduct such Exclusive Operation, notice proposing such operation must be resubmitted to the Parties in accordance with Article V, as if no proposal to conduct an Exclusive Operation had been previously made.

7.3 **Responsibility for Exclusive Operations**

(A) The Consenting Parties shall bear in accordance with the Participating Interests agreed under Article 7.2(E) the entire cost and liability of conducting an Exclusive Operation and shall indemnify the Non-Consenting Parties from any and all costs and liabilities incurred incident to such Exclusive Operation (including but not limited to all costs, expenses or liabilities for environmental, consequential, punitive or any other similar indirect damages or losses arising from business interruption, reservoir or formation damage, inability to produce petroleum, loss of profits, pollution control and environmental amelioration or rehabilitation) and shall keep the Contract Area free and clear of all liens and encumbrances of every kind created by or arising from such Exclusive Operation.

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

7.4 **Consequences of Exclusive Operations**

(A) With regard to any Exclusive Operation, for so long as a Non-Consenting Party has the option under Article 7.4(C) to reinstate the rights it relinquished under Article 7.4(B), such Non-Consenting Party shall be entitled to have access concurrently with the Consenting Parties to all data and other information relating to such Exclusive Operation, other than G & G Data obtained in an Exclusive Operation. If a Non-Consenting Party desires to receive and acquire the right to use such G & G Data, then such Non-Consenting Party shall have the right to do so by paying to the Consenting Parties its Participating Interest share as set out in Article 3.2(A) of the cost incurred in obtaining such G & G Data.

(B) Subject to Article 7.4(C) (and Articles 7.6(E) and 7.8, if selected), each Non-Consenting Party shall be deemed to have relinquished to the Consenting Parties, and the Consenting Parties shall be deemed to own, in proportion to their respective Participating Interests in any Exclusive Operation:

(1) All of each such Non-Consenting Party's right to participate in further operations in the well or Deepened or Sidetracked portion of a well in which the Exclusive Operation was conducted and on any Discovery made or appraised in the course of such Exclusive Operation; and

(2) All of each such Non-Consenting Party's right pursuant to the Contract to take and dispose of Hydrocarbons produced and saved:

(a) From the well or Deepened or Sidetracked portion of a well in which such Exclusive Operation was conducted, and

(b) From any wells drilled to appraise or develop a Discovery made or appraised in the course of such Exclusive Operation.

(C) A Non-Consenting Party shall have only the following options to reinstate the rights it relinquished pursuant to Article 7.4(B):

(1) If the Consenting Parties decide to appraise a Discovery made in the course of an Exclusive Operation, the Consenting Parties shall submit to each Non-Consenting Party the approved appraisal program. For thirty (30) Days (or forty-eight (48) hours if the drilling rig which is to be used in such appraisal program is standing by in the Contract Area) from receipt of such appraisal program, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4(B) and to participate in such appraisal program. The Non-Consenting Party may exercise such option by notifying Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the expense and liability of such appraisal program, to pay the lump sum amount as set out in Article 7.5(A) and to pay the Cash Premium as set out in Article 7.5(B);

(2) If the Consenting Parties decide to develop a Discovery made or appraised in the course of an Exclusive Operation, the Consenting Parties shall submit to the Non-Consenting Parties a Development Plan substantially in the form intended to be

submitted to the Government under the Contract. For sixty (60) Days from receipt of such Development Plan or such lesser period of time prescribed by the Contract, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4(B) and to participate in such Development Plan. The Non-Consenting Party may exercise such option by notifying the Party proposing to act as Operator for such Development Plan within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the liability and expense of such Development Plan and such future operating and producing costs, to pay the lump sum amount as set out in Article 7.5(A) and to pay the Cash Premium as set out in Article 7.5(B);

(3) If the Consenting Parties decide to Deepen, Complete, Sidetrack, Plug Back or Recomplete an Exclusive Well and such further operation was not included in the original proposal for such Exclusive Well, the Consenting Parties shall submit to the Non-Consenting Parties the approved AFE for such further operation. For thirty (30) Days (or forty-eight (48) hours if the drilling rig which is to be used in such operation is standing by in the Contract Area) from receipt of such AFE, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4(B) and to participate in such operation. The Non-Consenting Party may exercise such option by notifying the Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest

share of the liability and expense of such further operation, to pay the lump sum amount as set out in Article 7.5(A) and to pay the Cash Premium as set out in Article 7.5(B);

A Non-Consenting Party shall not be entitled to reinstate its rights in any other type of operation.

(D) If a Non-Consenting Party does not properly and in a timely manner exercise such option, including paying in a timely manner in accordance with Article 7.5 all lump sum amounts and Cash Premiums, if any. due to the Consenting Parties, such Non-Consenting Party shall have forfeited the options as set out in Article 7.4(C) and the right to participate in the proposed program, unless such program, plan or operation is materially modified or expanded (in which case a new notice and option shall be given to such Non-Consenting Party under Article 7.4(C)).

(E) A Non-Consenting Party shall become a Consenting Party with regard to an Exclusive Operation at such time as the Non-Consenting Party gives notice pursuant to Article 7.4(C); provided that such Non-Consenting Party shall in no way be deemed to be entitled to any lump sum amount Cash Premium paid incident to such Exclusive Operation. Such Non-Consenting Party shall be entitled to recover its Participating Interest share of expenses paid pursuant to Article 7.5(A) (but not the amount of any associated Cash Premium) from Cost Oil in accordance with Article XIX. The Participating Interest of such Non-Consenting Party in such Exclusive Operation shall be its Participating Interest set out in Article 3.2(A). The Consenting Parties shall contribute to the Participating Interest of the Non-Consenting Party in proportion to the excess Participating Interest that each received under Article 7.2(E). If all Parties participate in the proposed operation, then such operation shall be conducted as a Joint Operation pursuant to Article V.

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

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

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

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

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

(c) Assumed a fiduciary duty to exercise its legal interest in such Exploitation Area for the benefit of the Consenting Parties.

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

commencement of operations under such Development Plan and shall be further deemed to have forfeited any right to participate in the construction and ownership of facilities outside such Exploitation Area designed solely for the use of such Exploitation Area.

7.5 **Premium to Participate in Exclusive Operations**

(A) Within thirty (30) Days of the exercise of its option under Article 7.4(C), each such Non-Consenting Party shall pay in immediately available funds to the Consenting Parties in proportion lo their respective Participating Interests in such Exclusive Operations a lump sum amount payable in the currency designated by such Consenting Parties. Such lump sum amount shall be equal to such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in every Exclusive Operations relating to the Discovery, or well, as the case may be, in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4(B), and that were not previously paid by such Non-Consenting Party.

(B) In addition to Article 7.5(A), if a Cash Premium is due, then within thirty (30) Days of the exercise of its option under Article 7.4(C) each such Non-Consenting Party shall pay in immediately available funds, in the currency designated by the Consenting Parties who took the risk of such Exclusive Operations, to such Consenting Parties in proportion to their respective Participating Interests a Cash Premium equal to the total of:

(1) five hundred percent (500%) of such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the obtaining of the portion of the G & G Data which pertains to the Discovery, and that were not previously paid by such Non-Consenting Party; plus

(2) five hundred percent (500%) of such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Exploration Well which made the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4(B), and that were not previously paid by such Non-Consenting Party; plus

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

7.6 **Order of Preference of Operations**

(A) Except as otherwise specifically provided in this Agreement, if any Party desires to propose the conduct of an operation that will conflict with an existing proposal for an Exclusive Operation, such Party shall have the right exercisable for five (5) Days, or twenty-four (24) hours if the drilling rig to be used is standing by in the Contract Area, from receipt of the proposal for the Exclusive Operation, to deliver to all Parties entitled to participate in the proposed operation such Party's alternative

proposal. Such alternative proposal shall contain the information required under Article 7.2(A).

(B) Each Party receiving such proposals shall elect by delivery of notice to Operator within the appropriate response period set out in Article 7.2(B) to participate in one of the competing proposals. Any Party not notifying Operator within the response period shall be deemed to have voted against the proposal.

(C) The proposal receiving the largest aggregate Participating Interest vote shall have priority over all other competing proposals. In the case of a tie vote, the Operator shall choose among the proposals receiving the largest aggregate Participating Interest vote. Operator shall deliver notice of such result to all Parties entitled to participate in the operation within five (5) Days of the end of the response period, or twenty-four (24) hours if the drilling rig to be used is standing by in the Contract Area.

(D) Each Party shall then have two (2) Days (or twenty-four (24) hours if the drilling rig to be used is standing by in the Contract Area) from receipt of such notice to elect by delivery of notice to Operator whether such Party will participate in such Exclusive Operation, or will relinquish its interest pursuant to Article 7.4(B). Failure by a Party to deliver such notice within such period shall be deemed an election not to participate in the prevailing proposal.

7.7 **Stand-By Costs**

(A) When an operation has been performed, all tests have been conducted and the results of such tests furnished to the Parties, stand by costs incurred pending response to any Party's notice proposing an Exclusive Operation for Deepening, Testing, Sidetracking, Completing, Plugging Back, Recompleting, Reworking or other further operation in such well (including the period required under Article 7.6 to resolve competing proposals) shall be charged and borne as part of the operation just completed. Stand by costs incurred subsequent to all Parties responding, or expiration of the response time permitted, whichever first occurs, shall be charged to and borne by the Parties proposing the Exclusive Operation in proportion to their Participating Interests, regardless of whether such Exclusive Operation is actually conducted.

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

7.8 **Use of Property**

The Parties participating in any Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting or Reworking of any well drilled under this Agreement shall be permitted to use, free of cost, all casing, tubing and other equipment in the well that is not needed for operations by the owners of the wellbore, but the ownership of all such equipment shall remain unchanged. On abandonment of a well in which operations with differing participation have been conducted, the Parties abandoning the well shall account for all equipment in the well to the Parties owning such equipment by tendering to them their

respective Participating Interest shares of the value of such equipment less the cost of salvage.

7.9 **Production Bonuses**

Production Bonuses (if any) shall be charged to the Joint Account if there is no Hydrocarbon production from an Exclusive Operation at the time they are incurred. If there is Hydrocarbon production from one or more Exclusive Operations, then any Production Bonus which becomes payable under the Contract shall be borne by each Exploitation Area in the proportion that its cumulative production of Hydrocarbons bears to the total cumulative production of Hydrocarbons from the Contract Area. The Parties in an Exploitation Area shall bear any Production Bonus allocated to that Exploitation Area in accordance with their Participating Interests in that Exploitation Area as of the date on which liability for the production bonus was incurred. Only types and grades of Hydrocarbons used for the determination of any Production Bonus under the Contract shall be utilized in the calculations in this Article 7.9.

7.10 **Miscellaneous**

(A) Each Exclusive Operation shall be carried out by the Consenting Parties acting as the Operating Committee, subject to the provisions of this Agreement applied mutatis mutandis to such Exclusive Operation and subject to the terms and conditions of the Contract.

(B) The computation of liabilities and expenses incurred in Exclusive Operations, including the liabilities and expenses of Operator for conducting such operations, shall be made in accordance with the principles set out in the Accounting Procedure.

(C) Operator shall maintain separate books, financial records and accounts for Exclusive Operations which shall be subject to the same rights of audit and examination as the Joint Account and related records, all as provided in the Accounting Procedure. Said rights of audit and examination shall extend to each of the Consenting Parties and each of the Non-Consenting Parties so long as the latter are, or may be, entitled to elect to participate in such operations.

(D) Operator, if it is conducting an Exclusive Operation for the Consenting Parties, regardless of whether it is participating in that Exclusive Operation, shall be entitled to request cash advances and shall not be required to use its own funds to pay any cost and expense and shall not be obliged to commence or continue Exclusive Operations until cash advances requested have been made, and the Accounting Procedure shall apply to Operator in respect of any Exclusive Operations conducted by it.

(E) Should the submission of a Development Plan be approved in accordance with Article 5.9, or should any Party propose a development in accordance with Article VII, with either proposal not calling for the conduct of additional appraisal drilling, and should any Party wish to drill an additional Appraisal Well prior to development, then the Party proposing the Appraisal Well as an Exclusive Operation shall be entitled to proceed first, but without the right (subject to the following sentence) to future reimbursement pursuant to Article 7.5. If such an Appraisal Well is produced, the Consenting Party or Parties shall own and have the right to take in kind and separately dispose of all of the Non-Consenting Parties' Entitlement from such Appraisal Well until the value thereof, determined in accordance with Article 7.5(F), equals one hundred percent (100%) of such Non-Consenting Parties' Participating Interest shares of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the Appraisal Well. If, as the result of drilling such Appraisal Well as an Exclusive Operation, the Party proposing

to apply for an Exploitation Area decides to not develop the reservoir, then each Non-Consenting Party who voted in favor of such Development Plan prior to the drilling of such Appraisal Well shall pay to the Consenting Party the amount such Non-Consenting Party would have paid had such Appraisal Well been drilled as a Joint Operation.

(F) The value of Hydrocarbons received by a Consenting Party for the purposes of Article 7.10(E) shall be the weighted average price per Barrel (f.o.b. the point of delivery of the Cost Oil and Profit Oil to the Consenting Parties) which such Consenting Party receives from the sale of such Hydrocarbons to non-affiliated purchasers in arms length transactions. For sales to Affiliates, the price so used shall be the price at which Hydrocarbons of similar grade, gravity and quality (adjusted for differentials in accordance with regularly established practice) were sold generally on world markets during the particular period of sale, in free and fair arms-length transactions, with due adjustments being made for differing geographical locations. Notwithstanding the fact that royalty or any other payment obligation to the Government is based on an "official" or "Government" stated price, the price used for calculation of the value of Hydrocarbons for the purposes of Article 7.10(E) shall be the price determined in accordance with this Article 7.10(F).

(G) If the Operator is a Non-Consenting Party to an Exclusive Operation to develop a Discovery, then subject to obtaining any necessary Government approvals the Operator may resign, but in any event shall resign on the request of the Consenting Parties, as Operator for the Exploitation Area for such Discovery and the Consenting Parties shall select a Party to serve as Operator.

ARTICLE VIII - DEFAULT

8.1 Default and Notice

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

8.2 Operating Committee Meetings and Data

Beginning five (5) Business Days from the date of the Default Notice, and thereafter while the Defaulting Party remains in default, the Defaulting Party shall not be entitled to attend Operating Committee or subcommittee meetings or to vote on any matter coming before the Operating Committee or any subcommittee until all of its defaults have been remedied (including payment of accrued interest). Unless agreed otherwise by the non-defaulting Parties, the voting interest of each non-defaulting Party during this period shall be its percentage of the total Participating Interests of the non-defaulting Parties. Any matters requiring a unanimous vote of the Parties shall not require the vote of the Defaulting Party. In addition, beginning five (5) Business Days from the date of the Default Notice, and thereafter while the Defaulting Party remains in default, the Defaulting Party shall not have access to any data or information relating to Joint Operations. During this period, the non-defaulting Parties shall be entitled to trade data without such Defaulting Party's consent, and the Defaulting Party shall have no right to any data received in such a trade unless and until its default is remedied in full. The Defaulting Party shall be deemed to have elected not to participate in any Joint Operations or Exclusive Operations that are voted upon at least five (5) Business Days after the date of the Default Notice but before all of its defaults have been

remedied to the extent such an election would be permitted by Article 5.13(B) of this Agreement. The Defaulting Party shall be deemed to have approved, and shall join with the non-defaulting Parties in taking, any other actions voted on during that period.

8.3 **Allocation of Defaulted Accounts**

(A) The Party providing the Default Notice pursuant to Article 8.1 shall include in the Default Notice to each non-defaulting Party a statement of the sum of money that the non-defaulting Party is to pay as its portion (such portion being in the ratio that each non-defaulting Party's Participating Interest bears to the Participating Interests of all non-defaulting Parties) of the amount in default (excluding interest), subject to the terms of this Article 8.3. If the Defaulting Party remedies its default in full within five (5) Business Days from the date of the Default Notice, the notifying Party shall promptly notify each non-defaulting Party by telephone and facsimile, and the non-defaulting Parties shall be relieved of their obligation to pay a share of the amounts in default. Otherwise, each non-defaulting Party shall pay Operator, within five (5) Business Days after receipt of the Default Notice, its share of the amount which the Defaulting Party failed to pay. If any non-defaulting Party fails to pay its share of the amount in default as aforesaid, such Party shall thereupon be a Defaulting Party subject to the provisions of this Article VIII. The non-defaulting Parties which pay the amount owed by any Defaulting Party shall be entitled to receive their respective shares of the principal and interest payable by such Defaulting Party pursuant to this Article VIII.

(B) If Operator is a Defaulting Party, then all payments otherwise payable to Operator for Joint Account costs pursuant to this Agreement shall be made to the notifying Party instead until the default is cured or a successor Operator appointed. The notifying Party shall maintain such funds in a segregated account separate from its own funds and shall apply such funds to third party claims due and payable from the Joint Account of which it has notice, to the extent Operator would be authorized to make such payments under the terms of this Agreement. The notifying Party shall be entitled to bill or cash call the other Parties in accordance with the Accounting Procedure for proper third party charges that become due and payable during such period to the extent sufficient funds are not available. When Operator has cured its default or a successor Operator is appointed, the notifying Party shall turn over all remaining funds in the account to Operator and shall provide Operator and the other Parties with a detailed accounting of the funds received and expended during this period. The notifying Party shall not be liable for damages, losses, costs, expenses or liabilities arising as a result of its actions under this Article 8.3(B) except to the extent Operator would be liable under Article 4.6.

8.4 **Remedies**

(A) During the continuance of a default, the Defaulting Party shall not have a right to its Entitlement, which shall vest in and be the property of the non-defaulting Parties. Operator (or the notifying Party if Operator is a Defaulting Party) shall be authorized to sell such Entitlement in an arm's-length sale on terms that are commercially reasonable under the circumstances and, after deducting all costs, charges and expenses incurred in connection with such sale, pay the net proceeds to the non-defaulting Parties in proportion to the amounts they are owed by the Defaulting Party hereunder (and apply such net proceeds toward the establishment of a reserve fund under Article 8.4(C), if applicable) until all such amounts are recovered and such reserve fund is established. Any surplus remaining shall be paid to the Defaulting Party, and any deficiency shall remain a debt due from the Defaulting Party to the non-defaulting Parties. When making sales under this Article 8.4(A), the non-defaulting Parties shall have no obligation to share any existing market or obtain a price equal to the price at which their own production is sold.

(B) If Operator disposes of any Joint Property or any other credit or adjustment is made to the Joint Account while a Party is in default, Operator (or the notifying Party if Operator is a Defaulting Party) shall be entitled to apply the Defaulting Party's Participating Interest share of the proceeds of such disposal, credit or adjustment against all amounts owing by the Defaulting Party to the non-defaulting Parties hereunder (and toward the establishment of a reserve fund under Article 8.4(C), if applicable). Any surplus remaining shall be paid to the Defaulting Party, and any deficiency shall remain a debt due from the Defaulting Party to the non-defaulting Parties.

(C) The non-defaulting Parties shall be entitled to apply proceeds received under Articles 8.4(A) and 8.4(B) toward the creation of a reserve fund in an amount equal to the Defaulting Party's Participating Interest share of (i) the estimated cost to abandon any wells and other property in which the Defaulting Party participated, (ii) the estimated cost of severance benefits for local employees upon cessation of operations and (iii) any other identifiable costs that the non-defaulting Parties anticipate will be incurred in connection with the cessation of operations.

(D) If a Defaulting Party fails to remedy its default by the sixtieth (60th) Day following the date of the Default Notice, then, without prejudice to any other rights available to the non-defaulting Parties to recover amounts owing to them under this Agreement, each non-defaulting Party shall have the option, exercisable at anytime thereafter until the Defaulting Party has completely cured its defaults, to require that the Defaulting Party completely withdraw from this Agreement and the Contract. Such option shall be exercised by notice to the Defaulting Party and each non-defaulting Party. If such option is exercised, the Defaulting Party shall be deemed to have transferred, pursuant to Article 13.6, effective on the date of the non-defaulting Party's notice, all of its right, title and beneficial interest in and under this Agreement and the Contract to the non-defaulting Parties. The Defaulting Party shall, without delay following any request from the non-defaulting Parties, do any and all acts required to be done by applicable law or regulation in order to render such transfer legally valid, including, without limitation, obtaining all governmental consents and approvals, and shall execute any and all documents and take such other actions as may be necessary in order to effect a prompt and valid transfer of the interests described above. The Defaulting Party shall be obligated to promptly remove any liens and encumbrances which may exist on such transferred interests. For purposes of this Article 8.4(D), each Party constitutes and appoints each other Party its true and lawful attorney to execute such instruments and make such filings and applications as may be necessary to make such transfer legally effective and to obtain any necessary consents of the Government. Actions under this power of attorney may be taken by any Party individually without the joinder of the others. This power of attorney is irrevocable for the term of this Agreement and is coupled with an interest. If requested, each Party shall execute a form prescribed by the Operating Committee setting forth this power of attorney in more detail. In the event all Government approvals are not timely obtained, the Defaulting Party shall hold its Participating Interest in trust for the non-defaulting Parties who are entitled to receive the Defaulting Party's Participating Interest. Notwithstanding the terms of Article XIII, in the absence of an agreement among the non-defaulting Parties to the contrary, any transfer to the non-defaulting Parties following a withdrawal pursuant to this Article 8.4(D) shall be in proportion to the Participating Interests of the non-defaulting Parties. The acceptance by a non-defaulting Party of any portion of a Defaulting Party's Participating Interest shall not limit any rights or remedies that the non-defaulting Party has to recover all amounts (including interest) owing under this Agreement by the Defaulting Party.

(E) The non-defaulting Parties shall be entitled to recover from the Defaulting Party all reasonable attorneys' fees and all other reasonable costs sustained in the collection of amounts owing by the Defaulting Party.

(F) The rights and remedies granted to the non-defaulting Parties in this Agreement shall be cumulative, not exclusive, and shall be in addition to any other rights and remedies that may be available to the non-defaulting Parties, whether at law, in equity or otherwise. Each right and remedy available to the non-defaulting Parties may be exercised from time to time and so often and in such order as may be considered expedient by the non-defaulting Parties in their sole discretion.

8.5 **Survival**

The obligations of the Defaulting Party and the rights of the non-defaulting Parties shall survive the surrender of the Contract, abandonment of Joint Operations and termination of this Agreement.

8.6 **No Right of Set Off**

Each Party acknowledges and accepts that a fundamental principle of this Agreement is that each Party pays its Participating Interest share of all amounts due under this Agreement as and when required. Accordingly, any Party which becomes a Defaulting Party undertakes that, in respect of either any exercise by the non-defaulting Parties of any rights under or the application of any of the provisions of this Article VIII, such Party hereby waives any right to raise by way of set off or invoke as a defense, whether in law or equity, any failure by any other Party to pay amounts due and owing under this Agreement or any alleged claim that such Party may have against Operator or any Non-Operator, whether such claim arises under this Agreement or otherwise. Each Party further agrees that the nature and the amount of the remedies granted to the non-defaulting Parties hereunder are reasonable and appropriate in the circumstances.

ARTICLE IX – DISPOSITION OF PRODUCTION

9.1 **Right and Obligation to Take in Kind**

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

9.2 **Offtake Agreement for Crude Oil**

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

(A) The delivery point, at which title and risk of loss of Participating Interest shares of crude oil shall pass to the Parties interested (or as the Parties may otherwise agree);

(B) Operator's regular periodic advice to the Parties of estimates of total available production for succeeding periods, quantities of each grade of crude oil and each Party's share for as far ahead as is necessary for Operator and the Parties to plan offtake arrangements. Such advice shall also cover for each grade of crude oil total available production and deliveries for the preceding period, inventory and overlifts and underlifts;

(C) Nomination by the Parties to Operator of acceptance of their shares of total available production for the succeeding period. Such nominations shall in any one period be for each Party's entire share of available production during that period subject to operational tolerances and agreed minimum economic cargo sizes or as the Parties may otherwise agree;

(D) Elimination of overlifts and underlifts;

(E) If offshore loading or a shore terminal for vessel loading is involved, risks regarding acceptability of tankers, demurrage and (if applicable) availability of berths;

(F) Distribution to the Parties of available grades, gravities and qualities of Hydrocarbons to ensure, to the extent Parties take delivery of their Entitlements as they accrue, that each Party shall receive in each period Entitlements of grades, gravities and qualities of Hydrocarbons from each Exploitation Area in which it participates similar to the grades, gravities and qualities of Hydrocarbons received by each other Party from that Exploitation Area in that period.

(G) To the extent that distribution of Entitlements on such basis is impracticable due to availability of facilities and minimum cargo sizes, a method of making periodic adjustments; and

(H) The option and the right of the other Parties to sell an Entitlement which a Party fails 10 nominate for acceptance pursuant to (C) above or of which a Party fails to take delivery, in accordance with applicable agreed procedures, provided that such failure either constitutes a breach of Operator's or Parties' obligations under the terms of the Contract, or is likely to result in the curtailment or shut-in of production. Such sales shall be made only to the limited extent necessary to avoid disruption in Joint Operations. Operator shall give all Parties as much notice as is practicable of such situation and that a sale option has arisen. Any sale shall be of the unnominated or undelivered Entitlement as the case may be and for reasonable periods of time as are consistent with the minimum needs of the industry and in no event to exceed twelve (12) months. The right of sale shall be revocable at will subject to any prior contractual commitments. Payment terms for production sold under this option shall be established in the offtake agreement.

If an offtake agreement has not been entered into by the date of first delivery of crude oil, the Parties shall be bound by the principles set forth in this Article 9.2 until an offtake agreement has been entered into.

9.3 **Separate Agreement for Natural Gas**

The Parties recognize that if natural gas is discovered it may be necessary for the Parties to enter into special arrangements for the disposal of the natural gas, which are consistent with the Development Plan and subject to the terms of the Contract.

ARTICLE X - ABANDONMENT

10.1 **Abandonment of Wells Drilled as Joint Operations**

(A) A decision to plug and abandon any well which has been drilled as a Joint Operation shall require the approval of the Operating Committee.

(B) Should any Party fail to reply within the period prescribed in Article 5.12(A)(1) or Article 5.12(A)(2), whichever is applicable, after delivery of notice of the Operator's proposal to plug and abandon such well, such Party shall be deemed to have consented to the proposed abandonment.

(C) If the Operating Committee approves a decision to plug and abandon an Exploration Well or Appraisal Well, any Party voting against such decision may propose, within the time periods allowed by Article 5.13(A), to conduct an alternate Exclusive Operation in the wellbore. If no Exclusive Operation is timely proposed, or if an Exclusive Operation is timely proposed but is not commenced within the applicable time periods under Article 7.2, such well shall be plugged and abandoned.

(D) Any well plugged and abandoned under this Agreement shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the Parties who participated in the cost of drilling such well.

(E) Notwithstanding anything to the contrary in this Article 10.1 or elsewhere in this Agreement:

(1) If the Operating Committee approves a decision to plug and abandon a well from which Hydrocarbons have been produced and sold, any Party voting against the decision may propose, within five (5) days after the time specified in Article 5.6 or Article 5.12 has expired, to take over the entire well as an Exclusive Operation. Any Party originally participating in the well shall

be entitled lo participate in the operation of the well as an Exclusive Operation by response notice within ten (10) Days after receipt of the notice proposing the Exclusive Operation. The Consenting Parties shall be entitled to continue producing only from the Zone open to production at the time they assumed responsibility for the well and shall not be entitled to drill a substitute well in the event that the well taken over becomes impaired or fails.

(2) Each Non-Consenting Party shall be deemed to have relinquished free of cost to the Consenting Parties in proportion to their Participating Interests all of its interest in the wellbore of a produced well and related equipment in accordance with Article 7.4(B). The Consenting Parties shall thereafter bear all cost and liability of plugging and abandoning such well in accordance with applicable regulations, to the extent the Parties are or become obligated to contribute to such costs and liabilities, and shall indemnify the Non-Consenting Parties against all such costs and liabilities.

(3) Subject to Article 7.10(G), Operator shall continue to operate a produced well for the account of the Consenting Parties at the rates and charges contemplated by this Agreement, plus any additional cost and charges which may arise as the result of the separate allocation of interest in such well.

10.2 **Abandonment of Exclusive Operations**

This Article X shall apply mutatis mutandis to the abandonment of an Exclusive Well or any well in which an Exclusive Operation has been conducted (in which event all Parties having

the right to conduct further operations in such well shall be notified and have the opportunity to conduct Exclusive Operations in the well in accordance with the provisions of this Article X).

ARTICLE XI - SURRENDER, EXTENSIONS AND RENEWALS

11.1 **Surrender**

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

(B) A surrender of all or any part of the Contract Area which is not required by the Contract shall require the unanimous consent of the Parties.

11.2 **Extension of the Term**

(A) A proposal by any Party to enter into or extend the term of any Exploration or Exploitation Period or any phase of the Contract, or a proposal to extend the term of the Contract, shall be brought before the Operating Committee pursuant to Article V.

(B) Any Party shall have the right to enter into or extend the term of any Exploration or Exploitation Period or any phase of the Contract or to extend the term of the Contract, regardless of the level of support in the Operating Committee. If any Party or Parties take such action, any Party not wishing to extend shall have a right to withdraw, subject to the requirements of Article XIII.

ARTICLE XII - TRANSFER OF INTEREST OR RIGHTS

12.1 **Obligations**

(A) Subject always to the requirements of the Contract, the transfer of all or part of a Party's Participating Interest, excepting transfers pursuant to Article VIII or Article XIII, shall be effective only if it satisfies the terms and conditions of this Article XII.

(B) Except in the case of a Party transferring all of its Participating Interest, no transfer shall be made by any Party which results in the transferor or the transferee holding a

Participating Interest of less than five percent (5%) or holding any interest other than a Participating Interest in the Contract, the Contract Area and this Agreement.

(C) The transferring Party shall, notwithstanding the transfer, be liable to the other Parties for any obligations, financial or otherwise, which have vested, matured or accrued under the provision of the Contract or this Agreement prior to such transfer. Such obligations shall include, without limitation, any proposed expenditure approved by the Operating Committee prior to the transferring Party notifying the other Parties of its proposed transfer.

(D) The transferee shall have no rights in and under the Contract, the Contract Area or this Agreement unless and until it obtains any necessary Government approval and expressly undertakes in an instrument satisfactory to the other Parties to perform the obligations of the transferor under the Contract and this Agreement in respect of the Participating Interest being transferred and furnishes any guarantees required by the Government or the Contract.

(E) A transferee other than an Affiliate shall have no rights in and under the Contract, the Contract Area or this Agreement unless each Party has consented in writing to such transfer, which consent shall be denied only if such transferee fails to establish to the reasonable satisfaction of each Party its capability to perform its obligations under the Contract and this Agreement.

(F) Nothing contained in this Article XII shall prevent a Party from mortgaging, pledging, charging or otherwise encumbering all or part of its interest in the Contract Area and in and under this Agreement for the purpose of security relating to finance provided that:

(1) such Party shall remain liable for all obligations relating to such interest;

(2) the encumbrance shall be subject to any necessary approval of the Government and be expressly subordinated to the rights of the other Parties under this Agreement; and

(3) such Party shall ensure that any such mortgage, pledge, charge or encumbrance shall be expressed to be without prejudice to the provisions of this Agreement.

(G) Any transfer by or on behalf of EO of all or a portion of its Participating Interest whether directly or indirectly by assignment, merger, consolidation, or sale of stock, or other conveyance, other than with or to an Affiliate, shall be subject to the following procedure:

(1) Once the transferor Party and a proposed transferee (a third party or a Party) have fully negotiated the final terms and conditions of a transfer, such final terms and conditions shall be disclosed in detail to all Parties in a notice from the transferor. Each Party shall have the right to acquire the Participating Interest from the transferor on the same terms and conditions agreed to by the proposed transferee if, within thirty (30) Days of transferor's notice, such Party delivers to all other Parties a counter-notification that it accepts the agreed upon terms and conditions of the transfer without reservations or conditions. If no Party delivers such counter-notification, the transfer to the proposed transferee may be made, subject to the other provisions of this Article XII, under terms and conditions no more favorable to the transferee than those set forth in the notice to the Parties, provided that the transfer shall be concluded within one hundred eighty (180) Days from the date of

the notice plus such reasonable additional period as may be required to secure governmental approvals.

(2) If more than one Party counter-notifies that it intends to acquire the Participating Interest which is the subject of the proposed transfer, then each such Party shall acquire a proportion of the Participating Interest to be transferred equal to the ratio of its own Participating Interest to the total Participating Interests of all the counter-notifying Parties, unless they otherwise agree; and

(3) In the event that a Party's proposed transfer of part or all of its Participating Interest involves consideration other than cash or involves other properties included in a wider transaction (package deal) then the Participating Interest (or part thereof) shall be allocated a reasonable and justifiable cash value by the transferor in any notification to the other Parties. Such other Parties may satisfy the requirements of this Article 12.1(G) by agreeing to pay such cash value in lieu of the consideration payable in the third-party offer.

12.2 **Rights**

Each Party shall have the right, subject to the provisions of Article 12.1, to freely transfer its Participating Interest.

ARTICLE XIII- WITHDRAWAL FROM AGREEMENT

13.1 **Right of Withdrawal**

(A) Subject to the provisions of this Article XIII, any Party may withdraw from this Agreement and the Contract by giving notice to all other Parties stating its decision to withdraw. Such notice shall be unconditional and irrevocable when given, except as may be provided in Article 13.7.

(B) The effective date of withdrawal for a withdrawing Party shall be the end of the calendar month following the calendar month in which the notice of withdrawal is given, provided that if all Parties elect to withdraw, the effective date of withdrawal for each Party shall be the date determined by Article 13.9.

13.2 **Partial or Complete Withdrawal**

(A) Within thirty (30) Days of receipt of each withdrawing Party's notification, each of the other Parties may also give notice that it desires to withdraw from this Agreement and the Contract. Should all Parties give notice of withdrawal, the Parties shall proceed to abandon the Contract Area and terminate the Contract and this Agreement. If less than all of the Parties give such notice of withdrawal, then the withdrawing Parties shall take all steps to withdraw from the Contract and this Agreement on the earliest possible date and execute and deliver all necessary instruments and documents to assign their Participating Interest to the Parties which are not withdrawing, without any compensation whatsoever, in accordance with the provisions of Article 13.6.

(B) Any Party withdrawing under Article 11.2 or under this Article XIII shall withdraw from the entirety of the Contract Area, including all Exploitation Areas and all Discoveries made prior to such withdrawal, and thus abandon to the other Parties not joining in its withdrawal all its rights to Cost Oil and Profit Oil generated by

operations after the effective date of such withdrawal and all rights in associated Joint Property.

13.3 **Rights of a Withdrawing Party**

A withdrawing Party shall have the right to receive its Entitlement of Hydrocarbons produced through the effective date of its withdrawal. The withdrawing Party shall be entitled to receive all information to which such Party is otherwise entitled under this Agreement until the effective date of its withdrawal. After giving its notification of withdrawal, a Party shall not be entitled to vote on any matters coming before the Operating Committee, other than matters for which such Party has financial responsibility.

13.4 **Obligations and Liabilities of a Withdrawing Party**

(A) A withdrawing Party shall, following its notification of withdrawal, remain liable only for its share of the following:

(1) Costs of Joint Operations, and Exclusive Operations in which it has agreed to participate, that were approved by the Operating Committee or Consenting Parties as part of a Work Program and Budget or AFE prior to such Party's notification of withdrawal, regardless of when they are actually incurred;

(2) Any Minimum Work Obligations for the current period or phase of the Contract, and for any subsequent period or phase which has been approved pursuant to Article 11.2 and with respect to which such Party has failed to timely withdraw under Article 13.4(B);

(3) Emergency expenditures as described in Articles 4.2(B)(11) and 13.5;

(4) All other obligations and liabilities of the Parties or Consenting Parties, as applicable, with respect to acts or omissions under this Agreement prior to the effective date of such Party's withdrawal for which such Party would have been liable, had it not withdrawn from this Agreement; and

(5) In the case of a partially withdrawing Party, any costs and liabilities with respect to Exploitation Areas, Commercial Discoveries and Discoveries from which it has not withdrawn.

The obligations and liabilities for which a withdrawing Party remains liable shall specifically include its share of any costs of plugging and abandoning wells or portions of wells in which it participated (or was required to bear a share of the costs pursuant to Article 13.4(A)(1)), to the extent such costs of plugging and abandoning are payable by the Parties under the Contract. Any liens, charges and other encumbrances which the withdrawing Party placed on such Party's Participating Interest prior to its withdrawal shall be fully satisfied or released, at the withdrawing Party's expense, prior to its withdrawal. A Party's withdrawal shall not relieve it from liability to the non-withdrawing Parties with respect to any obligations or liabilities attributable to the withdrawing Party under this Article XIII merely because they are not identified or identifiable at the time of withdrawal.

(B) Notwithstanding the foregoing, a Party shall not be liable for any operations or expenditures it voted against (other than operations and expenditures described in Article 13.4(A)(2) or 13.4(A)(3)) if it sends notification of its withdrawal within five (5) Days (or within twenty-four (24) hours if the drilling rig to be used in such operation is standing by on the Contract Area) of the Operating Committee vote approving such operation or expenditure. Likewise, a Party voting against voluntarily entering into or extending of an Exploration Period or Exploitation Period

or any phase of the Contract or voluntarily extending the Contract shall not be liable for the Minimum Work Obligations associated therewith provided that it sends notification of its withdrawal within thirty (30) Days of such vote pursuant to Article 11.2.

13.5 **Emergency**

If a well goes out of control or a fire, blow out, sabotage or other emergency occurs prior to the effective date of a Party's withdrawal, the withdrawing Party shall remain liable for its Participating interest share of the costs of such emergency, regardless of when they are actually incurred.

13.6 **Assignment**

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

13.7 **Approvals**

A withdrawing Party shall promptly join in such actions as may be necessary or desirable to obtain any Government approvals required in connection with the withdrawal and assignments. The non-withdrawing Parties shall use reasonable efforts to assist the withdrawing Party in obtaining such approvals. Any penalties or expenses incurred by the Parties in connection with such withdrawal shall be borne by the withdrawing Party. If the Government does not approve a Party's withdrawal and assignment to the other Parties, then the withdrawing Party shall at its option either (1) retract its notice of withdrawal by notice to the other Parties and remain a Party as if such notice of withdrawal had never been sent or (2) hold its Participating Interest in trust for the sole and exclusive benefit of the non-withdrawing Parties with the right to be reimbursed by the non-withdrawing Parties for any subsequent costs and liabilities incurred by it for which it would not have been liable, had it successfully withdrawn.

13.8 **Security**

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

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

(C) "Security" means a standby letter of credit issued by a bank or an on demand bond issued by a surety corporation, such bank or corporation having a credit rating indicating it has sufficient worth to pay its obligations in all reasonably foreseeable circumstances.

13.9 **Withdrawal or Abandonment by all Parties**

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

ARTICLE XIV – RELATIONSHIP OF PARTIES AND TAX

14.1 **Relationship of Parties**

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

14.2 **Tax**

Each Party shall be responsible for reporting and discharging its own tax measured by the profit or income of the Party and the satisfaction of such Party's share of all contract obligations under the Contract and under this Agreement. Each Party shall protect, defend and indemnify each other Party from any and all loss, cost or liability arising from the indemnifying Party's failure to report and discharge such taxes or satisfy such obligations. The Parties intend that all income and all tax benefits (including, but not limited to, deductions, depreciation, credits and capitalization) with respect to the expenditures made by the Parties hereunder will be allocated by the Government tax authorities to the Parties based on the share of each tax item actually received or borne by each Party. If such allocation is not accomplished due to the application of the laws and regulations of the Government or other Government action, the Parties shall attempt to adopt mutually agreeable arrangements that will allow the Parties to achieve the financial results intended. Operator shall provide each Party, in a timely manner and at such Party's sole expense, with such information with respect to Joint Operations as such Party may reasonably request for preparation of its tax returns or responding to any audit or other tax proceeding.

14.3 **United States Tax Election**

(A) If, for United States federal income tax puposes, this Agreement and the operations under this Agreement are regarded as a partnership (and if the Parties have not agreed to form a tax partnership), each "U.S. Party" (as defined below) elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A" of the United States Internal Revenue Code of 1986, as amended (the "Code"), to the extent permitted and authorized by Section 761(a) of the Code and the regulations promulgated under the Code. Operator is authorized and directed to execute and file for each U.S. Party such evidence of this election as may be required by the Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by United States Treasury Regulations Sections 1.761-2 and 1.6031(a)-1(b)(5), and shall provide a copy thereof to each U.S. Party. Should there be any requirement that any U.S. Party give further evidence of this election, each U.S. Party shall execute such documents and furnish such other evidence as may be required by the Internal Revenue Service or as may be necessary to evidence this election.

(B) No Party shall give any notice or take any other action inconsistent with the election made above. If any income tax laws of any state or other political subdivision of the United States or any future income tax laws of the United States or any such political subdivision contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A" of the Code, under which an election similar to that provided by Section 761(a) of the Code is permitted, each U.S. Party shall make such election as may be permitted or required by such laws. In making the foregoing election, each U.S. Party states that the income derived by it from operations under this Agreement

can be adequately determined without the computation of partnership taxable income.

(C) For the purposes of this Article XIV, "U.S. Party" shall mean any Party which is subject to the income tax law of the United States in respect of operations under this Agreement.

(D) No activity shall be conducted under this Agreement that would cause any Party that is not a U.S. Party to be deemed to be engaged in a trade or business within the United States under applicable tax laws and regulations.

(E) A Party which is not a U.S. Party shall not be required to do any act or execute any instrument which might subject it to the taxation jurisdiction of the United States.

ARTICLE XV – CONFIDENTIAL INFORMATION

15.1 **Confidential Information**

(A) Subject to the provisions of the Contract, the Parties agree that all information and data acquired or obtained by any Party in respect of Joint Operations shall be considered confidential and shall be kept confidential and not be disclosed during the term of the Contract to any person or entity not a Party to this Agreement, except:

(1) To an Affiliate, provided such Affiliate maintains confidentiality as provided in this Article XV;

(2) To a governmental agency or other entity when required by the Contract;

(3) To the extent such data and information is required to be furnished in compliance with any applicable laws or regulations, or pursuant to any legal proceedings or because of any order of any court binding upon a Party;

(4) To prospective or actual contractors, consultants and attorneys employed by any Party where disclosure of such data or information is essential to such contractor's, consultant's or attorney's work;

(5) To a bona fide prospective transferee of a Party's Participating Interest (including an entity with whom a Party or its Affiliates are conducting bona fide negotiations directed toward a merger, consolidation or the sale of a majority of its or an Affiliate's shares);

(6) To a bank or other financial institution to the extent appropriate to a Party arranging for funding;

(7) To the extent such data and information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over such Party, or its Affiliates; provided that if any Party desires to disclose information in an annual or periodic report to its or its Affiliates' shareholders and to the public and such disclosure is not required pursuant to any rules or requirements of any government or stock exchange, then such Party shall comply with Article 20.3;

(8) To its respective employees for the purposes of Joint Operations, subject to each Party taking customary precautions to ensure such data and information is kept confidential;

(9) Any data or information which, through no fault of a Party, becomes a part of the public domain.

(B) Disclosure as pursuant to Article 15.1(A)(4), (5), and (6) shall not be made unless prior to such disclosure the disclosing Party has obtained a written undertaking from the recipient party to keep the data and information strictly confidential and not to use or disclose the data and information except for the express purpose for which disclosure is to be made.

15.2 **Continuing Obligations**

Any Party ceasing to own a Participating Interest during the term of this Agreement shall nonetheless remain bound by the obligations of confidentiality in Article 15.1 and any disputes shall be resolved in accordance with Article XVIII.

15.3 **Proprietary Technology**

Nothing in this Agreement shall require a Party to divulge proprietary technology to the other Parties; provided that where the cost of development of proprietary technology has been charged to the Joint Account, such proprietary technology shall be disclosed to all Parties bearing a portion of such cost and may be used by any such Party or its Affiliates in other operations.

15.4 **Trades**

Notwithstanding the foregoing provisions of this Article XV, Operator may, with approval of the Operating Committee, make well trades and data trades for the benefit of the Parties, with any data so obtained to be furnished to all Parties who participated in the cost of the data that was traded.

Operator shall cause any third party to such trade to enter into an undertaking to keep the traded data confidential.

ARTICLE XVI – FORCE MAJEURE

16.1 **Obligations**

If as a result of Force Majeure any Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation to pay any amounts due or to furnish security, then the obligations of the Party giving such notice, so far as and to the extent that the obligations are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused and for such reasonable period thereafter as may be necessary for the Party to put itself in the same position that it occupied prior to the Force Majeure, but for no longer period. The Party claiming Force Majeure shall notify the other Parties of the Force Majeure within a reasonable time after the occurrence of the facts relied on and shall keep all Parties informed of all significant developments. Such notice shall give reasonably full particulars of the Force Majeure, and also estimate the period of time which the Party will probably require to remedy the Force Majeure. The affected Party shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in an economic manner, but shall not be obligated to settle any labor dispute except on terms acceptable to it and all such disputes shall be handled within the sole discretion of the affected Party.

16.2 **Definition of Force Majeure**

For the purposes of this Agreement, “Force Majeure” shall mean circumstances which were beyond the reasonable control of the Party concerned and shall include strikes, lockouts and

other industrial disturbances even if they were not "beyond the reasonable control" of the Party.

ARTICLE XVII – NOTICES

Except as otherwise specifically provided, all notices authorized or required between the Parties by any of the provisions of this Agreement, shall be in writing, in English and delivered in person or by courier service or by any electronic means of transmitting written communications which provides written confirmation of complete transmission, and addressed to such Parties as designated below. Oral communication does not constitute notice for purposes of this Agreement, and telephone numbers for the Parties are listed below as a matter of convenience only. The originating notice given under any provision of this Agreement shall be deemed delivered only when received by the Party to whom such notice is directed, and the time for such Party to deliver any notice in response to such originating notice shall run from the date the originating notice is received. The second or any responsive notice shall be deemed delivered when received. "Received" for purposes of this Article XVII shall mean actual delivery of the notice to the address of the Party to be notified specified in accordance with this Article XVII. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices be directed to another person at another address, by giving written notice thereof to all other Parties.

Kosmos:

(Cosmos Energy, LLC

8401 N. Central Expressway

Suite 280

Dallas, Texas 75225

U.S.A.

Attention: Mr Craig Glick

Facsimile: +1 214 363 9024

Telephone:+1 214 363 0700

EO:

The E.O. Group

Private Mailbag CT 123

Cantonments - Accra

Ghana

Attention: Mr George Y. Owusu

Facsimile: 001 281 470 9300

Telephone: 001 281 470 1784 (res)

001 832 489 8100 (mobile)

ARTICLE XVIII – APPLICABLE LAW AND DISPUTE RESOLUTION

18.1 **Applicable Law**

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

18.2 **Dispute Resolution**

(A) Any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the construction, validity, interpretation, enforceability or breach of this Agreement, shall be exclusively and finally settled by

arbitration in accordance with this Article 18.2. Any Party may submit such a dispute, controversy or claim to arbitration by notice to the other Parties.

(B) The arbitration shall be heard and determined by three (3) arbitrators. Each side shall appoint an arbitrator of its choice within sixty (60) Days of the submission of a notice of arbitration. The Party-appointed arbitrators shall in turn appoint a presiding arbitrator of the tribunal within sixty (60) Days following the appointment of both Party-appointed arbitrators. If the Party-appointed arbitrators cannot reach agreement on a presiding arbitrator of the tribunal and/or one Party refuses to appoint its Party-appointed arbitrator within said sixty (60) Day period, the appointing authority for the implementation of such procedure shall be the London Court of International Arbitration ("LCIA"), who shall appoint an independent arbitrator who does not have any financial interest in the dispute, controversy or claim. All decisions and awards by the arbitration tribunal shall be made by majority vote.

(A) Unless otherwise expressly agreed in writing by the Parties to the arbitration proceedings:

(1) The arbitration proceedings shall be held in London, England;

(2) The arbitration proceedings shall be conducted in the English language and the arbitrator(s) shall be fluent in the English language;

(3) The arbitrator(s) shall be and remain at all times wholly independent and impartial;

(4) The arbitration proceedings shall be conducted in accordance with the Rules of Arbitration of the LCIA, except as specifically modified in this Agreement, as such rules may be amended from time to time;

(5) The costs of the arbitration proceedings (including attorneys' fees and costs) shall be borne in the manner determined by the arbitrator(s);

(6) The decision of the sole arbitrator or a majority of the arbitrators, as the case may be, shall be reduced to writing; final and binding without the right of appeal; the sole and exclusive remedy regarding any claims, counterclaims, issues or accountings presented to the arbitrator; made and promptly paid in U.S. dollars free of any deduction or offset; and any costs or fees incident to enforcing the award, shall to the maximum extent permitted by law be charged against the Party resisting such enforcement;

(7) Consequential, punitive or other similar damages shall not be allowed except those payable to third parties for which liability is allocated among the Parties by the arbitral award;

(8) The award shall include interest from the date of any breach or violation of this Agreement, as determined by the arbitral award, and from the date of the award until paid in full, at the Agreed Interest Rate; and

(9) Judgment upon the award may be entered in any court having jurisdiction over the person or the assets of the Party owing the judgment or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be.

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

(11) For purposes of allowing the arbitration provided in this Article XVIII, the enforcement and execution of any arbitration decision and award, and the issuance of any attachment or other interim remedy, any governmental body or agency, including if applicable GNPC, which becomes a Party to this Agreement agrees to waive all sovereign immunity by whatever name or title with respect to disputes, controversies or claims arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement.

(12) The arbitration shall proceed in the absence of a Party who, after due notice, fails to answer or appear. An award shall not be made solely on the default of a Party, but the arbitrator(s) shall require the Party who is present to submit such evidence as the arbitrator(s) may determine is reasonably required to make an award.

(13) If an arbitrator should die, withdraw or otherwise become incapable of serving, or refuse to serve, a successor arbitrator shall be selected and appointed in the same manner as the original arbitrator.

ARTICLE XIX – ALLOCATION OF COST RECOVERY RIGHTS

19.1 **Allocation of Total Production**

Each Party's share of Cost Oil and Profit Oil during each Calendar Quarter shall be determined pursuant to this Article XIX.

19.2 **Allocation of Cost Oil**

(A) Cost Oil available to the Parties from the Contract Area during the Calendar Quarter shall be allocated among Exploitation Areas separately by type and grade. The quantity of each type and grade of Cost Oil allocated to an Exploitation Area shall, subject to the remainder of this Article 19.2, equal the total quantity of Cost Oil of that type and grade available during the Calendar Quarter multiplied by a fraction, the numerator of which is the quantity of Hydrocarbons of that type and grade produced from that Exploitation Area during the Calendar Quarter and the denominator of which is the quantity of Hydrocarbons of that type and grade produced from the entire Contract Area during the Calendar Quarter.

(B) Subject to the Contract, a quantity of Cost Oil initially allocated to an Exploitation Area pursuant to Article 19.2(A) shall be reallocated pursuant to Article 19.2(C) ("Reallocation Cost Oil") if the value of the Cost Oil allocated to that Exploitation Area exceeds the Petroleum Costs specifically attributable to that Exploitation Area which have not previously been recovered through allocations of Cost Oil under this Article 19.2. The quantity of each type and grade of Cost Oil to be reallocated shall be determined by multiplying the quantity of Cost Oil of that type and grade allocated to the Exploitation Area under Article 19.2(A) by a fraction, the numerator of which is the aggregate value of all Cost Oil allocated to the Exploitation Area during the Calendar Quarter minus total previously unrecovered Petroleum Costs attributable to the Exploitation Area, and the denominator of which is the aggregate value of all Cost Oil allocated to the Exploitation Area during the Calendar Quarter. The value of each type and grade of Cost Oil, for purposes of this Article XIX, shall be the value of that type and grade of Hydrocarbon for cost recovery purposes under the Contract.

(C) Reallocation Cost Oil shall be allocated, in pro rata shares by type and grade, in the following priority:

(1) First, Reallocation Cost Oil shall be allocated to each Exploitation Area until the value allocated under this Article 19.2(C)(1) equals the difference between the value of Profit Oil to which that Exploitation Area would have been entitled during such Calendar Quarter if the Contract applied separately to each Exploitation Area and the value of Profit Oil actually received by that Exploitation Area under Article 19.3;

(2) Second, any Reallocation Cost Oil that is not allocated pursuant to Article 19.2(C)(1) shall be allocated to Joint Operations to the extent necessary to permit the recovery of any Petroleum Costs which were incurred in the conduct of Joint Operations and which are recoverable in such Calendar Quarter but have not yet been recovered pursuant to this Article 19.2; and

(3) Third, any Reallocation Cost Oil that is not allocated pursuant to Article 19.2(C)(1) or 19.2(C)(2) shall be allocated to Exclusive Operations to the extent necessary to permit the recovery, in the sequence incurred (regardless of the operation to which they relate), of any Petroleum Costs which were incurred in the conduct of Exclusive Operations and which are recoverable in such Calendar Quarter but have not yet been recovered pursuant to this Article 19.2.

(D) Subject to Article 10.1(E), Cost Oil of each type and grade that is allocated to an Exploitation Area or an operation shall be allocated among the Parties in proportion to their respective Participating Interests in the Exploitation Area or operation.

19.3 **Allocation of Profit Oil**

Profit Oil available to the Parties from the Contract Area during the Calendar Quarter shall be allocated among Exploitation Areas separately by type and grade. The quantity of each type and grade of Profit Oil allocated to an Exploitation Area shall equal the total quantity of Profit Oil of that type and grade available during the Calendar Quarter multiplied by a fraction, the numerator of which is the quantity of Hydrocarbons of that type and grade produced from that Exploitation Area during the Calendar Quarter and the denominator of which is the quantity of Hydrocarbons of that type and grade produced from the entire Contract Area during the Calendar Quarter. Subject to Article 10.1(E), Profit Oil of each type and grade that is allocated to an Exploitation Area shall be allocated among the Parties in proportion to their respective Participating Interests in the Exploitation Area.

19.4 **Use of Estimates**

Initial distribution of Hydrocarbons pursuant to this Article XIX shall be based upon estimates furnished by the Operator pursuant to Article 9.2.

ARTICLE XX – GENERAL PROVISIONS

20.1 **Warranties as to no Payments, Gifts and Loans**

(A) Each Party warrants that it and its Affiliates have not made, offered, or authorized and will not make, offer, or authorize with respect to the matters which are the subject of this Agreement, any payment, gift, promise or other advantage, whether directly or through any other person or entity, to or for the use or benefit of any public official (i.e., any person holding a legislative, administrative or judicial office,

including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization) or any political party or political party official or candidate for office, where such payment, gift, promise or advantage would violate (i) the applicable laws of Ghana; (ii) the laws of the country of incorporation of such Party or such Party's ultimate parent company and of the principal place of business of such ultimate parent company; or (iii) the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999, and the Convention's Commentaries. Each Party shall defend, indemnify and hold the other Parties harmless from and against any and all claims, damages, losses, penalties, costs and expenses arising from or related to, any breach by such first Party of such warranty. Such indemnity obligation shall survive termination or expiration of this Agreement. Each Party shall in good time (i) respond in reasonable detail to any notice from any other Party reasonably connected with the above-stated warranty; and (ii) furnish applicable documentary support for such response upon request from such other Party.

(B) Each Party agrees to (i) maintain adequate internal controls; (ii) properly record and report all transactions; and (iii) comply with the laws applicable to it. Each Party must rely on the other Parties' system of internal controls, and on the adequacy of full disclosure of the facts, and of financial and other data regarding the Joint Operations undertaken under this Agreement. No Party is in any way authorized to take any action on behalf of another Party that would result in an inadequate or inaccurate recording and reporting of assets, liabilities or any other transaction, or which would put such Party in violation of its obligations under the laws applicable to the operations under this Agreement.

20.2 **Conflicts of Interest**

(A) Operator undertakes that it shall avoid any conflict of interest between its own interests (including the interests of Affiliates) and the interests of the other Parties in dealing with suppliers, customers and all other organizations or individuals doing or seeking to do business with the Parties in connection with activities contemplated under this Agreement.

(B) The provisions of the preceding paragraph shall not apply to:

(1) Operator's performance which is in accordance with the local preference laws or policies of the Government; or

(2) Operator's acquisition of products or services from an Affiliate, or the sale thereof to an Affiliate, made in accordance with the terms of this Agreement.

20.3 **Public Announcements**

(A) Operator shall be responsible for the preparation and release of all public announcements and statements regarding this Agreement or the Joint Operations; provided that, no public announcement or statement shall be issued or made unless prior to its release all the Parties have been furnished with a copy of such statement or announcement and the approval of at least two (2) non-affiliated Parties holding fifty percent (50%), or more, of the Participating Interests has been obtained. Where a public announcement or statement becomes necessary or desirable because of danger to or loss of life, damage to property or pollution as a result of activities arising under this Agreement, Operator is authorized to issue and make such announcement or statement without prior approval of the Parties, but shall promptly furnish all the Parties with a copy of such announcement or statement.

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

20.4 **Successors and Assigns**

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

20.5 **Waiver**

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

20.6 **Severance of Invalid Provisions**

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

20.7 **Modifications**

Except as is provided in Articles 11.2(B) and 20.6, there shall be no modification of this Agreement or the Contract except by written consent of all Parties.

20.8 **Headings**

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

20.9 **Singular and Plural**

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

20.10 **Gender**

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

20.11 **Counterpart Execution**

This Agreement may be executed in any number of original counterparts and each such counterpart shall be deemed an original Agreement for all purposes; provided no Party shall be bound to this Agreement unless and until all Parties have executed a counterpart. For

purposes of assembling all counterparts into one document, Operator is authorized to detach the signature page from one or more counterparts and, after signature thereof by the respective Party, attach each signed signature page to a counterpart.

20.12 **Entirety**

This Agreement is the entire agreement of the Parties with respect to the subject matter contained herein and supersedes all prior understandings and negotiations of the Parties.

20.13 **Rights of Third Parties**

Without prejudice to the rights of any Indemnitee pursuant to Article 4.6, no person other than the Parties shall have any rights under this Agreement or be considered a third party beneficiary hereof and no person shall have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

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

KOSMOS ENERGY GHANA HC

By: /s/ KOSMOS ENERGY GHANA HC

(Print or type name)

Title:

Date:

THE E.O. GROUP

By: /s/ THE E.O. GROUP

(Print or type name)

Title:

Date:

EXHIBIT A
ACCOUNTING PROCEDURES

EXHIBIT “A”

ACCOUNTING PROCEDURE

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EXHIBIT "A"

ACCOUNTING PROCEDURE

Attached to and made part of the Operating Agreement, hereinafter called the "Agreement," effective as of the 22 nd day of July, 2004, by and between Kosmos Energy Ghana HC and the E.O. Group.

SECTION I.
GENERAL PROVISIONS

1.1 Purpose.

1.1.1 The purpose of this Accounting Procedure is to establish equitable methods for determining charges and credits applicable to operations under the Agreement which reflect the costs of Joint Operations to the end that no Party shall gain or lose in relation to other Parties.

1.1.2 The Parties agree, however, that if the methods prove unfair or inequitable to Operator or Non-Operators, the Parties shall meet and in good faith endeavor to agree on changes in methods deemed necessary to correct any unfairness or inequity.

1.2 Conflict with Agreement.

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

1.3 Definitions.

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

"Accrual basis" means that basis of accounting under which costs and benefits are regarded as applicable to the period in which the liability for the cost is incurred or the right to the benefit arises, regardless of when invoiced, paid, or received.

"Cash basis" means that basis of accounting under which only costs actually paid and revenue actually received are included for any period.

"Country of Operations" means the Republic of Ghana.

"Material" means machinery, equipment and supplies acquired and held for use in Joint Operations.

"Secondees" means technical and professional personnel employed by a Non-Operator or its Affiliate(s) who, with Operator's approval, are loaned to Operator to perform services for, and under the direction and control of, Operator under a secondment agreement.

1.4 Joint Account Records and Currency Exchange .

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

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

1.4.3 The Joint Account shall be maintained by Operator in the English language and in United States of America ("U.S.") currency and in such other language and currency as may be required by the laws of the Country of Operations or the Contract. Conversions of currency shall be recorded at the rate actually experienced in that conversion. Currency translations for expenditures and receipts shall be recorded at the

arithmetic average of the buying and selling exchange rates at the close of business on the first Business Day of the month of the current accounting period

as published by The Wall Street Journal, or if not published by The Wall Street Journal, then by The Financial Times.

1.4.4 Any currency exchange gains or losses shall be credited or charged to the Joint Account, except as otherwise specified in this Accounting Procedure.

1.4.5 This Accounting Procedure shall apply, *mutatis mutandis,* to Exclusive Operations in the same manner that it applies to Joint Operations; provided, however, that the charges and credits applicable to Consenting Parties shall be distinguished by an Exclusive Operation Account. For the purpose of determining and calculating the remuneration of the Consenting Parties, including the premiums for Exclusive Operations, the costs and expenditures shall be expressed in U.S. currency (irrespective of the currency in which the expenditure was incurred).

1.4.6 The accrual basis for accounting shall be used in preparing accounts concerning the Joint Operations. If a "cash" basis for accounting is used, Operator shall show accruals as memorandum items.

1.5 Statements and Billings.

1.5.1 Unless otherwise agreed by the Parties, Operator shall submit monthly to each Party, on or before the 15th Day of each month, statements of the costs and expenditures incurred during the prior month, indicating by appropriate classification the nature thereof, the corresponding budget category, and the portion of such costs charged to each of the Parties.

These statements, as a minimum, shall contain the following information:

- advances of funds setting forth the currencies received from each Party,
- the share of each Party in total expenditures,
- the accrued expenditures,
- the current account balance of each Party,
- summary of costs, credits, and expenditures on a current month, year-to-date, and inception-to-date basis or other periodic basis, as agreed by Parties (such expenditures shall be grouped by the categories and line items designated in the approved Work Program and Budget submitted by Operator in accordance with Article 6.4 of the Agreement so as to facilitate comparison of actual expenditures against that work Program and Budget), and
- details of unusual charges and credits in excess of U.S. dollars U.S. $500,000.

1.5.2 Operator shall, upon request, furnish a description of the accounting classifications used by it.

1.5.3 Amounts included in the statements and billings shall be expressed in U.S. currency and reconciled to the currencies advanced.

1.5.4 Each Party shall be responsible for preparing its own accounting and tax reports to meet the requirements of the Country of Operations and of all other countries to which it may be subject. Operator, to the extent that the information is reasonably available from the Joint Account records, shall provide Non-Operators in a timely manner with the necessary information to facilitate the discharge of such responsibility.

1.6 Payments and Advances.

1.6.1 Upon approval of any Work Program and Budget, if Operator so requests, each Non-Operator shall advance its share of estimated cash requirements for the succeeding month's operations. Each such cash call shall be equal to the Operator's estimate of the money to be spent in the currencies required to perform its duties under the approved Work Program and Budget during the

month concerned. For informational purposes the cash call shall contain an estimate of the funds required for the succeeding two (2) months detailed by the categories designated in the approved Work Program and Budget submitted by Operator in accordance with Article 6 of the Agreement.

1.6.2 Each such cash call, detailed by the categories designated in the approved Work Program and Budget submitted by Operator in accordance with Article 6 of the Agreement shall be made in writing and delivered to all Non-Operators not less than fifteen (15) Days before the payment due date. The due date for payment of such advances shall be set by Operator but shall be no sooner than the first Business Day of the month for which the advances are required. All advances shall be made without bank charges. Any charges related to receipt of advances from a Non-Operator shall be borne by that Non-Operator.

1.6.3 Each Non-Operator shall wire transfer its share of the full amount of each such cash call to Operator on or before the due date, in the currencies requested or any other currencies acceptable to Operator and at a bank designated by Operator. If currency provided by a Non-Operator is other than the requested currency, then the entire cost of converting to the requested currency shall be charged to that Non-Operator.

1.6.4 Notwithstanding the provisions of Section 1.6.2, should Operator be required to pay any sums of money for the Joint Operations which were unforeseen at the time of providing the Non-Operators with said estimates of its requirements, Operator may make a written request of the Non-Operators for special advances covering the Non-Operators' share of such payments. Each such Non-Operator shall make its proportional special advances within ten (10) Days after receipt of such notice.

1.6.5 If a Non-Operator's advances exceed its share of cash expenditures, the next succeeding cash advance requirements, after such determination, shall be reduced accordingly. However, if the amount of such excess advance is greater than the amount of the next month's estimated cash requirements for such Non-Operator, the Non-Operator may request a refund of the difference, which refund shall be made by Operator within ten (10) Days after receipt of the Non-Operator's request provided that the amount is in excess of U.S. $500,000.

1.6.6 If Non-Operator's advances are less than its share of cash expenditures, the deficiency shall, at Operator's option, be added to subsequent cash advance requirements or be paid by Non-Operator within ten (10) Days following the receipt of Operator's billing to Non-Operator for such deficiency.

1.6.7 If, under the provisions of the Agreement, Operator is required to segregate funds received from the Parties, any interest received on such funds shall be applied against the next succeeding cash call or, if directed by the Operating Committee, distributed quarterly. The interest thus received shall be allocated to the Parties on an equitable basis taking into consideration date of funding by each Party to the accounts in proportion to the total funding into the account. A

monthly statement summarizing receipts, disbursements, transfers to each joint bank account and beginning and ending balances thereof shall be provided by Operator to the Parties.

Any interest received by Operator from interest-bearing accounts containing commingled funds received from the Parties shall be credited to the Parties in accordance with the allocation procedure as set forth above.

1.6.8 If Operator does not request Non-Operators to advance their share of estimated cash requirements, each Non-Operator shall pay its share of cash expenditures within ten (10) Days following receipt of Operator's billing.

1.6.9 Payments of advances or billings shall be made on or before the due date. In accordance with Article VIII of the Agreement, if these payments are not received by the due date the unpaid balance shall bear and accrue interest from the due date until the payment is received by Operator at the Agreed Interest Rate. For the purpose of determining the unpaid balance and interest owed, Operator shall translate to U.S. currency all amounts owed in other currencies using the currency exchange rate readily available to Operator at the close of the last Business Day prior to the due date for the unpaid balance as quoted by the applicable authority identified in Section 1.4.3 of this Section I.

1.6.10 Subject to governmental regulation, Operator shall have the right, at any time and from time to time, to convert the funds advanced or any part thereof to other currencies to the extent that such currencies are then required for operations. The cost of any such conversion shall be charged to the Joint Account.

1.6.11 Operator shall endeavor to maintain funds held for the Joint Account in bank accounts at a level consistent with that required for the prudent conduct of Joint Operations.

1.6.12 If under the Agreement, Operator is required to segregate funds received from or for the Joint Account, the provisions under this Section 1.6 for payments and advances by Non-Operators shall apply also to Operator.

1.7 Adjustments.

Payments of any advances or billings shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any Calendar Year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of such Calendar Year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of a Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making claims for adjustment thereon. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Material as provided for in Section VI. Operator shall be allowed to make adjustments to

the Joint Account after such twenty-four (24) month period if these adjustments result from audit exceptions outside of this Agreement, third party claims, or Government or Government Oil Company requirements. Any such adjustments shall be subject to audit within the time period specified in Section 1.8.1

1.8 Audits.

1.8.1 A Non-Operator, upon at least sixty (60) Days advance notice in writing to Operator and all other Non-Operators, shall have the right to audit the Joint Accounts and records of Operator relating to the accounting hereunder for any Calendar Year within the twenty-four (24) month period following the end of such Calendar Year except as otherwise provided in Section 3.1. As provided in Article 4.2(B)(6) of the Agreement, Non-Operators shall have reasonable access to Operator's personnel and to the facilities, warehouses, and offices directly or indirectly serving Joint Operations. The cost of each such audit shall be borne by Non-Operators conducting the audit. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner that will result in a minimum of inconvenience to the Operator. Non-Operators must take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within said twenty-four (24) month period.

1.8.2 Operator shall endeavor to produce information from its Affiliates reasonably necessary to support charges from those Affiliates to the Joint Account other than those charges referred to in Section 3.1. If an Affiliate considers such information confidential or proprietary or if such Affiliate will not allow the Non-Operators to audit its accounts, the statutory auditor of the Affiliate shall be used to confirm the details and facts as required, provided such statutory auditor is an internationally recognized firm of public accountants. The auditing Non-Operator may instruct the statutory auditor on the scope of such confirmation; however, the scope shall be subject to the approval of the Affiliate in question, such approval not to be unreasonably withheld. Should the statutory auditor of the Affiliate decline to act in such capacity, or not be an internationally recognized independent firm of public accountants, the auditing Non-Operators shall select an internationally recognized independent firm of public accountants to carry out such confirmation, subject to the approval of the Affiliate in question, such approval not to be unreasonably withheld. The cost of such audit by the statutory auditor or the independent firm of public accountants, as the case may be, shall be borne by Non-Operators who requested such audit.

1.8.3 Any information obtained by a Non-Operator under the provisions of this Section 1.8 which does not relate directly to the Joint Operations shall be kept confidential and shall not be disclosed to any party, except as would otherwise be permitted by Article 15.1(A)(3) and (9) of the Agreement.

1.8.4 In the event that the Operator is required by law or the Contract to employ a public accounting firm to audit the Joint Account and records of Operator

relating to the accounting hereunder, the cost thereof shall be a charge against the Joint Account, and a copy of the audit shall be furnished to each Party.

1.8.5 At the conclusion of each audit, the Parties shall endeavor to settle outstanding matters expeditiously. To this end the Parties conducting the audit will make a reasonable effort to prepare and distribute a written report to the Operator and all the Parties who participated in the audit as soon as possible and in any event within ninety (90) Days after the conclusion of each audit. The report shall include all claims arising from such audit together with comments pertinent to the operation of the accounts and records. Operator shall make a reasonable effort to reply to the report in writing as soon as possible and in any event no later than ninety (90) Days after receipt of the report. Should the Non-Operators consider that the report or reply requires further investigation of any item therein; the Non-Operators shall have the right to conduct further investigation in relation to such matter notwithstanding the provisions of Sections 1.7 and 1.8.1 that the period of twenty-four (24) months may have expired. However, conducting such further investigation shall not extend the twenty-four (24) month period for taking written exception to and making a claim upon the Operator for all discrepancies disclosed by said audit. Such further investigations shall be commenced within thirty (30) Days and be concluded within sixty (60) Days after the receipt of such report or reply, as the case may be.

1.8.6 All adjustments resulting from an audit agreed between the Operator and the Non-Operator conducting the audit shall be reflected promptly in the Joint Account by the Operator and reported to the Non-Operator(s). If any dispute shall arise in connection with an audit, it shall be reported to and discussed by the Operating Committee, and, unless otherwise agreed by the parties to the dispute, resolved in accordance with the provisions of Article XVIII of the Agreement. If all the parties to the dispute so agree, the adjustment(s) may be referred to an independent expert agreed to by the parties to the dispute. At the election of the parties to the dispute, the decision of the expert will be binding upon such parties. Unless otherwise agreed, the cost of such expert will be shared equally by all parties to the dispute.

1.9 Allocations.

If it becomes necessary to allocate any costs or expenditures to or between Joint Operations and any other operations, such allocation shall be made on an equitable basis. For informational purposes only, Operator shall furnish a description of it allocation procedures pertaining to these costs and expenditures and its rates for personnel and other charges, along with each proposed Work Program and Budget.

SECTION II.
DIRECT CHARGES

Operator shall charge the Joint Account with all costs and expenditures incurred in connection with Joint Operations. It is also understood that charges for services normally provided by an operator such as those contemplated in Sections 2.7.2 and 2.7.3 which are provided by a Party's Affiliate shall reflect the cost to the Affiliate, excluding profit, for performing such services, except as otherwise provided in Section 2.6, Section 2.7.1, and Section 2.5.1 if selected.

The costs and expenditures shall be recorded as required for the settlement of accounts between the Parties hereto in connection with the rights and obligations under this Agreement and for purposes of complying with the tax laws of the Country of Operations and of such other countries to which any of the Parties may be subject. Without in any way limiting the generality of the foregoing, chargeable costs and expenditures shall include:

2.1 Licenses. Permits, Etc.

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

2.2 Salaries. Wages and Related Costs.

Salaries, wages and related costs include everything constituting the employees' total compensation, as well as the cost to Operator of holiday, vacation, sickness, disability benefits, living and housing allowances, travel time, bonuses, and other customary allowances applicable to the salaries and wages chargeable hereunder, as well as the costs to Operator for employee benefits, including but not limited to employee group life insurance, group medical insurance, hospitalization, retirement, severance payments required by the laws or regulations of the Country of Operations approval of the Operating Committee shall be required to charge the Joint Account with any severance payments in excess of those provided by the laws or regulations of the Country of Operations, and other benefit plans of a like nature applicable to labor costs of Operator.

All costs associated with organizational restructuring (e.g., separation benefits, relocation costs, asset disposition costs) of Operator or its Affiliates, other than those costs which are directly related to employees of Operator who are directly engaged in Joint Operations on a full time basis, will require the approval of the Parties to be chargeable to the Joint Account.

Any costs associated with Country of Operations benefit plans which are not currently funded shall be accrued and not be paid by Non-Operators, unless otherwise approved by the Operating Committee, until the same are due and payable to the employee, upon withdrawal of a Party pursuant to the Agreement and then only by the withdrawing Party, or upon termination of the Agreement, whichever occurs first.

Expenditures or contributions made pursuant to assessments imposed by governmental authority for payments with respect to or on account of employees described in Section 2.2.1 and Section 2.2.2 shall be chargeable to the Joint Account.

2.2.1 The salaries, wages and related costs of employees of Operator and its Affiliates temporarily or permanently assigned in the Country of Operations and directly engaged in Joint Operations shall be chargeable to the Joint Account.

2.2.2 The salaries, wages and related costs of employees of Operator and its Affiliates temporarily or permanently assigned outside the Country of Operations directly engaged in Joint Operations and not otherwise covered in Section 2.7.2 shall be chargeable to the Joint Account.

2.2.3 Costs for salaries, wages and related costs may be charged to the Joint Account on an actual basis or at a rate based upon the average cost in accordance with Operator's usual practice. In determining the average cost, expatriate and national employees' rates shall be calculated separately and reviewed at least annually.

2.2.4 Reasonable expenses (including related travel costs) of those employees whose salaries and wages are chargeable to the Joint Account under Sections 2.2.1 and 2.2.2 of this Section II and for which expenses the employees are reimbursed under the usual practice of Operator shall be chargeable to the Joint Account.

2.2.5 If employees are engaged in other activities in addition to the Joint Operations, the cost of such employees shall be allocated on an equitable basis.

2.3 Employee Relocation Costs.

2.3.1 Except as provided in Section 2.3.3, Operator's cost of employees' relocation to or from an assignment with the Joint Operations, whether within or outside the Country of Operations and whether permanently or temporarily assigned to the Joint Operations, shall be chargeable to the Joint Account. If such employee works on other activities in addition to Joint Operations, such relocation costs shall be allocated on an equitable basis.

2.3.2 Such relocation costs shall include transportation of employees, families, personal and household effects of the employee and family, transit expenses, and all other related costs in accordance with Operator's usual practice.

2.3.3 Relocation costs from an assignment with the Joint Operations to another location classified as a foreign location by Operator shall not be chargeable to the Joint Account unless such foreign location is the point of origin of the employee or unless otherwise agreed by the Operating Committee.

2.4 Offices, Camps, and Miscellaneous Facilities.

Cost of maintaining any offices, sub-offices, camps, warehouses, housing, and other facilities of the Operator and/or Affiliates directly serving the Joint Operations. If such facilities serve operations in addition to the Joint Operations the costs shall be allocated to the properties served on an equitable basis.

2.5 Material.

Cost, net of discounts taken by Operator, of Material purchased or furnished by Operator. Such costs shall include, but are not limited to, export brokers' fees, transportation charges, loading, unloading fees, export and import duties and license fees associated with the procurement of Material and in-transit losses, if any, not covered by insurance. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for, and the cost thereof charged to, the Joint Account as may be required for immediate use.

2.6 Exclusively Owned Equipment and Facilities of Operator and Affiliates.

Charges for exclusively owned equipment, facilities, and utilities of Operator or any of its Affiliates at rates not to exceed the average commercial rates of non-affiliated third parties then prevailing for like equipment, facilities, and utilities for use in the area where the same are used hereunder. On request, Operator shall furnish Non-Operators a list of rates and the basis of application. Such rates shall be revised from time to time if found to be either excessive or insufficient, but not more than once every six months.

Exclusively owned drilling tools and other equipment lost in the hole or damaged beyond repair may be charged at replacement cost less depreciation plus transportation costs to deliver like equipment to the location where used.

2.7 Services.

2.7.1 The charges for services provided by third parties, including the Affiliates of the respective Parties which have contracted with Operator to perform services that are normally provided by third parties, other than those services covered by Section 2.7.2 and Section 2.7.3, shall be chargeable to the Joint Account. Such charges for services by the Affiliates of the respective Parties shall not exceed those currently prevailing if performed by non-affiliated third parties, considering quality and availability of services.

2.7.2 The cost of services performed by Operator's Affiliates technical and professional staffs not located within the Country of Operation and not otherwise covered under Section 2.2.2, shall be chargeable to the Joint Account. The individual rates shall include salaries and wages of such technical and professional personnel, lost time, governmental assessments, and employee benefits. Costs shall also include all support costs necessary for such technical and professional personnel to perform such services, such as, but not limited to, rent, utilities, support staff, drafting, telephone and other

communication expenses, computer support, supplies, depreciation, and other reasonable expenses.

2.7.3 The cost of services performed with the approval of Operator by the technical and professional staffs of the Non-Operators and the Affiliates of the respective Non-Operators, including the cost to such Affiliates and Non-Operators of their respective Secondees, shall be chargeable to the Joint Account. The individual rates shall include salaries and wages of such technical and professional personnel and Secondees, lost time, governmental assessments, and employee benefits. Costs (other than for Secondees) shall also include all support costs necessary for such technical and professional personnel to perform such services, such as, but not limited, to rent, utilities, support staff, drafting, telephone and other communication expenses, computer support, supplies, depreciation, and other reasonable expenses.

2.7.4 A Non-Operator shall bill Operator for direct costs of services and of Secondees charged under the provisions of Section 2.7.3 on or before the last day of each month for charges for the preceding month, to which charges Non-Operator shall not add an administrative overhead rate. Within thirty (30) Days after receipt of a bill for such charges, Operator shall pay the amount due thereon.

The charges for such services under Section 2.7.2 and Section 2.7.3 shall not exceed those currently prevailing if performed by non-affiliated third parties, considering the quality and availability of such services.

Examples of such services covered under Sections 2.7.2 and Section 2.7.3 include, but are not limited to, the following:

Geologic Studies and Interpretation
Seismic Data Processing
Well Log Analysis, Correlation and Interpretation
Laboratory Services
Well Site Geology
Project Engineering
Source Rock Analysis
Petrophysical Analysis
Geochemical Analysis
Drilling Supervision
Development Evaluation
Accounting and Professional Services
Other Data Processing

2.8 Insurance.

Premiums paid for insurance required by law or the Agreement to be carried for the benefit of the Joint Operations.

2.9 Damages and Losses to Property.

2.9.1 All costs or expenditures necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident, or any other cause shall be chargeable to the Joint Account. Operator shall furnish Non-Operators written notice of damages or losses incurred in excess of U.S. $500,000 as soon as practical after report of the same has been received by Operator. All losses in excess of U.S. $500,000 shall be listed separately in the monthly statement of costs and expenditures.

2.9.2 Credits for settlements received from insurance carried for the benefit of Joint Operations and from others for losses or damages to Joint Property or Materials shall be chargeable to the Joint Account. Each Party shall be credited with its Participating Interest share thereof except where such receipts are derived from insurance purchased by Operator for less than all Parties in which event such proceeds shall be credited to those Parties for whom the insurance was purchased in the proportion of their respective contributions toward the insurance coverage.

2.9.3 Expenditures incurred in the settlement of all losses, claims, damages, judgments, and other expenses for the account of Joint Operations shall be chargeable to the Joint Account.

2.10 Litigation and Legal Expenses.

The costs and expenses of litigation and legal services necessary for the protection of the Joint Operations under this Agreement as follows:

2.10.1 Legal services necessary or expedient for the protection of the Joint Operations, and all costs and expenses of litigation, arbitration or other alternative dispute resolution procedure, including reasonable attorneys' fees and expenses, together with all judgments obtained against the Parties or any of them arising from the Joint Operations.

2.10.2 If the Parties hereunder shall so agree, actions or claims affecting the Joint Operations hereunder may be handled by the legal staff of one or any of the Parties hereto; and a charge commensurate with the reasonable costs of providing and furnishing such services rendered may be made by the Party providing such service to Operator for the Joint Account, but no such charges shall be made until approved by the Parties.

2.11 Taxes and Duties.

All taxes, duties, assessments and governmental charges, of every kind and nature, assessed or levied upon or in connection with the Joint Operations, other than any that are measured by or based upon the revenues, income and net worth of a Party.

If Operator or an Affiliate is subject to income or withholding tax as a result of services

performed at cost for the operations under the Agreement, its charges for such services may be increased by the amount of such taxes incurred (grossed up).

2.12 Ecological and Environmental.

Costs incurred on the Joint Property as a result of statutory regulations for archaeological and geophysical surveys relative to identification and protection of cultural resources and/or other environmental or ecological surveys as may be required by any regulatory authority. Also, costs to provide or have available pollution containment and removal equipment plus costs of actual control, clean up and remediation resulting from responsibilities associated with Hydrocarbon contamination as required by all applicable laws and regulations.

2.13 Decommissioning (Abandonment) and Reclamation .

Costs incurred for decommissioning (abandonment) and reclamation of the Joint Property, including costs required by governmental or other regulatory authority or by the Contract.

2.14 Other Expenditures.

Any other costs and expenditures incurred by Operator for the necessary and proper conduct of the Joint Operations in accordance with approved Work Programs and Budgets and not covered in this Section II or in Section III.

SECTION III.
INDIRECT CHARGES

3.1 Purpose.

Operator shall charge the Joint Account monthly for the cost of indirect services and related office costs of Operator and its Affiliates not otherwise provided in this Accounting Procedure. Indirect costs chargeable under this Section III represent the cost of general assistance and support services provided by Operator and its Affiliates. These costs are such that it is not practical to identify or associate them with specific projects but are for services which provide the Joint Operations with needed and necessary resources which Operator requires and provide a real benefit to Joint Operations. No cost or expenditure included under Section II shall be included or duplicated under this Section III. The charges under Section III are not subject to audit under Sections 1.8.1 and 1.8.2 other than to verify that the overhead percentages are applied correctly to the expenditure basis.

3.2 Amount.

3.2.1 The indirect charge under Section 3.1 for any month shall equal the greater of the total amount of indirect charges for the period beginning at the start of the Calendar Year through the end of the period covered by Operator's invoice ("Year-to-Date") determined under Section 3.2.2, less indirect charges previously made under Section 3.1 for the Calendar Year in question, or the amount of the minimum assessment determined under Section 3.2.3, calculated on an annualized basis (but reduced pro rata for periods of less than one year), less indirect charges previously made under Section 3.1 for the Calendar Year in question.

3.2.2 Unless exceeded by the minimum assessment under Section 3.2.3, the aggregate Year-to-Date indirect charges shall be a percentage of the Year-to-Date expenditures, calculated on the following scale (U.S. Dollars):

Annual Expenditures

$0 to $5,000,000 of expenditures = 5%

Next $10,000,000 of expenditures = 3%

Excess above $15,000,000 of expenditures = 1%

3.2.3 A minimum amount of U.S. $ 50,000 shall be assessed each Calendar Year calculated from the Effective Date and shall be reduced pro rata for periods of less than a year.

3.2.4 Indirect Charge for Projects.

As to major projects (such as, but not limited to, pipelines, gas reprocessing and processing plants, final loading and terminalling facilities, and dismantling for decommissioning of platforms and related facilities) when the estimated cost of each project amounts to more than U.S. $ 25,000,000, a separate indirect charge for such project shall be approved by the Operating Committee at the time of approval of the project.

During its process of winding-up Joint Operations Operator shall have the right to charge the greater of the sliding scale percentage rate or the minimum indirect charge for a period of twenty-four (24) months. If the winding-up process continues beyond the end of such period, the charge shall be confined to and based upon the sliding scale percentage rate.

Notwithstanding the foregoing, the indirect rates and related calculation method for development operations, production operations, and dismantling for decommissioning of platforms and related facilities shall be agreed upon by the Operating Committee prior to the submission of the first annual budget for those phases of operations.

3.3 Exclusions.

The expenditures used to calculate the monthly indirect charge shall not include the indirect charge (calculated either as a percentage of expenditures or as a minimum monthly charge), rentals on surface rights acquired and maintained for the Joint Account, guarantee deposits, pipeline tariffs, concession acquisition costs, bonuses paid in accordance with the Contract, royalties and taxes on production or revenue to the Joint Account paid by Operator, expenditures associated with major construction projects for which a separate indirect charge is established hereunder, payments to third parties in settlement of claims, and other similar items.

Credits arising from any government subsidy payments, disposition of Material, and receipts from third parties for settlement of claims shall not be deducted from total expenditures in determining such indirect charge.

SECTION IV.
ACQUISITION OF MATERIAL

4.1 Acquisitions.

Materials purchased for the Joint Account shall be charged at net cost paid by the Operator. The price of Materials purchased shall include, but shall not be limited to export broker's fees, insurance, transportation charges, loading and unloading fees, import duties, license fees, and demurrage (retention charges) associated with the procurement of Materials, and applicable taxes, less all discounts taken.

4.2 Materials Furnished by Operator.

Materials required for operations shall be purchased for direct charge to the Joint Account whenever practicable, except the Operator may furnish such Materials from its stock under the following conditions:

4.2.1 New Materials (Condition "A").

New Materials transferred from the warehouse or other properties of Operator shall be priced at net cost determined in accordance with Section 4.1 above as if Operator had purchased such new Material just prior to its transfer.

Such net costs shall in no event exceed the then current market price.

4.2.2 Used Materials (Conditions "B" and "C").

4.2.2.1 Material which is in sound and serviceable condition and suitable for use without repair or reconditioning shall be classed as Condition "B" and priced at seventy-five percent (75%) of such new purchase net cost at the time of transfer.

4.2.2.2 Materials not meeting the requirements of Section 4.2.2.1 above, but which can be made suitable for use after being repaired or reconditioned, shall be classed as Condition "C" and priced at fifty percent (50%) of such new purchase net cost at the time of transfer. The cost of reconditioning shall also be charged to the Joint Account provided the Condition "C" price, plus cost of reconditioning, does not exceed the Condition "B" price; and provided that Material so classified meet the requirements for Condition "B" Material upon being repaired or reconditioned.

4.2.2.3 Material which cannot be classified as Condition “B” or Condition “C”, shall be priced at a value commensurate with its use.

4.2.2.4 Tanks, derricks, buildings, and other items of Material involving erection costs, if transferred in knocked-down condition, shall be graded as to condition as provided in this Section 4.2.2 of Section

IV, and priced on the basis of knocked-down price of like new Material.

4.2.2.5 Material including drill pipe, casing and tubing, which is no longer useable for its original purpose but is useable for some other purpose, shall be graded as to condition as provided in this Section 4.2.2 of Section IV. Such Material shall be priced on the basis of the current price of items normally used for such other purpose if sold to third parties.

4.3 Premium Prices.

Whenever Material is not readily obtainable at prices specified in Sections 4.1 and 4.2 of this Section IV because of national emergencies, strikes or other unusual causes over which Operator has no control, Operator may charge the Joint Account for the required Material at Operator's actual cost incurred procuring such Material, in making it suitable for use, and moving it to the Contract Area, provided that notice in writing, including a detailed description of the Material required and the required delivery date, is furnished to Non-Operators of the proposed charge at least 3 Days (or such shorter period as may be specified by Operator) before the Material is projected to be needed for operations and prior to billing Non-Operators for such Material the cost of which exceeds U.S. $500,000. Each Non-Operator shall have the right, by so electing and notifying Operator within 3 Days (or such shorter period as may be specified by Operator) after receiving notice from Operator, to furnish in kind all or part of his share of such Material per the terms of the notice which is suitable for use and acceptable to Operator both as to quality and time of delivery. Such acceptance by Operator shall not be unreasonably withheld. If Material furnished is deemed unsuitable for use by Operator, all costs incurred in disposing of such Material or returning Material to owner shall be borne by the Non-Operator furnishing the same unless otherwise agreed by the Parties. If a Non-Operator fails to properly submit an election notification within the designated period, Operator is not required to accept Material furnished in kind by that Non-Operator. If Operator fails to submit proper notification prior to billing Non-Operators for such Material, Operator shall only charge the Joint Account on the basis of the price allowed during a "normal" pricing period in effect at time of movement.

4.4 Warranty of Material Furnished by Operator.

Operator does not warrant the condition or fitness for the purpose intended of the Material furnished. In case defective Material is furnished by Operator for the Joint Account, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents. *(Note: This Section has been made conspicuous so as to comply with the requirement of Section 2-316 of the Uniform Commercial Code.)*

SECTION V.
DISPOSAL OF MATERIALS

5.1 Disposal.

Operator shall be under no obligation to purchase the interest of Non-Operators in new or used surplus Materials. Operator shall have the right to dispose of Materials but shall advise and secure prior agreement of the Operating Committee of any proposed disposition of Materials having an original cost to the Joint Account either individually or in the aggregate of U.S. $500,000 or more. When Joint Operations are relieved of Material charged to the Joint Account, Operator shall advise each Non-Operator of the original cost of such Material to the Joint Account so that the Parties may eliminate such costs from their asset records. Credits for Material sold by Operator shall be made to the Joint Account in the month in which payment is received for the Material. Any Material sold or disposed of under this Section shall be on an "as is, where is" basis without guarantees or warranties of any kind or nature. Costs and expenditures incurred by Operator in the disposition of Materials shall be charged to the Joint Account.

5.2 Material Purchased by a Party or Affiliate.

Proceeds received from Material purchased from the Joint Property by a Party or an Affiliate thereof shall be credited by Operator to the Joint Account, with new Material valued in the same manner as new Material under Section 4.2.1 and used Material valued in the same manner as used Material under Section 4.2.2, unless otherwise agreed by the Operating Committee.

5.3 Division In Kind.

Division of Material in kind, if made between the Parties, shall be in proportion to their respective interests in such Material. Each Party will thereupon be charged individually with the value (determined in accordance with the procedure set forth in Section 5.2) of the Material received or receivable by it.

5.4 Sales to Third Parties.

Proceeds received from Material purchased from the Joint Property by third parties shall be credited by Operator to the Joint Account at the net amount collected by Operator from the buyer. If the sales price is less than that determined in accordance with the procedure set forth in Section 5.2, then approval by the Operating Committee shall be required prior to the sale. Any claims by the buyer for defective materials or otherwise shall be charged back to the Joint Account if and when paid by Operator.

SECTION VI.
INVENTORIES

6.1 Periodic Inventories - Notice and Representation.

At reasonable intervals, but at least annually, inventories shall be taken by Operator of all Material held in warehouse stock on which detailed accounting records are normally maintained. The expense of conducting periodic inventories shall be charged to the Joint Account. Operator shall give Non-Operators written notice at least sixty Days (60) in advance of its intention to take inventory, and Non-Operators, at their sole cost and expense, shall each be entitled to have a representative present. The failure of any Non-Operator to be represented at such inventory shall bind such Non-Operator to accept the inventory taken by Operator, who shall in that event furnish each Non-Operator with a reconciliation of overages and shortages. Inventory adjustments to the Joint Account shall be made for overages and shortages. Any adjustment equivalent to U.S. $500,000 or more shall be brought to the attention of the Operating Committee.

6.2 Special Inventories.

Whenever there is a sale or change of interest in the Agreement, a special inventory may be taken by the Operator provided the seller and/or purchaser of such interest agrees to bear all of the expense thereof. In such cases, both the seller and the purchaser shall be entitled to be represented and shall be governed by the inventory so taken.

****

THIS PAGE IS NOT A PART OF

THE ACCOUNTING PROCEDURE OR

THE OPERATING AGREEMENT

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References to the following Model Operating Agreement Articles may be found in this Accounting Procedure in the Sections indicated.

Article I	Section 1.3
Article 1.4	Section 1.6.13.3
Article 4.2(B)(6)	Section 1.8.1
Article 4.11	Section 1.6.13.5
Article 6.4	Sections 1.5.1, 1.6.1 and 1.6.2
Article VII	Sections 1.6.13.1 and 1.6.13.5
Article VIII	Section 1.6.9
Article 15.1(A)(3) and (9)	Section 1.8.3
Article XVIII	Section 1.8.6

AIPN MODEL INTERNATIONAL ACCOUNTING PROCEDURE
MAY 17, 2000

Exhibit 10.3

PETROLEUM AGREEMENT

AMONG

GOVERNMENT OF THE REPUBLIC OF GHANA
GHANA NATIONAL PETROLEUM CORPORATION

AND

TULLOW GHANA LIMITED
SABRE OIL AND GAS LIMITED
KOSMOS ENERGY GHANA HC

IN RESPECT OF

THE DEEPWATER TANO
CONTRACT AREA

DATED MARCH 10, 2006

TABLE OF CONTENTS

THIS PETROLEUM AGREEMENT, made this day of 2006 by and among the Government of the Republic of Ghana (hereinafter referred to as **"The State"**), represented by the Minister for Energy (hereinafter referred to as the **"Minister"**), the Ghana National Petroleum Corporation, a public corporation established by Provisional National Defence Council Law 64 of 1983 (hereinafter referred to as **"GNPC"**), and Tullow Ghana Limited, a Jersey company (hereinafter referred to as "Tullow"), Sabre Oil and Gas Limited, a United Kingdom company (hereinafter referred to as "Sabre") and Kosmos Energy Ghana HC, a Cayman Islands company (hereinafter referred to as "Kosmos"), (the three companies hereinafter collectively referred to as **"Contractor"**)

WITNESSETH:

1. All Petroleum existing in its natural state within Ghana is the property of the Republic of Ghana and held in trust by the State.

2. GNPC has by virtue of the Petroleum Law the right to undertake Exploration, Development and Production of Petroleum over all blocks declared by the Minister to be open for Petroleum Operations.

3. GNPC is further authorised to enter into association by means of a Petroleum Agreement with a contractor for the purpose of Exploration, Development and Production of Petroleum.

4. The Contract Area that is the subject matter of this Petroleum Agreement has been declared open for Petroleum Operations by the Minister and the Government of Ghana desires to encourage and promote Exploration, Development and Production within the said area. GNPC and the State have assured Contractor that all of said area is within the jurisdiction of the Republic of Ghana.

5. Contractor, having the financial ability, technical competence and professional skills necessary for carrying out the Petroleum Operations herein described, desires to associate with GNPC in the Exploration for, and Development and Production of the Petroleum resources of the said area.

6. The Parties recognise that Ghanaian nationals should as soon as reasonably possible be engaged in employment at all levels in the Petroleum industry, including technical, administrative and managerial positions, and that to achieve this objective an adequate programme of training must be established as an integral part of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed and declared as follows:

ARTICLE 1

DEFINITIONS

1. **In this Agreement:**

1.1 **"Accounting Guide"** means the accounting guide which is attached hereto as Annex 2 and made a part hereof;

1.2 **"Additional Interest"** means the Additional Interest of GNPC provided for in Article 2.5 and Article 2.6;

1.3 **"Affiliate"** means any person, whether a natural person, corporation, partnership, unincorporated association or other entity:

a) in which one of the Parties hereto or one of the companies comprising Contractor directly or indirectly hold more than fifty percent (50%) of the share capital or voting rights;

b) which holds directly or indirectly more than fifty percent (50%) of the share capital or voting rights in a Party hereto or of the companies comprising Contractor;

c) in which the share capital or voting rights are directly or indirectly and to an extent more than fifty percent (50%) held by a company or companies holding directly or indirectly more than fifty percent (50%) of the share capital or voting rights in a Party hereto or in one of the companies comprising Contractor; or

d) which holds directly five percent (5%) or more of the share capital or voting rights in Contractor.

1.4 **"Agreement"** means this Agreement between the State, GNPC and Contractor, and includes the Annexes attached hereto;

1.5 **"Appraisal Programme"** means a programme carried out following a Discovery of Petroleum for the purpose of delineating the accumulation of Petroleum to which that Discovery relates in terms of thickness and lateral extent and estimating the quantity of recoverable Petroleum therein;

1.6 **"Appraisal Well"** means a well drilled for the purposes of an Appraisal Programme;

1.7 **"Associated Gas"** means Natural Gas produced from a well in association with Crude Oil;

1.8 **"Barrel"** means a quantity or unit of Crude Oil equal to forty-two (42) United States gallons at a temperature of sixty (60) degrees fahrenheit and at 14.65 psia pressure.

1.9 **"Block"** means an area of approximately 685 square kilometres as depicted on the reference map prepared by the Minister in accordance with the provisions of the Petroleum Law;

1.10 **"Calendar Year"** means the period of twelve (12) months of the Gregorian calendar, commencing on January 1 and ending on the succeeding December 31;

1.11 **"Carried Interest"** means an interest held by GNPC in respect of which Contractor pays for the conduct of Petroleum Operations without any entitlement to reimbursement from GNPC as expressly provided for in this Agreement;

1.12 **"Commercial Discovery"** means a Discovery which is determined to be commercial in accordance with the provisions of this Agreement;

1.13 **"Commercial Production Period"** means in respect of each Development and Production Area the period from the Date of Commencement of Commercial Production until the termination of this Agreement or earlier relinquishment of such Development and Production Area;

1.14 **"Contract Area"** means the area of 1,108 sq km covered by this Agreement in which Contractor is authorised to explore for, develop and produce Petroleum, which is described in Annex 1 attached hereto and made a part of this Agreement, but excluding any portions of such area in respect of which Contractor's rights hereunder are from time to time relinquished or surrendered pursuant to this Agreement;

1.15 **"Contractor"** means Tullow Ghana Limited, Sabre Oil and Gas Limited and Kosmos Energy Ghana HC and their respective successors and assignees;

1.16 **"Contract Year"** means a period of twelve (12) Months, commencing on the Effective Date or any anniversary thereof;

1.17 **"Crude Oil"** means hydrocarbons which are liquid at 14.65 psia pressure and sixty (60) degrees Fahrenheit and includes condensates and distillates obtained from Natural Gas;

1.18 **"Date of Commencement of Commercial Production"** means, in respect of each Development and Production Area, the date on which production of Petroleum under a programme of regular production, lifting and sale commences;

1.19 **"Date of Commercial Discovery"** means the date referred to in Article 8.12;

1.20 **"Delivery Point"** shall have the meaning ascribed it in Article 10.5;

1.21 **"Development"** or **"Development Operations"** means the preparation of a Development Plan, the design, engineering, building and installation of facilities for Production, and includes drilling of Development Wells, construction and installation of equipment, pipelines, facilities, plants and systems, in and outside the Contract Area, which are required for achieving Production, treatment, transport, storage and lifting of Petroleum, and preliminary Production and testing activities carried out prior to the Date of Commencement of Commercial Production, and includes all related planning and administrative work, and also includes drilling and installation of wells and equipment for pressure maintenance and/or for increasing production rates and may also include the construction and installation of secondary and tertiary recovery systems, where these are included as part of the Development Plan;

1.22 **"Development Costs"** means Petroleum Costs incurred in Development Operations;

1.23 **"Development and Production Area"** means that portion of the Contract Area reasonably determined by Contractor (or by GNPC if a Sole Risk Operation pursuant to Article 9) on the basis of the available seismic and well data to cover the areal extent of an accumulation of Petroleum constituting a Commercial Discovery, enlarged in area by ten percent (10%), such enlargement to extend uniformly around the perimeter of such accumulation; and further enlarged by the area covering any extension of the accumulation which is revealed by further development work provided such extension is within the Contract Area;

1.24 **"Development Period"** means in respect of each Development and Production Area, the period from the Date of Commercial Discovery until the Date of Commencement of Commercial Production;

1.25 **"Development Plan"** means the plan for development of a Commercial Discovery prepared by Contractor in consultation with the Joint Management Committee and approved by the Minister pursuant to Article 8;

1.26 **"Development Well"** means a well drilled in accordance with a Development Plan for producing Petroleum, for pressure maintenance or for increasing the Production rate;

1.27 **"Discovery"** means finding during Exploration Operations an accumulation of Petroleum not previously known or proven to have existed, which is recovered or recoverable at the surface in a flow measurable by conventional petroleum industry testing methods;

1.28 **"Discovery Area"** means that portion of the Contract Area, reasonably determined by Contractor (or by GNPC if a Sole Risk Operation pursuant to Article 9) on the basis of the available seismic and well data to cover the areal extent of the geological structure in which a Discovery is made. A Discovery Area may be modified at any time by Contractor (or by GNPC if applicable), if justified on the basis of new information, but may not be modified after the date of completion of the Appraisal Programme;

1.29 **"Effective Date"** shall have the meaning ascribed to it in Article 26.9;

1.30 **"Exploration"** or **"Exploration Operations"** means the search for Petroleum by geological, geophysical and other methods and the drilling of Exploration Well(s) and includes any activity in connection therewith or in preparation thereof and any relevant processing and appraisal work, including technical and economic feasibility studies, that may be carried out to determine whether a Discovery of Petroleum constitutes a Commercial Discovery;

1.31 **"Exploration Costs"** means all expenditures made and costs incurred, both within and outside Ghana, in conducting Exploration Operations hereunder determined in accordance with the Accounting Guide attached hereto an Annex 2;

1.32 **"Exploration Period"** means the period commencing on the Effective Date and continuing during the time provided for in Article 3.1 within which Contractor is authorised to carry out Exploration Operations and shall include any periods of extensions provided for in this Agreement. The period shall terminate with respect to any Discovery Area on the Date of Commercial Discovery in respect of such Discovery Area;

1.33 **"Exploration Well"** means a well drilled in the course of Exploration Operations conducted hereunder during the Exploration Period, but does not include an Appraisal Well;

1.34 **"Extension Period"** means any of the First Extension Period or Second Extension Period;

1.35 **"First Extension Period"** shall have the meaning ascribed to it in Article 3.1(a)(ii);

1.36 **"First SubPeriod** shall have the meaning ascribed to it in Article 3.1(a)(i);

1.37 **"Force Majeure"** means any event beyond the reasonable control of the Party claiming to be affected by such event which has not been brought about at its instance, including, but not limited to, earthquake, storm, flood, lightning or other adverse weather conditions, war, embargo, blockade, riot or civil disorder;

1.38 **"Foreign National Employee"** means an expatriate employee of Contractor, its Affiliates, or its Sub-contractors who is not a citizen of Ghana;

1.39 **"Ghana"** means the territory of the Republic of Ghana and includes the sea, seabed and subsoil, the continental shelf and all other areas within the jurisdiction of the Republic of Ghana;

1.40 **"Gross Production"** means the total amount of Petroleum produced and saved from a Development and Production Area during Production Operations which is not used by Contractor in Petroleum Operations and is available for distribution to the Parties in accordance with Article 10;

1.41 **"Gross Negligence"** means any act or failure to act (whether sole, joint or concurrent) which was in reckless disregard of or wanton indifference to harmful consequences such person or entity knew or should have known such act or failure would have on another person or entity;

1.42 **"Initial Exploration Period"** shall have the meaning ascribed to it in Article 3.1(a)(i);

1.43 **"Initial Interest"** means the interest of GNPC in all Petroleum Operations provided for in Article 2.4;

1.44 **"Joint Management Committee (JMC)"** means the committee established pursuant to Article 6.1 hereof;

1.45 **"Market Price"** shall have the meaning ascribed to it in Article 11.7;

1.46 **"Minister"** means Minister for Energy;

1.47 **"Month"** means a month of the Calendar Year;

1.48 **"Natural Gas"** means all hydrocarbons which are gaseous at 14.65 psia pressure and sixty (60) degrees fahrenheit temperature and includes wet gas, dry gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas;

1.49 **"Non-Associated Gas"** means Natural Gas produced from a well other than in association with Crude Oil;

1.50 **"Operator"** means Tullow or such other Party as may be appointed by Contractor with the approval of GNPC and the State, which approval shall not be unreasonably withheld or delayed;

1.51 **"Participating Interest"** means for GNPC, the interest held by GNPC in accordance with the provisions of Article 2.4 and Article 2.5 and for Contractor, the interest held by Contractor in accordance with the provisions of Article 2.9;

1.52 **"Party"** means the State, GNPC or Contractor, as the case may be;

1.53 **"Paying Interest"** means an interest held by GNPC in respect of which GNPC pays for the conduct of Petroleum Operations;

1.54 **"Petroleum"** means Crude Oil or Natural Gas or a combination of both;

1.55 **"Petroleum Costs"** means all expenditures made and costs incurred, both within and outside Ghana, in conducting Petroleum Operations hereunder determined in accordance with the Accounting Guide attached hereto as Annex 2;

1.56 **"Petroleum Income Tax Law"** means the Petroleum Income Tax Law, 1987 (PNDCL 188);

1.57 **"Petroleum Law"** means the Petroleum (Exploration and Production) Law, 1984 (PNDCL 84);

1.58 **"Petroleum Operations"** means all activities, both in and outside Ghana, relating to the Exploration for, Appraisal, Development, Production, handling and transportation of Petroleum contemplated under this Agreement and includes Exploration Operations, Development Operations and Production Operations and all activities in connection therewith;

1.59 **"Petroleum Product"** means any product derived from Petroleum by any refining or other process;

1.60 **"Production"** or **"Production Operations"** means activities not being Development Operations, undertaken in order to extract, save, treat, measure, handle, store, load and transport Petroleum to storage and/or loading points and to carry out any type of primary and secondary operations, including recycling, recompression, maintenance of pressure and water flooding and all related activities such as planning and administrative work and shall also include maintenance, repair and replacement of facilities, and well workovers, conducted after the Date of Commencement of Commercial Production of the respective Development and Production Area;

1.61 **"Production Costs"** means Petroleum Costs incurred in Production Operations;

1.62 **"Quarter"** means a period of three (3) Months, commencing January 1, April 1, July 1 or October 1;

1.63 **"Rate of Return"** shall have the meaning ascribed to it in Article 10;

1.64 **"Second Extension Period"** shall have the meaning ascribed to it in Article 3.1(a)(ii);

1.65 **"Second Sub Period"** shall have the meaning ascribed to it in Article 3.1(a)(i);

1.66 **"Sole Risk Operation"** means an operation conducted at the sole cost, risk and expense of GNPC referred to in Article 9;

1.67 **"Specified Rate"** means the rate which the National Westminster Bank, Plc, London, certifies to be the London Interbank offered rate (LIBOR) in the London Interbank Eurodollar market on thirty (30) day deposits, in effect on the last business day of the last respective preceding month, plus one point five percent (1.5%);

1.68 **"Standard Cubic Foot"** or **"SCF"** means the quantity of gas that occupies one (1) cubic foot at 14.65 psia pressure and sixty (60) degrees fahrenheit temperature;

1.69 **"State"** means the Government of the Republic of Ghana;

1.70 **"Subcontractor"** has the meaning assigned to that term in the Petroleum Income Tax Law;

1.71 **"Termination"** means termination of this Agreement pursuant to Article 23 hereof;

1.72 **"Work Programme"** means the annual plan for the conduct of Petroleum Operations prepared pursuant to Articles 4.3, 6.4 and 6.5;

ARTICLE 2

SCOPE OF THE AGREEMENT, INTERESTS OF THE PARTIES AND CONTRACT AREA

2.1 This Agreement provides for the Exploration for and Development and Production of Petroleum in the Contract Area by GNPC in association with Contractor.

2.2 Subject to the provisions of this Agreement, Contractor shall be responsible for the execution of such Petroleum Operations as are required by the provisions of this Agreement and subject to Article 9, is hereby appointed the exclusive entity to conduct Petroleum Operations in the Contract Area. GNPC shall at all times participate in the management of Petroleum Operations and in order that the Parties may cooperate in the implementation of Petroleum Operations GNPC and Contractor shall establish a Joint Management Committee, to conduct and manage Petroleum Operations.

2.3 In the event that no Commercial Discovery is made in the Contract Area, or that Gross Production achieved from the Contract Area is insufficient fully to reimburse Contractor in accordance with the terms of this Agreement, then Contractor shall bear its own loss; GNPC and the State shall have no obligations whatsoever to contractor in respect of such loss.

2.4 GNPC shall have a ten percent (10%) Initial Interest in all Petroleum Operations under this Agreement. With respect to all Exploration and Development Operations GNPC's Initial Interest shall be a Carried Interest. With respect to all Production Operations GNPC's Initial Interest shall be a Paying Interest.

2.5 GNPC shall have the option to acquire an Additional Interest of five percent (5%) in every Commercial Discovery. In order to acquire the Additional Interest, GNPC must notify Contractor within ninety (90) days after Contractor's notice to the Minister that a Discovery is a Commercial Discovery, of its intention to acquire the Additional Interest. If within such ninety (90) day period GNPC does not give such notice, GNPC's interest will remain as described in Article 2.4. If GNPC acquires the Additional Interest, GNPC shall be responsible for paying five percent (5%) of all future Petroleum Costs including Development and Production Costs as approved by the JMC. GNPC and Contractor shall agree on the mode of financing such Additional Interest.

In the event that Contractor decides to seek project finance from a bank or group of banks for the financing of Development Operations, Contractor shall offer GNPC

the opportunity (but not an obligation) to join in the said project financing with respect to its Additional Interest. GNPC shall not, by its action or inaction, impede or delay Contractor in its efforts to obtain such project financing.

If GNPC fails to pay for the costs associated with its Additional Interest and those associated with Production Operations as described in Article 2.4 and Article 2.6, then Contractor shall be entitled to recover the said costs, together with interest at the Specified Rate, from Production revenues.

In the event that GNPC, having acquired the Additional Interest, subsequently wishes to dispose of it (or part of it) to a third party, GNPC shall notify Contractor of such intent and shall inform Contractor of the price which is to be paid by such third party for the same, and Contractor shall have the right for a period of forty five days from receipt of such notice to inform GNPC that it wishes to acquire such interest at the price notified to it by GNPC, being the price at which it was to have been sold to the third party.

2.6 If GNPC opts to take an Additional Interest as provided for in Article 2.5 then within six (6) Months of its election, GNPC shall reimburse Contractor for all expenditures attributable to GNPC's Additional Interest and incurred from the Date of Commercial Discovery to the date GNPC notifies Contractor of its election.

2.7 For the avoidance of doubt GNPC shall only be liable to contribute to Petroleum Costs:

a) incurred in respect of Development Operations in any Development and Production Area and to the extent only of any Additional Interest acquired in such Development and Production Area under Article 2.5; and

b) incurred in respect of Production Operations in any Development and Production Area both to the extent of:

i) its ten percent (10%) Initial Interest; and

ii) any Additional Interest acquired in such development and Production Area under Article 2.5

2.8 GNPC may during the Exploration Period assist Contractor in carrying out Contractor's obligations expeditiously and efficiently as stipulated in Article 7.3. Upon completion of the work associated with said assistance, GNPC shall invoice the Contractor for the costs incurred and shall provide reasonable supporting documentation in respect of such costs. Contractor shall pay GNPC the invoiced amount within thirty (30) days of receipt of the invoice. The actual amount of the

invoice submitted by GNPC shall be at rates agreed by GNPC and the Contractor for such services.

2.9 Contractor's Participating Interest in all Petroleum Operations and in all rights under this Agreement shall be ninety per cent (90%), reduced proportionately at any given time and in any given part of the Contract Area by the Additional Interest of GNPC pursuant to Article 2.5 or the Sole Risk Interest of GNPC pursuant to Article 9.

2.10 As of the Effective Date, the Contract Area shall cover a total of approximately one thousand one hundred and eight square kilometres (1,108 km^2) as depicted by Annex 1 and shall from time to time during the term of this Agreement be reduced according to the terms herein. During the term of the Agreement, Contractor shall pay rentals to the State for that area included within the Contract Area at the beginning of each Contract Year according to the provisions of Article 12.2 (e) below provided that a pro-rata payment shall be made to cover a period of less than one (1) full Contract Year.

ARTICLE 3

EXPLORATION PERIOD

3.1 The Exploration Period shall begin on the Effective Date and shall not cover a period of more than six and one half (6 1/2) years except as provided for in accordance with this Agreement and the Petroleum Law.

a) The Exploration Period shall be divided as follows:

(i) an Initial Exploration Period of two and one half (2 1/2) years ("Initial Exploration Period") further divided into Subperiods:
1. One (1) year ("First Subperiod");
2. One and one half (1 1/2) years ("Second Subperiod") plus

(ii) Two (2) extension periods totalling four (4) years:
1. Two (2) years for the first such period ("First Extension Period"); and
2. Two (2) years for the second of such periods ("Second Extension Period").

b) At the end of The First Subperiod, Contractor shall elect to drill a well during the Second Subperiod or relinquish the entire Contract Area. Contractor shall have the right to relinquish the entire Contract Area and withdraw from this Agreement upon the expiration of any of the First Subperiod, the Second Subperiod, the First Extension Period or the Second Extension period; subject only to notifying GNPC not less than thirty (30) days before expiration of the relevant period and provided Contractor has completed the applicable work obligation of the First Subperiod or Second Subperiod, or any of the Extension Periods (as applicable) during which such relinquishment and withdrawal is made.

c) Where Contractor has fulfilled its work and expenditure obligations set out in Article 4.3 before the end of a specific Subperiod or any of the Extension Periods and has exercised its option by applying to the Minister in writing for an extension into the next phase, the Minister will be deemed to have granted an extension into the Second Subperiod, First Extension Period or, Second Extension Period, as applicable.

d) For each well drilled by Contractor or with Contractor's participation during the Initial Exploration Period (beyond those referred to in Article 4.3), the Initial Exploration Period shall be extended by three (3) Months and the commencement of subsequent periods shall be postponed in their entirety accordingly.

3.2 Following the end of the Second Extension Period, subject to the provisions of Article 3.4, Contractor will be entitled to an extension or extensions, by reference to Article 8, of the Exploration Period as follows:

a) Where at the end of the Second Extension Period Contractor is drilling or testing any well, Contractor shall be entitled to an extension for such further period as may be reasonably required to enable Contractor to complete such work and assess the results and, in the event that Contractor notifies the Minister that the results from any such well show a Discovery which merits appraisal, Contractor shall be entitled to a further extension for such period as may be reasonably required to carry out an Appraisal Programme and determine whether the Discovery constitutes a Commercial Discovery;

b) Where at the end of the Second Extension Period Contractor is engaged in the conduct of an Appraisal Programme in respect of a Discovery which has not been completed, Contractor shall be entitled to a further extension following the end of the Second Extension for such period as may be reasonably required to complete that Appraisal Programme and determine whether the Discovery constitutes a Commercial Discovery;

c) Where at the end of the Second Extension Period Contractor is in the process of completing an aspect of the Approved Work Programme not falling under paragraphs (a) or (b) in this Article 3.2 above, or under Article 4.3(c), Contractor will be entitled to such extension of time as the Minister considers reasonable for the purpose of completing such work;

d) Where pursuant to Article 8 Contractor has before the end of the Second Extension Period , including extensions under (a), (b) and (c) above, given to the Minister a notice of Commercial Discovery, Contractor shall, if the Exploration Period would otherwise have been terminated, be entitled to a further extension of the Exploration Period in which to prepare the Development Plan in respect of the Discovery Area to which that Development Plan relates until either:

i) the Minister has approved the Development Plan as set out in Article 8, or

ii) in the event that the Development Plan is not approved by the Minister as set out in Article 8 and the matter or matters in issue between the Minister and Contractor have been referred for resolution under Article 24, one (1) Month after the date on which the final decision thereunder has been given.

3.3 Where Contractor has during the Initial Exploration Period or, as the case may be, during the First Extension Period failed to fulfill its work and expenditure obligations under Article 4 in respect of that period but has made reasonable arrangements to remedy its default during the First Extension Period or, as the case may be, the Second Extension Period, Contractor shall be entitled to an extension subject to such reasonable terms and conditions as the Minister may stipulate to assure performance of the work.

3.4 Save in respect of a Discovery Area:

a) In the circumstances and subject to the limitations set forth in Section 12 (3) of the Petroleum Law; or

b) In a case falling within the provisions of Article 3.2 (d)

nothing in Article 3.2 shall be read or construed as requiring or permitting the extension of the Exploration Period beyond seven (7) years from the Effective Date except for reasons of Force Majeure.

3.5 The provisions of Article 3.2 (a), (b) and (c) so far as they relate to the duration of the extension period to which Contractor will be entitled shall be read and construed as requiring the Minister to give effect to the provisions of Article 8 relating to the time within which Contractor must meet the requirements of that Article.

3.6 In the event that the Contractor is in the course of drilling or testing any well at the end of the Second Subperiod or the First Extension Period then it shall be permitted to complete the said drilling or testing without breaching this Agreement.

If Contractor elects thereafter to enter into the First Extension Period or the Second Extension Period, as the case may be, the commencement of the First Extension Period or the Second Extension Period shall not be affected by the duration of the period required for the completion of drilling or testing as referred to above, but shall remain as stated in Article 4.3 (b) or Article 4.3 (c) as applicable.

ARTICLE 4

MINIMUM EXPLORATION PROGRAMME

4.1 Exploration Operations shall begin as soon as practicable and in any case not later than sixty (60) days after the Effective Date.

4.2 GNPC shall, at the request of Contractor, make available to it such records and information relating to the Contract Area as are relevant to the performance of Exploration Operations by Contractor and are in GNPC's possession, provided that Contractor shall reimburse GNPC for the costs reasonably incurred in procuring or otherwise making such records and information available to Contractor.

4.3 Subject to the provisions of this Article, in discharge of its obligations to carry out Exploration Operations in the Contract Area, Contractor shall during the several phases into which the Exploration Period is divided carry out the work specified hereinafter:

a) **Initial Exploration Period:** Commencing on the Effective Date and terminating at the end of the two and one half (2 $^1/_2$) Contract Years which is made up of the following;

First Subperiod (1 year):

Description of Work: By the end of the First Subperiod of the Initial Exploration Period Contractor shall have undertaken a work programme including the reprocessing of 3D seismic data and seabed logging.

Minimum Expenditure: Contractor's minimum expenditure for the work in the First Subperiod of the Initial Exploration Period shall be two million United States dollars (U.S.$2,000,000).

Second Subperiod (1$^1/_2$ years):

Description of Work: By the end of the Second Subperiod of the Initial Exploration Period, Contractor shall have drilled at least one (1) Exploration Well in the Contract Area.

Minimum Expenditure: Contractor's minimum expenditure for the work in the Second Subperiod of the Initial Exploration Period shall be twenty million United States dollars (U.S.$20,000,000).

b) **First Extension Period:** Commencing at the end of the Initial Exploration Period and terminating at the end of a further two (2) Contract Years.

Minimum Expenditure: Contractor's minimum expenditure for the work in the First Extension Period shall be twenty million United States dollars U.S.$20,000,000).

Description of Work: By the end of the First Extension Period, Contractor shall have drilled at least one (1) Exploration Well in the Contract Area.

c) **Second Extension Period:** Commencing at the end of the First Extension and terminating at the end of a further two (2) Contract Years.

Description of Work: By the end of the Second Extension Period, Contractor shall have drilled one (1) Exploration Well in the Contract Area.

Minimum Expenditure: minimum expenditure for work in the Second Extension Period shall be twenty million United States dollars (U.S.$20,000,000).

d) Work and expenditures accomplished in any Subperiod or Extension Period in excess of the above obligations may be applied as credit in satisfaction of obligations called for in any other Subperiod or Extension Period. The fulfillment of any work obligation shall relieve Contractor of the corresponding minimum expenditure obligation, but the fulfillment of any minimum expenditure obligation shall not relieve Contractor of the corresponding work obligation.

(e) The principle of Article 4 is that, the fulfillment of any minimum Work Programme supersedes its corresponding minimum expenditure. However, for any Extension Period or Subperiod, for which the entire minimum work obligation is not met by Contractor, the corresponding part of the minimum expenditure obligation relating to the unfulfilled work obligation shall be paid to GNPC whereupon Contractor shall be deemed to have fulfilled such minimum work obligation. However, Contractor's entitlement to proceed to the next Extension Period or Subperiod shall be at the discretion of the Minister.

4.4 No Appraisal Wells drilled or seismic surveys carried out by Contractor as part of an Appraisal Programme undertaken pursuant to Article 8 and no expenditure incurred by Contractor in carrying out such Appraisal Programme shall be treated as discharging the minimum work obligations under Article 4.3.

4.5 The seismic reprocessing and seabed logging programme in Article 4.3(a), when combined with existing data, shall be such as will enable a study of the regional

geology of the Contract Area and the preparation of a report thereon with appropriate maps, cross sections and illustrations, as well as a geophysical survey of the Contract Area which, when combined with existing data, shall provide:

a) a minimum seismic grid adequate to define prospective drill sites over prospective closures as interpreted from data available to Contractor; and

b) a seismic evaluation of structural and stratigraphic conditions over the remaining portions of the Contract Area.

4.6 Each Exploration Well shall be drilled at a location and to an objective depth determined by Contractor in consultation with GNPC. Except as otherwise provided in Article 4.7 and 4.8 below, the minimum depth of each obligatory Exploration Well shall be whichever of the following is first encountered:

a) the depth of 3,600 metres measured from the Rotary Table Kelly Bushing (RTKB);

b) the depth sufficient to penetrate 500 metres into the primary target;

c) the depth at which Contractor encounters geologic basement.

4.7 The minimum depth of the first obligatory Exploration Well in Article 4.3 shall be whichever of the following is first encountered:

a) the depth of 4,400 meters measured from the Rotary Table Kelly Bushing (RTKB);

b) the depth sufficient to penetrate 300 metres into the Santonian; or

c) the depth at which Contractor encounters geological basement.

4.8 If in the course of drilling an Exploration Well the Contractor concludes that drilling to the minimum depth specified in Article 4.6 or 4.7 above is impossible, impracticable or imprudent in accordance with accepted international petroleum industry drilling and engineering practice, then Contractor may plug and abandon the Exploration Well and GNPC shall have the option of either:

a) waiving the minimum depth requirement, in which case Contractor will be deemed to have satisfied the obligation to drill such Exploration Well; or

b) requiring Contractor to drill a substitute Exploration Well at a location determined by Contractor in consultation with GNPC and to the relevant

minimum depth set forth in Article 4.6 or 4.7, except that if in the course of drilling such substitute Exploration Well Contractor establishes that drilling to the relevant minimum depth specified in Article 4.6 or 4.7 above is impossible, impracticable or imprudent in accordance with accepted petroleum industry drilling and engineering practice, then Contractor may plug and abandon the substitute Exploration Well and will be deemed to have satisfied the obligation to drill one (1) Exploration Well to the minimum depth to which such well had been planned.

The above option shall be exercised by GNPC within thirty (30) days from the plugging and abandonment of the Exploration Well, and failure to exercise such option shall constitute a waiver of the minimum depth requirement pursuant to Articles 4.6 and 4.7 as the case may be.

4.9 During the Exploration Period, Contractor shall have the right to perform additional Exploration Operations, including without limitation performing gravity and magnetic surveys, drilling stratigraphic wells and performing additional geological and geophysical studies, provided the minimum work obligations are performed within the applicable period.

4.10 During the Exploration Period, Contractor shall deliver to GNPC and the Minister reports on Exploration Operations conducted during each Calendar Quarter within thirty (30) days following the end of that Quarter. Further requests for information by the Minister under Section 9(1) of the Petroleum Law shall be complied with within a reasonable time and copies of documents and other material containing such information shall be provided to GNPC.

4.11 If, upon completion of the minimum exploration programme set forth in Article 4.3, Contractor desires to conduct a further programme of Exploration on those retained areas that will be relinquished upon expiry of the Exploration Period, Contractor shall have a right of first refusal to the granting of a new petroleum agreement covering such retained areas. If Contractor elects to exercise this right, it must do so in writing to GNPC not less than one (1) year before the expiry of the Exploration Period. If GNPC receives such written election from Contractor, the Parties shall use best efforts to negotiate in good faith a new petroleum agreement to cover such retained areas, with the intention that if possible there shall be no lapse between the expiration of this Petroleum Agreement and the effective date of the new petroleum agreement.

ARTICLE 5

RELINQUISHMENT

5.1 Except as provided in Article 8.3, 8.9, 14.9 and 14.14, Contractor shall relinquish portions of the Contract Area in the manner provided hereafter.

a) If on or before the expiration of the Initial Exploration Period, Contractor elects to enter into the First Extension Period pursuant to Article 3.1(c) then subject to Article 5.2 at the commencement of the First Extension Period the area retained shall be one hundred per cent (100%) of the original Contract Area as at the Effective Date;

b) If on or before the expiration of the First Extension Period, Contractor elects to enter into the Second Extension Period pursuant to Article 3.1(c) then subject to Article 5.2 at the commencement of the Second Extension Period the area retained shall not exceed fifty (50%) of the original Contract Area as at the Effective Date. Provided always that the area retained shall be permitted to exceed fifty percent (50%) of the original Contract Area but not to exceed seventy-five percent (75%) of the original Contract Area in the event that at that time, the Contractor commits to the drilling of a total of two (2) or more wells in the Second Extension Period in which case the provisions of Article 4.3(c) shall be deemed amended accordingly;

c) On the expiration of the Second Extension Period, Contractor shall subject to Article 5.2 relinquish the remainder of the retained Contract Area.

5.2 The Provisions of Article 5.1 shall not be read or construed as requiring Contractor to relinquish any portion of the Contract Area which constitutes or forms part of either a Discovery Area or a Development and Production Area.

PROVIDED HOWEVER THAT if at the end of the First Subperiod, Second Subperiod, First Extension Period or Second Extension Period as the case may be, Contractor elects not to enter into the Second Subperiod, the First Extension Period or the Second Extension Period, Contractor shall relinquish the entire Contract Area, other than any Discovery or Development and Production Area.

5.3 Each area to be relinquished pursuant to this Article shall be selected by Contractor and shall be measured as far as possible in terms of continuous and compact units of a size and shape which will permit the carrying out of Petroleum Operations in the relinquished portions.

5.4 Without prejudice to the foregoing provisions of this Article 5, in the event that, following the relinquishment of the Contract Area, the Contractor has retained one or more Development and Production Areas, and Contractor and GNPC have, after reviewing all the relevant technical data and information, determined that the field or reservoirs for which a Development and Production Area was granted covers Petroleum lying outside such Development and Production Area, and provided such outside areas are not under any contract, the Contractor and GNPC shall endeavour to reach an agreement on unitization between the Contractor (with respect to the Contract Area) and GNPC (as holder of the area outside of the Contract Area) to cover the full development of the reservoir or field.

ARTICLE 6

JOINT MANAGEMENT COMMITTEE

6.1 In order that the Parties may at all times cooperate in the implementation of Petroleum Operations, GNPC and Contractor shall not later than thirty (30) days after the Effective Date establish a Joint Management Committee (JMC). Without prejudice to the rights and obligations of Contractor for day-to-day management of the operations, the JMC shall oversee and supervise the Petroleum Operations and ensure that all approved Work Programmes and Development Plans are complied with and also that accounting for costs and expenses and the maintenance of records and reports concerning the Petroleum Operations are carried out in accordance with this Agreement and the accounting principles and procedures generally accepted in the international petroleum industry.

6.2 The composition of and distribution of functions within the JMC shall be as follows:

i) The JMC shall constitute of four (4) representatives of GNPC and four (4) representatives of Contractor. GNPC and Contractor shall also designate a substitute or alternate for each member. In the case of absence or incapacity of a member of the JMC, his alternate shall automatically assume the rights and obligations of the absent or incapacitated member;

ii) The Chairperson of the JMC shall be designated by GNPC from amongst the members of the JMC;

iii) Contractor shall be responsible in consultation with GNPC for the preparation of agenda and supporting documents for each meeting of the JMC and for keeping records of the meetings and decisions of the JMC (GNPC shall have the right to inspect all records of the JMC at any time);

iv) At any meeting of the JMC six (6) representatives shall form a quorum, provided that at least two (2) of such representatives shall be representatives of GNPC and at least two (2) of such representatives shall be representatives of the Contractor.

6.3 Meetings of the JMC shall be held and decisions taken as follows:

i) All meetings of the JMC shall be held in Accra, Dublin or London or such other place as may be agreed upon by members of the JMC;

ii) The JMC shall meet at least twice yearly and at such times as the members may agree;

iii) A meeting of the JMC may be convened by either GNPC or the Contractor giving not less than twenty (20) days notice to the other or, in a case requiring urgent action, notice of such lesser duration as the members may agree upon;

iv) Decisions of the JMC shall require unanimity provided, however, that decisions and approvals required for budgets and day-to-day operational matters associated with Appraisal, Development and Production Operations the expenditures, outlays or advances for which Contractor will be required to make on a one hundred percent (100%) basis shall require approval of the Contractor's representatives only;

v) Any member of the JMC may vote by written and signed proxy held by another member;

vi) Decisions of the JMC may be made without holding a meeting if all representatives of both Parties notify their consent thereto in the manner provided in Article 27;

vii) GNPC and Contractor shall have the right to bring expert advisors to any JMC meetings to assist in the discussions of technical and other matters requiring expert advice;

viii) The JMC may also establish subcommittees it deems appropriate for carrying out its functions, such as:

a) a technical subcommittee;
b) an audit subcommittee; and
c) an accounting subcommittee,

ix) costs and expenses related to attendance by GNPC outside Ghana (e.g. business class travel, transportation, lodging, per diem and insurance), shall be borne by Contractor and treated as Petroleum Costs. Subject to GNPC providing to Contractor reasonable supporting documentation in respect of such costs and expenses, those costs and expenses shall be reimbursed by Contractor to GNPC.

6.4 The JMC shall oversee Exploration Operations as follows:

i) Not later than sixty (60) days after the Effective Date and thereafter at least ninety (90) days before the commencement of each subsequent Contract Year,

Contractor shall prepare and submit to the JMC for its review a reasonably detailed Work Programme and budget setting forth all Exploration Operations which Contractor proposes to carry out in that Contract year and the estimated cost thereof, and shall also give an indication of Contractor's tentative preliminary exploration plans for the succeeding Contract year;

ii) Upon notice to the Minister and GNPC, Contractor may amend any Work Programme or budget submitted to the JMC pursuant to this Article which notice will state why in Contractor's opinion the amendment is necessary or desirable. Any such amendment shall be submitted to the JMC for review;

iii) Every Work Programme submitted to the JMC pursuant to this Article 6.4 and every revision or amendment thereof shall be consistent with the requirements set out in Article 4.3 relating to minimum work and expenditure for the period of the Exploration Period in which such Work Programme or budget falls;

iv) Contractor shall report any Discovery to GNPC immediately following such Discovery and shall place before the JMC for review its Appraisal Programme prior to submission thereof to the Minister. Within thirty (30) days of completion of the Appraisal Programme a JMC meeting to discuss the results of the Appraisal Programme shall be convened to take place before submission of the detailed Appraisal Programme report provided for in Article 8.7;

v) The JMC will review Work Programmes and budgets and any amendments or revisions thereto, and Appraisal Programmes, submitted to it by Contractor pursuant to this Article 6, and timely give such advice as it deems appropriate which Contractor shall consider before submitting the Programme to GNPC and the Minister for their information;

vi) After the date of the first Commercial Discovery, Contractor shall seek the concurrence of GNPC's JMC representatives, which concurrence shall not be unreasonably withheld, on any proposal for the drilling of an Exploration Well or Wells not associated with the Commercial Discovery and not otherwise required to be drilled under Article 4.3. If concurrence is not secured by Contractor, Contractor may nevertheless elect to drill the Exploration Well or Wells but the costs of such Well or Wells shall be considered Petroleum Costs for AOE purposes and deductible cost for Ghana income tax purposes only in the event there is a subsequent Commercial Discovery associated with the Well or Wells.

6.5 From the first occurring Date of Commercial Discovery the JMC shall have supervision of Petroleum Operations as follows:

i. Within sixty (60) days after the Date of Commercial Discovery Contractor shall prepare and submit to the JMC for approval any revisions to its annual Work Programme and budget that may be necessary for the remainder of that Contract Year and for the rest of the Exploration Period;

ii. At least ninety (90) days before the Commencement of each subsequent Calendar Year Contractor shall submit to the JMC for review and approval a reasonably detailed Work Programme and budget setting forth all Development and Production Operations which Contractor proposes to carry out in that Calendar Year and the estimated cost thereof and shall also give an indication of Contractor's plans for the succeeding Calendar Year;

iii. Within sixty (60) days of the Date of Commencement of Commercial Production and thereafter not later than one hundred and twenty (120) days before the commencement of each Calendar Year Contractor shall submit to the JMC for its review and approval an annual production schedule which shall be in accordance with good international oilfield practice, and shall be designed to provide the most efficient, beneficial and timely production of the Petroleum resources.

6.6 The JMC shall approve lifting schedules for Development and Production Areas as well as review all of Contractor's reports on the conduct of Petroleum Operations.

6.7 The JMC shall approve Contractor's insurance programme and the programmes for training and technology transfer submitted by Contractor and the accompanying budgets for such schemes and programmes.

6.8 If during any meeting of the JMC the Parties are unable to reach agreement concerning any of the matters provided for in Article 6.5 and 6.6, the matter shall be deferred for reconsideration at a further meeting to be held not later than fifteen (15) days following the original meeting. If after such further meeting the Parties are still unable to reach agreement, the matter in dispute shall be referred to the Parties forthwith. Failing agreement within fifteen (15) days thereafter, the matter in dispute shall, at the request of any Party, be referred for resolution under Article 24.

ARTICLE 7

RIGHTS AND OBLIGATIONS OF CONTRACTOR AND GNPC

7.1 Subject to the provisions of this Agreement, Contractor shall be responsible for the conduct of Petroleum Operations and shall:

a) conduct Petroleum Operations with utmost diligence, efficiency and economy, in accordance with accepted International Petroleum Industry practices, under the same or similar circumstances observing sound technical and engineering practices using appropriate advanced technology and effective equipment, machinery, materials and methods;

b) take all practicable steps to ensure compliance with Section 3 of the Petroleum Law including ensuring the recovery and prevention of waste of Petroleum in the Contract Area in accordance with accepted International Petroleum Industry practices under the same or similar circumstances;

c) prepare and maintain in Ghana full and accurate records of all Petroleum Operations performed under this Agreement;

d) prepare and maintain accounts of all Petroleum Operations under this Agreement in such a manner as to present a full and accurate record of the costs of such Petroleum Operations, in accordance with the Accounting Guide;

e) disclose to GNPC and the Minister any operating or other agreement among the Parties that constitute Contractor relating to the Petroleum Operations hereunder, which agreement shall not be inconsistent with the provisions of this Agreement.

7.2 In connection with its performance of Petroleum Operations, Contractor shall have the right within the terms of applicable law:

a) to establish offices in Ghana and to assign to those offices such representatives as it shall consider necessary for the purposes of this Agreement;

b) to use public lands for installation and operation of shore bases, and terminals, harbours and related facilities, pipelines from fields to terminals and delivery facilities, camps and other housing;

c) to receive licenses and permission to install and operate such communications and transportation facilities as shall be necessary for the efficiency of its operations;

d) to bring to Ghana such number of Foreign National Employees as shall be necessary for its operations, including employees assigned on permanent or resident status, with or without families, as well as those assigned on temporary basis such as rotational (rota) employees;

e) to provide or arrange for reasonable housing, schooling and other amenities, permanent and temporary, for its employees and to import personal and household effects, furniture and vehicles, for the use of its personnel in Ghana;

f) to be solely responsible for provision of health, accident, pension and life insurance benefit plans on its Foreign National Employees and their families; and such employees shall not be required to participate in any insurance, compensation or other employee or social benefit programs established in Ghana;

g) to have, together with its personnel, at all times the right of ingress to egress from its offices in Ghana, the Contract Area, and the facilities associated with Petroleum Operations hereunder in Ghana including the offshore waters, using its owned or chartered means of land, sea and air transportation;

h) to engage such Subcontractors, expatriate and national, including also consultants, and to bring such Subcontractors and their personnel to Ghana as are necessary in order to carry out the Petroleum Operations in a skillful, economic, safe and expeditious manner; and said Subcontractors shall have the same rights as Contractor specified in this Article 7.2 to the extent they are engaged by Contractor for the Petroleum Operations hereunder.

7.3 GNPC shall assist Contractor in carrying out Contractor's obligations expeditiously and efficiently as stipulated in this Agreement, and in particular GNPC shall use its best efforts to assist Contractor and its Subcontractors to:

a) establish supply bases and obtain necessary communications facilities, equipment and supplies;

b) obtain necessary approvals to open bank accounts in Ghana;

c) subject to Article 21 hereof, obtain entry visas and work permits for such number of Foreign National Employees of Contractor and its Subcontractors engaged in Petroleum Operations and members of their families who will be

resident in Ghana, and make arrangements for their travel, arrival, medical services and other necessary amenities;

d) comply with Ghana customs procedures and obtain permits for the importation of necessary materials;

e) obtain the necessary permits to transport documents, samples or other forms of data to foreign countries for the purpose of analysis or processing if such is deemed necessary for the purposes of Petroleum Operations;

f) contact Government agencies dealing with fishing, meteorology, navigation and communications as required;

g) identify qualified Ghanaian personnel as candidates for employment by Contractor in Petroleum Operations; and

h) procure access on competitive commercial terms, to infrastructure owned by the State or GNPC or any Affiliate of or entity controlled by the State or GNPC or owned by any third party, required for the transportation and/or processing of Petroleum produced under this Agreement.

7.4 All reasonable expenses incurred by GNPC in connection with any of the matters set out in Article 7.3 above shall be borne by Contractor.

7.5 GNPC shall use its best efforts to render assistance to Contractor in emergencies and major accidents, and such other assistance as may be requested by Contractor, provided that any reasonable expenses involved in such assistance shall be borne by Contractor.

ARTICLE 8

COMMERCIALITY

8.1 Contractor shall notify the Minister and GNPC in writing as soon as possible after any Discovery is made, but in any event not later than thirty (30) days after any Discovery is made.

8.2 As soon as possible after the analysis of the test results of such Discovery is complete and in any event not later than one hundred (100) days from the date of such Discovery, Contractor shall by a further notice in writing to the Minister indicate whether in the opinion of Contractor the Discovery merits appraisal.

8.3 Where the Contractor indicates that the Discovery does not merit appraisal, Contractor shall, subject to Article 8.17 below, relinquish the Discovery Area associated with the Discovery.

8.4 Where Contractor indicates that the Discovery merits appraisal, Contractor shall submit to the Minister within one hundred and eighty (180) days from the date of Discovery, an Appraisal Programme to be carried out by Contractor in respect of such Discovery. After thirty (30) days following its submission the Appraisal Programme shall be deemed approved as submitted, unless the Minister has before the end of the said thirty (30) period given the Contractor a notice in writing stating:

i. that the Appraisal Programme as submitted has not been approved; and

ii. the revisions proposed by the Minister to the Appraisal Programme submitted, and the reasons therefor.

8.5 Unless Contractor and the Minister otherwise agree in any particular case, Contractor shall have a period of two (2) years from the date of Discovery to complete the Appraisal Programme.

8.6 Contractor shall commence to conduct the Appraisal Programme within one hundred and fifty (150) days from the date of approval or deemed approval of the Appraisal Programme by the Minister. Where the Contractor is unable to commence the conduct of the Appraisal Programme within one hundred and fifty (150) days from the date of approval or deemed approval of the Appraisal Programme by the Minister, GNPC shall be entitled to exercise the option provided for in Article 9.1 to enable prompt appraisal, provided however that after Contractor actually embarks on appraisal work or obtains an extension of time for such work, this option may not be exercised.

8.7 Not later than ninety (90) days from the date on which said Appraisal Programme relating to the Discovery is completed, Contractor will submit to the Minister a report containing the results of the Appraisal Programme. Such report shall include all available technical and economic data relevant to a determination of commerciality, including, but not limited to, geological and geophysical conditions, such as structural configuration, physical properties and the extent of reservoir rocks, areas, thickness and depth of pay zones, pressure, volume and temperature analysis of the reservoir fluids; preliminary estimates of Crude Oil and Natural Gas reserves; recovery drive characteristics; anticipated production performance per reservoir and per well; fluid characteristics, including gravity, sulphur percentage, sediment and water percentage and refinery assay pattern.

8.8 Not later than ninety (90) days from the date on which said Appraisal Programme is completed Contractor will, by a further notice in writing, inform the Minister whether the Discovery in the opinion of Contractor is or is not a Commercial Discovery.

8.9 If Contractor informs the Minister that the Discovery is not a Commercial Discovery, then subject to Articles 8.17, Contractor shall relinquish such Discovery Area; provided, however, that in appropriate cases, before declaring that a Discovery is not a Commercial Discovery, Contractor shall consult with the other Parties and may make appropriate representations proposing minor changes in the fiscal and other provisions of this Agreement which may, in the opinion of Contractor, affect the determination of commerciality. The other Parties may, where feasible, and in the best interests of the Parties agree to make such changes or modifications in the existing arrangements.

8.10 If Contractor pursuant to Article 8.8 informs the Minister that the Discovery is a Commercial Discovery, Contractor shall not later than one hundred and eighty (180) days thereafter, prepare and submit to the Minister a Development Plan.

8.11 The Development Plan referred to in Article 8.10 shall be based on detailed engineering studies and shall include:

a) Contractor's proposals for the delineation of the proposed Development and Production Area and for the development of any reservoir(s), including the method for the disposal of Associated Gas in accordance with the provisions of Article 14.4;

b) the way in which the Development and Production of the reservoir is planned to be financed;

c) Contractor's proposals relating to the spacing, drilling and completion of wells, the production, storage, transportation and delivery facilities required for the production, storage and transportation of the Petroleum, including without limitation:

i) the estimated number, size and production capacity of production platforms if any;

ii) the estimated number of Production Wells;

iii) the particulars of feasible alternatives for transportation of the Petroleum, including pipelines;

iv) the particulars of onshore installations required, including the type and specifications or size thereof; and

v) the particulars of other technical equipment required for the operations;

d) the estimated production profiles for Crude Oil and Natural Gas from the Petroleum reservoirs;

e) estimates of capital and Production Operation expenditures;

f) the economic feasibility studies carried out by or for Contractor in respect of alternative methods for Development of the Discovery, taking into account:

i) location;
ii) water depth (where applicable);
iii) meteorological conditions;
iv) estimates of capital and Production Operation expenditures; and
v) any other relevant data and evaluation thereof;

g) the safety measures to be adopted in the course of the Development and Production Operations, including measures to deal with emergencies;

h) the necessary measures to be taken for the protection of the environment;

i) Contractor's proposals with respect to the procurement of goods and services obtainable in Ghana;

j) Contractor's plan for training and employment of Ghanaian nationals; and

k) the timetable for effecting Development Operations.

8.12 The date of the Minister's approval of the Development Plan shall be the Date of Commercial Discovery.

8.13 After thirty (30) days following its submission, the Development Plan shall be deemed approved as submitted, unless the Minister has before the end of the said thirty (30) day period given Contractor a notice in writing stating:

i) that the Development Plan as submitted has not been approved; and

ii) the revisions, proposed by the Minister, to the Development Plan as submitted, and the reasons thereof.

8.14 Where the Development Plan is not approved by the Minister as provided under Article 8.13 above, the Parties shall within a period of thirty (30) days from the date of the notice by the Minister as referred to under Article 8.13 above meet to agree on the revisions proposed by the Minister to the Development Plan. In the event of failure to agree to the proposed revisions, within fourteen (14) days following said meeting any matters in dispute between the Minister and the Contractor shall be referred for resolution in accordance with Article 24.

8.15 Where the issue in dispute referred for resolution pursuant to Article 24 is finally decided in favour of Contractor the Minister shall forthwith give the requisite approval to the Development Plan submitted by Contractor.

8.16 Where the issue in question referred for resolution pursuant to Article 24 is finally decided in favour of the Minister in whole or in part, Contractor shall forthwith:

i) amend the proposed Development Plan to give effect to the final decision rendered under Article 24, and the Minister shall give the requisite approval to such revised Development Plan; or

ii) subject to Article 8.19 below relinquish the Discovery Area.

8.17 Notwithstanding the relinquishment provisions of Articles 8.3 and 8.9 above, if Contractor indicates that a Discovery does not at the time merit appraisal, or after appraisal does not appear to be commercial but may merit appraisal or potentially become commercial at a later date during the Exploration Period, then Contractor need not relinquish the Discovery Area and may continue its Exploration Operations in the Contract Area during the Exploration Period provided that the Contractor shall explain what additional evaluations, including Exploration work or studies (within or outside the Discovery Area), are or may be planned in order to determine whether subsequent appraisal is warranted or that the Discovery is commercial. Such

evaluations shall be performed by Contractor according to a specific time table, subject to its right of earlier relinquishment of the Discovery Area. After completion of the evaluations, Contractor shall make the indications called for under Article 8.2 or 8.8 and either proceed with appraisal, confirm commerciality or relinquish the Discovery Area. In any case, if at the end of the Exploration Period Contractor has not indicated its intent to proceed with an Appraisal Programme or that the Discovery is a Commercial Discovery, then the Discovery Area shall be relinquished.

8.18 Before Contractor indicates that the Discovery will not merit appraisal, or after an Appraisal Programme, indicates it will not be a Commercial Discovery, Contractor may consult with the other Parties and may make appropriate representations proposing minor changes in the fiscal and other provisions of this Agreement which may, in the opinion of Contractor, affect the determination of commerciality. The other Parties may, agree to make such changes or modifications in the existing arrangements. In the event the Parties do not agree on such changes or modifications, then subject to Article 8.17 and Article 8.19 Contractor shall relinquish the Discovery Area.

8.19 Nothing in Article 8.3, 8.9, 8.16 or 8.17 above shall be read or construed as requiring Contractor to relinquish:

a) any area which constitutes or forms part of another Discovery Area in respect of which:

i) Contractor has given the Minister a separate notice indicating that such Discovery merits appraisal or confirmation; or

ii) Contractor has given the Minister a separate notice indicating that such Discovery is a Commercial Discovery; or

b) any area which constitutes or forms part of a Development and Production Area.

8.20 In the event a field extends beyond the boundaries of the Contract Area, the Minister may require Contractor if it so wishes, to exploit said Field in association with the third party holding the adjacent area, pursuant to unitization and engineering principles and practices in accordance with accepted international Petroleum industry practices.

ARTICLE 9

SOLE RISK ACCOUNT

9.1 Subject to Article 8.6, unless and until Contractor has notified GNPC that it wishes to appraise a Discovery, GNPC may notify Contractor that it will at its sole cost, risk and expense commence to appraise that Discovery, provided that within thirty (30) days of such notification from GNPC, Contractor may elect to commence to appraise that Discovery within its Work Programme.

9.2 Where an appraisal undertaken under Article 9.1 at the sole expense of GNPC results in a determination that a Discovery is commercial, Contractor may develop the Commercial Discovery upon reimbursement to GNPC of all expenses incurred in undertaking the appraisal and arranging with GNPC satisfactory terms for the payment of a premium equivalent to seven hundred per cent (700%) of such expenses. Such premium shall not be reckoned as cost of Petroleum Operations for the purpose of the Accounting Guide. In the event that Contractor declines to develop said Discovery, Contractor shall relinquish the Development and Production Area established by the Appraisal Programme conducted by GNPC under Article 9.1.

9.3 During the Exploration Period GNPC may, at its sole risk and expense, require Contractor to continue drilling to penetrate and test horizons deeper than those contained in the Work Programme of Contractor or required under Article 4. GNPC may also at its sole risk ask the Contractor to test a zone or zones which Contractor has not included in Contractor's test programme. Notice of this shall be given to Contractor in writing as early as possible prior to or during the drilling of the well, but in any case not after Contractor has begun work to test, complete or abandon the well. The exercise by GNPC of this right shall be in an agreed manner which does not prevent Contractor from complying with its work obligations under Article 4.3.

9.4 At any time before commencing such deeper drilling or testing under Article 9.3, Contractor may elect to embody the required drilling or testing in its own Exploration Operations, in which case any resulting Discovery shall not be affected by the provisions of this Article 9.

9.5 Where any sole risk deeper drilling or testing results in a Discovery, GNPC shall have the right, at its sole cost, risk and expense, to appraise, develop, produce and dispose of all Petroleum from that deeper horizon, provided however that if at the time such Petroleum is tested from the well, Contractor's Work Programme includes a well or wells to be drilled to the same producing horizon, and provided that that the well or wells result (s) in a Petroleum producing well producing from the same

horizon, Contractor shall, after reimbursing GNPC for all costs associated with its Sole Risk deeper drilling in said well, have the right to include production from that well in its total production for the purposes of establishing a Commercial Discovery, and, if a Commercial Discovery is subsequently established, to develop, produce and dispose of the Petroleum in accordance with the provisions of this Agreement.

9.6 Alternatively, if at the time such Petroleum is tested from the well, Contractor's Work Programme does not include a well to be drilled to said horizon, Contractor has the option to appraise and /or develop, as the case may be, the Discovery for its account under the terms of this Agreement if it so elects within a period of sixty (60) days after such Discovery. In such case, Contractor shall reimburse GNPC for all expenses incurred by GNPC in connection with such sole risk operations, and shall make satisfactory arrangements with GNPC for the payment of a premium equivalent to seven hundred percent (700%) of such expenses.

9.7 During the term of this Agreement, GNPC shall have the right, at its sole cost, risk and expense, and upon six (6) months prior notice to Contractor, to drill one (1) or two (2) wells per Calendar Year within the Contract Area provided that the work intended to be done by GNPC had not been scheduled for a Work Programme to be performed by Contractor and the exercise of such right by GNPC and the arrangement made by GNPC for undertaking such drilling do not hinder Contractor from satisfying its work obligations or delay it in so doing. Within thirty (30) days after receipt of such notice Contractor may elect to drill the required well or wells as part of Contractor's Exploration Operations.

9.8 In the event that a well drilled for the account and risk of GNPC in accordance with Article 9.7 above results in a Discovery, GNPC shall have the right to appraise and develop as the case may be or require Contractor to develop, after GNPC declares a Commercial Discovery, such Commercial Discovery for a mutually agreed service fee, so long as Contractor has an interest in the Contract Area, GNPC taking all the interest risk and costs and hence having the right to all Petroleum produced from the Commercial Discovery, provided however that Contractor has the option to appraise and/or develop, as the case may be, the Discovery for its account under the terms of this Agreement if it so elects within a period of sixty (60) days after receipt of GNPC's written notice of such Discovery.

9.9 Contractor shall reimburse GNPC for all expenses incurred by GNPC in connection with such Sole Risk Operations, and shall make satisfactory arrangements with GNPC for the payment of a premium equivalent to seven hundred percent (700%) of such expenses before exercising the option under Article 9.7. Such premium shall not be reckoned as Petroleum Costs for the purposes of Accounting Guide.

9.10 In the event that Contractor declines to develop the Commercial Discovery or no agreement is reached on the service fee arrangement as provided for in Article 9.8, Contractor shall relinquish the Development and Production Area associated with such Commercial Discovery.

9.11 Sole Risk Operations under this Article shall not extend the Exploration Period nor the term of this Agreement and Contractor shall complete any agreed programme of work commenced by it under this Article at GNPC's sole risk, and subject to such provisions hereof as the Parties shall then agree, even though the Exploration Period as defined in Article 3 or the term of this Agreement may have expired.

9.12 GNPC shall indemnify and hold harmless Contractor against all actions, claims, demands and proceedings whatsoever brought by any third party or the State, arising out of or in connection with Sole Risk Operations under this Article 9, unless such actions, claims, demands and proceedings are caused by Contractor's Gross Negligence provided that under no circumstances shall Contractor be liable for consequential loss (including but not limited to loss of profit or loss of production).

9.13 The exercise by GNPC of its sole risk rights under this Article 9 shall be performed in an agreed manner with Contractor, which does not prevent Contractor from complying with its work obligations under Article 4.3, an Appraisal Programme or a Development Plan and shall include a financing plan satisfactory to Contractor where GNPC has nominated Contractor to perform the Sole Risk Operations on its behalf.

9.14 GNPC shall not elect to conduct any Sole Risk Operations during the First Subperiod or within the boundaries of a Development and Production Area.

ARTICLE 10

SHARING OF CRUDE OIL

10.1 Gross Production of Crude Oil from each Development and Production Area shall (subject to a Calendar Year adjustment developed under the provisions of Article 10.7) be distributed amongst the Parties in the following sequence and proportions:

a) Five per cent (5%) of the Gross Production of Crude Oil shall be delivered to the State as **ROYALTY**, pursuant to the provisions of the Petroleum Law. Royalty for any Crude Oil having an API gravity of less than eighteen degrees (18°) shall be four per cent (4%). The rate of royalty on the Gross Production of Natural Gas shall be three per cent (3%). Upon notice to Contractor, the State shall have the right to elect to receive cash in lieu of its royalty share of such Petroleum. The State's notice shall be given to Contractor at least ninety (90) days in advance of each lifting period, such periods to be established pursuant to the provisions of Article 10.7. In such case, said share of Crude Oil shall be delivered to Contractor and it shall pay to the State the value of said share in cash at the relevant weighted average Market Price for the relevant period as determined in accordance with Article 11.7;

b) **The State's AOE** (as hereinafter defined) Share of Crude Oil if any, shall be distributed to the State out of the Contractor's share of Crude Oil determined under Article 10.1 (d). The State shall also have the right to elect to receive cash in lieu of the AOE share of Crude Oil accorded to it pursuant to Article 10.2. Notification of said election shall be given in the same notice in which the State notifies Contractor of its election to receive cash in lieu of Crude Oil under Article 10.1 (a). In such case, said share of Crude Oil shall be delivered to Contractor and it shall pay to the State the value of said share in cash at the Market Price for the relevant period as determined in accordance with Article 11.7 for Crude Oil;

c) After distribution of such amounts of Crude Oil as are required pursuant to Article 10.1(a), the amount of Crude Oil, if any, shall be delivered to GNPC to the extent it is entitled for Sole Risk operations under Article 9;

d) After distribution of such amounts of Crude Oil as are required pursuant to Article 10(a) and (c) above, the remaining Crude Oil produced from each Development and Production Area shall be distributed to Contractor and, subject to (e) below, to GNPC on the basis of their respective Participating Interests pursuant to Article 2.4, 2.5 and 2.9;

e) In the event that GNPC has failed to pay any amounts due to Contractor pursuant to Article 15.2 of this Agreement (such amounts together with interest thereon in accordance with Article 26.7 being hereinafter called "Default Amounts") and for so long as any such advances and interest thereon remain unrecovered by Contractor, an amount of Crude Oil shall be delivered to GNPC sufficient in value to reimburse it for its share of Production Costs paid by it to that date, until such share of Production Costs has been fully reimbursed to it, after which a volume of Crude Oil shall be delivered to Contractor equivalent in value to the outstanding amounts of the aforesaid Default Amounts until such Default Amounts are fully recovered by Contractor. The value of the Crude Oil for the purposes of this Article 10 shall be the Market Price determined pursuant to Article 11.7.

10.2 At any time the State shall be entitled to a portion of Contractor's share of Crude Oil then being produced from each separate Development and Production Area (hereinafter referred to as "Additional Oil Entitlements" or "AOE") on the basis of the after-tax inflation-adjusted rate of return ("ROR") which Contractor has achieved with respect to such Development and Production Area as of that time. Contractor's ROR shall be calculated on its NCF and shall be determined separately for each Development and Production Area at the end of each Quarter in accordance with the following computation:

(a) Definitions:

" NCF" means Contractor's net cash flow for the Quarter for which the calculation is being made and shall be computed in accordance with the following formula:

NCF = x - y - z

where

"x" equals all revenues received during such Quarter by Contractor from the Development and Production Area, including an amount computed by multiplying the amount of Crude Oil taken by Contractor during such Quarter in accordance with Article 10.1 (d) and (e); excluding such Crude Oil taken by Contractor for payment of advances and interest in respect of Petroleum Costs incurred by Contractor on GNPC's behalf, and Default Amounts as defined in Article 10.1 (e) by the Market Price applicable to Crude Oil during the Quarter when lifted, plus any other proceeds specified in the Accounting Guide received by Contractor, including, without limitation, the proceeds from the sale of any assets to which Contractor continues to have title. For the avoidance of doubt, "x" shall not include revenues from Royalty or AOE Crude Oil delivered to Contractor because the State has elected to receive cash in lieu or which is Crude Oil lifted by

Contractor which is part of another Party's entitlement (e.g. Crude Oil purchased by Contractor from GNPC or the State) but shall include revenues from Crude Oil owned by Contractor but lifted by another Party (e.g. Crude Oil purchased by GNPC or the State from Contractor).

"y" equals one quarter ($^1/_4$) of the income tax paid by the Contractor to the State with respect to the Calendar Year in respect of the Development and Production Area. If there are two (2) or more Development and Production Areas, the total income tax paid by Contractor in accordance with the Petroleum Income Tax Law 1987 shall for purposes of this calculation be allocated to the Development and Production Area on the basis of hypothetical tax calculations for the separate Development and Production Areas. The hypothetical tax calculation for each Development and Production Area shall be determined by allocating the total amount of tax incurred for each Calendar Year by Contractor under the Petroleum Income Tax Law to each Development and Production Area based on the ratio that the chargeable income from a given Development and Production Area bears to the total chargeable income of Contractor. The chargeable income of Contractor is determined under section 2 of the Petroleum Income Tax Law and the chargeable income of a Development and Production Area shall be calculated by deducting from the gross income derived from or allocated to that Area those expenses deductible under section 3 of the Petroleum Income Tax Law which are directly allocable to that Area as well as those expenses deductible under the said Section 3 which are not attributable to any Development and Production Area where the Development and Production in question had the earliest Date of Commencement of Commercial Production. A negative chargeable income for an Area shall be treated as zero for purposes of this allocation and not more (or less) than the total income tax paid by Contractor shall be allocated between the Areas.

"z" equals all Petroleum Costs specified in the Accounting Guide and expended by Contractor during such Quarter with respect to the Development and Production Area, including any Petroleum Costs paid by Contractor on GNPC's behalf, and not reimbursed by GNPC within the Quarter, provided that all Petroleum Costs for Exploration Operations not directly attributable to a specific Development and Production Area shall for purposes of this calculation be allocated to the Development and Production Area having the earliest date of Commencement of Commercial Production; and provided further that for the purpose of the ROR calculation Petroleum Costs shall not include any amounts in respect of interest on loans obtained for the purposes of carrying out Petroleum Operations.

For the avoidance of doubt, where Petroleum Costs are expended before the first Date of Commencement of Commercial Production, the NCF computation shall nonetheless be made for each such Quarter and once a Development and Production Area is delineated, costs directly attributable to such Area as well as

Exploration Costs not attributable to any other Area shall be retrospectively deemed allocated to the Development and Production Area having the first Date of Commencement of Commercial Production; provided that where, after the delineation of such Development and Production Area but before its Date of Commencement of Commercial Production, another Development and Production Area is delineated, Contractor may elect either to maintain the original retrospective allocation or reallocate those Exploration Costs attributable to the new Development and Production Area to such new area.

"FA_n" "SA_n", "TA_n", "YA_n", and "ZA_n" means First Account, Second Account, Third Account, Fourth Account and Fifth Account, respectively, and represent amounts as of the last day of the Month in question as determined by the formulae in (b) below.

"FA_{n-1}", "SA_{n-1}". "TA_{n-1}", "YA_{n-1}" and "ZA_{n-1}", respectively, mean the lesser of (i) the FA_n, SA_n, TA_n, YA_{n-1} or ZA_n, as the case may be, as of the last day of the Quarter immediately preceding the Quarter in question, or (ii) zero. Stated otherwise, FA_{n-1} shall equal FA_n as of the last day of the Quarter immediately preceding the Quarter in question if such FA_n was a negative number, but shall equal zero if such FA_n was a positive number. Likewise, SA_{n-1} shall equal SA_n as of the last day of the Quarter immediately preceding the Quarter in question if such SA_n was a negative number, but shall equal zero if such SA_n was a positive number. Likewise TA_{n-1} shall equal TA_n as of the last day of the Quarter immediately preceding the Quarter in question if such TA_n was a negative number, but shall equal zero if such TA_n was a positive number. Likewise YA_{n-1} shall equal YA_n as of the last day of the Quarter immediately preceding the Quarter in question if such YA_n was a negative number, but shall equal zero if such YA_n was a positive number. Likewise, ZA_{n-1} shall equal ZA_n as of the last day of the Quarter immediately preceding the Quarter in question if such ZA_n was a negative number, but shall equal zero if such ZA_n was a positive number. In the ROR calculation for the first Quarter of Petroleum Operations, FA_{n-1}, SA_{n-1}, TA_{n-1}, YA_{n-1} and ZA_{n-1} shall be zero.

"i" for the Quarter in question equals one (1) subtracted from the quotient of the United States Industrial Goods Wholesale Price Index ("USIGWPI) for the Quarter second preceding the Quarter in question as first reported in the International Financial statistics of the International Monetary Fund, divided by the USIGWPI for the same second preceding Quarter as first reported in the International Financial Statistics of the International Monetary Fund. If the USIGWPI ceases to be published, a substitute U.S. Dollar-based price index shall be used.

"n" refers to the nth Quarter in question.

"n-1" refers to the Quarter immediately preceding the nth Quarter

b) Formulae:

$$FA_n = \left(FA_{n-1}\left(1 + \frac{(0.19 + i)}{4}\right)\right) + NCF$$

$$SA_n = \left(SA_{n-1}\left(1 + \frac{(0.20 + i)}{4}\right)\right) + NCF$$

In the calculation of SA_n an amount shall be subtracted from NCF identical to the value of any AOE which would be due to the State if reference were made hereunder only to the FA_n.

$$TA_n = \left(TA_{n-1}\left(1 + \frac{(0.25 + i)}{4}\right)\right) + NCF$$

In the calculation of TA_n an amount shall be subtracted from NCF identical to the value of any AOE which would be due to the State if reference were made hereunder only to the FA_n and SA_n.

$$YA_n = \left(YA_{n-1}\left(1 + \frac{(0.30 + i)}{4}\right)\right) + NCF$$

In the calculation of YA_n an amount shall be subtracted from NCF identical to the value of any AOE which would be due to the State if reference were made hereunder only to the FA_n, SA_n and TA_n.

$$ZA_n = \left(ZA_{n-1}\left(1 + \frac{(0.40 + i)}{4}\right)\right) + NCF$$

In the calculation of ZA_n an amount shall be subtracted from NCF identical to the value of any AOE which would be due to the State if reference were made hereunder only to the FA_n, SA_n, TA_n and YA_n.

c) Prospective Application:

The State's AOE measured in barrels of Crude Oil will be as follows:

i) If FA_n, SA_n, TA_n, YA_n and ZA_n are all negative, the State's AOE for the Quarter in question shall be zero;

ii) If FA_n is positive and SA_n, TA_n, YA_n and ZA_n are all negative, the State's AOE for the Quarter in question shall be equal to the absolute amount resulting from the following monetary calculation:

Five percent (5%) of the FA_n for that Quarter divided by the weighted average Market Price of Crude Oil as determined in accordance with Article 11.7.

iii) If both FA_n and SA_n are positive, but TA_n YA_n and ZA_n are negative, the State's AOE for the Quarter in question shall be equal to an absolute amount resulting from the following monetary calculation:

the aggregate of five percent (5%) of FA_n for that Quarter plus ten percent (10%) of the SA_n for that Month all divided by the weighted average Market Price of Crude Oil as determined in accordance with Article 11.7.

iv) If FA_n, SA_n, and TA_n are all positive but both YA_n and ZA_n are negative, the State's AOE for the Quarter in question shall be equal to the absolute amount resulting from the following monetary calculation:

the aggregate of five percent (5%) of the FA_n for that Quarter plus ten percent (10%) of the SA_n for that Quarter plus fifteen percent (15%) of the TA_n for that Quarter all divided by the weighted average Market Price of Crude Oil as determined in accordance with Article 11.7.

v) If FA_n, SA_n TA_n and YA_n are all positive but ZA_n is negative, the State's AOE for the Quarter in question shall be equal to the absolute amount resulting from the following monetary calculation:

the aggregate of five percent (5%) of the FA_n for that Quarter plus ten percent (10%) of the SA_n for that Quarter plus fifteen percent (15%) of the TA_n for that Quarter plus twenty percent (20%) of the YA_n for that Quarter all divided by the weighted average Market Price of Crude Oil as determined in accordance with Article 11.7.

vi) If FA_n, SA_n, TA_n YA_n and ZA_n are all positive, the State's AOE for the Quarter in question shall be equal to the absolute amount resulting from the following monetary calculation:

the aggregate of five percent (5%) of the FA_n for that Quarter plus ten percent (10%) of the SA_n for that Quarter plus fifteen percent (15%) of the TA_n for that Quarter plus twenty percent (20%) of the YA_n for that Quarter plus twenty five percent (25%) of the ZA_n for that Quarter all divided by the weighted average Market Price as determined in accordance with Article 11.7.

d) The AOE calculations shall be made in U.S. Dollars with all non-dollar expenditures converted to U.S. Dollars in accordance with Section 1.3.5 of Annex 2. When the AOE calculation cannot be definitively made because of disagreement on the Market Price or any other factor in the formulae, then a provisional AOE calculation shall be made on the basis of best estimates of such factors, and such provisional calculation shall be subject to correction and revision upon the conclusive determination of such factors, arid appropriate retroactive adjustments shall be made.

e) The AOE shall be calculated on a Quarterly basis, with the AOE to be paid commencing with the first Quarter following the Quarter in which the FA_n, SA_n, TA_n, YA_n or ZA_n, (as applicable) becomes positive. Because the precise amount of the AOE for a Quarter cannot be determined with certainty until after the end of that Quarter, deliveries (or payments in lieu) of the AOE with respect to a Quarter shall be made during such Quarter based upon the Contractor's good faith estimates of the amounts owing, with any adjustments following the end of the Quarter to be settled pursuant to the procedures agreed to pursuant to Article 10.7. Final calculations of the AOE shall be made within thirty (30) days following the filing by the Contractor of the annual tax return for such Calendar year pursuant to the Petroleum Income Tax Law, and the amount of the AOE shall be appropriately adjusted in the event of a subsequent adjustment of the amount of tax owing on such term.

10.3 GNPC shall act as agent for the State in the collection of all Petroleum or money accruing to the State under this Article and delivery or payment to GNPC by Contractor shall discharge Contractor's liability to deliver the share of the State.

10.4 The State or GNPC, having met the requirements of Article 15.1, may elect, in accordance with terms and conditions to be mutually agreed by the Parties, that all or part of the Crude Oil to be distributed to the State or to GNPC pursuant to this Article shall be sold and delivered by the State or GNPC to Contractor or its Affiliate for use and disposal and in such case Contractor or its Affiliate shall pay to the State or to GNPC, as the case may be, the Market Price for any Crude Oil so sold and delivered.

Market Price for purposes of this Article 10.4 shall be determined in the manner specified in Article 11.7.

10.5 Except as otherwise provided in this Agreement, GNPC's and Contractor's respective right and entitlement to the volume of gross production of Petroleum at the first metering of fiscalization point shall be shared according to Articles 2.4, 2.5, 2.7 and 2.9. Ownership and risk of loss of all Petroleum lifted or sold by Contractor or GNPC shall pass to Contractor or GNPC, as the case may be, after the custody transfer at the fiscal metering skid at the outlet flange ("Delivery Point") of the marine terminal or other storage or holding facility or pipeline for loading into tankers or other transportation equipment referred to in Article 11.1.

10.6 Subject to the provisions of Article 15 hereof, Contractor shall have the right freely to export and dispose of all the Petroleum allocated and/or delivered to it pursuant to this Article.

10.7 The Parties shall through consultation enter into supplementary agreements concerning Crude Oil lifting procedures, lifting and tanker schedules, loading conditions, Crude Oil metering, and the settlement of lifting imbalances, if any, among the Parties at the end of each Quarter. The Crude Oil to be distributed or otherwise made available to the Parties in each Calendar Year in accordance with the preceding provisions of this Article shall insofar as possible be in reasonably equal Monthly quantities.

10.8 To assist in the making of the AOE calculation in accordance with Article 10.2, there is attached as Annex 3 to this Agreement a worked example of the calculation using hypothetical figures, rates and thresholds, for the purpose of illustration only.

ARTICLE 11

MEASUREMENT AND PRICING OF CRUDE OIL

11.1 Crude Oil shall be delivered by Contractor to storage tanks constructed, maintained and operated in accordance with applicable laws and good international petroleum industry oilfield practice under the same or similar circumstances. Crude Oil shall be metered or otherwise measured for quantity and tested for quality in such storage tanks for all purposes of this Agreement. Any Party may request that measurements and tests be done by an internationally recognised inspection company. Contractor shall arrange and pay for the conduct of any measurement, or test so requested provided, however, that in the case of (1) a test requested for quality purposes and (2) a test requested on metering (or measurement) devices, where the test demonstrates that such devices are accurate within acceptable tolerances, the Party requesting the test shall reimburse Contractor for the costs associated with the test or tests.

11.2 GNPC or its authorised agent shall have the right:

a) to be present at and to observe such measurement of Crude Oil; and

b) to examine and test whatever appliances are used by Contractor.

11.3 In the event that GNPC considers Contractor's methods of measurement to be inaccurate GNPC shall notify Contractor to this effect and the Parties shall meet within ten (10) days of such notification to discuss the matter. If after thirty (30) days the Parties cannot agree over the issue they shall refer for resolution under Article 24 the sole question of whether Contractor's method of measuring Crude Oil is accurate and reasonable. Retrospective adjustments to measurements shall be made where necessary to give effect to the decision rendered under Article 24.

11.4 If upon the examination or testing of appliances provided for in Article 11.2 any such appliances shall be discovered to be defective:

a) Contractor shall take immediate steps to repair or replace such appliance; and

b) subject to the establishment of the contrary, such error shall be deemed to have existed for three (3) Months or since the date of the last examination and testing, whichever occurred more recently.

11.5 In the event that Contractor desires to adjust, repair or replace any measuring appliance, it shall give GNPC reasonable notice to enable GNPC or its authorised agent to be present.

11.6 Contractor shall keep full and accurate accounts concerning all Petroleum measured as aforesaid and provide GNPC with copies thereof on a monthly basis, not later than ten (10) days after the end of each month.

11.7 The market price for Crude Oil delivered to Contractor hereunder shall be established with respect to each lifting as follows:

a) on Crude Oil sold by Contractor in "arm's length commercial transactions" (defined in Article 11.7 (c) below), the Market Price shall be the price actually realized by Contractor on such sales;

b) on other sales by Contractor, on exports by Contractor without sale and on sales under Article 15.2, the Market Price shall be determined by reference to world Market Prices of comparable Crude Oils sold in arm's length transactions for export in the major world petroleum markets, and adjusted for oil quality, location and conditions of pricing, delivery and payment, provided that in the case of sales under Article 15.2 where such sales relate to part only of Contractor's entitlement, prices actually realized by Contractor in sales of the balance of its proportionate share falling within Article 11.7(a) above shall be taken into account in determining Market Price;

c) sales in "arm's length commercial transactions" shall mean sales to purchasers independent of the seller, which do not involve Crude Oil exchange or barter transactions, government to government transaction, sales directly or indirectly to Affiliates, or sales involving consideration other than payment in U.S. Dollar or currencies convertible thereto, or affected in whole or in part by considerations other than the usual economic incentives for commercial arm's length Crude Oil sales;

d) the price of Crude Oil shall be expressed in U.S. Dollars per barrel, F.O.B. the Delivery Point by Contractor;

e) if the quality of various Crude Oils produced from the Contract Area is different, segregated and sold separately, the Market Price shall be determined separately for each type sold and/or exported by Contractor only to the extent that the different quality grades remain segregated through to the point where they are sold, and if grades of different quality are commingled into a common stream, Contractor and GNPC shall agree to an equitable methodology for assessing relative value for each grade of Crude Oil comprising the blend and shall

implement the agreed methodology for having the producer(s) of higher quality Crude Oil(s) reimbursed by the producer(s) of lower quality Crude Oil(s) as appropriate.

11.8 Contractor shall notify GNPC of the market Price determined by it for its respective lifting during each Quarter not later than thirty (30) days after the end of that Quarter.

11.9 If GNPC considers that the price notified by Contractor was not correctly determined in accordance with the provisions of Article 11.7, it shall so notify Contractor not later than thirty (30) days after notification by Contractor of such price, and GNPC and Contractor shall meet not later than twenty (20) days thereafter to agree on the correct Market Price.

11.10 In the event that GNPC and Contractor fail to agree upon the commencement of meetings for that purpose, or if, having met, cannot agree on the applicable Market Price, the Market Price shall be referred for determination in accordance with Article 24 of this Agreement.

11.11 Pending a determination under Article 11.10, the Market Price will be deemed to be the last Market Price agreed or determined, as the case may be, or if there has been no such previous agreement or determination, the price notified by Contractor for the lifting in question under Article 11.8. Should the determined price be different from that used in accordance with the foregoing then the difference plus interest at the Specified Rate shall be paid in cash or in Crude Oil by or to Contractor, as the case may be, within thirty (30) days of such determination.

ARTICLE 12

TAXATION AND OTHER IMPOSTS

12.1 No tax, duty, fee or other impost shall be imposed by the State or any political subdivision on Contractor, its Subcontractors or its Affiliates in respect of activities related to Petroleum Operations and to the sale and export of Petroleum other than as provided in this Article.

12.2 Contractor shall be subject to the following:

i) Royalty as provided for in Article 10;

ii) Income Tax in accordance with the Petroleum Income Tax Law 1987 (PNDCL188) levied at the rate of thirty-five percent (35%) as stipulated in the Petroleum Income Tax Law 1987, PNDC Law 188. Where a new income tax rate comes into force as a result of the promulgation of the new Petroleum Income Tax Law currently before Cabinet, Contractor shall have the option of either applying the new income tax rate to this Agreement or remaining under the Petroleum Income Tax Law, 1987, PNDC Law 188;

iii) Additional Oil Entitlement as provided for in Article 10.2;

iv) Payments for rental of Government property, public lands or for the provision of specific services requested by Contractor from public enterprises; provided, however, that the rates charged Contractor for such rentals or services shall not exceed the rates charged to other members of the public who receive similar services or rentals;

v) Surface rentals payable to the State pursuant to Section 18 of the Petroleum Law per square kilometre of the area remaining at the beginning of each Contract Year as part of the Contract Area, in the amounts as set forth below:

Phase of Operation	Surface Rentals Per Annum
Initial Exploration Period	US $ 30 per sq. km.
1st Extension Period	US $ 50 per sq. km.
2nd Extension Period	US $ 75 per sq. km.
Development & Production Area	US $100 per sq. km.

vi) Taxes, duties, fees or other imposts of a minor nature and amount insofar as they do not relate to the stamping and registration of this (1) Agreement, (2) any assignment of interest in this Agreement, or (3) any contract in respect of Petroleum Operations between Contractor and any Subcontractor.

12.3 Save for withholding tax at a rate of five percent (5%) from the aggregate amount due to any Subcontractor (other than the State or any entity wholly-owned or controlled by the State, where such entity is in possession of a certificate of exemption from withholding tax from the Commissioner of Internal Revenue Service, in which case withholding tax shall not be payable) if and when required by Section 27 (1) of the Petroleum Income Tax Law, Contractor shall not be obliged to withhold any amount in respect of tax from any sum due from Contractor to any Subcontractor. Notwithstanding the foregoing, the withholding tax in respect of services provided to Contractor by an Affiliate of any company comprising Contractor shall be waived provided such services are charged at cost.

12.4 Contractor shall not be liable for any export tax on Petroleum exported from Ghana and no duty or other charge shall be levied on such exports. Vessels or other means of transport used in the export of Contractor's Petroleum from Ghana shall not be liable for any tax, duty or other charge by reason of their use for that purpose.

12.5 Subject to the local purchase obligations hereunder, Contractor and Subcontractors may import into Ghana all plant, equipment and materials to be used solely and exclusively in the conduct of Petroleum Operations without payment of customs and other duties, taxes, fees and charges on imports save minor administrative charges.

PROVIDED THAT:

a) GNPC shall have the right of first refusal for any item imported duty free under this Article which is later sold in Ghana; and

b) where GNPC does not exercise its right of purchase Contractor may sell to any other person only subject to all import duty and taxes as if such items were being imported at the time of such sale; provided, however, that no duty or tax shall be levied if the purchaser could have imported the item sold free of duty or tax under an exemption similar to Contractor's hereunder.

12.6 Foreign National Employees of Contractor or its Affiliates, and of its Subcontractors, shall be permitted to import into Ghana free of import duty their personal and household effects in accordance with Section 22.7 of PNDCL 64; provided, however, that no property imported by such employee shall be resold by such employee in Ghana except in accordance with Article 12.5.

12.7 Subject to GNPC's rights under Article19, Contractor, Subcontractors and Foreign National Employees shall have the right to export from Ghana all previously imported items as defined. Such exports shall be exempt from all customs and other duties, taxes, fees and charges on exports save minor administrative charges.

12.8 The Ghana Income Tax law applicable generally to individuals who are not employed in the petroleum industry shall apply in the same fashion and at the same rates to employees of Contractor, its Affiliates and its Subcontractors; provided, however, that Foreign National Employees of Contractor, its Affiliates, and its Subcontractors shall be exempt from the income tax and withholding tax liabilities unless they are resident in Ghana for more than thirty (30) continuous days or sixty (60) days in aggregate in any Calendar Year.

12.9 Pursuant to part 1 section 3 (2) of the Petroleum Income Tax Law, the parties hereby confirm that in respect of Capital allowance deductions for the purposes of calculating chargeable income of the Contractor, the Contractor shall fully depreciate in five (5) years. The mode of calculation shall be in accordance with the Capital Allowances schedule annexed to the Petroleum Income Tax Law 1987 (PNDCL.188).

12.10 With regard to each Development and Production Area, Contractor shall accrue estimated costs of decommissioning and abandonment of operations and facilities, site restoration and other associated operations and have such costs allowed prior to abandonment as a deduction against chargeable income over the estimated life of the estimated reserves on a straight line basis, commencing on the date when fifty percent (50%) of the estimated reserves have been produced from such area. Estimates with regard to costs will be reviewed on an annual basis for adjustment and will be adjusted to reflect actual expenses as incurred. The implementation of this Article 12.10 shall be subject to detailed guidelines to be issued by the Minister, but to the extent that such guidelines suggest potential changes to what is agreed in this Article 12.10, any such changes shall be subject to prior agreement between the Parties hereto.

12.11 It is the intent of the Parties that payments by Contractor of tax levied by the Petroleum Income Tax Law qualify as creditable against the income tax liability of each company comprising Contractor in its jurisdiction. Should the fiscal authority involved determine that the Petroleum Income Tax Law does not impose a creditable tax, the Parties agree to negotiate in good faith with a view to establishing a creditable tax on the precondition that no adverse effect should occur to the economic rights of GNPC or the State.

ARTICLE 13

FOREIGN EXCHANGE TRANSACTIONS

13.1 Contractor shall for the purpose of this Agreement be entitled to receive, remit, keep and utilise freely abroad all the foreign currency obtained from the sales of the Petroleum assigned to it by this Agreement or purchased hereunder, or from transfers, as well as its own capital, receipts from loans and in general all assets thereby acquired abroad. Upon making adequate arrangements with regard to its commitment to conduct Petroleum Operations, Contractor shall be free to dispose of this foreign currency or assets as it deems fit.

13.2 Contractor shall have the right to open and maintain in Ghana bank accounts in foreign currency and Ghanaian currency. No restriction shall be made on the import by Contractor in an authorised manner of funds assigned to the performance of the Petroleum Operations and Contractor shall be entitled to purchase Ghanaian currency through authorised means, without discrimination, at the prevailing rate of exchange; provided, however, that such prevailing rate applicable to Contractor hereunder for all transactions for converting Ghanaian currency into U.S. Dollars, and vice versa, shall be at a buying or selling, as the case may be, rate of exchange not less favourable to Contractor than that quoted by the State or its foreign exchange control authority to any person or entity on the dates of such conversion (excepting those special rates provided by the State to discretely defined groups for special, limited purposes).

13.3 Contractor shall be entitled to convert in an authorised manner into foreign currencies of its choice funds imported by Contractor for the Petroleum Operations and held in Ghana which exceeds its local requirements at the prevailing rate of exchange referred to in Article 13.2 and remit and retain such foreign currencies outside Ghana.

13.4 In the event of resale by Contractor or its Affiliate of Crude Oil purchased from the State or GNPC, the State or GNPC shall have the right to request payment for such sales of its share of production to Contractor or its Affiliate to be held in the foreign currency in which the resale transaction took place or in U.S. Dollars.

13.5 Contractor shall have the right to make direct payments outside of Ghana from its home offices, and elsewhere, to its Foreign National Employees, and to those of its Subcontractors and suppliers ‘not resident in Ghana’ (as that term is defined in Part IV, Division 1, Section 160 of the Internal Revenue Act, 2000 (Act 592) for wages, salaries, purchases of goods and performance of services, whether imported into Ghana or supplied or performed therein for Petroleum Operations carried out

hereunder, in accordance with the provisions of this Agreement, in respect of services performed within the framework of this Agreement, and such payments shall be considered as part of the costs incurred in Petroleum Operations. In the event of any changes in the location of Operator's home or other offices, Operator shall so notify GNPC and the State.

13.6 All payments which this Agreement obligates Contractor to make to GNPC or the State, including income taxes, shall be made in U.S. Dollars, except as requested otherwise pursuant to Article 13.4 above. All payments shall be made by electronic transfer in immediately available funds to a bank to be designated by GNPC or the State, and reasonably accessible to Contractor by way of its being able to receive payments made by Contractor and give a confirmation of receipt thereof, or in such other manner as may be mutually agreed.

13.7 All payments which this Agreement obligates GNPC or the State to make to Contractor shall be made in U.S. Dollars. All payments shall be made by electronic transfer in immediately available funds to a commercial bank to be designated by Contractor, and reasonably accessible to GNPC or the State by way of its being able to receive payments made by GNPC or the State and give confirmation of receipt thereof, or in such other manner as may be mutually agreed.

ARTICLE 14

SPECIAL PROVISIONS FOR NATURAL GAS

PART I - GENERAL

14.1 Contractor shall have the right to use Natural Gas produced from any Development and Production Area for Petroleum Operation within the Contract Area such as reinjection for pressure maintenance and/or power generation.

14.2 Contractor shall have the right to flare Natural Gas:

a) to the extent provided in an approved Development Plan;

b) during production testing operations;

c) when required for the safety of persons engaged in Petroleum Operations in accordance with Petroleum Industry practice;

d) where reinjection is inadvisable from the point of view of good reservoir or petroleum engineering practice; or

e) as otherwise authorised by the Minister.

14.3 Contractor shall have the right to extract condensate and Natural Gas liquids for disposition under the provisions relating to Crude Oil. Residual Natural Gas remaining after the extraction of condensate and Natural Gas liquids is subject to the provisions of this Article.

PART II -ASSOCIATED GAS

14.4 Based on the principle of full utilisation of Associated Gas and without substantial impediment to Crude Oil production, the Development Plan of each Development and Production Area shall include a plan of utilisation for Associated Gas.

14.5 If Contractor considers that production processing and utilisation of Associated Gas from any Development and Production Area to be non-economic, GNPC shall have the option to offtake such Associated Gas at the outlet flange of the gas-oil separator at its Sole Risk for its own use and to that end the Development Plan proposed by Contractor shall include:

a) a statement of the facilities necessary for the delivery to GNPC of such Associated Gas; and

b) a plan for the reinjection of such Associated Gas into the reservoir.

14.6 **A.** If GNPC elects to offtake Associated Gas under Article 14.5 above, GNPC shall pay for the cost of any additional facilities and any related production cost required for the delivery of the gas to GNPC, provided that:

a) if Contractor subsequently wishes to participate in GNPC's gas utilisation programme, it shall reimburse GNPC for the costs of such facilities plus a premium of three hundred percent (300%); or

b) if Contractor subsequently develops a gas utilisation programme and requires the use of such facilities, Contractor shall pay GNPC an agreed fee for such use.

B. The decision of GNPC as to whether or not to exercise the option provided for in Article 14.5 shall be made in a timely manner. In making any such decision and in its subsequent conduct GNPC shall avoid the prevention of , or delay to, the orderly start-up or continuation of the production of Crude Oil as envisaged in Contractor's Development Plan.

PART III - NON-ASSOCIATED GAS

14.7 Contractor shall notify the Minister in writing as soon as any Discovery of Non-Associated Gas is made in the Contract Area.

14.8 As soon as possible after the technical evaluation of the test results of such Discovery is complete and in any event not later than one hundred eighty (180) days from the date of Discovery, Contractor shall by a further notice in writing to the Minister (the "Notice") indicate whether in Contractor's opinion the Discovery merits Appraisal.

14.9 Where Contractor's Notice indicates that the Discovery does not at that time merit Appraisal but may merit Appraisal or additional evaluation at a later date during the Exploration Period or during the initial period under a new petroleum agreement made pursuant to Article 14.18 below, then Contractor need not submit a proposed Appraisal Programme at that time but instead shall indicate what other studies or evaluations may be warranted before an Appraisal Programme is undertaken. Where Contractor's Notice indicates that the Discovery will not merit appraisal at any time during the Exploration Period or during the initial period under a new petroleum agreement made pursuant to Article 14.18, then GNPC may by

require Contractor to relinquish the rights to the Non-Associated Gas within that Discovery Area.

14.10 Where Contractor's Notice indicates that the Discovery merits the drilling of one or more Appraisal Wells at that time, Contractor shall prepare and submit to the JMC the appropriate Appraisal Programme which Appraisal Programme shall be scheduled to be completed within two (2) years of the submission of the Notice to the Minister.

14.11 Not later than ninety (90) days from the date on which the Appraisal Programme relating to a Discovery is concluded, Contractor shall submit to the Minister a report containing the results of the Appraisal Programme. If the report concludes that the Discovery merits commercial assessment, Contractor shall notify the Minister within one hundred eighty (180) days from the date on which the Appraisal Programme relating to the Discovery was completed of a programme of such assessment and shall conduct such programme during the rest of the Exploration Period and, if applicable, during the initial period under a new petroleum agreement made pursuant to Article 14.18. Notwithstanding the above, Contractor may also notify the Minister that commercial assessment of the Discovery is not warranted at that time but the Discovery may merit such assessment at a later date during the Exploration Period or during the initial period aforesaid. If Contractor so notifies the Minister, Contractor shall also indicate what other studies or evaluation may be warranted before a commercial assessment is undertaken.

14.12 The purpose of the commercial assessment shall be to study the uses to which production from the Discovery Area, separately or together with any Natural Gas referred to in Part II of this Article 14, can be devoted and whether involving exports or domestic utilisation. As part of the assessment, the Parties shall also pursue discussions on the required contractual arrangements for disposition of the Natural Gas to potential purchasers and/or consumers of the Natural Gas.

14.13 Contractor may consult with the other Parties and may make appropriate representations proposing changes in the fiscal and other provisions of this Agreement which may, in the opinion of Contractor, affect the above determinations made pursuant to Articles 14.10 and 14.11. The other Parties may, where feasible and in the best interests of the Parties, agree to make such changes or modifications in the existing arrangements.

14.14 Nothing in this Part III of Article 14 shall be read or construed as requiring Contractor to relinquish any area:

i) which constitutes or forms part of another Discovery Area in respect of which Contractor has given to the Minister a separate notice indicating that such Discovery merits confirmation or commercial assessments; or

ii) which Contractor has given the Minister a separate notice in respect of indicating that such Discovery is a Commercial Discovery; or

iii) which constitutes or forms part of a Development and Production Area.

PART IV NATURAL GAS PROJECTS

14.15 If at any time during the commercial assessment Contractor informs the Minister in writing that the Discovery can be produced commercially, it shall as soon as reasonably possible thereafter submit to the Minister and to GNPC its proposals for an agreement in accordance with Article 8 relating to the development of the Discovery on the principles set forth in this Part IV of Article 14. The State and GNPC undertake on receipt of such notice to negotiate in good faith with Contractor with a view to reaching agreement on terms for such production. Any such agreement will be based on terms and fiscal requirements which shall be no less favourable to Contractor than those provided for in Articles 10 and 11 and which take full account of the legitimate interest of the State as the resource owner.

14.16 If at any time during the commercial assessment Contractor has identified a market in Ghana for the reserves of Associated and/or Non-Associated Gas or any part thereof that can be saved without prejudice to an export project, the Parties shall proceed in good faith to negotiate the appropriate contractual arrangements for the disposition of the Natural Gas. In the event of a domestic market for such Natural Gas, Contractor and GNPC shall receive for delivery onshore of its share of the Natural Gas at a price to be agreed between GNPC and Contractor taking into account among other things the cost of developing the Natural Gas and the uses which will be made of the Natural Gas.

14.17 In the event of a Discovery of Natural Gas in the Contract Area which is to be developed and commercially produced, the provisions of this Agreement in respect to interests, rights and obligations of the Parties regarding Crude Oil shall apply to Natural Gas, with the necessary changes in points of detail, except with respect to specific provisions in this Agreement concerning Natural Gas and different or additional provisions concerning Natural Gas which may be agreed by the Parties in the future:

a) The system for the allocation of Natural Gas among the Parties shall follow the same general format as Article 10.1 provides for Crude Oil, with the exception

that the Royalty to be delivered to the State on Natural Gas shall be at the rate of three percent (3%) of the annual Gross Production of Natural Gas as an incentive to enhance the viability of a Gas project on the basis herein provided for.

b) The Parties recognise that projects for the Development and Production of Natural Gas are generally long-term in nature for both the project developers and the customers who purchase the Natural Gas. Substantial investments and dedication of facilities require long-term commitments on both sides. This Agreement, being for a specific term of years, may not cover the length of time for which customers in given cases will require commitments on the part of the Parties to this Agreement to deliver their respective shares of the output. Accordingly the Parties agree to consider undertaking such commitments where reasonably required for the efficient and viable development of a Natural Gas project. It is recognised that, unless otherwise agreed by the Parties hereto, Contractor will have no right or interest in the project or the Natural Gas produced and delivered after the term of this Agreement has expired unless a petroleum agreement pursuant to Article 14.18(A) has been entered into.

c) In the event that Contractor or an Affiliate decides to construct facilities to receive Natural Gas from the Development and Production Area for further processing or for use as a feedstock or fuel in order to convert such Natural Gas into one or more commercially marketable products, the Contractor shall be entitled to pay for such Natural Gas the price paid by the State or GNPC under Article 14.16.

d) The Parties will consider collaboration in obtaining any common external financing available for Natural Gas processing or Natural Gas utilisation facilities, including project financing; however, each Party shall remain free to finance externally its share of such facilities to the extent it prefers to do so.

14.18 A) Where Contractor has during the continuance of the Exploration Period made a Discovery of Non-Associated Gas but has not before the end of the Exploration Period declared that Discovery to be a Commercial Discovery, the State and GNPC will, if Contractor so requests, enter into a new petroleum agreement with Contractor in respect of the Discovery Area to which that Discovery relates.

B) The State and GNPC shall not be under any obligation to enter into an Agreement pursuant to Article 14.18(A) unless before the end of the Exploration Period Contractor has carried out an Appraisal Programme in respect of that Discovery pursuant to Article 14.10 and submitted to the Minister a report thereon pursuant to Article 14.11, or has notified the Minister of reasonable

arrangements to undertake and complete such an Appraisal Programme during the period provided for in (C) (i) below.

C) A Petroleum Agreement entered into pursuant to Article 14.18 (A):

i) shall unless the Discovery in respect of which the Agreement has been made is declared by Contractor to be a Commercial Discovery continue in force for an initial period not exceeding five (5) years;

ii) shall in the event that the Discovery is declared by Contractor to be a Commercial Discovery

a) continue in force for an aggregate period not exceeding thirty (30) years;

b) include, or be deemed to include, all the provisions which, mutatis mutandis, would have applied to a Commercial Discovery of Non-Associated Gas if Contractor had declared such Discovery to be a Commercial Discovery under this Agreement;

iii) shall contain in respect of the initial period or of any renewal period details of the evaluations or studies which Contractor proposes to undertake in order to determine or keep under review the commerciality of the Discovery;

iv) shall confer on GNPC preemptive rights in respect of the Gas contained in the reservoir to which the Discovery relates substantially in the form of the provisions hereinafter set out in Article 14.18 (D).

D In the event that the Parties are unable to agree to the detailed terms of the Petroleum Agreement contemplated in Article 14.18(a) and the Exploration Period expires, GNPC itself, or a third party may, at its sole risk and expense, complete the Appraisal Programme relating to the Discovery and/or develop the Discovery, provided that Contractor shall have the right of first refusal in respect of any transaction proposed by GNPC or such third party for the development of the Discovery.

E i) Where Contractor has not, before the end of the initial period, declared the Discovery to be commercial and the Minister has in his discretion determined that further evaluation or studies may be required before the Discovery can be declared commercial, the right of Contractor to retain the Discovery Area shall continue for a further period not exceeding in the aggregate five (5) years. The

right of Contractor to retain the Discovery Area aforesaid shall be secured by the renewal of the Agreement referred to in Article 14.18 (a) or where necessary by a new Agreement entered into by the Parties for that purpose.

ii) Where Contractor has not declared the Discovery to be a Commercial Discovery, if GNPC has identified a market for the Gas contained in the reservoir to which the Discovery relates, or any part thereof, it may at any time during the initial period or the aggregate period referred to in 14.18 D above serve on Contractor a notice giving particulars of the quantities of Natural Gas required to serve that market and the price offered; and on the basis of the procedure detailed in Article 9, exercise the right referred to in Article 14.18 C (iv) above.

4.19 For the purposes of calculating the State's 3% Royalty share on Natural Gas, if the State elects to take its royalty on Natural Gas in cash, the value of such Natural Gas shall be the actual price realized.

4.20 Within four (4) months from the receipt of a notice as aforesaid Contractor may declare the Discovery to be a Commercial Discovery and in accordance with the Agreement and the Petroleum Law prepare and submit to the Minister a Development Plan for the production of the Gas in association with GNPC to serve the market identified at the price offered.

4.21 If Contractor has not, within the period of four (4) months aforesaid, declared the Discovery to be a Commercial Discovery, GNPC may at its sole risk and expense develop the Discovery to the extent necessary to meet the requirements of the market identified as aforesaid, and in that event the Contractor shall cease to have any rights in respect of the Natural Gas in the reservoir required for that purpose.

ARTICLE 15

DOMESTIC SUPPLY REQUIREMENT (CRUDE OIL)

15.1 Crude Oil for consumption in Ghana (in this Article called the "Domestic Supply Requirement") shall be supplied, to the extent possible, by the State and GNPC from their respective entitlements under this Agreement and under any other contract for the production of Crude Oil in Ghana.

5.2 In the event that Crude Oil available to the State pursuant to Article 15.1 is insufficient to fulfill the Domestic Supply Requirement, Contractor shall upon three (3) Month's notice from the State, be obliged together with any third parties which produce Crude Oil in Ghana, to supply a volume of Crude Oil to be used for such Domestic Supply Requirement, calculated on the basis of the ratio of Contractor's entitlement to Crude Oil under Article 10.1 (d) to the entitlements of all such third parties producing Crude Oil in Ghana and provided that Contractor's obligation to supply Crude Oil for purposes of meeting the Domestic Supply Requirement shall not exceed the total of Contractor's entitlement of Gross Production of Crude Oil after deduction of the State's Royalty under this Agreement.

15.3 The Contractor shall ensure that any contract for the supply of the Contractor's share of Crude Oil under this Agreement shall be made subject to the requirement in this Article 15 to meet the Domestic Supply Requirement.

15.4 The State shall purchase any Crude Oil supplied by Contractor pursuant to this Article at a price which matches the Market Price determined under Article 11.7 for the Month of delivery. The State shall pay such prices in accordance with Article 13.7 within thirty (30) days after receipt of Contractor's invoice, failing which Contractor's obligations in respect of the Domestic Supply Requirement under this Article 15 shall be suspended until payment is made good, at which time deliveries shall be resumed subject to any alternative commitments that may have been reasonably entered into by Contractor to dispose of the Domestic Supply Requirement Crude Oil during the period of default in payment. Contractor shall recover any amount due and unpaid by State, plus interest at the interest rate defined in Article 26.7, from GNPC's share of Crude Oil as provided in Article 10.1 (e).

ARTICLE 16

INFORMATION AND REPORTS : CONFIDENTIALITY

16.1 Contractor shall keep GNPC regularly and fully informed of operations being carried out by Contractor and provide GNPC with all information, data, (film, paper and digital forms), samples, interpretations and reports, (including progress and completion reports) including but not limited to the following:

a) processed seismic data and interpretations thereof;

b) well data, including but not limited to electric logs and other wireline surveys, and mud logging reports and logs, samples of cuttings and cores and analyses made therefrom;

c) any reports prepared from drilling data or geological or geophysical data, including maps or illustrations derived therefrom;

d) well testing and well completion reports;

e) reports dealing with location surveys, seabed conditions and seafloor hazards and any other reports dealing with well, platform or pipeline locations;

f) reservoir investigations and estimates regarding reserves, field limits and economic evaluations relating to future operations;

g) daily, weekly, monthly and other regular reports on Petroleum Operations;

h) comprehensive final reports upon the completion of each specific project or operation;

i) contingency programmes and reports on safety and accidents;

j) procurement plans, Subcontractors and contracts for the provision of services to Contractor.

Where appropriate, data shall be provided on film, paper and in digital format. In respect of the reports, including text and graphics, paper and digital copies shall be submitted.

16.2 Contractor shall have the right to retain for its own use in connection with the conduct of Petroleum Operations under this Agreement copies of data, well logs,

maps, magnetic tapes, other geological and geophysical information, portions of core samples and copies of reports, studies and analyses, referred to in Article 16.1.

16.3 Not later than ninety (90) days following the end of each Calendar Year, Contractor shall submit to GNPC a report covering Petroleum Operations performed in the Contract Area during such Calendar Year. Such report shall include, but not be limited to:

a) a statement of the number of Exploration Wells, Appraisal Wells and Development Wells drilled, the depth of each such well, and a map on which drilling locations are indicated;

b) a statement of any Petroleum encountered during Petroleum Operations, as well as a statement of any fresh water layers encountered and of any other minerals discovered;

c) a statement of the quantity of Petroleum produced and of all other minerals produced therewith from the same reservoir or deposit;

d) a summary of the nature and extent of all exploration activities in the Contract Area;

e) a general summary of all Petroleum Operations in the Contract Area; and

f) a statement of the number of employees engaged in Petroleum Operations in Ghana, identified as Ghanaian or non-Ghanaian. Contractor will inform the latter that details as to nationality are required by GNPC and that Contractor is available to assist them to supply that information.

16.4 All data, information and reports including interpretation and analysis supplied by Contractor pursuant to this Agreement, including without limitation, that described in Articles 16.1, 16.2 and 16.3 shall be treated as confidential and shall not be disclosed by any Party to any other person without the express written consent of the other Parties.

16.5 The provisions of Article 16.4 shall not prevent disclosure:

a) **by GNPC or the State:**

i) to any agency of the State or to any adviser or consultant to GNPC or the State; or

ii) for the purpose of obtaining a Petroleum Agreement in respect of any acreage adjacent to the Contract Area.

b) **by Contractor:**

i) to its Affiliates, advisers or consultants;

ii) to a bona fide potential assignee of all or part of Contractor's Interest hereunder provided GNPC is given prior notice of such potential assignee;

iii) to banks or other lending institutions for the purpose of seeking external financing of costs of the Petroleum Operations;

iv) to non-Affiliates who shall provide services for the Petroleum Operations, including Subcontractors, vendors and other service contractors, where this is essential for their provision of such services, and provided GNPC is notified about such disclosure;

v) to governmental agencies for obtaining necessary rulings, permits, licenses and approvals, or as may be required by applicable law or financial stock exchange, accounting or reporting practices, and provided GNPC is notified about such disclosure; or

vi) to such persons and for such purposes as the Joint Management Committee may permit from time to time.

c) **by any Party:**

i) to the extent necessary in any arbitration proceedings or proceedings before a Sole Expert or in proceedings before any court;

ii) with respect to data, etc., which already through, no fault of the disclosing Party is in the public domain.

16.6 Any Party disclosing information or providing data to any third party under this Article shall require such persons to observe the confidentiality of such data. Promptly after the Effective Date, the Parties shall agree upon a mutually acceptable international petroleum industry standard form of confidentiality agreement. Contractor shall require the execution of an agreement substantially on the terms contained in such agreed form of agreement by a potential assignee prior to disclosure of such data; and shall provide copies of all such signed agreements to GNPC.

ARTICLE 17

INSPECTION, SAFETY AND ENVIRONMENTAL PROTECTION

17.1 GNPC shall have the right of access to all sites and offices of Contractor and the right to inspect all buildings and installations used by Contractor relating to Petroleum Operations. Such inspections and audits shall take place in consultation with Contractor and at such times and in such manner as not unduly to interfere with the normal operations of Contractor.

17.2 Contractor shall take all necessary steps, in accordance with accepted Petroleum industry practice, to perform activities pursuant to the Agreement in a safe manner and shall comply with all requirements of the Law of Ghana, including labour, health safety and environmental laws and regulations issued by the Environmental Protection Agency.

17.3 Contractor shall provide an effective and safe system for disposal of water and waste oil, oil base mud and cuttings in accordance with accepted Petroleum industry practice, and shall provide for the safe completion or abandonment of all boreholes and wells.

17.4 Contractor shall exercise its rights and carry out its responsibilities under this Contract in accordance with accepted Petroleum industry practice, and shall take steps in such manner as to:

a) result in minimum ecological damage or destruction;

b) control the flow and prevent the escape or the avoidable waste of Petroleum discovered in or produced from the Contract Area;

c) prevent damage to Petroleum-bearing strata;

d) prevent the entrance of water through boreholes and wells to Petroleum-bearing strata, except for the purpose of secondary recovery;

e) prevent damage to onshore lands and to trees, crops, buildings or other structures; and

f) avoid any actions which would endanger the health or safety of persons.

17.5 If Contractor's failure to comply with the requirements of Article 17.4 results in the release of Petroleum or other materials on the seabed, in the sea, on land or in fresh water, or if Contractor's operations result in any other form of pollution or otherwise

cause harm to fresh water, marine, plant or animal life, Contractor shall, in accordance with accepted Petroleum industry practice, promptly take all necessary measures to control the pollution, to clean up Petroleum or other released material, or to repair, to the maximum extent feasible, damage resulting from any such circumstances. If such release or pollution results directly from the Gross Negligence of Contractor, the cost of subcontract clean-up and repair activities shall be borne by Contractor and shall not be included as a Petroleum Cost under this Agreement.

17.6 Contractor shall notify GNPC immediately in the event of any emergency or major accident and shall take such action as may be prescribed by GNPC's emergency procedures and by accepted international petroleum industry practices in the same or similar circumstances.

17.7 If Contractor does not act promptly so as to control, clean up or repair any pollution or damage, GNPC may, after giving Contractor reasonable notice in the circumstances, take any actions which are necessary, in accordance with accepted international petroleum industry practice in the same or similar circumstances and the reasonable costs and expenses of such actions shall be borne by Contractor and shall, subject to Article 17.5 be included as Petroleum Costs.

ARTICLE 18

ACCOUNTING AND AUDITING

18.1 Contractor shall maintain, at its offices in Ghana, books of account and supporting records in the manner required by applicable law and accepted accounting principles generally used in the international petroleum industry and shall file reports, tax returns and any other documents and any other financial returns which are required by applicable law.

18.2 In addition to the books and reports required by Article 18.1 Contractor shall maintain, at its office in Ghana, a set of accounts and records relating to Petroleum Operations under this Agreement. Such accounts shall be kept in accordance with the requirements of the applicable law and accepted accounting principles generally used in the international petroleum industry.

18.3 The accounts required by Articles 18.1 and 18.2 shall be kept in United States Dollars.

18.4 Contractor will provide GNPC with quarterly summaries of the Petroleum Costs incurred under this Agreement.

18.5 GNPC shall review all financial statements submitted by the Contractor as required by this Agreement, and shall signify its provisional approval or disapproval of such statements in writing within ninety (90) days of receipt failing which the financial statements as submitted by Contractor shall be deemed approved by GNPC; in the event that GNPC indicates its disapproval of any such statement, the parties shall meet within fifteen (15) days of Contractor's receipt of the notice of disapproval to review the matter.

18.6 Notwithstanding any provisional approval pursuant to Article 18.5 GNPC shall have the right at its sole expense and upon giving reasonable notice in writing to Contractor to audit the books and accounts of Contractor relating to Petroleum Operations within two (2) years from the submission by Contractor of any report of financial statement. GNPC shall not, in carrying out such audit, interfere unreasonably with the conduct of Petroleum Operations. Any such audit shall be undertaken by an independent international auditing firm and shall be completed within nine (9) months after commencement. An extension of time to complete an audit shall be allowed upon receipt by Contractor from GNPC's auditing firm of a written statement representing that the auditors have used reasonable efforts to complete the subject audit and they require additional time not to exceed three (3) months to complete such audit. If after a period of one (1) year the subject audit has

not been completed by GNPC the books and accounts covering such period shall be deemed approved. Contractor shall provide all necessary facilities for auditors appointed hereunder by GNPC including working space and access to all relevant personnel, records, files and other materials.

If GNPC desires verification of charges from an Affiliate, Contractor shall at GNPC's sole expense obtain for GNPC or its representatives an audit certificate to this purpose from the statutory auditors of the Affiliate concerned. Copies of audit reports shall be provided to the Contractor and GNPC. Any unresolved audit claim resulting from such audit, upon which Contractor and GNPC are unable to agree shall be submitted to the JMC for decision which must be unanimous. In the event that a unanimous decision is not reached in respect of any audit claim, then such unresolved audit claim shall be submitted for resolution in accordance with Article 24. Subject to any adjustments resulting from such audits, Contractor's accounts and financial statements shall be considered to be correct on expiry of a period of two (2) years from the date of their submission unless before the expiry of such two year period GNPC has notified Contractor of any exceptions to such accounts and statements.

18.7 Nothing in this Article shall be read or construed as placing a limit on GNPC's access to Contractor's books and accounts in respect of matters arising under Article 23.4 (a).

ARTICLE 19

TITLE TO AND CONTROL OF GOODS AND EQUIPMENT

19.1 GNPC shall be the sole and unconditional owner of:

a) Petroleum produced and recovered as a result of Petroleum Operations, except for such Petroleum as is distributed to the State and to Contractor pursuant to Article 10 or 14 hereof;

b) all physical assets other than those to which Article 19.3 or 19.4 apply, which are purchased, installed, constructed or used by Contractor in Petroleum Operations as from the time that:

i) the full cost thereof has been recovered by Contractor in accordance with the provisions of the Accounting Guide from its proportionate share of Petroleum revenues and any other revenues it receives in respect of Petroleum Operations; or

ii) this Agreement is terminated pursuant to Articles 23.3 and 23.4 and Contractor has not disposed of such assets prior to such termination, whichever occurs first.

19.2 Contractor shall have the use of the assets referred to in Article 19.1(b) for purposes of its operations under this Agreement without payment provided that Contractor shall remain liable for maintenance, insurance and other costs associated with such use in accordance with international petroleum industry practices in the same or similar circumstances. Where Contractor has failed to keep any such asset in good working condition (normal wear and tear excepted), GNPC shall have the right to recover the cost of repair or replacement of such assets from Contractor. Contractor shall indemnify GNPC against all losses, damages, claims or legal action resulting from Contractor's use of such assets, if and in as far as such losses, damages, claims or legal actions were directly caused by Contractor's Gross Negligence.

19.3 Equipment or any other assets rented or leased by Contractor which is imported into Ghana for use in Petroleum Operations and subsequently re-exported therefrom, which is of the type customarily leased for such use in accordance with international petroleum industry practice or which is otherwise not owned by Contractor shall not be transferred to GNPC. No equipment or assets owned or leased by a Subcontractor shall by reason of the provisions of this Article 19 be deemed to be transferred to GNPC.

19.4 All assets owned by Contractor which are not affected by the provisions of Article 19.1 (b) above may, where required for further Petroleum Operations, be retained by GNPC for such operations provided that GNPC shall thereby be liable to pay a reasonable and mutually agreed fee for such use, and shall bear the cost of repair or replacement upon failure to keep such assets in good working condition (normal wear and tear excepted), and further provided that Contractor does not require such assets for its Petroleum Operations.

19.5 Upon the termination of Petroleum Operations in any Area, Contractor shall give GNPC the option to acquire any movable and immovable assets used for such Petroleum Operations and not affected by the provisions of Article 19.1 (b) at a reasonable and mutually agreed price, always provided that Contractor does not require such assets for Contractor's Petroleum Operations in the Contract Area.

19.6 All assets which are not affected by Article 19.1 (b) nor subject to Article 19.3 above, and all subcontractor equipment, may be freely exported by Contractor or its Subcontractor, respectively, at its discretion.

ARTICLE 20

PURCHASING AND PROCUREMENT

20.1 In the acquisition of plant, equipment, services and supplies for Petroleum Operations, Contractor shall give preference to materials, services and products produced in Ghana including shipping services provided by vessels owned or controlled by Ghanaian shipping companies if such materials, services and products meet standards generally acceptable to international oil and gas companies and supplied at prices, grades, quantities, delivery dates and on other commercial terms equivalent to or more favourable than those at which such materials, services and products can be supplied from outside Ghana.

20.2 For the purposes of Article 20.1, price comparisons shall be made on a c.i.f. Accra delivered basis.

ARTICLE 21

EMPLOYMENT AND TRAINING

21.1 In order to establish programmes to train Ghanaian personnel for work in Petroleum Operations and for the transfer of management and technical skills required for the efficient conduct of Petroleum Operations, Contractor shall pay to GNPC the sum of two hundred and fifty thousand US dollars (US$250,000) per year from the Effective Date to maintain and implement such programmes. Such expenditure shall qualify for deduction against income tax under the Income Tax law and shall be considered as Petroleum Costs.

The above amounts shall be payable within thirty (30) days after the beginning of each Calendar Year, provided that the sum payable shall be pro rata for any period of less than a full Calendar Year (e.g. from the Effective Date to the end of the Calendar Year). GNPC shall prepare and present to JMC its intentions for such programmes on an annual basis and shall consider any suggestions made by Contractor's JMC representatives.

21.2 In addition to the annual sums payable pursuant to Article 21.1 above, Contractor shall pay to GNPC on a once-off basis a single further sum of four hundred thousand US dollars (U.S.$400,000) in respect of technical support for GNPC. Such expenditure shall also qualify for deduction against income tax under the Income Tax law and shall be considered as a Petroleum Cost.

21.3 Where qualified Ghanaian personnel are available for employment in the conduct of Petroleum Operations, Contractor shall ensure that in the engagement of personnel it shall as far as reasonably possible provide opportunities for the employment of such personnel. For this purpose, Contractor shall submit to GNPC an employment plan with number of persons and the required professions and technical capabilities prior to the performance of Petroleum Operations. GNPC shall provide the qualified personnel according to the said plan.

21.4 Contractor shall, if so requested by GNPC, provide opportunities for a mutually agreed number of GNPC personnel nominated by GNPC to be seconded for on-the-job training or attachment in all phases of its Petroleum Operations under a mutually agreed secondment contract. Expenses of secondment shall not be credited against the training obligation under Article 21.1. Such secondment contract shall include continuing education and short industry courses mutually identified as beneficial to the secondee. Costs and other expenses connected with such assignment of GNPC personnel on secondment shall be borne by the Contractor and

shall qualify for deduction against income under the Petroleum Income Tax Law and shall be considered as Petroleum Costs.

21.5 Contractor shall regularly provide to GNPC information and data relating to worldwide Petroleum science and technology, Petroleum economics and engineering available to Contractor, and shall assist GNPC personnel in every way to acquire knowledge and skills in all aspects of the Petroleum industry.

21.6 It is agreed that there will be no disclosure or transfer of any documents, data, know-how, technology or other information owned or supplied by Contractor, its Affiliates, or non-Affiliates, to third parties without Contractor's prior written consent, and then only upon agreement by the recipients to retain such information in strict confidence.

ARTICLE 22

FORCE MAJEURE

22.1 The failure of a Party to fulfil any term or condition of this Agreement, except for the payment of monies, shall be excused if and to the extent that such failure arises from Force Majeure, provided that, if the event is reasonably foreseeable such party shall have prior thereto taken all appropriate precautions and all reasonable alternative measures with the objective of carrying out the terms and conditions of this Agreement. A Party affected by an event of Force Majeure shall promptly give the other Parties notice of such event and also of the restoration of normal conditions.

22.2 A Party unable by an event of Force Majeure to perform any obligation hereunder shall take all reasonable measures to remove its inability to fulfil the terms and conditions of this Agreement with a minimum of delay, and the Parties shall take all reasonable measures to minimise the consequences of any event of Force Majeure.

22.3 Any period set herein for the completion by a Party of any act required or permitted to be done hereunder, shall be extended for a period of time equal to that during which such Party was unable to perform such actions as a result of Force Majeure, together with such time as may be required for the resumption of Petroleum Operations.

22.4 Except in the case of:

a) a law of general application;

b) an action taken in consequence of an emergency arising from a condition of Force Majeure;

GNPC may not claim Force Majeure in respect of any action or provision of the State or any agency of the State.

ARTICLE 23

TERM AND TERMINATION

23.1 Subject to this Article 23 and to the Petroleum (Exploration and Production) Law PNDCL 84 (Section 12) the term of this Agreement shall be thirty (30) years commencing from the Effective Date.

23.2 At the end of the term provided for in Article 23.1, provided that this Agreement has not earlier been terminated, the Parties may negotiate concerning the terms and conditions of a further agreement with respect to the Contract Area or any part thereof, but no failure to enter any such further agreement shall give rise to arbitration pursuant to Article 24 hereof.

23.3 Subject to Article 22, Termination of this Agreement shall result upon the occurrence of any of the following:

a) the relinquishment or surrender of the entire Contract Area;

b) the termination of the Exploration Period including extensions pursuant to Article 3 without notification by Contractor of commerciality pursuant to Article 8 in respect of a Discovery of Petroleum in the Contract Area; provided, however, Termination shall not occur while Contractor has the right to evaluate a Discovery for appraisal or commerciality and/or propose a Development Plan pursuant to Articles 8 or 14, or once a Development Plan has been approved, nor when the provisions of Articles 8.13 through 8.19 are applicable;

c) if, following a notice that a Discovery is a Commercial Discovery the Exploration Period terminates under Article 3 without a Development Plan being approved, provided however that Termination shall not occur when the provisions of Articles 8.13 through 8.19 are applicable; or

d) the failure of Contractor through any cause other than Force Majeure, to commence preparations with respect to Development Operations pursuant to Article 8.11.

23.4 Subject to Article 22 and pursuant to procedures described in Article 23.5 below GNPC and/or the State may terminate this Agreement upon the uncorrected occurrence of any of the events (or failures to act listed) below:

a) the submission by Contractor to GNPC of a written statement which Contractor knows or should have known to be false, in a material particular; provided that

in the event of intent on the part of Contractor to cause serious damage to GNPC or the State, a period for remedy of such false statement shall not be given;

b) the assignment or purported assignment by Contractor of this Agreement contrary to the provisions of Article 25 hereof;

c) the insolvency or bankruptcy of Contractor, the entry by Contractor into any agreements or composition with its creditors, taking advantage of any law for the benefit of debtors or Contractor's entry into liquidation, or receivership, whether compulsory or voluntary, and there is thereby justifiable anticipation that the obligations of Contractor hereunder will not be performed; provided, however, if the Contractor is comprised of more than one non-Affiliated entity, then the insolvency or bankruptcy of one Contractor Party shall not lead to a termination of the Agreement if the other Contractor Parties will assume the rights and obligations of the defaulting Contractor Party under the Petroleum Agreement;

d) the intentional extraction by Contractor of any material of potential economic value other than as authorised under this Agreement, or any applicable law except for such extraction as may be unavoidable as a result of Petroleum Operations conducted in accordance with accepted international petroleum industry practice, in the same or similar circumstances;

e) failure by Contractor

i) to fulfil its minimum work obligations pursuant to Article 4.3, save where the Minister has waived the default; or

ii) to carry out an approved Appraisal Programme undertaken by Contractor pursuant to Article 8, unless Contractor notifies GNPC and the Minister that the Appraisal Programme should be amended and submits said amendment to the JMC for its review;

f) substantial and material failure by Contractor to comply with any of its obligations pursuant to Article 7.1 hereof;

g) failure by Contractor to make any payment of any sum due to GNPC or the State pursuant to this Agreement within thirty (30) days after receiving notice that such payment is due, except where liability for payment of such sum is disputed in good faith by Contractor in which case the matter shall, if agreement in relation to it cannot be reached after thirty (30) days, be referred to arbitration under Article 24;

h) failure by Contractor to comply with any decisions reached as a result of any arbitration proceedings conducted pursuant to Article 24 hereof.

23.5 If GNPC and/or the State believe an event or failure to act as described in Article 23.4 above has occurred, a written notice shall be given to Contractor describing the event or failure. Contractor shall have thirty (30) days from receipt of said notice to commence and pursue remedy of the event or failure cited in the notice. If after said thirty (30) days Contractor has failed to commence appropriate remedial action, GNPC and/or the State may then issue a written Notice of Termination to Contractor which shall become effective thirty (30) days from receipt of said Notice by Contractor unless Contractor has referred the matter to arbitration. In the event that Contractor disputes whether an event specified in Article 23.3 or Article 23.4 has occurred or been remedied, Contractor may, any time up to the effective date of any Notice of Termination refer the dispute to arbitration pursuant to Article 24 hereof. If so referred, GNPC and/or the State may not terminate this Agreement in respect of such event except in accordance with the terms of any resulting arbitration award.

23.6 Upon termination of this Agreement, all rights of Contractor hereunder shall cease, except for such rights as may at such time have accrued, and without prejudice to any obligation or liability imposed or incurred under this Agreement prior to Termination and to such rights and obligations as the Parties may have under applicable law.

23.7 Upon termination of this Agreement or in the event of an assignment of all the rights of Contractor, all wells and associated facilities shall be left in a state of good repair in accordance with accepted international petroleum industry practice.

ARTICLE 24

CONSULTATION, ARBITRATION AND INDEPENDENT EXPERT

24.1 Except in the cases specified in Article 26.4 any dispute arising between the State and GNPC or either of them on one hand and Contractor on the other hand in relation to or in connection with or arising out of any terms and conditions of this Agreement shall be resolved by consultation and negotiation among senior personnel authorized by each Party. In the event that no agreement is reached within thirty (30) days after the date when either Party notifies the other that a dispute or difference exists within the meaning of this Article or such longer period specifically agreed to by the Parties or provided elsewhere in this Agreement, any Party shall have the right subject to Article 24.7 to have such dispute or difference finally settled through international arbitration under the auspices of the International Chamber of Commerce (the "ICC") and adopting the Rules of Arbitration of the International Chamber of Commerce (the "ICC Rules"), which ICC Rules are deemed incorporated by reference into this Article 24, save as otherwise provided herein.

24.2 The tribunal shall consist of three (3) arbitrators. Each Party to the dispute shall appoint one (1) arbitrator and those so appointed shall designate a chairman arbitrator. If a Party's arbitrator and/or the chairman arbitrator is not appointed within the periods provided in the rules referred to in Article 24.1 above, such Party's arbitrator and/or the chairman arbitrator shall at the request of any Party to the dispute be appointed by the ICC International Court of Arbitration in accordance with the ICC Rules.

24.3 No arbitrator or Sole Expert shall be a citizen of the home country of any Party hereto, and no arbitrator or Sole Expert shall have any economic interest or relationship with any such Party.

24.4 The arbitration proceedings shall be conducted in London, England or at such other location as selected by the arbitrators unanimously, but which must be located in a State which is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and located within any one of the States specified in the Schedule to the Arbitration (Foreign Awards) Instrument, 1963 (LI 261), as may be amended from time to time. The proceedings shall be conducted in the English language.

24.5 The award of the tribunal shall be final and binding upon the Parties and enforceable by the Parties in whose favour the award is made. Each of the Republic of Ghana and GNPC hereby irrevocably agree that to the extent that such party, has any right of immunity from any legal proceedings whether in Ghana, England or elsewhere

in connection with or arising from terms and conditions of this Agreement, including immunity from service of process, immunity from jurisdiction or judgement or any arbitration tribunal, immunity from execution of judgement or tribunal award, such party hereby expressly and irrevocably waives any such immunity and agrees not to assert or invoke any such rights or claim in any such proceedings whether in Ghana, England or elsewhere.

24.6 The right to arbitrate disputes arising out of this Agreement shall survive the termination of this Agreement.

24.7 Unless where a matter is specifically required to be referred to a Sole Expert under this Agreement, the Parties to a dispute arising under this Agreement may, in lieu of resorting to arbitration, mutually agree to refer such matter for determination by a Sole Expert to be appointed by agreement of the Parties. The Sole Expert proceedings shall be administered in accordance with the Rules for Expertise of the International Chamber of Commerce and any hearings or meetings shall take place in Accra, Ghana. Where, however, the Parties fail to agree upon the appointment of a Sole Expert within forty-five (45) days of the notice by one Party to the other Parties of a dispute pursuant to this Agreement, the Sole Expert shall be appointed by the International Centre for Expertise established by the International Chamber of Commerce (ICC). The decision of the Sole Expert shall be given in writing with full reasoning and shall be final and binding upon the Parties and shall be treated as if it was an award by a sole arbitrator. The Sole Expert shall have ninety (90) days after his appointment to decide the case, subject to any extensions mutually agreed to by the Parties to the dispute. Upon failure of the Sole Expert to decide the matter in a prompt and timely manner, any Party may call for arbitration under Article 24.1 above.

24.8 Each Party to a dispute shall pay its own counsel and other costs; however, costs of the arbitration tribunal shall be allocated in accordance with the decision of the tribunal. The costs and fees of the Sole Expert shall be borne equally by the Parties to the dispute.

24.9 Any arbitration or Sole Expert proceeding pursuant to this Agreement shall be conducted in accordance with the ICC Rules or the ICC Rules for Expertise (as applicable) in effect on the date on which the proceeding is instituted.

24.10 In the event of a matter being referred for resolution under this Article 24; any obligations of the Parties relating to such matter shall (unless otherwise provided by this Agreement) be suspended, without liability to any Party, until said matter has been resolved pursuant to this Article 24.

24.11 Neither the State and/or GNPC, on the one hand, and the Contractor, on the other hand, shall be held liable to the other for any consequential, special, indirect or punitive damages (including loss of profit or loss of production) arising directly or indirectly out of or in relation or in connection to this Agreement, regardless of cause or fault.

ARTICLE 25

ASSIGNMENT

25.1 This Agreement shall not be assigned by any or all of the companies comprising Contractor directly or indirectly in whole or in part, without the prior written consent of GNPC, and the Minister, which consent shall not be unreasonably withheld or delayed.

25.2 Any assignment of this Agreement shall bind the assignee as a Party to this Agreement to all the terms and conditions hereof unless otherwise agreed and as a condition to any assignment Contractor shall provide an unconditional undertaking by the assignee to assume all obligations assigned by Contractor under this Agreement.

25.3 Where in consequence of an assignment hereunder Contractor is more than one person:

a) any operating or other agreement made between the persons who constitute contractor and relating to the Petroleum Operations hereunder shall be disclosed to GNPC and the Minister and shall not be inconsistent with the provisions of this Agreement;

b) no change in the scope of the Petroleum Operations may take place without the prior approval in writing of GNPC, which approval shall not be unreasonably delayed or withheld; and

c) the duties and obligations of Contractor hereunder shall be joint and several except those relating to the payment of income tax pursuant to Article 12 which shall be the several obligation of each such person.

25.4 GNPC's acquisition of Additional Interest under Article 2 or a Sole Risk Interest pursuant to Article 9 shall not be deemed to be an assignment within the meaning of this Article.

ARTICLE 26

MISCELLANEOUS

26.1 This Agreement and the relationship between the State and GNPC on one hand and Contractor on the other shall be governed by and construed in accordance with the laws of the Republic of Ghana consistent with such rules of international law as may be applicable, including rules and principles as have been applied by international tribunals.

26.2 The State, its departments and agencies, shall support this Agreement and shall take no action which prevents or impedes the due exercise and performance of rights and obligations of the Parties hereunder. As of the Effective Date of this Agreement and throughout its Term, the State guarantees Contractor the stability of the terms and conditions of this Agreement as well as the fiscal and contractual framework hereof specifically including those terms and conditions and that framework that are based upon or subject to the provisions of the laws and regulations of Ghana (and any interpretations thereof) including, without limitation, the Petroleum Income Tax Law, the Petroleum Law, the GNPC Law and those other laws, regulations and decrees that are applicable hereto.

26.3 This Agreement and the rights and obligations specified herein may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the Parties. Any legislative or administrative act of the State or any of its agencies or subdivisions which purports to vary any such right or obligation shall, to the extent sought to be applied to this Agreement, constitute a breach of this Agreement by the State provided, however, where a new income tax rate comes into force as a result of the promulgation of the new Petroleum Income Tax Law currently before Cabinet, Contractor shall have the option of either applying the new income tax rate to this Agreement or remaining under the Petroleum Income Tax Law, 1987, PNDC Law 188.

26.4 Where a Party considers that a significant change in the circumstances prevailing at the time the Agreement was entered into, has occurred affecting the economic balance of the Agreement, the Party affected hereby shall notify the other Parties in writing of the claimed change with a statement of how the claimed change has affected the relations between the Parties.

26.5 The other Parties shall indicate in writing their reaction to such representation within a period of three (3) Months of receipt of such notification and if such significant changes are established by the Parties to have occurred, the Parties shall meet to engage in negotiations and shall effect such changes in, or rectification of, these

provisions as they may agree are necessary to restore the relative economic position of the Parties at the date of this Agreement.

26.6 No waiver by any Party of any of its rights hereunder shall be construed or implied, but shall be binding on such Party only if made specifically, expressly and in writing.

26.7 Except for payment obligations arising under the Petroleum Income Tax Law, any Party failing to pay any amounts payable by it under this Agreement (including the provisions of Annex 2) on the respective dates on which such amounts are payable by such Party hereunder shall be obligated to pay interest on such unpaid amounts to the Party to which such amounts are payable. The rate of such interest with respect to each day of delay during the period of such nonpayment shall be the Specified Rate. Such interest shall accrue from the respective dates such amounts are payable until the amounts are duly paid. The Party to whom any such amount is payable may give notice of nonpayment to the Party in default and if such amount is not paid within fifteen (15) days after such notice, the Party to which the amount is owed may, in addition to the interest referred to above, and without prejudice to Article 10.1 (e) seek remedies available pursuant to Article 24.

26.8 A) The rights and obligations under this Agreement of the State and GNPC on the one hand and Contractor on the other shall be separate and proportional and not joint. This Agreement shall not be construed as creating a partnership or joint venture, nor an association or trust (under any law other than the Petroleum Law), or as authorising any Party to act as agent, servant or employee for any other Party for any purpose whatsoever except as provided in Article 10.4.

B) The duties and obligations of each Party constituting Contractor hereunder shall be joint and several and it is recognised that each such Party shall own and be responsible for its undivided Interest in the rights and obligations of Contractor hereunder; provided, however, that the following payments shall be the separate obligation of and shall be made by each Party which constitutes the Contractor:

i) Payments under the Petroleum Income Tax Law;

ii) Payments of royalty taken in cash under the provisions of Article 10.1 (a); and

iii) AOE share under the provisions of Article 10.1 (b).

26.9 Each Party warrants that it and its Affiliates have not made, offered, or authorized and will not make, offer, or authorize with respect to the matters which are the subject of this Agreement, any payment, gift, promise or other advantage, whether

directly or through any other person or entity, to or for the use or benefit of any public official (i.e., any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization) or any political party or political party official or candidate for office, where such payment, gift, promise or advantage would violate (i) the applicable laws of Ghana; (ii) the laws of the country of incorporation of such Party or such Party's ultimate parent company and of the principal place of business of such ultimate parent company; or (iii) the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999, and the Convention's Commentaries. Each Party shall defend, indemnify and hold the other Parties harmless from and against any and all claims, damages, losses, penalties, costs and expenses arising from or related to, any breach by such first Party of such warranty. Such indemnity obligation shall survive termination or expiration of this Agreement. Each Party shall in good time (i) respond in reasonable detail to any notice from any other Party reasonably connected with the above-stated warranty; and (ii) furnish applicable documentary support for such response upon request from such other Party.

26.10 This Agreement shall not take effect unless and until it is ratified by the Parliament of Ghana and this Agreement has been executed by the parties which ever occurs later (the "Effective Date").

ARTICLE 27

NOTICE

27 Any Notice, Application, Requests, Agreements, Consent, Approval, Instruction, Delegation, Waiver or other communication required or permitted to be given hereunder shall be in writing and shall be deemed to have been properly given when delivered in person to an authorised representative of the Party to whom such notice is directed or when actually received by such Party through registered mail, facsimile or telegram at the following address or at such other address as the Party shall specify in writing fifteen (15) days in advance:

FOR THE STATE:

MINISTER FOR ENERGY
MINISTRY OF ENERGY
PRIVATE MAIL BAG
MINISTRY POST OFFICE
ACCRA, GHANA

Telephone: 233 21 667151 - 3

Telefax: 233 21 668262

FOR GHANA NATIONAL PETROLEUM CORPORATION:

THE MANAGING DIRECTOR
GHANA NATIONAL PETROLEUM CORPORATION
PETROLEUM HOUSE
HARBOUR ROAD
PRIVATE MAIL BAG
TEMA, GHANA

Telephone: 233-22-204726

Telefax: 233-22-205449

FOR CONTRACTOR:

EXPLORATION MANAGER
TULLOW GHANA LIMITED
P. O. BOX 532
CHANNEL HOUSE
7 ESPLANADE
ST. HELIER, JERSEY
CHANNEL ISLANDS
JE4 5UW

Telephone: + 3531 737 700
Telefax: + 3531 239 0400

MANAGING DIRECTOR
SABRE OIL AND GAS LIMITED
4 RUBISLAW PLACE
ABERDEEN
AB10 1XN

Telephone: + 44 1244 649 400
Telefax: + 44 1244 649 700

KOSMOS ENERGY GHANA HC
C/O KOSMOS ENERGY, LLC
8401 N. CENTRAL EXPRESSWAY
SUITE 280
DALLAS, TEXAS 75225
U.S.A
ATTN: MR CRAIG CLICK

Telephone: + 1 214 363 0700
Telefax: + 1 214 363 9024

IN WITNESS WHEREOF the parties have caused this agreement to be executed by their duly authorized representatives as of the date first written above.

FOR THE STATE	**Witnessed:**
By /s/ AUTHORIZED SIGNATORY	**By:**
Its HON MINISTER MINISTRY OF ENERGY	**Its**
FOR GHANA NATIONAL PETROLEUM CORPORATION	**Witnessed:**
By /s/ GHANA NATIONAL PETROLEUM CORPORATION	**By:**
Its	**Its**
FOR TULLOW GHANA LIMITED	**Witnessed:**
By /s/ TULLOW GHANA LIMITED	**By:**
Its	**Its**

FOR SABRE OIL GAS LIMITED	**Witnessed:**
By /s/ SABRE OIL GAS LIMITED	**By:**
Its	**Its**
FOR KOSMOS ENERGY GHANA HC	**Witnessed:**
By /s/ KOSMOS ENERGY GHANA HC	**By:**
Its	**Its**

ANNEXES

ANNEX 1 - CONTRACT AREA

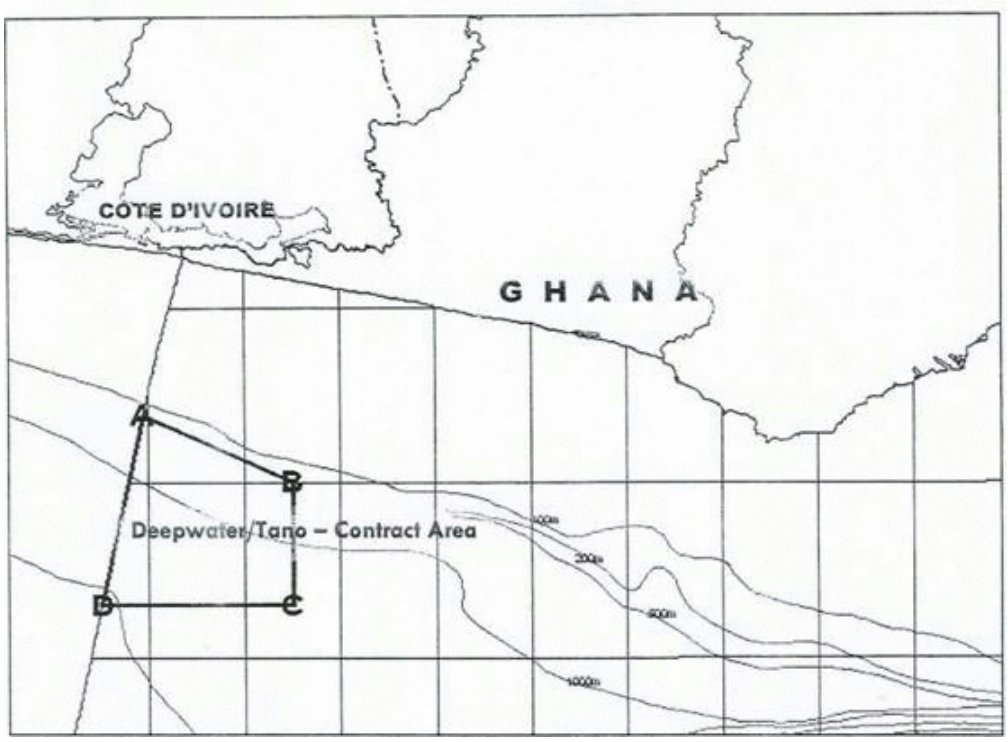
The Contract Area is bounded to the North, starting at point 'A' along the Ghana Ivory Coast boarder at Latitude 4° 47' 34.874" N and Longitude 3° 10' 35.296" W; thence proceed Southeast to point 'B' at Latitude 4° 40' 00.000" N and Longitude 2° 55' 00.00" W; thence proceed South to point 'C' at Latitude 4° 25' 54.00" N and Longitude 2° 55' 00.00" W; thence proceed West to point 'D' at Latitude 4° 25' 54.00" N and Longitude 3° 14' 53.00" W; thence proceed North along the Ghana-Ivory Coast border to the beginning of point 'A' resulting in an area comprising of approximately one thousand and one hundred and eight (1,108) square kilometers.

The Contract Area is designated by the coordinates of the following points as shown in Table 1 and the area covered by the points A, B, C and D as indicated on the map on the following page.

Table 1

Point	Latitude	Longitude
A	4° 47' 34.874" N	3° 10' 35.296" W
B	4° 40' 00.000" N	2° 55' 00.000" W
C	4° 25' 54.000" N	2° 55" 00.000" W
D	4° 25' 54.000" N	3° 14' 53.000" W

Contract Area Plat



ANNEX 2 - ACCOUNTING GUIDE

The purpose of this Accounting Guide is to establish equitable methods as between the Parties for determining charges and credits applicable to operations under the Agreement. Principles established by this Accounting Guide shall truly reflect the Contractor's actual cost.

SECTION 1

1.1 GENERAL PROVISIONS

1.1.1 Words and terms appearing in this Annex shall have the same meaning as in the Agreement and to that end shall be defined in accordance with Article 1 of the Agreement. A reference to an Article in this Annex shall, unless otherwise indicated, refer to an Article in the Agreement.

1.1.2 This Annex may be amended by written agreement upon a unanimous decision of the JMC.

1.1.3 In the event of a conflict between the provisions of the Accounting Guide and the provisions of the Agreement, the provisions of the Agreement shall prevail.

1.2 STATEMENTS REQUIRED TO BE SUBMITTED BY CONTRACTOR

1.2.1 Within sixty (60) days from the Effective Date, Contractor shall propose to GNPC an outline of the chart of accounts, operating records and reports to be prepared and maintained, which shall describe the basis of the accounting principles and procedures to be used during the term of the Agreement, and shall be consistent with normal practice of the international petroleum industry and Article 18.2.

1.2.2 Within ninety (90) days of the receipt of such proposal GNPC shall either accept it or request such revisions as GNPC deems necessary. Failure to notify Contractor of any requested revisions within a ninety (90) day period shall be deemed acceptance of such proposal.

1.2.3 Within one hundred and eighty (180) days from the Effective Date, the parties shall either agree on such outline or submit any outstanding issue for determination by a Sole Expert pursuant to the provisions of Article 24.

1.2.4 Following agreement over the outline Contractor shall prepare and submit to GNPC formal copies of the chart of accounts

relating to the accounting, recording and reporting functions listed in such outline. Contractor shall also permit GNPC to inspect its manuals and to review all procedures which are to be followed under the Agreement.

1.2.5 Without prejudice to the generality of the foregoing, Contractor shall make separate statements relating to Petroleum Operations for each Development and Production Area as follows:

a) Cash Call Statement (see Section 5)
b) Production Statement (see Section 6)
c) Value of Production Statement (see Section 7)
d) Cost Statement (see Section 8)
e) Statement of Expenditures and Receipts (see Section 9)
f) Final End-of-Year Statement (see Section 10)
g) Budget Statement (see Section 11)
h) Long Range Plan and Forecast (see Section 12)

1.3 LANGUAGE, MEASUREMENT, AND UNITS OF ACCOUNTS

1.3.1 The U.S. Dollar being the currency unit for investments and compensation hereunder shall therefore be the unit of currency for all bookkeeping and reporting under the Agreement. When transactions for an asset, capital item or liability are in Ghana Cedis or currency other than the U.S. Dollar, amounts in such other currency shall be immediately converted to U.S. Dollars at the rate actually incurred and accounts required for the purposes of this Agreement shall be maintained only in U.S. Dollars.

1.3.2 Measurement required under this Annex shall be in the metric system and Barrels.

1.3.3 The English language shall be employed.

1.3.4 Where necessary for purposes of clarification, Contractor may also prepare financial reports in other languages, units of measurement and currencies.

1.3.5 It is the intent of the Parties that no Party shall experience any gain or loss at the expense of or to the benefit of the other as a result of exchange of currency. Where any such currency exchange gain or loss arises it shall be charged or credited to the accounts under the Agreement.

SECTION 2

2.0 CLASSIFICATION AND ALLOTMENT OF COSTS AND EXPENDITURE

2.1 ALL EXPENDITURE RELATING TO PETROLEUM OPERATIONS SHALL BE CLASSIFIED, AS FOLLOWS:

a) Exploration Expenditure;
b) Development Expenditure;
c) Production Expenditure;
d) Service Costs; and
e) General and Administrative expenses

and shall be defined and allotted as herein below provided.

2.2 EXPLORATION EXPENDITURE

Exploration Expenditure shall consist of all direct, indirect and allotted costs incurred in Exploration Operations, in the search for Petroleum in the Contract Area, including but not limited to expenditure on:

a) aerial, geographical, geochemical, paleontological, geological, bathymetrical, topographical and seismic surveys, and all relevant studies and their interpretation;

b) borehole drilling and water well drilling;

c) labour, consumables, materials and services used in drilling wells with the objective of finding new Petroleum reservoirs or for the purpose of appraising of Petroleum reservoirs already discovered, provided such wells are not completed as producing wells save such wells temporarily abandoned for future use as producing wells;

d) facilities used solely for Exploration Operations, including access roads, where applicable, and purchased geological and geophysical information;

e) all service costs allotted to the Exploration Operations on an equitable basis;

f) all General and Administrative Expenses allotted to Exploration Operations based on the percentage share of projected budget expenditure which will be adjusted to actual expenditure at the end of each year.

g) all of the above costs in connection with or related to an Appraisal Programme.

2.3 DEVELOPMENT EXPENDITURE

Development Expenditure shall consist of all expenditure incurred in Development Operations, including but not limited to expenditure on:

a) drilling wells which are completed as producing wells and drilling wells for purposes of producing a Petroleum reservoir already discovered, whether these wells are dry or producing;

b) tangible drilling costs for completing wells such as installation of casing or equipment or otherwise equipping a well after it has been drilled for the purpose of bringing such well into use as a producing well;

c) intangible drilling costs such as labour, consumable material and services having no salvage value which are incurred in drilling and deepening of wells for producing purposes;

d) field facilities such as pipelines, flow lines, production and treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, offshore platforms and production facilities, Petroleum storage facilities (whether offshore or onshore) and access roads for Production Operations;

e) engineering and design studies for field facilities;

f) all service costs allotted to Development Operations on an equitable basis;

g) all General and Administrative Expenses (incurred within or outside Ghana) allocated to Development Operations based on the

percentage share of projected budget expenditure which will be adjusted to actual expenditure as the end of the year.

2.4 PRODUCTION EXPENDITURE

Production Expenditure shall consist of but not be limited to all expenditure incurred in Petroleum Operations, including appropriate abandonment charges, after the Date of Commencement of Commercial Production, such expenditure being other than Exploration Expenditure, Development Expenditure, General and Administrative Expenses and Service Costs. The balance of General and Administrative Expenses and Service Costs not allocated to Exploration Operations or to Development Operations under Section 2.2 and 2.3 shall be allocated to Production Expenditure.

2.5 SERVICE COSTS

2.5.1 Service Costs shall consist of but not be limited to all direct and indirect expenditure incurred in support of Petroleum Operations (within and/or outside the Republic of Ghana), including (but not limited to) the construction, installation, purchase, hire or charter (as applicable) of the following: of warehouses, piers, marine vessels, vehicles, motorised rolling equipment, aircraft, fire security stations, workshops, water and sewerage plants, power plants, offices, housing, community and recreational facilities and furniture, fixtures, tools, land and equipment used in such construction or installation.

Service Costs in any Calendar Year shall include the total costs incurred in such year to purchase and construct or install such facilities as well as the annual costs of maintaining and operating such facilities.

2.5.2 All Service Costs will be regularly allotted on an equitable basis to Exploration Expenditure, Development Expenditure and Production Expenditure.

2.6 GENERAL AND ADMINISTRATIVE EXPENSES

General and Administrative Expenses shall consist of:

2.6.1 All main office, field and general administrative costs, benefiting Petroleum Operations the Republic of Ghana), including but not limited to supervisory, technical, accounting, financial, legal and employee relations services;

2.6.2 An overhead charge for the actual unallocated cost of services rendered outside the Republic of Ghana by Contractor or its Affiliates for managing Petroleum Operations and for staff advice and assistance, including but not limited to financial, legal, accounting and employee relations services. Such overhead charges shall be allocated at a rate equivalent to the following percentages of the total costs attributable to Petroleum Operations as follows:

For the Exploration Phase:

U.S. Dollars 0 – 20 million –One point two five percent (1.25%)
U.S. Dollars 20 – 25 million –One percent (1%)
U.S. Dollars 25 million and above–Zero point five percent (0.5%)

For the Development Phase:

U.S. Dollars 0 – 50 million –One point two five percent (1.25%)
U.S. Dollars 50 – 100 million –One percent (1.0%)
U.S. Dollars 100 – 500 million–Zero point five percent (0.5%)
U.S. Dollars 500 million and above–A lump sum of not less than U.S. Dollars two point five million (U.S. Dollars 2.5 million)

2.6.3 All General and Administrative Expenses will be regularly allocated as specified in subsections 2.2(f), 2.3(g) and 2.4 to Exploration Expenditure, Development Expenditure and Production Expenditure.

SECTION 3

3.0 COSTS, EXPENSES, EXPENDITURES AND CREDITS OF CONTRACTOR

3.1 CONTRACTOR FOR THE PURPOSE OF THIS AGREEMENT SHALL CHARGE THE FOLLOWING ALLOWABLE COSTS TO THE ACCOUNTS:

a) costs of acquiring surface rights;
b) labour and associated costs;
c) transportation costs;
d) charges for services;
e) material costs;
f) rentals, duties and other assessments;
g) insurance and losses;
h) legal expenses;
i) training expenses;
j) general and administrative expenses;
k) utility costs;
1) office facility charges;
m) communication charges;
n) ecological and environmental charges;
o) abandonment cost; and
p) such other costs necessary for the Petroleum Operations

3.2 COST OF ACQUIRING SURFACE RIGHTS AND RELINQUISHMENT

Cost of acquiring surface rights shall consist of all direct costs attributable to the acquisition, renewal or relinquishment of surface rights acquired and maintained in force over the Contract Area.

3.3 LABOUR AND ASSOCIATED LABOUR COSTS

Labour and associated labour costs shall include but not be limited to:

a) gross salaries and wages including bonuses of those employees of Contractor and of its Affiliates engaged in Petroleum Operations who are permanently or temporarily assigned to Ghana;

b) costs regarding holidays, vacation, sickness and disability payments applicable to the salaries and wages chargeable under (a);

c) expenses or contributions made pursuant to assessments or obligations imposed under the laws of the Republic of Ghana which are applicable to cost of salaries and wages chargeable under (a);

d) cost of established plans for employees' life insurance, hospitalisation, pensions and other benefits of a like nature customarily granted to employees; and

e) reasonable travel and personal expenses of employees and families, including those made for travel and relocation of the personnel, all of which shall be in accordance with usual practice of the Contractor.

3.4 TRANSPORTATION COSTS

Transportation costs and other related costs of transportation of employees, equipment, materials and supplies necessary for the conduct of Petroleum Operations.

3.5 CHARGES FOR SERVICES

3.5.1 Charges for services shall include:

a) actual costs under third party contracts for technical and all other services entered into by Contractor for Petroleum Operations made with third parties other than Affiliates of Contractor, provided that the prices paid by Contractor are no higher than the prevailing rates for such services in the regional (Gulf of Guinea) market;

b) cost of technical and other services of personnel assigned by the Contractor and its Affiliates when performing management, engineering, geological, geophysical, operations, technical, administrative, legal, accounting,

treasury, tax, employee relations, computer services, purchasing, and all other functions for the direct benefit of Petroleum Operations;

c) cost of general services, including, but not without limitation, professional consultants and others who perform services for the direct benefit of Petroleum Operations.

3.5.2 Services furnished by Contractor and its Affiliates shall be charged at rates commensurate with those currently prevailing for such services in the regional (Gulf of Guinea) market.

3.6 RENTALS, DUTIES AND OTHER ASSESSMENTS

All rentals, taxes, duties, levies, charges, fees, contributions and any other assessments and charges levied by the Government in connection with Petroleum Operations or paid for the benefit of Petroleum Operations, with the exception of the income tax specified in the Article 12.2 (ii).

3.7 INSURANCE AND LOSSES

a) Insurance premia and costs incurred for insurance, provided that if such insurance is wholly or partly placed with an Affiliate of Contractor, such premia and costs shall be recoverable only to the extent not in excess of those generally charged by competitive insurance companies other than Affiliate;

b) costs and losses incurred as a consequence of events, which are, insofar as not made good by insurance, allowable under 17 of the Agreement; and

c) Costs or expenses necessary for the repair or replacement of property resulting from damage or losses incurred.

3.8 LEGAL EXPENSES

All costs and expenses of litigation, arbitration, mediation and legal or related services necessary or expedient for the procuring, perfecting, retaining and protecting the rights hereunder and in defending or prosecuting lawsuits involving the Contract Area or any third party claim arising out of activities under the Agreement, or sums paid in respect of legal services necessary or expedient for the protection of the joint interest of GNPC and Contractor, provided that where legal services are rendered in such matters by salaried or regularly retained lawyers of Contractor or an Affiliate of Contractor, such compensation will be included instead under either Section 3.3 or 3.5, as applicable.

3.9 TRAINING COSTS

All costs and expenses incurred by Contractor in training of its employees and nominees of GNPC to the extent that such training is attributable to Petroleum Operations under the Agreement, including, without limitation, the amounts referred to in Article 21.1.

3.10 GENERAL AND ADMINISTRATIVE EXPENSES

General and Administrative Expenses shall consist of the costs described in Subsection 2.6.1 and the charge described in Subsection 2.6.2.

3.11 UTILITY COSTS

Any water, electricity, heating, fuel or other energy and utility costs used and consumed for the Petroleum Operations.

3.12 OFFICE FACILITY CHARGES

The cost and expenses of constructing, establishing, maintaining and operating offices, camps, housing and any other facilities necessary to the conduct of Petroleum Operations. The cost of constructing or otherwise establishing any operating facility which may be used at any time in operations of more than one Development and Production Area shall be charged initially to the Development and Production Area for which the facility is first used. Costs incurred thereafter shall be allocated in a reasonable manner, consistent with generally accepted international petroleum industry accounting practice, to the Development and Production Area for which the facility is used.

3.13 COMMUNICATION CHARGES

The costs of acquiring, leading, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities.

3.14 ECOLOGICAL AND ENVIRONMENTAL CHARGES

All charges for environmental protection and safety measures conducted in the Contract Area including, without limitation, those incurred in accordance with Article 17 of the Agreement.

3.15 ABANDONMENT COST

Cost relating to the decommissioning and abandonment of Petroleum Operations and facilities, site restoration and other associated operations pursuant to Article 12.10.

3.16 OTHER COSTS

Any other costs not covered or dealt with in the foregoing provisions which are incurred and not mentioned in Section 3.17 for the necessary and proper conduct of Petroleum Operations.

3.17 COSTS NOT ALLOWABLE UNDER THE AGREEMENT

The following costs shall not be allowable under the Agreement:

a) commission paid to intermediaries by Contractor;

b) charitable donations and contributions, except where prior approval has been obtained from GNPC;

c) interest incurred on loans raised by the Contractor, provided that it shall be deductible for income tax purposes pursuant to the Petroleum Income Tax Law;

d) petroleum marketing costs or costs of transporting petroleum beyond the Delivery Point;

e) the costs of any Bank Guarantee under the Agreement and any other amounts spent on indemnities with regard to nonfulfilment of contractual obligations;

f) premium paid as a result of GNPC exercising a Sole Risk option under Article 9 of this Agreement;

g) cost of arbitration under Article 24 of the Agreement or dispute settlement by any independent expert under the terms of the Agreement;

h) final and unappealable fines and penalties imposed by a competent Court of Law;

i) cost incurred as a result of Contractor's Gross Negligence chargeable to Contractor or the Operator under the terms of the Agreement.

3.18 ALLOWABLE AND DEDUCTIBILITY

The costs and expenses set forth herein shall be for the purpose of determining allowable or non-allowable costs and expenses only and shall have no bearing on Contractor's eligibility or otherwise for deductions in computing Contractor's net income from Petroleum Operations for income tax purposes under Article 10 of the Agreement.

3.19 CREDITS UNDER THE AGREEMENT

The net proceeds of the following transactions will be credited to the accounts under the Agreement:

a) the net proceeds of any insurance or claim in connection with Petroleum Operations or any assets charged to the accounts under the Agreements when such operations or assets were insured and the premia charged to the accounts under the Agreement;

b) revenue received from third parties for the use of property or assets charged to the accounts under this Agreement;

c) any adjustment from the suppliers or manufacturers or their agents in connection with a defective equipment or material the cost of which was previously charged to the account under the Agreement;

d) the proceeds received for inventory materials previously charged to the account under the Agreement and subsequently exported from the Republic of Ghana or transferred or sold to third parties without being used in the Petroleum Operations;

e) rentals, refunds or other credits received which apply to any charge which has been made to the account under the Agreement, but excluding any award granted under arbitration or sole expert proceedings;

f) the proceeds from the sale or exchange of plant or facilities from the Development and Production Area or plant or facilities the acquisition costs of which have been deducted in the AOE computation under Article 10for the relevant Development and Production Area;

g) the proceeds derived from the sale or issue of any intellectual property the development costs of which were incurred pursuant to this Agreement; and

h) the proceeds from the sale of any petroleum information derived from Petroleum Operations under this Agreement.

3.20 DUPLICATION OF CHARGES AND CREDITS

Notwithstanding any provision to the contrary in this Annex, it is the intention that there shall be no duplication of charges or credits in the accounts under the Agreement.

SECTION 4

4.0 MATERIAL

4.1 VALUE OF MATERIAL CHARGED TO THE ACCOUNTS UNDER THE AGREEMENT

Material purchased, leased or rented by Contractor for use in Petroleum Operations shall be valued at the actual net cost incurred by Contractor. The net cost shall include invoice price less trade and cash discounts, if any, purchase and procurement fees plus freight and forwarding charges between point of supply and point of shipment, freight to port of destination and to point of usage or installation, including but not limited to, insurance, taxes, customs duties, consular fees, other costs incurred on such material, and any other related costs actually paid.

4.2 VALUE OF MATERIAL PURCHASED FROM AN AFFILIATE

Contractor shall notify GNPC of any goods supplied by an Affiliate of Contractor. Materials purchased from Affiliate of Contractor shall be charged at the prices specified in Sections 4.2.1, 4.2.2 and 4.2.3.

4.2.1 New Material (Condition "A")

New material shall be classified as Condition "A". Such material shall be valued at the prevailing market price, plus expenses incurred in procuring such new materials, and in moving such materials to the locations where the material shall be used.

4.2.2 Used Material (Condition "B")

Used material shall be classified as Condition "B" provided that it is in sound and serviceable condition and is suitable for reuse without reconditioning. Such material shall be valued at not more than seventy five percent (75%) of the current price of new material valued according to Section 4.2.1 above.

4.2.3 Used Material (Condition "C")

Used material which is serviceable for original function as good second hand material after reconditioning and cannot be classified as Condition "B" shall be classified as Condition "C". Such material shall be valued at not more than fifty percent (50%) of the current price of new material valued according to Section 4.2.1 above. The cost of reconditioning shall be charged to the reconditioned material provided that that the value of such Condition "C" material plus the cost of reconditioning does not exceed the value of Condition "B" material.

4.3 CLASSIFICATION OF MATERIALS

Material costs shall be charged to the respective Exploration Expenditure, Development Expenditure, Operating Expenditure accounts at the time the material is acquired and on the basis of the intended use of the material. Should such material subsequently be used other than as intended, the relevant charge will be transferred to the appropriate account.

4.4 DISPOSAL OF MATERIALS

Sales of property shall be recorded at the net amount collected by the Contractor from the purchaser.

4.5 WARRANTY OF MATERIALS

In the case of defective material or equipment, any adjustment received by Contractor from the suppliers or manufacturers of such materials or their agents will be credited to the accounts under the Agreement. Contractor does not warrant any material.

4.6 CONTROLLABLE MATERIALS

4.6.1 The Contractor shall control the acquisition, location, storage and disposition of materials which are subject to accounting record control, physical inventory and adjustment for overages and shortages (hereinafter referred to as Controllable Material).

4.6.2 Unless additional inventories are scheduled by the JMC, Contractor shall conduct one physical inventory of the Controllable Material each Calendar Year which shall be completed prior to the end of each such year. The Contractor shall conduct said inventory on a date to be approved by the JMC. Failure on the part of GNPC to participate in a JMC schedule or approved physical inventory shall be regarded as approval of the results of the physical inventory as conducted by the Contractor.

4.6.3 The gain or loss resulting from the physical inventory shall be reflected in the stock records of Controllable Materials. The Contractor shall compile a reconciliation of the inventory with a reasonable explanation for such gains or losses. Failure on the part of GNPC to object to Contractor's reconciliation within thirty (30) days of compilation of said reconciliation shall be regarded as approval by GNPC.

SECTION 5

5.0 CASH CALL STATEMENT

5.1 In respect of any Petroleum Costs to which GNPC is contributing as provided in Article 2 and in any case where Contractor conducts Sole Risk Operations for GNPC's account, Contractor shall at least fifteen (15) days prior to the commencement of any Month submit a Cash Call Statement to GNPC for its share of Petroleum Costs. Such Cash Call Statement shall include the following information:

a) Due Date;
b) Payment Instructions;
c) The balance prior to the Cash Call being issued;
d) Amount of US Dollars due; and
e) An estimation of the amounts of US Dollars required from GNPC for the following Month.

5.2 Not later than the twenty-fifth (25th) day of each Month, Contractor will furnish GNPC a statement reflecting for the previous Month:

a) Payments;
b) The nature of such payments by appropriate classifications; and
c) The balance due to or from GNPC.

5.3 Contractor may in the case where a large unforeseen expenditure becomes necessary issue a special Cash Call Statement requiring GNPC to meet such Cash Call within ten (10) days of receipt of such Statement.

SECTION 6

6.0 PRODUCTION STATEMENT

6.1 Subsequent to the Date of Commencement of Commercial Production from the Contract Area, Contractor shall submit a monthly Production Statement to GNPC showing the following information for each Development and Production Area as appropriate:

a) the quantity of Crude Oil produced and saved;

b) the quantity of Natural Gas produced and saved;

c) the quantities of Petroleum used for the purpose of conducting drilling and Production Operations, pumping to field storage and reinjections;

d) the quantities of Natural Gas flared;

e) the size of Petroleum stocks held at the beginning of the Month;

f) the size of Petroleum stocks held at the end of the Month.

6.2 The Production Statement of each Calendar Month shall be submitted to GNPC not later than ten (10) days after the end of such Month.

SECTION 7

7.0 VALUE OF PRODUCTION STATEMENT

7. Contractor shall prepare a statement providing calculations of the value of Crude Oil produced and saved during each Quarter based on the Market Price established under Article 11 of the Agreement as well as the amounts of Crude Oil allocated to each of the Parties during that Quarter. Such Statement shall be submitted to the Minister and to GNPC not later than thirty (30) days following the determination, notification and acceptance of the Market Price to GNPC according to Article 11 of the Agreement.

SECTION 8

8.0 COST STATEMENT

8.1 Contractor shall prepare with respect to each Quarter, a Cost Statement containing the following information:

a) Total Petroleum Costs in previous Quarters, if any;

b) Petroleum Costs for the Quarter in question;

c) Total Petroleum Costs as of the end of the Quarter in question (subsection 8.1(a) plus subsection 8.1(b));

d) Petroleum Costs for Development Operations advanced in the Quarter in respect of GNPC's Participating Interest pursuant to Article 2 of the Agreement;

e) Costs as specified in (d) above which have been recovered during the Quarter pursuant to Article 10.1(e) of the Agreement and the balance, if any, of such costs unrecovered and carried forward for recovery in a later period.

Petroleum Costs for Exploration, Development and Production Operations as detailed above shall be separately identified for each Development and Production Area. Petroleum Costs for Exploration Operations not directly attributable to a specific Development Area shall be shown separately.

8.2 The Cost Statement of each Quarter shall be submitted to GNPC no later than thirty (30) days after the end of such Quarter.

SECTION 9

9.0 STATEMENT OF EXPENDITURES AND RECEIPTS

9.1 Subsequent to the Date of Commencement of Commercial Production from the Contract Area, Contractor shall prepare with respect to each Quarter a Statement of Expenditures and Receipts. The Statement will distinguish between Exploration Expenditure and Development Expenditure and Production Expenditure and will identify major items of expenditure within these categories. The statement will show the following:

a) actual expenditures and receipts for the Quarter in question;

b) cumulative expenditure and receipts for the budget year in question;

c) latest forecast of cumulative expenditures at the year end; and

d) variations between budget forecast and latest forecast and explanations therefor.

9.2 The Statement of Expenditures and Receipts of each Quarter shall be submitted to GNPC not later than thirty (30) days after the end of such Quarter for provisional approval by GNPC.

SECTION 10

10.0 FINAL END-OF-YEAR STATEMENT

10.1 The Contractor will prepare a Final End-of-Year Statement. The Statement will contain information as provided in the Production Statement, Value of Production Statements, Cost Statement and Statements of Expenditures and Receipts, as appropriate. The Final End-of-year Statement of each Calendar Year shall be submitted to GNPC within ninety (90) days of the end of such Calendar Year. Any necessary subsequent adjustments shall be reported promptly to GNPC.

SECTION 11

11.0 BUDGET STATEMENT

11.1 The Contractor shall prepare an annual budget Statement. This will distinguish between Exploration Expenditure, Development Expenditure and Production Expenditure and will show the following:

a) Forecast Expenditures and Receipts for the budget year under the Agreement;

b) cumulative Expenditures and Receipts to the end of said budget year; and

c) the most important individual items of Exploration, Development and Production Expenditures for said budget year.

The budget may include a budget line or lines for unforeseen expenditures which, however, shall not exceed ten percent (10%) of the total budgetary expenditure.

11.2 The Budget Statement shall be submitted to GNPC and JMC with respect to each budget year no less than ninety (90) days before the start of such year except in the case of the first year of the Agreement when the Budget Statement shall be submitted within sixty (60) days of the Effective Date.

11.3 Where Contractor foresees that during the budget period expenditures have to be made in excess of the ten percent (10%) pursuant to Section 11.1.1 hereof, Contractor shall submit a revision of the budget to GNPC.

SECTION 12

12.0 LONG RANGE PLAN AND FORECAST

12.1 Contractor shall prepare and submit to GNPC the following:

a) During Exploration Period, an Exploration Plan for each year commencing as of the Effective Date which shall contain the following information:

i) Estimated Exploration Costs showing outlays for each of the years or the number of years agreed and covered by the Plan;

ii) Details of seismic operations for each such year;

iii) Details of drilling activities planned for each such year;

iv) Details of infrastructure utilisation and requirements.

The Exploration Plan shall be revised on each anniversary of the Effective Date. Contractor shall prepare and submit to GNPC the first Exploration Plan for the First Subperiod of twelve months of the Initial Exploration Period within sixty (60) days after the Effective Date and thereafter shall prepare and submit to GNPC no later than forty five (45) days before each anniversary of the Effective Date a revised Exploration Plan.

b) In the event of a Development Plan being approved, the Contractor shall prepare a Development Forecast for each Calendar Year of the Development Period, which shall contain the following information:

i) forecast of capital expenditure portions of Development and Production expenditures for each Calendar Year of the Development Period;

ii) forecast of operating costs for each Calendar Year;

iii) forecast of Petroleum production for each Calendar Year;

iv) forecast of number and types of personnel employed in the Petroleum Operations in the Republic of Ghana;

v) description of proposed Petroleum marketing arrangements;

vi) description of main technologies employed; and

vii) description of the working relationship of Contractor to GNPC.

c) The Development forecast shall be revised at the beginning of each Calendar Year commencing as of the second year of the first Development forecast Contractor shall prepare and submit to GNPC the first Development forecast within one hundred and twenty (120) days of the date when the first Development Plan is approved by the Minister and Contractor commences the implementation of such plan and thereafter shall prepare and submit a revised Development Forecast to GNPC no later than thirty (30) days before each Calendar Year commencing as of the second year of the first Development forecast.

12.2 CHANGES OF PLAN AND FORECAST

It is recognised by Contractor and GNPC that the details of the Exploration Plan and Development forecast may require changes in the light of existing circumstances and nothing herein contained shall limit the flexibility to make such changes. Consistent with the foregoing the said Plan and Forecast may be revised when appropriate. The Exploration Plan and Development Forecast are for planning purposes only.

ANNEX 3 - SAMPLE AOE CALCULATION

SAMPLE ADDITIONAL OIL ENTITLEMENT CALCULATION

This sample calculation has been prepared to illustrate the Additional Oil Entitlement (AOE) provisions of Article 10 of the Petroleum Agreement to which this Annex 3 is attached and made a part thereof. The assumptions used, year-by-year cash flows, inflation rate, and resulting AOE payments are hypothetical only and are neither based upon nor do they represent an actual situation. They are designed to illustrate the mechanics of each of the hypothetical AOE calculations only.

Sample AOE Calculation:

Contractor's Revenues minus Income Taxes minus "Petroleum Costs"

Income Tax Rate: 35%

Petroleum Costs: Contractor's Petroleum Costs including costs advanced on GNPC's behalf

Additional Oil Entitlement (AOE):

Discounted Cash Flow

Real Rate of Return (%*)	AOE Rate (%)
19% or less	0%
Over 19%	5%
Over 20%	10%
Over 25%	15%
Over 30%	20%
Over 40%	25%

*Rate of Return exclusive of Inflation

SAMPLE AOE CALCULATION (MILLION US DOLLARS)

YEAR	NCF	FAn@19 % p.a.	AOE 1 @ 5%	SAn@10 % P. a.	AOE 2 @ 10% p.a.	TAn@25 % p.a.	AOE 3 @ 15%	YAn @ 30% p.a.	AOE 4 @ 20% p.a.	ZAn @ 40% p.a.	AOE 5 @ 25%	Total AOE Payments
1	$ -2.0	$ -2.0		$ -2.0		$ -2.0		$ -2.0		$ -2.0		
2	$ -15.0	$ -17.5		$ -17.5		$ -17.6		$ -17.7		$ -17.9		
3	$ -150.0	$ -171.7		$ -171.9		$ -172.9		$ -173.9		$ -176.0		
4	$ -20.0	$ -232.9		$ -234.8		$ -244.7		$ -254.8		$ -275.1		
5	$ 10.0	$ -278.8		$ -283.6		$ -308.2		$ -333.9		$ -388.9		
6	$ 340.0	$ -5.7		$ -14.4		$ -60.6		$ -110.8		$ -224.0		
7	$ 220.0	$ 213.0	$ 10.6	$ 191.3	$ 19.1	$ 111.4	$ 16.7	$ 23.9	$ 4.8	$ -156.0		$ 51.3
8	$ 200.0	$ 200.0	$ 10.0	$ 190.0	$ 19.0	$ 171.0	$ 25.7	$ 145.4	$ 29.1	$ -110.0		$ 83.7
9	$ 150.0	$ 150.0	$ 7.5	$ 142.5	$ 14.3	$ 128.3	$ 19.2	$ 109.0	$ 21.8	$ -72.2		$ 62.8
10	$ 100.0	$ 100.0	$ 5.0	$ 95.0	$ 9.5	$ 85.5	$ 12.2	$ 72.7	$ 14.5	$ -46.6		$ 41.9
11	$ 65.0	$ 65.0	$ 3.3	$ 61.8	$ 6.2	$ 55.6	$ 8.3	$ 47.2	$ 9.4	$ -29.8		$ 27.2
12	$ 45.0	$ 45	$ 2.3	$ 42.8	$ 4.3	$ 38.5	$ 5.8	$ 32.7	$ 6.5	$ -17.1		$ 18.8
13	$ 35	$ 35.0	$ 1.8	$ 33.3	$ 3.3	$ 29.9	$ 4.5	$ 25.4	$ 5.1	$ -4.4		$ 14.7
14	$ 25.0	$ 25.0	$ 1.3	$ 23.8	$ 2.4	$ 21.4	$ 3.2	$ 18.2	$ 3.6	$ 8.2	$ 2.0	$ 12.5
15	$ 10.0	$ 10.0	$ 0.5	$ 0.5	$ 1.0	$ 8.6	$ 1.3	$ 7.3	$ 1.5	$ 5.8	$ 1.3	$ 5.6
Totals	**$ 1013.0**		**$ 42.1**		**$ 79.0**		**$ 97.5**		**$ 96.4**		**$ 3.5**	**$ 318.5**

1. Rates of return used above include annual inflation of 5%.

2. Year 7: AOE 1 = 0.05 * $213.0 MM (i.e. 0.05 times Cumulative Cash Flows compounded annually at 19% p.a. + 5% inflation) = $10.6 MM.

3 Years 8 through 15: AGE 1 in nth year = nth Year FA * 0.05

4. Year 7: SA = -$14.4 MM* 1.25 + $220.0 MM - $10.6 MM = $191.3 MM

5. Year 7: AOE 2 = 0.10 * $191.3 MM (i.e. AOE Rate times Cumulative Cash Flow LESS AOE 1 compounded at 20% p.a. + 5% inflation) = $19.1 MM

6. Year 7: TA = -$60.6 MM * 1.30 + $220.0 MM - $10.6 MM - $19.1 MIV1 = $111.4 MM

7. Year 7: AOE 3 = 0.15 * $111.4 MM (i.e. AOE Rate times Cumulative Cash Flow - AOE 1 – AOE 2 compounded at 25% p.a. + 5% inflation) = $16.7 MM

8. Year 7: YA = -$110.8 MM * 1.35 + $220.0MM - $10.6 MM - $19.1 MM - $16.7 = $23.9 MM

9. Year 7: AOE 4 = 0.20 * $23.9 MM (i.e. AOE Rate times Cumulative Cash Flow - AOE 1 – AOE 2 – AOE 3 compounded at 30% p.a. + 5% inflation) = $4.8 MM

10. Year 14: ZA = -$4.4 MM* 1.45 + $25.0 MM - $1.3 MM - $2.4 MM - $3.2 - $3.6 MM = $8.2 MM

11. Year 14: AOE 5 = 0.25 * $8.2 MM (i.e. AOE Rate times Cumulative Cash Flow - AOE 1 – AOE 2 – AOE 3 – AOE 4 compounded at 40% p.a. + 5% inflation) = $2.0 MM

Exhibit 10.4

JOINT OPERATING AGREEMENT

BETWEEN

TULLOW GHANA LIMITED

SABRE OIL AND GAS LIMITED

And

KOSMOS ENERGY GHANA HC

THE DEEPWATER TANO CONTRACT AREA, OFFSHORE GHANA

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JOINT OPERATING AGREEMENT

THIS AGREEMENT, executed this 15th day of August 2006, is made as of the Effective Date among:

(1) **TULLOW GHANA LIMITED**, a company incorporated in Jersey, Channel Islands with its registered office at PO Box 532, Channel House, Green Street, St Helier, Jersey, Channel Islands, JE4 5LW; (hereinafter referred to as "Tullow");

(2) **SABRE OIL AND GAS LIMITED**, a company incorporated in Scotland with its registered office at 4 Rubislaw Place, Aberdeen, Scotland, AB 1XN (hereinafter referred to as "Sabre"); and

(3) **KOSMOS ENERGY GHANA HC**, a company duly organized and registered in the Cayman Islands with its registered office at P. O. Box 1350 GT, Clifton House, 75 Fort Street, George Town, Grand Cayman Cayman Islands (hereinafter referred to as "Kosmos").

WITNESSETH:

WHEREAS, Tullow, Sabre and Kosmos have entered into a Petroleum Agreement dated March 10 th 2006 with the Ghana National Petroleum Corporation

(hereinafter referred as "GNPC") and the government of the Republic of Ghana (hereinafter referred to as the "State") covering the Deepwater Tano Block, offshore Ghana; and

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

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

ARTICLE I — DEFINITIONS

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

1.1 **Accounting Procedure** means the rules, provisions and conditions set forth and contained in Exhibit A to this Agreement.

1.2 **AFE** means an authorization for expenditure pursuant to Article 6.6.

1.3 **Affiliate** means, in relation to any Party, a company, partnership, person, persons or other legal entity which controls, or is controlled by, or which is controlled by an entity which controls, a Party. Control means the ownership directly or indirectly of more than fifty percent (50%) of the voting rights in a company, partnership or legal entity.

1.4 **Agreed Interest Rate** means interest compounded on a monthly basis, at the rate per annum equal to the one (1) month term, London Interbank Offered Rate (LIBOR rate) for U.S. dollar deposits, as published by the Financial Times of London, plus three (3) percentage points applicable on the first Business Day prior to the due date of payment and thereafter on the first Business Day of each succeeding calendar month. If the aforesaid rate is contrary to any applicable usury law, the rate of interest to be charged shall be the maximum rate permitted by such applicable law.

1.5 **Agreement** means this agreement, together with the Exhibits attached to this agreement, and any extension, renewal or amendment hereof agreed to in writing by the Parties.

1.6 **Appraisal Well** means any well (other than an Exploration Well or a Development Well) whose purpose at the time of commencement of drilling such well is to appraise the extent or the volume of Hydrocarbon reserves contained in an existing Discovery.

1.7 **Barrel** means a quantity consisting of forty-two (42) United States gallons, corrected to a temperature of sixty (60) degrees Fahrenheit under one (1) atmosphere of pressure.

1.8 **Block** means the Deepwater Tano area offshore Ghana, being the Contract Area as defined by Article 1.14 of the Contract.

1.9 **Business Day** means a day on which the banks in London and New York are customarily open for business.

1.10 **Calendar Quarter** means a period of three (3) months commencing with January 1 and ending on the following March 31, a period of three (3) months commencing with April 1 and ending on the following June 30, a period of three (3) months commencing with July 1 and ending on the following September 30, or a period of three (3) months commencing with October 1 and ending on the following December 31 according to the Gregorian Calendar.

1.11 **Calendar Year** means a period of twelve (12) months commencing with January 1 and ending on the following December 31 according to the Gregorian Calendar.

1.12 **Cash Premium** means the payment made pursuant to Article 7.5(B) by a Non-Consenting Party to reinstate its rights to participate in an Exclusive Operation.

1.13 **Commercial Discovery** means any Discovery which the Contractor (as defined in the Contract) declares to be a Commercial Discovery pursuant to Article 8.8 of the Contract.

1.14 **Completion** means an operation intended to complete a well through the Christmas Tree (defined as a manifold or arrangement of pipe work connections and valves which is installed on the wellhead prior to production) as a producer of Hydrocarbons in one or more Zones, including, but not limited to, the setting of production casing, perforating, stimulating the well and production Testing conducted in such operation. **Complete** and other derivatives shall be construed accordingly.

1.15 **Consenting Party** means a Party who agrees to participate in and pay its share of the cost of an Exclusive Operation.

1.16 **Contract** means the Petroleum Agreement concluded between GNPC the State and the Parties identified in the recitals of this Agreement and any extension, renewal or amendment thereof agreed to in writing by the Parties and those law statutes, rules and regulations (including the Petroleum Law and the Petroleum Income Tax Law) with respect to the exploration, development and production of Hydrocarbons that govern such instrument or are incorporated by the terms of such instrument.

1.17 **Contract Area** has the meaning given in the Contract.

1.18 **Day** means a calendar day unless otherwise specifically provided.

1.19 **Default Notice** shall have the meaning ascribed in Article 8.1.

1.20 **Defaulting Party** shall have the meaning ascribed in Article 8.1.

1.21 **Deepening** means an operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the deepest Zone proposed in the original well proposal (in the approved work programme and budget) or in the associated AFE, whichever is the deeper. **Deepen** and other derivatives shall be construed accordingly.

1.22 **Development Plan** means a plan for the development of Hydrocarbons from an Exploitation Area.

1.23 **Development Well** means any well drilled for the production of Hydrocarbons pursuant to a Development Plan.

1.24 **Discovery** means the discovery of an accumulation of Hydrocarbons whose existence until that moment was unproven by drilling.

1.25 **Effective Date** means the date this Agreement comes into effect as stated in Article II.

1.26 **Entitlement** means a quantity of Hydrocarbons of which a Party has the right and obligation to take delivery pursuant to the Contract or, if applicable, an offtake agreement, and the terms of this Agreement, after adjustment for overlifts and underlifts.

1.27 **Exclusive Operation** means those operations and activities carried out pursuant to this Agreement, the costs of which are chargeable to the account of less than all the Parties.

1.28 **Exclusive Well** means a well drilled pursuant to an Exclusive Operation.

1.29 **Exploitation Area** means that part of the Contract Area which is established for development of a Commercial Discovery pursuant to the Contract or if the Contract does not establish an exploitation area, then that part of the Contract Area which is delineated as the exploitation area in a Development Plan approved as a Joint Operation or as an Exclusive Operation.

1.30 **Exploitation Period** means any and all periods of exploitation during which the production and removal of Hydrocarbons is permitted under the Contract.

1.31 **Exploration Period** means any and all periods of exploration set out in the Contract.

1.32 **Exploration Well** has the meaning given in the Contract.

1.33 **G & G Data** means only geological, geophysical and geochemical data and other similar information that is not obtained through a well bore.

1.34 **Government** means the Government of The Republic of Ghana, including any state or municipal government or authority within Ghana, and any political subdivision or agency or instrumentality thereof, including without limitation GNPC.

1.35 **Gross Negligence** means any act or failure to act (whether sole, joint concurrent) by any person or entity which was intended to cause, or which was in reckless disregard of or wanton indifference to, harmful consequences such person or entity knew, or should have known, such act or failure would have on the safety or property of another person or entity, but shall not include any error or judgement or mistake by any director employee, agent or contractor of such person or entity (including its Affiliates when acting for and on behalf of such person or entity) in the exercise, in good faith, of any function, authority or discretion conferred upon such person or entity.

1.36 **Hydrocarbons** means all substances including liquid and gaseous hydrocarbons which are subject to and covered by the Contract.

1.37 **Joint Account** means the accounts maintained by Operator in accordance with the provisions of this Agreement and of the Accounting Procedure for Joint Operations.

1.38 **Joint Management Committee or JMC** means the committee established pursuant to Article 6.1 of the Contract.

1.39 **Joint Operations** means those operations and activities carried out by Operator pursuant to this Agreement, the costs of which are chargeable to all Parties.

1.40 **Joint Property** means, at any point in time, all wells, facilities, equipment, materials, information, funds and the property held for use in Joint Operations.

1.41 **Minimum Work Obligations** means those work and/or expenditure obligations specified in the Contract which must be performed during the then current Contract phase or period in order to satisfy the obligations of the Contract.

1.42 **Non-Consenting Party** means a Party who elects not to participate in an Exclusive Operation.

1.43 **Non-Operator(s)** means the Party or Parties to this Agreement other than Operator.

1.44 **Operating Committee** means the committee constituted in accordance with Article V.

1.45 **Operator** means a Party to this Agreement designated as such in accordance with this Agreement.

1.46 **Participating Interest** means the undivided percentage interest of each Party in the rights and obligations derived from the Contract and this Agreement, but in each case without taking into account, or adjusting for, either the Initial Interest of GNPC or the Additional Interest (if any) of GNPC, as provided for in the Contract.

1.47 **Party** means any of the entities named in the first paragraph to this Agreement and any respective permitted successors or assigns and "Parties" means all of them.

1.48 **Petroleum Income Tax Law** means the Petroleum Income Tax Law, 1987 (PNDCL 188).

1.49 **Petroleum Law** means the Petroleum (Exploration and Production) Law, 1984 (PNDCL 84).

1.50 **Plugging Back** means a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone. Plug Back and other derivatives shall be construed accordingly.

1.51 **Production Period** means any and all periods of exploitation during which the production and removal of Hydrocarbons is permitted under the Contract.

1.52 **Recompletion** means an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore. **Recomplete** and other derivatives shall be construed accordingly.

1.53 **Reworking** means an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but are not limited to well stimulation operations, but exclude any routine repair or maintenance work, or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well. **Rework** and other derivatives shall be construed accordingly.

1.54 **Senior Supervisory Personnel** means with respect to a Party, any individual who functions as such Party's designated manager, responsible for or in charge of installations or facilities, onsite drilling, construction or production and related operations, or any other field operations) and any individual who functions for such Party or one of its Affiliates at a management level equivalent to or superior to that described, or any officer or director of such Party or one of its Affiliates.

In the case of drilling operations, such individual will be the person who coordinates and manages the drilling operations and related services from the shore.

1.55 **Sidetracking** means the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or to drill around junk in the hole or to overcome other mechanical difficulties. **Sidetrack** and other derivatives shall be construed accordingly.

1.56 **Testing** means an operation intended to evaluate the capacity of a Zone to produce Hydrocarbons. Test and other derivatives shall be construed accordingly.

1.57 **Work Program and Budget** means a work program for Joint Operations and budget therefor as described and approved in accordance with Article VI.

1.58 **Zone** means a stratum of earth containing or thought to contain an accumulation of Hydrocarbons separately producible from any other accumulation of Hydrocarbons.

ARTICLE II — EFFECTIVE DATE AND TERM

2.1 This Agreement shall be effective as of the Effective Date of the Contract, as defined therein, and shall continue in effect until the Contract terminates and all materials, equipment and personal property used in connection with the Joint Operations have been removed and disposed of, and final settlement has been made among the Parties.

Notwithstanding the preceding sentence:

(A) Article X shall remain in effect until all wells have been properly abandoned; and

(B) Article 4.5 and Article XVIII shall remain in effect until all obligations, claims, arbitrations and lawsuits have been settled or otherwise resolved.

Termination of this Agreement shall not relieve any Party from liabilities which have accrued or been incurred prior to the date of termination.

ARTICLE III — SCOPE

3.1 Scope

(A) The purpose of this Agreement is to establish the respective rights and obligations of the Parties with regard to operations under the Contract, including without limitation the joint exploration, appraisal, development and production of Hydrocarbon reserves from the Contract Area.

(B) Without limiting the generality of Article 3.1(A), the following activities are outside of the scope of this Agreement and are not addressed herein:

(1) Construction, operation, maintenance, repair and removal of facilities downstream from the point of delivery of the Parties' shares of Hydrocarbons under the offtake agreement provided for an Article 9.2;

(2) Transportation of Hydrocarbons beyond the point of delivery of the Parties' shares of Hydrocarbons under the offtake agreement provided for in Article 9.2;

(3) Marketing and sales of Hydrocarbons, except as expressly provided in Articles 7.5, 7.11(E) and 8.4 and in Article IX;

(4) Acquisition of rights to explore for, appraise, develop or produce Hydrocarbons outside of the Contract Area (other than as a consequence of unitization with an adjoining contract area under the terms of the Contract); and

(5) Exploration, appraisal, development or production of minerals other than Hydrocarbons, whether inside or outside of the Contract Area.

(6) Financing raised by any Party for its share of the cost of Joint Operations

3.2 Participating Interests

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

Tullow	55.5%
Sabre	4.5%
Kosmos	40.0%

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

(C) The Parties recognise the rights of GNPC under Article 2.4 of the Contract pursuant to which GNPC has a ten percent (10%) participating interest in all petroleum operations under the Contract, and under Article 2.5 of the contract pursuant to which GNPC has a right to acquire an additional five percent (5%) participating interest in all petroleum operations under the Contract.

3.3 Ownership, Obligations and Liabilities

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

(B) Unless otherwise provided in this Agreement, the obligations the Parties under the Contract and all liabilities and expenses incurred by Operator in connection with Joint Operations shall be charged to the Joint Account and all credits to the Joint Account shall be shared by the Parties, as among themselves, in accordance with their respective Participating Interests.

(C) Each Part shall pay when due, in accordance with the Accounting Procedure, its Participating Interest share of Joint Account expenses, including cash advances and interest, accrued pursuant to this Agreement. The Parties agree that time is of the essence for payments owing under this Agreement. A Party's payment of any charge under this Agreement shall be without prejudice to its right to later contest the charge.

3.4 GNPC Additional Interest

If GNPC elects to acquire an Additional Interest as contemplated in Article 3.2 (c) and as defined in the Contract, pursuant to Article 2.5 of the Contract, the Parties shall contribute, in proportion to their respective Participating Interests, to the Additional Interest to be acquired by GNPC and shall execute such documents as may be necessary to effect such transfers of interests. All payments received for the acquisition of such interests shall be credited to the Parties (other than GNPC in the event that GNPC becomes a party to this Agreement) in proportion to their Participating Interests.

ARTICLE IV — OPERATOR

4.1 Designation of Operator

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

4.2 Rights and Duties of Operator

(A) Subject to the terms and conditions of this Agreement, Operator shall have all of the rights, functions and duties of Operator under the Contract and shall have exclusive charge of and shall conduct all Joint Operations. Operator may employ independent contractors and/or agents (which may include Affiliates of Operator) in such Joint Operations.

(B) In the conduct of Joint Operations, Operator shall:

(1) Perform Joint Operations in accordance with the provisions of the Contract, this Agreement and the instructions of the Operating Committee not in conflict with this Agreement;

(2) Conduct all Joint Operations in a diligent, safe and efficient manner in accordance with good and prudent oil field practices and conservation principles generally followed by the international petroleum industry under similar circumstances;

(3) Subject to Article 4.6 and the Accounting Procedure, either gain a profit nor suffer a loss as a result of being the Operator in its conduct of Joint Operations, provided that Operator may rely upon Operating Committee approval of specific accounting practices not in conflict with the Accounting Procedure;

(4) Perform the duties for the Operating Committee set out in Article V, and prepare and submit to the Operating Committee the proposed Work Programs, Budgets and AFEs as provided in Article VI;

(5) Acquire all permits, consents, approvals, surface or other rights that may be required for or in connection with the conduct of Joint Operations;

(6) Upon receipt of reasonable advance notice, permit the representatives of any of the Parties to have at all reasonable times and at their own risk and expense reasonable access to the Joint Operations with the right to observe all such Joint Operations and to inspect all Joint Property and to conduct financial audits as provided in the Accounting Procedure;

(7) Maintain the Contract in full force and effect to the full extent possible in accordance with such good and prudent petroleum industry practices as are generally followed by operators in the international petroleum industry under similar circumstances. Operator shall, in a timely manner promptly pay and discharge all liabilities and expenses incurred in connection with Joint Operations and use its reasonable efforts to keep and maintain the Joint Property free from all liens, charges and encumbrances arising out of Joint Operations;

(8) Pay to the Government for the Joint Account, within the periods and in the manner prescribed by the Contract and all applicable laws and regulations, including the Petroleum Law, all periodic payments, royalties, taxes, fees and other payments pertaining to Joint Operations, but excluding any taxes measured by the incomes of the Parties;

(9) Carry out the obligations of Operator pursuant to the Contract, including, but not limited to, preparing and furnishing such reports, records and information as may be required pursuant to the Contract;

(10) Have in accordance with the decisions of the Operating Committee, the exclusive right and obligation to represent the Parties in all dealings with the Government with respect to matters arising under the Contract and Joint Operations, provided always that the Contractor as defined in the Contract shall be entitled to appoint up to four representatives on the Joint Management Committee as defined in Article 6.1 of the Contract. Operator shall notify the other Parties as soon as possible of such meetings. Non-Operators shall have the right to attend such meetings but only in the capacity of observers except where one of their representatives has been appointed by the Contractor as a representative of the Contractor on the Joint Management Committee. Nothing contained in this Agreement shall restrict any Party from holding discussions with the Government or with GNPC with respect to any issue peculiar to its particular business interests arising under the Contract or this Agreement, but in such event such Party shall promptly advise the Parties, if possible, before and in any event promptly after such discussions, provided that such Party shall not be required to divulge to the Parties any matters discussed to the extent the same involve proprietary information on matters not affecting the Parties;

(11) Take all necessary and proper measures for the protection of life, health, the environment and property; provided, however, that in the case of an emergency, Operator shall immediately notify the Parties of the details of such emergency and measures; and

(12) Include, to the extent practical, in its contracts with independent contractors and to the extent lawful, provisions which:

(a) establish that such contractors can only enforce their contracts against Operator;

(b) permit Operator, on behalf of itself and Non-Operators, to enforce contractual indemnities against, and recover losses and damages suffered by them (insofar as recovered under their contracts) from, such contractors; and

(c) require such contractors to take insurance required by Article 4.7 (F).

4.3 Employees of Operator

Subject to the Contract and this Agreement, Operator shall determine the number of employees, the selection of such employees, the hours of work and the compensation to be paid all such employees in connection with Joint Operations. Operator shall employ only such employees, agents and contractors as required by good oil field practice and as are reasonably necessary to conduct Joint Operations.

4.4 Information Supplied by Operator

(A) Operator shall provide Non-Operators the following data and reports as they are currently produced or compiled from the Joint Operations:

(1) Copies of all logs or surveys;

(2) Daily drilling progress reports;

(3) Copies of all Tests and core analysis reports;

(4) Copies of the plugging reports;

(5) Copies of the final geological and geophysical maps and reports;

(6) Engineering studies, development schedules and annual progress reports on development projects;

(7) Field and well performance reports, including reservoir studies and reserve estimates;

(8) Copies of all reports relating to Joint Operations furnished by Operator to the Government or GNPC as the case may be, except magnetic tapes which shall be stored by Operator and made available for inspection and/or copying at the sole expense of the Non-Operator requesting same;

(9) Other reports as frequently as is justified by the activities or as instructed by the Operating Committee; and

(10) Subject to Article 15.3, such additional information for Non-Operators as they or any of them may request, provided that the requesting Party or Parties pay the costs of preparation of such information and that the preparation of such information will not

unduly burden Operator's administrative and technical personnel. Only Non-Operators who pay such costs shall receive such additional information.

(B) Operator shall give Non-Operators access at all reasonable times to all other data acquired in the conduct of Joint Operations. Any Non-Operator may make copies of such other data at its sole expense.

4.5 Settlement of Claims and Lawsuits

(A) Operator shall promptly notify the Parties of any and all material claims or suits and such other claims and suits as the Operating Committee may direct which arise out of Joint operations or relate in any way to Joint Operations. Operator shall represent the Parties and defend or oppose the claim or suit. Operator may in its sole discretion compromise or settle any such claim or suit or any related series of claims or suits for an amount not to exceed the equivalent of U.S. dollars five hundred thousand (U.S. $500,000) exclusive of legal fees. Operator shall obtain the approval and direction of the Operating Committee on amounts in excess of the above stated amount. Each Non-Operator shall have the right to be represented by its own counsel at its own expense in the settlement, compromise or defense of such claims or suits.

(B) Any Non-Operator shall promptly notify the other Parties of any claim made against such Non-Operator by a third party which arises out of or may affect the Joint Operations, and such Non-Operator shall defend or settle the same in accordance with any directions given by the Operating Committee. Those costs, expenses and damages incurred pursuant to such defense or settlement which are attributable to Joint Operations shall be for the Joint Account.

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

4.6 Limitation on Liability of Operator

(A) EXCEPT AS SET OUT IN THIS ARTICLE 4.6 NEITHER THE PARTY DESIGNATED AS OPERATOR NOR ANY OTHER INDEMNITEE (AS DEFINED BELOW) SHALL BEAR (EXCEPT AS A PARTY TO THE EXTENT OF ITS PARTICIPATING INTEREST SHARE) ANY DAMAGE, LOSS, COST, EXPENSE OR LIABILITY RESULTING FROM PERFORMING (OR FAILING TO PERFORM) THE DUTIES AND FUNCTIONS OF THE OPERATOR, AND THE INDEMNITEES ARE HEREBY RELEASED FROM LIABILITY TO NON-OPERATORS FOR ANY AND ALL DAMAGES, LOSSES, COSTS, EXPENSES AND LIABILITIES ARISING OUT OF, INCIDENT TO OR RESULTING FROM SUCH PERFORMANCE OR FAILURE TO PERFORM. EVEN THOUGH CAUSED IN WHOLE OR IN PART BY A PRE-EXISTING DEFECT, THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT), GROSS NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL FAULT OF OPERATOR (OR ANY SUCH INDEMNITEE).

(B) EXCEPT AS SET OUT IN THIS ARTICLE 4.6, THE PARTIES SHALL IN PROPORTION TO THEIR PARTICIPATING INTERESTS DEFEND AND INDEMNIFY OPERATOR AND ITS AFFILIATES, AND THE OFFICERS AND DIRECTORS OF BOTH (COLLECTIVELY, THE "INDEMNITEES"), FROM ANY AND ALL DAMAGES, LOSSES, COSTS, EXPENSES (INCLUDING REASONABLE LEGAL COSTS, EXPENSES AND ATTORNEYS' FEES) AND LIABILITIES INCIDENT TO CLAIMS, DEMANDS OR CASES OF ACTION BROUGHT BY OR ON BEHALF OF ANY PERSON OR ENTITY, WHICH CLAIMS, DEMANDS OR CAUSES OF ACTION ARISE OUT OF ARE INCIDENT TO OR RESULT FROM JOINT OPERATIONS EVEN THOUGH CAUSED IN WHOLE OR IN PART BY A PRE-EXISTING DEFECT, THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT), GROSS NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL FAULT OF OPERATOR (OR ANY SUCH INDEMNITEE).

(C) Nothing in this Article 4.6 shall be deemed to relieve the Party designated as Operator from its Participating Interest share of any damage, loss, cost, expense or liability arising out of, incident to or resulting from Joint Operations.

(D) Notwithstanding the foregoing provisions of this Article 4.6, but subject to Article 4.6 (E), Operator shall be liable to Non-Operators for any damage, loss, cost, expense or liability, caused by the Gross Negligence of its Senior Supervisory Personnel.

(E) NOTWITHSTANDING THE FOREGOING, UNDER NO CIRCUMSTANCES SHALL ANY INDEMNITEE (EXCEPT AS A PARTY TO THE EXTENT OF ITS PARTICIPATING INTEREST) BEAR ANY DAMAGES, LOSS, COST, EXPENSE OR LIABILITY FOR ENVIRONMENTAL, CONSEQUENTIAL, PUNITIVE OR ANY OTHER SIMILAR INDIRECT DAMAGES OR LOSSES, INCLUDING BUT NOT LIMITED TO THOSE ARISING FROM BUSINESS INTERRUPTION, RESERVOIR OR FORMATION DAMAGE, INABILITY TO PRODUCE HYDROCARBONS, LOSS OF PROFITS, POLLUTION CONTROL AND ENVIRONMENTAL AMELIORATION OR REHABILITATION.

4.7 Insurance Obtained by Operator

(A) Operator shall procure and maintain or cause to be procured an maintained for the Joint Account all insurance in the types and amounts required by the Contract and applicable laws, rules and regulations.

(B) Operator shall obtain such further insurance, at competitive rates, as the Operating Committee may from time to time require.

(C) Any Party may elect not to participate in the insurance to be procured under Article 4.7(B) provided such Party:

(1) gives prompt notice to that effect to Operator;

(2) does nothing which may interfere with Operator's negotiations for such insurance for the other Parties; and

(3) obtains and maintains such insurance (in respect of which an annual certificate of adequate coverage from a reputable insurance broker shall be sufficient evidence) or other evidence of financial responsibility which fully covers its Participating Interest share of the risks that would be covered by the insurance procured under Article 4.7 (B), and which the Operating Committee may determine to be acceptable. No such determination of acceptability shall in any way absolve a non-participating Party from its obligation to meet each cash call including any cash call in respect of damages and losses and/or the costs of remedying the same in accordance with the terms of this Agreement. If such Party obtains other insurance, such insurance shall contain a waiver of subrogation in favor of all the other Parties, the Operator and their insurers but only in respect of their interests under this Agreement.

(D) The cost of insurance in which all the Parties are participating shall be for the Joint Account and the cost of insurance in which less than all the Parties are participating shall be charged to the Parties participating in proportion to their respective Participating Interests.

(E) Operator shall, in respect of all insurance obtained pursuant to this Article 4.7:

(1) promptly inform the participating Parties when such insurance is obtained and supply them with certificates of insurance or copies of the relevant policies when the same are issued;

(2) arrange for the participating Parties, according to their respective Participating Interests, to be named as co-insureds on the relevant policies with waivers of subrogation in favor of all the Parties; and

(3) duly file all claims and take all necessary and proper steps to collect any proceeds and credit any proceeds to the participating Parties in proportion to their respective Participating Interests.

(F) Operator shall use its reasonable efforts to require all contractors performing work in respect of Joint Operations to obtain and maintain any and all insurance in the types and amounts required by any applicable laws, rules and regulations or any decision of the Operating Committee and shall use its reasonable efforts to require all such contractors to name the Parties as additional insureds on such contractors' insurance policies or to obtain from their insurers waivers of all rights of recourse against Operator, Non-Operators and their insurers.

4.8 Commingling of Funds

Operator may commingle with its own funds the monies which Operator receives from or for the Joint Account pursuant to this Agreement. Notwithstanding that monies of a Non-Operator have been commingled with Operator's funds, the Operator shall account to the Non-Operators for the monies of a Non-Operator advanced or paid to Operator, whether for the conduct of Joint Operations or as proceeds from the sale of production under this Agreement. Such monies shall be applied only to their intended use and shall in no way be deemed to be funds belonging to Operator.

4.9 Resignation of Operator

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

4.10 Removal of Operator

(A) Subject to Article 4.11, Operator shall be removed upon receipt of notice from any Non-Operator if:

(1) An order is made by a court or an effective resolution is passed for the reorganization under any bankruptcy law, dissolution, liquidation, or winding up of Operator;

(2) Operator dissolves, liquidates, is wound up, or otherwise terminates its existence;

(3) Operator becomes insolvent, bankrupt or makes an assignment for the benefit of creditors; or

(4) A receiver is appointed for a substantial part of Operator assets.

(B) Subject to Article 4.11, Operator may be removed by the decision of the Non-Operators if Operator has committed a material breach of this Agreement and has either failed to commence to cure that breach within thirty (30) Days of receipt of a notice from Non-Operators detailing the alleged breach or failed to diligently pursue the cure to completion. Any decision of Non-Operators to give notice of breach to Operator or to remove Operator under this Article 4.10(B) shall be made by an affirmative vote of Non-Operators holding a combined Participating Interest of at least sixty seven percent (67%) of the Participating Interests of the Non-Operators.

(C) If Operator together with any Affiliate of Operator becomes the holder of a Participating Interest of less than ten per cent (10%), then, provided that there is a Non-Operator acceptable to the Government, and to GNPC, as successor Operator which together with its Affiliates at that time holds a Participating Interest of not

less than twenty percent (20%), Operator shall be required to promptly notify the other Parties. The Operating Committee shall then vote within thirty (30) Days of such notification on whether or not a successor Operator should be named pursuant to Article 4.11.

4.11 Appointment of Successor

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

(A) The Operating Committee shall meet as soon as possible to appoint a successor Operator pursuant to the voting procedure of Article 5.9. However, no Party may be appointed successor Operator against its will.

(B) If the Operator disputes commission of or failure to rectify a material breach alleged pursuant to Article 4.10(B) and proceedings are initiated pursuant to Article XVIII, no successor Operator may be appointed pending the conclusion or abandonment of such proceedings, subject to the terms of Article 8.3 with respect to Operator's breach of its payment obligations.

(C) If an Operator is removed, other than in the case of Article 4.10.(C), neither Operator nor any Affiliate of Operator shall have the right to vote for itself on the appointment of a successor Operator, nor be considered as a candidate for the successor Operator.

(D) A resigning, or removed Operator shall be compensated out of the Joint Account for its reasonable expenses directly related to its resignation or removal, except in the case of Article 4.10(B).

(E) The resigning or removed Operator and the successor Operator shall arrange for the taking of an inventory of all Joint Property and Hydrocarbons, and an audit of the books and records of the removed Operator. Such inventory and audit shall be completed, if possible, no later than the effective date of the change of Operator and shall be subject to the approval of the Operating Committee. The liabilities and expenses of such inventory and audit shall be charged to the Joint Account.

(F) The resignation or removal of Operator and its replacement by the successor Operator shall not become effective prior to receipt of any necessary Government approvals.

(G) Upon the effective dale of the resignation or removal, the successor Operator shall succeed to all duties, rights and authority prescribed for Operator. The former Operator shall transfer to the successor Operator custody of all Joint Property, books of account records and other documents maintained by Operator pertaining to the Contract Area and to Joint Operations. Upon delivery of the above-described property and data, the former Operator shall be released and discharged from all obligations and liabilities as Operator accruing after such date.

ARTICLE V — OPERATING COMMITTEE

5.1 Establishment of Operating Committee

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

5.2 Powers and Duties of Operating Committee

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

5.3 Authority to Vote

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

5.4 Subcommittees

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

5.5 Notice of Meeting

(A) Operator may call a meeting of the Operating Committee by giving notice to the Parties at least fifteen (15) Days in advance of such meeting.

(B) Operator shall call a meeting of the Operating Committee at least once a year. Any Non-Operator may request a meeting of the Operating Committee by giving notice to all the other Parties. Upon receiving such request, Operator shall call such meeting for a date not less than fifteen (15) Days nor more than twenty (20) Days after receipt of the request.

(C) The notice periods above may only be waived with the unanimous consent of all the Parties.

5.6 Contents of Meeting Notice

(A) Each notice of a meeting of the Operating Committee as provided by Operator shall contain:

(1) The date, time and location of the meeting; and

(2) An agenda of the matters and proposals to be considered and/or voted upon.

(B) A Party, by notice to the other Parties given not less than seven (7) Days prior to a meeting, may add additional matters to the agenda for a meeting.

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

5.7 Location of Meetings

All meetings of the Operating Committee shall be held in the Operator's offices in London, England or Dublin, Ireland or elsewhere as may be decided by the Operating Committee.

5.8 Operator's Duties for Meetings

(A) With respect to meetings of the Operating Committee and any subcommittee, Operator's duties shall include, but not be limited to:

(1) Timely preparation and distribution of the agenda;

(2) Organization and conduct of the meeting; and

(3) Preparation of a written record or minutes of each meeting.

(B) Operator shall have the right to appoint the chairman of the Operating Committee and all subcommittees.

5.9 Voting Procedure

Except as otherwise expressly provided in this Agreement all decisions, approvals and other actions of the Operating Committee on all proposals coming before it shall be

decided by the affirmative vote of two (2) or more Parties then having collectively more than sixty-six percent (66%) of the Participating Interests. For the purposes of this Article 5.9, any Party which is an Affiliate of a Party shall count as one Party with its Affiliates.

Notwithstanding the above, subject always to the rights contained in Article 7 for operations by less than all the Parties, agreement to any amendment or to termination of the Contract shall require the unanimous affirmative vote of all Parties.

5.10 Record of Votes

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

5.11 Minutes

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

5.12 Voting by Notice

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

(1) twenty four (24) hours in the case of operations which involve the use of a drilling rig that is standing by in the Contract Area.

(2) fifteen (15) Days in the case of all other proposals.

(B) Except in the case of Article 5.12(A)(1), any Non-Operator may by notice delivered to all Parties within seven (7) Days of receipt of Operator's notice request that the proposal be decided at a meeting rather than by notice. In such an event, that proposal shall be decided at a meeting duly called for that purpose.

(C) Except as provided in Article X, any Party failing to communicate its vote in a timely manner shall be deemed to have voted against such proposal.

(D) If a meeting is not requested, then at the expiration of the appropriate time period, Operator shall give each Party a confirmation notice stating the tabulation and results of the vote.

5.13 Effect of Vote

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

(A) If pursuant to this Article V, a Joint Operation, other than an operation to fulfill the Minimum Work Obligations, has been properly proposed to the Operating Committee and the Operating Committee has not approved such proposal in a timely manner, then any Party shall have the right for the appropriate period specified below to propose in accordance with Article VII, an Exclusive Operation involving operations essentially the same as those proposed for such Joint Operation.

(1) For proposals involving the use of a drilling rig that is standing by in the Contract Area, such right shall be exercisable for twenty-four (24) hours after the time specified in Article 5.12(A)(1) has expired or after receipt of Operator's notice given pursuant to Article 5.13(D), as applicable.

(2) For proposals to develop a Discovery, such right shall be exercisable for twenty (20) Days after the date the Operating Committee was required to consider such proposal pursuant to Article 5.6 or Article 5.12;

(3) For all other proposals, such right shall be exercisable for five (5) Days after the date the Operating Committee was required to consider such proposal pursuant to Article 5.6 or Article 5.12.

(B) If a Party voted against any proposal which was approved by the Operating Committee and which could be conducted as an Exclusive Operation pursuant to Article VII, other than any proposal relating to Minimum Work Obligations, then such Party shall have the right not to participate in the operation contemplated by such approval. Any such Party wishing to exercise its right or non-consent must give notice of non-consent to all other Parties within five (5) Days (or within twenty-four (24) hours if the drilling rig to be used in such operation is standing by in the Contract Area) following Operating Committee approval of such proposal. The Parties that were not entitled to give or did not give notice of non-consent shall be Consenting Parties as to the operation contemplated by the Operating Committee approval, and shall conduct such operation as an Exclusive Operation under Article VII. Any Party that gave notice of non-consent shall be a Non-Consenting Party as to such Exclusive Operation.

(C) If the Consenting Parties to an Exclusive Operation under Article 5.13(A) or Article 5.13(B) concur, then the Operating Committee may, at any time, pursuant to this Article V, reconsider and approve, decide or take action on any proposal that the Operating Committee declined to approve earlier, or modify revoke an earlier approval, decision or action.

(D) Once a Joint Operation for the drilling, Deepening, Testing, Sidetracking, Plugging Back, Completing, Recompleting, Reworking or plugging of a well, has been approved and commenced, such operation shall not be discontinued without the consent of the Operating Committee; provided, however, that such operation may be discontinued, if:

(1) an impenetrable substance or other condition in the hole is encountered which in the reasonable judgment of Operator causes the continuation of such operation to be impractical; or

(2) other circumstances occur which in the reasonable judgment of Operator cause the continuation of such operation to be unwarranted and after notice the Operating Committee within the period required under Article 5.12(A)(1) approves discontinuing such operation.

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

5.14 Management Committee Participation

(A) Subject to the following provisions of this Article 5.14, each Party shall appoint one representative to serve as a member of the Joint Management Committee in accordance with Article 6.2 of the Contract.

(B) In the event that there are fewer Parties to this Agreement than the number of Contractor representatives on the Joint Management Committee provided for in the Contract, the Operator shall, in addition to any representatives appointed by the Non-Operators in accordance with this Article 5.14, appoint such representatives as the Operator may in its absolute discretion select to serve on the Joint Management Committee in accordance with Article 6.2 of the Contract.

(C) In the event that there are more than four (4) Parties to this Agreement:

1) the Parties with the four (4) greatest Participating interests; or

2) if the Operator is not one of such four Parties, the Operator and the three other Parties with the greatest Participating Interests, shall each appoint one

representative to serve on the Joint Management Committee in accordance with Article 6.2 of the Contract (and this Article 5.14 shall apply mutatis mutandis in the event that the Contract provides for any number of Contractor representatives on the Joint Management Committee other than for (4).

(D) The Joint Management Committee representative(s) appointed by the Operator shall have the sole rights to exercise all voting rights of the Contractor on the Joint Management Committee under Article 6 of the Contract and shall exercise such voting rights in accordance with the prior decisions of the Operating Committee.

(E) At meetings of the Joint Management Committee, the representatives of any Non-Operator shall not vote and shall not seek or request any decision of the Joint Management Committee which is contrary to any prior decision of the Operating Committee.

ARTICLE VI — WORK PROGRAMS AND BUDGETS

6.1 Exploration and Appraisal

(A) Not less than sixty (60) days prior to each date on which a Work Program and Budget is required to be submitted to the Joint Management Committee pursuant to clause 6.4 of the Contract, Operator shall deliver to the Parties a proposed Work Program and Budget detailing the Joint Operations to be performed for the relevant Calendar Year. Within thirty (30) Days of such delivery, the Operating Committee shall meet to consider and to endeavour to agree on a Work Program and Budget.

(B) If a Discovery is made, Operator shall deliver any notice of Discovery required under the Contract and shall as soon as possible submit to the Parties a report containing available details concerning the Discovery and Operator's recommendation as to whether the Discovery merits appraisal. If the Operating Committee determines that the Discovery merits appraisal, Operator within sixty (60) Days, shall deliver to the Parties a proposed Work Program and Budget for the appraisal of the Discovery. Within thirty (30) Days of such delivery, or earlier if necessary to meet any applicable deadline under the Contract, the Operating Committee shall meet to consider, modify and then either approve or reject the appraisal Work Program and Budget. If the appraisal Work Program and Budget is approved by the Operating Committee, Operator shall take such steps as may be required under the Contract to secure approval of the appraisal Work Program and Budget by the Government. In the event the Government requires changes in the appraisal Work Program and Budget, the matter shall be resubmitted to the Operating Committee for further consideration.

(C) The Work Program and Budget agreed pursuant to this Article 6.1 shall include the Minimum Work Obligations, or at least that part of such Minimum Work Obligations required to be carried out during the Calendar Year in question under

the terms of the Contract. If within the time periods prescribed in this Article 6.1 the Operating Committee is unable to agree on such a Work Program and Budget, then the proposal capable of satisfying the Minimum Work Obligations for the Calendar Year in question that receives the largest Participating Interest vote (even if less that the applicable percentage under Article 5.9) shall be deemed adopted as part of the annual Work Program and Budget. If competing proposals receive equal votes, then Operator shall choose between those competing proposals PROVIDED THAT any portion of a Work Program and Budget adopted pursuant to this Article 6.1(C) instead of Article 5.9 shall include only such operations for the Joint Account as are necessary to maintain the Contract in full force and effect, including such operations as are necessary to fulfill the Minimum Work Obligations required for the given Calendar Year.

(D) Any approved Work Program and Budget may be revised by the Operating Committee from time to time. To the extent such revisions are approved by the Operating Committee, the Work Program and Budget shall be amended accordingly. The Operator shall prepare and submit a corresponding work program and budget amendment to the Government if required by the terms of the Contract.

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

(1) an Exploration Well, whether by Drilling, Deepening or Sidetracking, shall include approval for all expenditures necessary for drilling, Deepening or Sidetracking, as applicable, and Testing and Completing such Exploration Well.

(2) an Appraisal Well, whether by drilling, Deepening or Sidetracking, shall include approval for all expenditures necessary for drilling, Deepening or Sidetracking, as applicable, and Testing and Completing such Appraisal Well.

(G) Any Party desiring to propose a Completion attempt, or an alternative Completion attempt, must do so within the time period provided in Article 5.12(A)(1) by notifying all other Parties. Any such proposal shall include an AFE for such Completion costs.

6.2 Development

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

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

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

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

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

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

(C) If the Development Plan is approved, such work shall be incorporated into and form part of annual Work Programs and Budgets, and Operator shall endeavor to agree to such Work Program and Budget, including any necessary or appropriate revisions to the Work Program and Budget for the approved Development Pan.

6.3 Production

On or before the 1st Day of October of each Calendar Year, Operator shall deliver to the Parties a proposed production Work Program and Budget detailing the Joint Operations to be performed in the Exploitation Area and the projected production schedule for the following Calendar Year. Within thirty (30) Days of such delivery, the Operating Committee shall agree upon a production Work Program and Budget.

6.4 Itemization of Expenditures

(A) During the preparation of the proposed Work Programs and Budgets and Development Plans contemplated in this Article VI, Operator shall consult with the Operating Committee or the appropriate subcommittees regarding the contents of such Work Programs and Budgets and Development Plans.

(B) Each Work Program and Budget and Development Plan submitted by Operator shall contain at itemized estimate of the costs of Joint Operations and all other expenditures to be made for the Joint Account during the Calendar Year in question and shall, *inter alia:*

(1) identify each work category in sufficient detail to afford the ready identification of the nature, scope and duration of the activity in question;

(2) include such reasonable information regarding Operator's allocation procedures and estimated manpower costs as the Operating Committee may determine;

(3) comply with the requirements of the Contract; and

(4) contain an estimate of funds to be expended by Calendar Quarter.

(C) The Work Program and Budget shall designate the portion or portions of the Contract Area in which Joint Operations itemized in such Work Program and Budget are to be conducted and shall specify the kind and extent of such operations in such detail as the Operating Committee may deem suitable.

6.5 Contract Awards

Operator shall award each contract for approved Joint Operations on the following basis (the amounts stated are in thousands of U.S. dollars):

	Procedure A	Procedure B	Procedure C
Exploration and Appraisal Operations	$0 to $400,000	>$400,000 - $2,499,999	>$2,500,000
Development Operations	$0 to $750,000	>$750,000 - $2,499,999	>$2,500,000
Production Operations	$0 to $400,000	>$400,000 - $2,499,999	>$2,500,000

Procedure (A)

Operator shall award the contract to the best qualified contractor as determined by cost and ability to perform the contract without the obligation to tender and without informing or seeking the approval of the Operating Committee (other than to an Affiliate in which event Operator shall obtain the approval of the Operating Committee for any contract in excess of $200,000).

Procedure (B)

Operator shall:

(1) Provide the Parties with a list of the entities whom Operator proposes to invite to tender for the said contract;

(2) Add to such list any entity whom a Party requests to be added within ten (10) Business Days of receipt of such list;

(3) Complete the tendering process within a reasonable period of time;

(4) Inform the Parties of the entities to whom the contract has been awarded, provided that before awarding Contracts to Affiliates of the Operator which exceed U.S. dollars two hundred thousand (US$200,000), Operator shall obtain the approval of the Operating Committee.

(5) Circulate to the Parties a competitive bid analysis stating the reasons for the choice made; and

(6) Upon the request of a Party, provide such Party with a copy of the final version of the contract awarded.

Procedure (C)

Operator shall:

(1) Provide the Parties with a list of the entities whom Operator proposes to invite to tender for the said contract;

(2) Add to such list any entity whom a Party requests to be added within ten (10) Business Days of receipt of such list;

(3) Prepare and dispatch the tender documents to the entities on the list as aforesaid and to Non-Operators;

(4) After the expiration of the period allowed for tendering, consider and analyse the details of all bids received;

(5) Prepare and circulate to the Parties a competitive bid analysis, stating Operator's recommendation as to the entity to whom the contract should be awarded, the reasons therefore, and the technical commercial and contractual terms to be agreed upon;

(6) Obtain the approval of the Operating Committee to the recommended bid; and

(7) Upon the request of a Party, provide such Party with a copy of the final version of the contract.

Notwithstanding any of the procedures outlined above, in the event that the Operator wishes to make a sole source award, that is to say an award in circumstances where no alternative quotation has been obtained, it shall first obtain the approval of the Operating Committee where the amount involved exceeds one hundred and fifty thousand U.S. dollars (US$150,000).

6.6 Authorization for Expenditure ("AFE") Procedure

(A) Prior to incurring any commitment or expenditure for the Joint Account, the Operator will issue an AFE for items of a capital nature and for workovers, where the individual item value is in excess of One Hundred U.S. dollars (U.S.$100,000).

The above will apply to exploration or appraisal, development and production Work Programs and Budgets. Notwithstanding the above, Operator shall not be obliged to furnish an AFE to the Parties with respect to any Minimum Work Obligations, workovers of wells and general and administrative costs that are listed as separate line items in an approved Work Program and Budget.

(B) All AFEs shall be for informational purposes only. Approval of an operation in the current Work Program and Budget shall authorise Operator to conduct the operation (subject to Article 6.7) without further authorisation from the Operating Committee.

6.7 Overexpenditures of Work Programs and Budgets

(A) For expenditures on any line item of an approved Work Program and Budget, Operator shall be entitled to incur without further approve of the Operating Committee an overexpenditure for such line item up to ten percent (10%) of the authorized amount for such line item; provided that the cumulative total of all overexpenditures for a Calendar Year shall not exceed five percent (5%) of the total Work Program and Budget in question.

(B) At such time that Operator is certain that the limits of Article 6.7(A) will be exceeded, Operator shall furnish a supplemental AFE for the estimated overexpenditures to the Operating Committee and shall provide the Parties with full details of such overexpenditures. Operator shall promptly give notice of the amounts of overexpenditures when actually incurred.

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

ARTICLE VII — OPERATIONS BY LESS THAN ALL PARTIES

7.1 Limitation on Applicability

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

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

(C) Except for Exclusive Operations relating to Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompletions or Reworking of a well originally drilled to fulfill the Minimum Work Obligations, no Exclusive Operations may be proposed or conducted during any period, subperiod or extension period of the Exploration Period until the Minimum Work Obligations are fulfilled in relation to such period, subperiod or extension period.

Except for the acquisition of G & G Data beyond the acquisition of G & G Data to fulfill the Minimum Work Obligations, no Exclusive Operations may be proposed or conducted until the Minimum Work Obligations are fulfilled.

(D) No Party may propose or conduct an Exclusive Operation under this Article VII, unless and until such Party has properly exercised its right to propose an Exclusive Operation pursuant to Article 5.13, or is entitled to conduct an Exclusive Operation pursuant to Article X.

(E) Any operation that may be proposed and conducted as a Joint Operation, other than operations within an Exploitation Area, may be proposed and conducted as an Exclusive Operation, subject to the terms of this Article VII.

7.2 Procedure to Propose Exclusive Operations

(A) Subject to Article 7.1, if any Party proposes to conduct an Exclusive Operation, such Party shall give notice of the proposed operation to all Parties, other than Non-Consenting Parties who have relinquished their rights to participate in such operation pursuant to Article 7.4(B) or Article 7.4(F) and have no option to reinstate such rights under Article 7.4(C). Such notice shall specify that such operation is proposed as an Exclusive Operation, the work to be performed, the location, the objectives, and estimated cost of such operation.

(B) Any Party entitled to receive such notice shall have the right to participate in the proposed operation.

(1) For proposals to Deepen, Test, Complete, Sidetrack, Plug Back, Recomplete or Rework involving the use of a drilling rig that is standing by in the Contract Area, any such Party wishing to exercise such right must so notify Operator within twenty four (24) hours after receipt of the notice proposing the Exclusive Operation.

(2) For proposals to develop a Discovery, any Party wishing to exercise such right must so notify the Party proposing to develop within twenty (20) Days after receipt of the notice proposing the Exclusive Operation.

(3) For all other proposals, any such Party wishing to exercise such right must so notify Operator within ten (10) Days after receipt of the notice proposing the Exclusive Operation.

(C) Failure of a Party to whom a proposal notice is delivered to properly reply within the period specified above shall constitute an election by that Party not to participate in the proposed operation.

(D) If all Parties properly exercise their rights to participate, then the proposed operation shall be conducted as a Joint Operation. The Operator shall commence such Joint Operation as promptly as practicable and conduct it with due diligence.

(E) If less than all Parties entitled to receive such proposal notice properly exercise their rights to participate, then:

(1) Immediately after the expiration of the applicable notice period set out in Article 7.2(B), the Operator shall notify all Parties of the names of the Consenting Parties and the recommendation of the proposing Party as to whether the Consenting Parties should proceed with the Exclusive Operation.

(2) Concurrently, Operator shall request the Consenting Parties to specify the Participating Interest each Consenting Party is willing to bear in the Exclusive Operation.

(3) Within twenty-four (24) hours after receipt of such notice, each Consenting Party shall respond to the Operator stating that it is willing to bear a Participating Interest in such Exclusive Operation equal to:

(a) Only its Participating Interest as stated in Article 3.2(A); or

(b) A fraction, the numerator of which is such Consenting Party's Participating Interest as stated in Article 3.2(A) and the denominator of which is the aggregate of the Participating Interests of the Consenting Parties as stated in Article 3.2(A); or

(c) The total of its Participating Interest as contemplated by Article 7.2(E)(3)(b) plus all or any part of the difference between one hundred percent (100%) and the total of the Participating Interests subscribed by the other Consenting Parties.

(4) Any Consenting Party failing to advise Operator within the response period set out above shall be deemed to have elected to bear the Participating Interest set out in Article 7.2(E)(3)(b) as to the Exclusive Operation.

(5) If within the response period set out above, the Consenting Parties subscribe less than one hundred percent (100%) of the Participating Interest in the Exclusive Operation, the Party proposing such Exclusive Operation shall be deemed to have withdrawn its proposal for the Exclusive Operation, unless within twenty-four (24) hours of the expiry of the response period set out in Article 7.2(E)(3), the proposing Party notifies the other Consenting Parties that the proposing Party shall bear the unsubscribed Participating Interest.

(6) If one hundred percent (100%) subscription to the proposed Exclusive Operation is obtained, Operator shall promptly notify the Consenting Parties of their Participating Interests in the Exclusive Operation.

(7) As soon as any Exclusive Operation is fully subscribed pursuant to Article 7.2(E)(6) Operator (subject to Article 7.11(F)), shall commence such Exclusive Operation as promptly as practicable and conduct it with due diligence in accordance with this Agreement.

(8) If the Exclusive Operation is conducted, the Consenting Parties shall bear the sole liability and expense of such Exclusive Operation, with each Consenting Party bearing a fraction of such liability and expense, the numerator of which is such Consenting Party's Participating Interest as stated in Article 3.2(A) and the denominator of which is the aggregate of the Participating Interests of the Consenting Parties as stated in Article 3.2(A), or as the Consenting Parties may otherwise agree.

(8) If such Exclusive Operation has not been commenced within a ninety (90) Days (excluding any extension specifically agreed by all Parties or allowed by the force majeure provisions of Article XVI) after the date of the notice given by Operator under Article 7.2(E)(6), the right to conduct such Exclusive Operation shall terminate. If any Party still desires to conduct such Exclusive Operation, notice proposing such operation must be resubmitted to the Parties in accordance with Article V, as if no proposal to conduct an Exclusive Operation had been previously made.

7.3 Responsibility for Exclusive Operations

(A) The Consenting Parties shall bear in accordance with the Participating Interests agreed under Article 7.2(E) the entire cost and liability of conducting an Exclusive Operation and shall indemnify the Non-Consenting Parties from any and all costs and liabilities incurred incident to such Exclusive Operation (including but not limited to all costs, expenses or liabilities for environmental, consequential, punitive or any other similar indirect damages or losses arising from business interruption, reservoir or formation damage, inability to produce petroleum, loss of profits, pollution control and environmental amelioration or rehabilitation) and shall keep the Contract Area free and clear of all liens and encumbrances of every kind created by or arising from such Exclusive Operation.

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

7.4 Consequences of Exclusive Operations

(A) With regard to any Exclusive Operation, for so long as a Non-Consenting Party has the option under Article 7.4(C) to reinstate the rights it relinquished under Article 7.4(B), such Non-Consenting Party shall be entitled to have access concurrently with the Consenting Parties to all data and other information relating to such Exclusive Operation, other than G & G Data obtained in an Exclusive Operation. If a Non-Consenting Party desires to receive and acquire the right to use such G & G Data, then such Non-Consenting Party shall have the right to do so by paying to the Consenting Parties two hundred percent 200%) of the Non-Consenting Party's Participating Interest share as set out in Article 3.2(A) of the cost incurred in obtaining such G & G Data.

If the Parties decide to drill a well or wells within the area covered by the G & G Data obtained in an Exclusive Operation, the Non-Consenting Party shall pay to the Consenting Parties three hundred percent (300%) of the Non-Consenting Party's Participating Interest share of the cost incurred in obtaining such G & G Data which shall then become Joint Property.

(B) Subject to Article 7.4(C), Article 7.6(E) and Article 7.8, each Non-Consenting Party shall be deemed to have relinquished to the Consenting Parties, and the Consenting Parties shall be deemed to own, in proportion to their respective Participating Interests in any Exclusive Operation:

(1) All of each such Non-Consenting Party's right to participate in further operations in the well or Deepened or Sidetracked portion of a well in which the Exclusive Operation was conducted and on any Discovery made or appraised in the course of such Exclusive Operation; and

(2) All of each such Non-Consenting Party's right pursuant to the Contract to take and dispose of Hydrocarbons produced and saved:

(a) From the well or Deepened or Sidetracked portion of a well in which such Exclusive Operation was conducted, and

(b) From any wells drilled to appraise or develop a Discovery made or appraised in the course of such Exclusive Operation

(C) A Non-Consenting Party shall have only the following options to reinstate the rights it relinquished pursuant to Article 7.4(B):

(1) If the Consenting Parties decide to appraise a Discovery made in the course of an Exclusive Operation, the Consenting Parties shall submit to each Non-Consenting Party the approved appraisal program. For thirty (30) Days (or forty-eight (48) hours if the drilling rig or seismic acquisition vehicle which is to be used in such appraisal program is standing by under contract in the Contract Area) from receipt of such appraisal program, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4(B) and to participate in such appraisal program. The Non-Consenting Party may exercise such option by notifying Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the expense and liability of such appraisal program, to pay the lump sum amount as set out in Article 7.5(A) and to pay the Cash Premium as set out in Article 7.5(B).

(2) If the Consenting Parties decide to develop a Discovery made or appraised in the course of an Exclusive Operation, the Consenting Parties shall submit to the Non-Consenting Parties a Development Plan substantially in the form intended to be submitted to the Government under the Contract. For sixty (60) Days from receipt of such Development Plan or such lesser period of time prescribed by the contract, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4(B) and to participate in such Development Plan. The Non-Consenting Party may exercise such option by notifying the Party proposing to act as Operator for such Development Plan within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the liability and expense of such Development Plan and such future operating and producing costs, to pay the lump sum amount as set out in Article 7.5(A) and to pay the Cash Premium as set out in Article 7.5(B);

(3) If the Consenting Parties decide to Deepen, Complete, Sidetrack, Plug Back or Recomplete an Exclusive Well and such further operation was not included in the original proposal for such Exclusive Well, the Consenting Parties shall submit to the Non-Consenting Parties the approved AFE for such further operation. For thirty (30) Days (or forty-eight (48) hours if the drilling rig or seismic acquisition vehicle which is to be used in such operation is standing by under contract in the Contract Area) from receipt of such AFE, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4(B) and to participate in such operation. The Non-Consenting Party may exercise such option by notifying the Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the liability and expense of such further operation, to pay the lump sum amount as set out in Article 7.5(A) and to pay the Cash Premium as set out in Article 7.5(B).

A Non-Consenting Party shall not be entitled to reinstate its rights any other type of operation.

(D) If a Non-Consenting Party does not properly and within the relevant time limit exercise such option, including paying in a timely manner accordance with Article 7.5 all lump sum amounts and Cash Premiums, if any, due to the Consenting Parties, such Non-Consenting Party shall have forfeited the options as set out in Article 7.4(C) and the right to participate in the proposed program, unless such program, plan or operation is materially modified or expanded (in which case a new notice and option shall be given to such Non-Consenting Party under Article 7.4(C)).

(E) A Non-Consenting Party shall become a Consenting Party with regard to an Exclusive Operation at such time as the Non-Consenting Party gives notice pursuant to Article 7.4(C); provided that such Non-Consenting Party shall have paid any lump sum amount and/or Cash Premium for such Exclusive Operation as required under this Article VII. Such Non-Consenting Party shall be entitled to recover its Participating Interest share of expenses paid pursuant to Article 7.5(A) (but not the amount of any associated Cash Premium). The Participating Interest of such Non-Consenting Party in such Exclusive Operation shall be its Participating Interest set out in Article 3.2(A). The Consenting Parties shall contribute to the Participating Interest of the Non-Consenting Party in proportion to the excess Participating Interest that each received under Article 7.2(F). If all Parties participate in the proposed operation, then such operation shall be conducted as a Joint Operation pursuant to Article V.

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

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

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

(c) Assumed a fiduciary duty to exercise its legal interest in such Exploitation Area for the benefit of the Consenting Parties.

Such Non-Consenting Party shall be deemed to have withdrawn from this Agreement to the extent it relates to such Exploitation Area, even if the Development Plan is modified or expanded subsequent to the commencement of operations under such Development Plan and shall be further deemed to have forfeited all rights to such Exploitation Area including any right to participate in the construction and ownership of facilities outside such Exploitation Area designed solely for the use of such Exploitation Area.

7.5 Premium to Participate in Exclusive Operations

(A) Within thirty (30) Days of the exercise of its option under Article 7.4(C), each such Non-Consenting Party shall pay in immediately available funds to the Consenting Parties in proportion to their respective Participating Interest in such Exclusive Operations a lump sum amount payable in United States Dollars. Such lump sum amount shall be equal to such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in every Exclusive Operation relating to the Discovery, or well, as the case may be, in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4(B), and that were not previously paid by such Non-Consenting Party.

(B) In addition to Article 7.5(A), if a Cash Premium is due, then within thirty (30) Days of the exercise of its option under Article 7.4(C) each such Non-Consenting Party shall pay in immediately available funds in United States Dollars, to such Consenting Parties in proportion to their respective Participating Interests a Cash Premium equal to the total of:

(1) five hundred percent (500%) of such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the obtaining of the portion of the G & G Data which pertains to the Discovery, and that were not previously paid by such Non-Consenting Party; plus

(2) nine hundred percent (900%) of such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Exploration Well which made the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4(B), and that were not previously paid by such Non-Consenting Party; plus

(3) four hundred percent (400%) of the Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Appraisal Well(s) which delineated the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Article 7.4(B), and that were not previously paid by such Non-Consenting Party.

7.6 Order of Preference of Operations

(A) Except as otherwise specifically provided in this Agreement, if any Party desires to propose the conduct of an operation that will conflict with an existing proposal for an Exclusive Operation, such Party shall have the right exercisable for five (5) Days, or twenty-four (24) hours if the drilling rig or seismic vessel to be used is standing by under contract in the Contract Area, from receipt of the proposal for the Exclusive Operation, to deliver to all Parties entitled to participate in the proposed operation such Party's alternative proposal. Such alternative proposal shall contain the information required under Article 7.2(A).

(B) Each Party receiving such proposals shall elect by delivery of notice to Operator within the appropriate response period set out in Article 7.2(B) to participate in one of the competing proposals. Any Party not notifying Operator within the response period shall be deemed to have voted against the proposal.

(C) The proposal receiving the largest aggregate Participating Interest vote shall have priority over all other competing proposals. In the case of a tie vote, the Operator shall choose among the proposals receiving the largest aggregate Participating Interest vote. Operator shall deliver notice of such result to all Parties entitled to participate in the operation within five (5) Days of the end of the response period, or twenty-four (24) hours if the drilling rig or seismic acquisition vehicle to be used is standing by under contract in the Contract Area.

(D) Each Party shall then have two (2) Days (or twenty-four (24) hours if the drilling rig or seismic acquisition vehicle to be used is standing by under contract in the Contract Area) from receipt of such notice to elect by delivery of notice to Operator whether such Party will participate in such Exclusive Operation, or will relinquish its interest pursuant to Article 7.4(B). Failure by a Party to deliver such notice within such period shall be deemed an election not to participate in the prevailing proposal.

7.7 Stand-By Costs

(A) When an operation has been performed, all tests have been conducted and the results of such tests furnished to the Parties, stand by costs incurred sending response to any Party's notice proposing an Exclusive Operation for Deepening, Testing, Sidetracking, Completing, Plugging Back, Recompleting, Reworking or other further operation in such well (including the period required under Article 7.6 to resolve competing proposals) shall be charged and borne as part of the operation just completed. Stand by costs incurred subsequent to all Parties responding, or expiration of the response time permitted, whichever first occurs, shall be charged to and borne by the Parties proposing the Exclusive Operation in proportion to their Participating Interests, regardless of whether such Exclusive Operation is actually conducted.

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

7.8 Use of Property

(A) The Parties participating in any Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting or Reworking of any well drilled under this Agreement shall be permitted to use, free of cost, all casing, tubing and other equipment in the well that is not needed for operations by the Parties who originally bore the costs of the wellbore.

On abandonment of a well in which operations with differing participation have been conducted, the Parties abandoning the well shall account for all equipment in the well to the Parties who originally bore the costs of such equipment by tendering to them their respective Participating Interest shares of the value of such equipment less the cost of salvage.

(B) Spare capacity in equipment that is constructed pursuant to this Agreement and used for processing or transporting oil and gas after it has passed through primary separators and dehydrators (including without limitation treatment facilities, gas processing plants and pipelines) shall be available for use by any Party for Hydrocarbon production from the Contract Area on the terms set forth below. All Parties desiring to use such equipment shall nominate capacity in such equipment on a monthly basis by notice to Operator at least ten (10) days prior to the beginning of each month. Operator may nominate capacity for the Parties that originally bore the costs of the equipment if they so elect. If at any time the capacity nominated exceeds the total capacity of the equipment, the capacity of the equipment shall be allocated in the following priority: (1) first, to the Parties that originally bore the costs of the equipment up to their respective Participating Interest or if funded under a Participation Agreement, their Exploitation Participating Interest shares of total capacity, (2) second, to Parties that originally bore the costs of the equipment desiring to use capacity in excess of their Participating Interest or if funded in such proportion, Exploitation Participating Interest shares, in proportion to the Participating Interest or Exploitation Participating Interest of each such Party and (3) third, to Parties not who did not fund the costs of the equipment, in proportion to their Participating Interests in the Agreement. Parties that originality bore the costs of the equipment shall be entitled to use up to their Participating Interest or if applicable Exploitation Participating Interest share of total capacity without payment of a fee under this Article 7.8(B). Otherwise, each Party using equipment pursuant

to this Article 7.8(B) shall pay to the Parties that originally bore the costs of the equipment monthly throughout the period of use an arm's-length fee based upon third party charges for similar services in the vicinity of the Contract Area.

If no arm's-length rates for such services are available, then the party desiring to use equipment pursuant to this Article 7.8(B) shall pay to the Parties that originally bore the costs of the equipment a monthly fee equal to (1) that portion of the total cost of the equipment, divided by the number of months of useful life established for such equipment under the tax law of the host country, that the capacity made available to such Party on a fee basis under this Article 7.8(B) bears to the total capacity of the equipment plus (2) that portion of the monthly cost of maintaining, operating and financing the equipment that the capacity made available to such Party on a fee basis under this Article 7.8(B) bears to the total capacity of the equipment.

(C) Payment for the use of equipment under Article 7.8(B) shall not result in an acquisition of any additional interest in the equipment by the paying Parties. However, such payments shall be included in the costs which the paying Parties are entitled to recoup under Article 7.5.

(D) Parties electing to use spare capacity in equipment pursuant to Article 7.8(B) shall indemnify the Parties that originally bore the costs of the equipment against any and all costs and liabilities incurred as a result of such use (including but not limited to all costs, expenses or liabilities for environmental, consequential, punitive or other similar indirect damages or losses, whether arising from business interruption, reservoir or formation damage, inability to produce petroleum, loss of profits, pollution control, environmental amelioration or rehabilitation or otherwise), but excluding costs and liabilities for which the Operator is solely responsible under Article 4.6.

7.9 Miscellaneous

(A) Each Exclusive Operation shall be carried out by the Consenting Parties acting as the Operating Committee, subject to the provisions of this Agreement applied mutatis mutandis to such Exclusive Operation and subject to the terms and conditions of the Contract.

(B) The computation of liabilities and expenses incurred in Exclusive Operations, including the liabilities and expenses of Operator for conducting such operations, shall be made in accordance with the principles set out in the Accounting Procedure.

(C) Operator shall maintain separate books, financial records and accounts for Exclusive Operations which shall be subject to the same rights of audit and examination as the Joint Account and related records, all as provided in the Accounting Procedure. Said rights of audit and examination shall extend to each of the Consenting Parties and each of the Non-Consenting Parties so long as the latter are or may be, entitled to elect to participate in such operations.

(D) Operator, it is conducting an Exclusive Operation for the Consenting Parties, regardless of whether it is participating in that Exclusive Operation, shall be entitled to request cash advances and shall not be required to use its own funds to pay any cost and expense and shall not be obliged to commence or continue Exclusive Operations until cash advances requested have been made, and the Accounting Procedure shall apply to Operator in respect of any Exclusive Operations conducted by it.

(E) Should the submission of a Development Plan be approved in accordance with Article 5.9, or should any Party propose a development in accordance with Article VII, with either proposal not calling for the conduct of additional appraisal drilling, and should any Party wish to drill an additional Appraisal Well prior to development, then the Party proposing the Appraisal Well as an Exclusive Operation shall be entitled to proceed first, but without the right to future reimbursement pursuant to Article 7.5. If such an Appraisal Well is produced, the Consenting Party or Parties shall own and have the right to take in kind and separately dispose of all of the Non-Consenting Parties' Entitlement from such Appraisal Well until the value thereof, determined in accordance with Article 7.5(F), equals one hundred percent (100 %) of such Non-Consenting Parties' Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the Appraisal Well. If, as the result of drilling such Appraisal Well as an Exclusive Operation, the Party proposing to apply for an Exploitation Area decides to not develop the reservoir, then each Non-Consenting Party who voted in favor of such Development Plan prior to the drilling of such Appraisal Well shall pay to the Consenting Party the amount such Non-Consenting Party would have paid had such Appraisal Well been drilled as a Joint Operation.

(F) The value of Hydrocarbons received by a Consenting Party for the purposes of Article 7.9(E) shall be the weighted average price per Barrel (f.o.b the point of delivery of the Cost Oil and Profit Oil to the Consenting Parties) which such Consenting Party receives from the sale of such Hydrocarbons to non-affiliated purchasers in arms length transactions. For sales to Affiliates, the price so used shall be the price at which Hydrocarbons of similar grade, gravity and quality (adjusted for differentials in accordance with regularly established practice) were sold generally on world markets during the particular period of sale, in free and fair arms-length transactions, with due adjustments being made for differing geographical locations. Notwithstanding the fact that royalty or any other payment obligation to the Government is based on an "official" or "Government" stated price, the price used for calculation of the vale of Hydrocarbons for the purposes of Article 7.9(E) shall be the price determined in accordance with this Article 7.9(E).

(G) If the Operator is a Non-Consenting Party to an Exclusive Operation to develop a Discovery, then subject to obtaining any necessary Government approvals the Operator may resign as Operator for the Exploitation Area for such Discovery and the Consenting Parties shall then select a Party to serve as Operator.

ARTICLE VIII — DEFAULT

8.1 Default and Notice

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

8.2 Operating Committee Meetings and Data

Beginning five (5) Business Days from the date of the Default Notice, and thereafter while the Defaulting Party remains in default, the Defaulting Party shall not be entitled to attend Operating Committee or subcommittee meetings or to vote on any matter coming before the Operating Committee or any subcommittee until all of its defaults have been remedied (including payment of accrued interest). Unless agreed otherwise by the non-defaulting Parties, the voting interest of each non-defaulting Party during this period shall be its percentage of the total Participating Interests of the non-defaulting Parties. Any matters requiring a unanimous vote of the Parties shall not require the vote of the Defaulting Party. In addition, beginning five (5) Business Days from the date of the Default Notice, and thereafter while the Defaulting Party remains in default, the Defaulting Party shall not have access to any data or information relating to Joint Operations. During this period, the non-defaulting Parties shall be entitled to trade data without such Defaulting Party's consent, and the Defaulting Party shall have no right to any data received in such a trade unless and until its default is remedied in full. The Defaulting Party shall be deemed to have elected not to participate in any Joint Operations or Exclusive Operations that are voted upon at least five (5) Business Days after the date of the Default Notice but before all of its defaults have been remedied to the extent such an election would be permitted by Article 5.13(B) of this Agreement. The Defaulting Party shall he deemed to have approved, and shall join with the non-defaulting Parties in taking, any other actions voted on during that period.

8.3 Allocation of Defaulted Accounts

(A) The Party providing the Default Notice pursuant to Article 8.1 shall include in the Default Notice to each non-defaulting Party a statement of the sum of money that the non-defaulting Party is to pay as its portion (such portion being in the ratio that each non-defaulting Party's Participating Interest bears to the Participating Interests of all non-defaulting Parties) of the amount in default (excluding interest), subject to the terms of this Article 8.3. If the Defaulting Party remedies its default in full within five (5) Business Days from the date of the Default Notice, the notifying Party shall promptly notify each non-defaulting Party by telephone and facsimile, and the non-defaulting Parties shall be relieved of their obligation to pay a share of the amounts in default. Otherwise, each non-defaulting Party shall pay Operator, within five (5) Business Days after receipt of the Default Notice, its share of the amount which the Defaulting Party failed to pay. If any non-defaulting Party fails to pay its share of the amount in default as aforesaid, such Party shall thereupon be a Defaulting Party subject to the provisions of this Article VIII. The non-defaulting Parties which pay the amount owed by any Defaulting Party shall be entitled to receive their respective shares of the principal and interest payable by such Defaulting Party pursuant to this Article VIII.

(B) If Operator is a Defaulting Party, then all payments otherwise payable to Operator for Joint Account costs pursuant to this Agreement shall be made to the notifying Party instead until the default is cured or a successor Operator appointed. The notifying Party shall maintain such funds in a segregated account separate from its own funds and shall apply such funds to third party claims due and payable from the Joint Account of which it has notice, to the extent Operator would be authorized to make such payments under the terms of this Agreement. The notifying Party shall be entitled to bill or cash call the other Parties in accordance with the Accounting Procedure for proper third party charges that become due and payable during such period to the extent sufficient funds are not available. When Operator has cured its default or a successor Operator is appointed, the notifying Party shall turn over all remaining funds in the account to Operator and shall provide Operator and the other Parties with a detailed accounting of the funds received and expended during this period. The notifying Party shall not be liable for damages, losses, costs, expenses or liabilities arising as a result of its actions under this Article 8.3(B) except to the extent Operator would be liable under Article 4.6.

8.4 Remedies

(A) During the continuance of a default, the Defaulting Party shall not have a right to its Entitlement which shall vest in and be the property of the non-defaulting Parties. Operator (or the notifying Party if Operator is a Defaulting Party) shall be authorized to sell such Entitlement in an arm's-length sale on terms that are commercially reasonable under the circumstances and, after deducting all costs, charges and expenses incurred in connection with such sale, pay the net proceeds to the non-defaulting Parties in proportion to the amounts they are owed by the Defaulting

Party hereunder (and apply such net proceeds toward the establishment of a reserve fund under Article 8.4(C), if applicable) until all such amounts are recovered and such reserve fund is established. Any surplus remaining shall be paid to the Defaulting Party, and any deficiency shall remain a debt due from the Defaulting Party to the non-defaulting Parties. When making sales under this Article 8.4(A), the non-defaulting Parties shall have no obligation to share any existing market or obtain a price equal to the price at which their own production is sold.

(B) If Operator disposes of any Joint Property or any other credit or adjustment is made to the Joint Account while a Party is in default. Operator (or the notifying Party if Operator is a Defaulting Party) shall be entitled to apply the Defaulting Party's Participating Interest share of the proceeds of such disposal, credit or adjustment against all amounts owing by the Defaulting Party to the non-defaulting Parties hereunder (and toward the establishment of a reserve fund under Article 8.4(C), if applicable). Any surplus remaining shall be paid to the Defaulting Party, and any deficiency shall remain a debt due from the Defaulting Party to the non-defaulting Parties.

(C) The non-defaulting Parties shall be entitled to apply proceeds received under Articles 8.4(A) and 8.4(B) toward the creation of a reserve fund in an amount equal to the Defaulting Party's Participating Interest share of (i) the estimated cost to abandon any wells and other property in which the Defaulting Party participated, (ii) the estimated cost of severance benefits for local employees upon cessation of operations and (iii) any other identifiable costs that the non-defaulting Parties anticipate will be incurred in connection with the cessation of operations.

(D) If a Defaulting Party fails to remedy its default by the forty-fifth (45th) Day following the date of the Default Notice, then, without prejudice to any other rights available to the non-defaulting Parties to recover amounts owing to them under this Agreement each non-defaulting Party shall have the option, exercisable at anytime thereafter until the Defaulting Party has completely cured its defaults, to require that the Defaulting Party completely withdraw from his Agreement and the Contract. Such option shall be exercised by notice to the Defaulting Party and each non-defaulting Party. If such option is exercised, the Defaulting Party shall be deemed to have transferred, pursuant to Article 13.6, effective on the date of the non-defaulting Party's notice, all of its right, title and beneficial interest in and under this Agreement and the Contract to the non-defaulting Parties. The Defaulting Party shall, without delay following any request from the non-defaulting Parties, do any and all acts required to be done by applicable law or regulation in order to render such transfer legally valid, including, without limitation, obtaining all governmental consents and approvals, and shall execute any and all documents and take such other actions as may be necessary in order to effect a prompt and valid transfer of the interests described above. The Defaulting Party shall be obligated to promptly remove any liens and encumbrances which may exist on such transferred interests. For purposes of this Article 8.4(D), each Party constitutes and appoints each other Party its true and lawful attorney to execute such instruments and make such filings and applications as may be

necessary to make such transfer legally effective and to obtain any necessary consents the Government. Actions under this power of attorney may be taken by any Party individually without the joinder of the others. This power of attorney is irrevocable for the term of this Agreement and is coupled with an interest. If requested, each Party shall execute a form prescribed by the Operating Committee setting forth this power of attorney in more detail. In the event all Government approvals are not timely obtained, the Defaulting Party shall hold its Participating Interest in trust for the non-defaulting Parties who are entitled to receive the Defaulting Party's Participating Interest. Notwithstanding the terms of Article XIII, in the absence of an agreement among the non-defaulting Parties to the contrary, any transfer to the non-defaulting Parties following a withdrawal pursuant this Article 8.4(D) shall be in proportion to the Participating interests of the non-defaulting Parties. The acceptance by a non-defaulting Party of any portion of a Defaulting Party's Participating Interest shall no limit any rights or remedies mat the non-defaulting Party has to recover all mounts (including interest) owing under this Agreement by the Defaulting Party.

(E) The non-defaulting Parties shall be entitled to recover from the Defaulting Party all reasonable attorneys' fees and all other reasonable costs sustained in the collection of amounts owing by the Defaulting Party.

(F) The rights and remedies granted to the non-defaulting Parties an this Agreement shall be cumulative, not exclusive, and shall be in addition to any other rights and remedies that may be available to the non-defaulting Parties. Whether at law, in equity or otherwise. Each right and remedy available to the non-defaulting Parties may be exercised from time to time and so often and in such order as may be considered expedient by the non-defaulting Parties in their sole discretion.

8.5 Survival

The obligations of the Defaulting Party and the rights of the non-defaulting Parties shall survive the surrender of the Contract, abandonment of Joint Operations and termination of this Agreement.

8.6 No Right of Set Off

Each Party acknowledges and accepts that a fundamental principle of this Agreement is that each Party pays its Participating Interest share of all amounts due under this Agreement as and when required. Accordingly, any Party which becomes a Defaulting Party undertakes that, in respect of either any exercise by the non-defaulting Parties of any rights under or the application of any of the provisions of this Article VIII, such Party hereby waives any right to raise by way of set off or invoke as a defense whether in law or equity, any failure by any other Party to pay amounts due and owing under this Agreement or any alleged claim that such Party may have against Operator or any Non-Operator, whether such claim arises under this Agreement or otherwise. Each Party further agrees that the nature and the amount of the remedies granted to the non-defaulting Parties

hereunder are reasonable and appropriate in the circumstances.

ARTICLE IX — DISPOSITION OF PRODUCTION

9.1 Right and Obligation to Take in Kind

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

9.2 Offtake Agreement for Crude Oil

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

(A) The delivery point, at which title and risk of loss of Participating interest shares of crude oil shall pass to the Parties interested (or as the Parties may otherwise agree);

(B) Operator's regular periodic advice to the Parties of estimate of total available production for succeeding periods, quantities of each grade of crude oil and each Party's share for as far ahead as is necessary for Operator and the Parties to plan offtake arrangements. Such advice shall also cover for each grade of crude oil total available production and deliveries for the preceding period, inventory and overlifts and underlifts;

(C) Nomination by the Parties to Operator of acceptance of their shares of total available production for the succeeding period. Such nominations shall in any one period be for each Party's entire share of available production during that period subject to operational tolerances and agreed minimum economic cargo sizes, where applicable, or as the Parties may otherwise agree;

(D) Elimination of overlifts and underlifts;

(E) If offshore loading or a shore terminal for vessel loading is involved, risks regarding acceptability of tankers, demurrage and (if applicable) availability of berths;

(F) Distribution to the Parties of available grades, gravities and qualities of Hydrocarbons to ensure, to the extent Parties take delivery of their Entitlements as they accrue, that each Party shall receive in each period Entitlements of grades,

gravities and qualities of Hydrocarbons from each Exploitation Area in which it participates similar to the grades, gravities and qualities of Hydrocarbons received by each other Party from that Exploitation Area in that period.

(G) To the extent that distribution of Entitlements on such basis is impracticable due to availability of facilities and minimum cargo sizes, if applicable, method of making periodic adjustments; and

(H) The option, and the right of the other Parties to sell an Entitlement which a Party fails to nominate for acceptance pursuant to (C) above or of which a Party fails to take delivery, in accordance with applicable agreed procedures provided that such failure either constitutes a breach of Operator's or Parties' obligations under the terms of the Contract, or is likely to result in the curtailment or shut-in of production. Such sales shall be made only to the limited extent necessary to avoid disruption in Joint Operations. Operator shall give all Parties as much notice as is practicable of such situation and that a sale option has arisen. Any sale shall be of the unnominated or undelivered Entitlement as the case may be and for reasonable periods of time as are consistent with the minimum needs of the industry and in no event to exceed twelve (12) months. The right of sale shall be revocable at will subject to any prior contractual commitments. Payment terms for production sold under this option shall be established in the offtake agreement.

If an offtake agreement has not been entered into by the date of first delivery of crude oil, the Parties shall be bound by the principles set forth in this Article 9.2 until an offtake agreement has been entered into.

9.3 Separate Agreement for Natural Gas

The Parties recognize that if natural gas is discovered it may be necessary for the Parties to enter into special arrangements for the disposal of the natural gas, which are consistent with the Development Plan and subject to the terms of the Contract.

ARTICLE X — ABANDONMENT

10.1 Abandonment of Wells Drilled as Joint Operations

(A) A decision to plug and abandon any well which has been drilled as a Joint Operation shall require the approval of the Operating Committee.

(B) Should any Party fail to reply within the period prescribed in Article 5.12(A)(1) or Article 5.12(A)(2), whichever is applicable, after delivery of notice of the Operator's proposal to plug and abandon such well, such Party shall be deemed to have consented to the proposed abandonment.

(C) If the Operating Committee approves a decision to plug and abandon an Exploration Well or Appraisal Well, any Party voting against such decision may propose, within

the time periods allowed by Article 5.13(A), to conduct an alternate Exclusive Operation in the wellbore. If no Exclusive Operation is timely, proposed, or if an Exclusive Operation is timely proposed but is not commenced within the applicable time periods under Article 7.2, such well shall be plugged and abandoned.

(D) Any well plugged and abandoned under this Agreement shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the Parties who participated in the cost of drilling such well.

(E) Notwithstanding anything to the contrary in this Article 10.1 elsewhere in this Agreement:

(1) If the Operating Committee approves a decision to plug and abandon a well from which Hydrocarbons have been produced and sold, any Party voting against the decision may propose, within five (5) days after the time specified in Article 5.6 or Article 5.12 has expired, to take over the entire well as an Exclusive Operation. Any Party originally participating in the well shall be entitled to participate in the operation of the well as an Exclusive Operation by response notice within ten (10) Days after receipt of the notice proposing the Exclusive Operation. The Consenting Parties shall be entitled to continue producing only from the Zone open to production at the time they assumed responsibility for the well and shall not be entitled to drill a substitute well in the event that the well taken over becomes impaired or fails.

(2) Each Non-Consenting Party shall be deemed to have relinquished free of cost to the Consenting Parties in proportion to their Participating Interests all of its interest in the wellbore of a produced well and related equipment in accordance with Article 7.4(B). The Consenting Parties shall thereafter bear all cost and liability of plugging and abandoning such well in accordance with applicable regulations, to the extent the Parties are or become obligated to contribute to such costs and liabilities, and shall indemnify the Non-Consenting Parties against all such costs and liabilities.

(3) Subject to Article 7.9(G), Operator shall continue to operate a produced well for the account of the Consenting Parties at the rates and charges contemplated by this Agreement, plus any additional cost and charges which may arise as the result of the separate allocation of interest in such well.

10.2 Abandonment of Exclusive Operations

This Article X shall apply mutatis mutandis to the abandonment of an Exclusive Well or any well in which an Exclusive Operation has been conducted (in which event all Parties having the right to conduct further operations in such well shall be notified and have the opportunity to conduct Exclusive Operations in the well in accordance with the provisions of this Article X).

10.3 Abandonment Security

During preparation of a Development Plan, the Parties shall negotiate and agree a security agreement, which shall be completed and executed by all Parties participating in such Development Plan prior to application for an Exploitation Area. The security agreement shall set out the amount of the provision the parties shall provide for the abandonment of operations and, required, agree the same with the Government in accordance with the Contract.

ARTICLE XI — SURRENDER, EXTENSIONS AND RENEWALS

11.1 Surrender

(A) If the Contract requires the Parties to surrender any portion of the Contract Area, Operator shall advise the Operating Committee of such requirement at least one hundred and twenty (120) Days in advance of the earlier of the date for filing irrevocable notice of such surrender or the date of such surrender. Prior to the end of such period, the Operating Committee shall determine pursuant to Article V the size and shape of the surrendered area, consistent with the requirements of the Contract. If a sufficient vote of the Operating Committee cannot be attained, then the proposal supported by a simple majority of the Participating Interests shall be adopted. In the event of a tie, the Operator shall choose among the proposals receiving the largest aggregate Participating Interest vote. The Parties shall execute any and all documents and take such other actions as may be necessary to effect the surrender. Each Party renounces all claims and causes of action against Operator and any other Parties on account of any area surrendered in accordance with the foregoing out against its recommendation if Hydrocarbons are subsequently discovered under the surrendered area.

(B) A surrender of all or any part of the Contract Area which is not required by the Contract shall require the unanimous consent of the Parties.

11.2 Extension of the Term

(A) A proposal by any Party to enter into or extend the term of any Exploration or Production Period or any phase of the Contract, or a proposal to extend the term of the Contract, shall be brought before the Operating Committee pursuant to Article V.

(B) Any Party shall have the right to enter into or extend the term of any Exploration or Production Period or any phase of the Contract or to extend the term of the Contract, regardless of the level of support in the Operating Committee. If any Party or Parties take such action, any Party not wishing to extend shall have a right to withdraw, subject to the requirements of Article XIII.

ARTICLE XII — TRANSFER OF INTEREST OR RIGHTS

12.1 Obligations

(A) Subject always to the requirements of the Contract, the transfer of all or part of a Party's Participating Interest, excepting transfers pursuant to Article VIII or Article XIII, shall be effective only if it satisfies the terms and conditions of this Article XII.

(B) Except in the case of a Party transferring all of its Participating interest or in the case of a transfer by a Party whose initial Participating Interest is less than five per cent (5%), no transfer shall be made by any Party which results in the transferor or the transferee holding a Participating Interest of less than five percent (5%) or holding any interest other than a Participating Interest in the Contract, the Contract Area (or a part of the Contract Area) and this Agreement.

(C) The transferring Party shall, notwithstanding the transfer, be liable to the other Parties for any obligations, financial or otherwise, which have vested, matured or accrued under the provision of the Contract or this Agreement prior to such transfer. Such obligations shall include, without limitation, any proposed expenditure approved by the Operating Committee prior to the transferring Party notifying the other Parties of its proposed transfer.

(D) The transferee shall have no rights in and under the Contract, the Contract Area, and this Agreement unless and until it obtains any necessary approval of the Government and expressly undertakes in an instrument satisfactory to the other Parties to perform the obligations of the transferor under the Contract and this Agreement in respect of the Participating Interest being transferred and furnishes any guarantees required by the Government.

(E) A transferee other than an Affiliate and/or a Party shall have no rights in and under the Contract, the Contract Area, or this Agreement unless each Party has consented in writing to such transfer, which consent shall not be unreasonably refused or delayed and shall be refused only if such transferee fails to establish to the satisfaction of each Party its capability to perform its obligations under the Contract and this Agreement.

(F) Nothing contained in this Article XII shall prevent a Party from mortgaging, pledging, charging or otherwise encumbering all or part of its interest in the Contract Area and in and under this Agreement for the purpose of security relating to finance provided that:

(1) such Party shall remain liable for all obligations relating to such interest;

(2) the encumbrance shall be subject to any necessary approval of the Government and be expressly subordinated to the rights of the other Parties under this Agreement; and

(3) such Party shall ensure that any such mortgage, edge, charge or encumbrance shall be expressed to be without prejudice to the provisions of this Agreement.

(G) With the sole exceptions of

(a) the currency proposed transfer by Kosmos of a twenty per cent (20%) Participating Interest to Anadarko WCTP Company and

(b) the anticipated transfers during 2006 by Tullow of a Participating Interest to an as yet unidentified third party and to Tullow of a Participating Interest from an existing Party

any intended transfers of all or a portion of Participating Interest, whether directly or indirectly by assignment, merger, consolidation, or sale of stock or shares or other conveyance, other than to an Affiliate, shall be subject to the following procedure:

(1) Once the intended transferor Party and a proposed transferee (being a third party or a Party) have negotiated the final terms and conditions of an intended transfer, such final terms and conditions shall be disclosed in reasonable detail to all Parties in a notice from the transferor. Each Party shall have the right to acquire the Participating Interest from the transferor on the same terms and conditions agreed to by the proposed transferee if, within thirty (30) Days of transferor's notice, such Party delivers to all other Parties a counter-notification that it accepts the agreed upon terms and conditions of the transfer without reservations or conditions. If no Party delivers such counter-notification, the intended transfer to the proposed transferee may be made, subject to the other provisions of this Article XII under terms and conditions no more favorable to the transferee than those set forth in the notice to the Parties, provided that the transfer shall be concluded within one hundred eighty (180) Days from the date of the notice plus such reasonable additional period as nay be required to secure governmental approvals.

(2) If more than one Party counter-notifies that it intends to acquire the Participating Interest which is the subject of the proposed transfer, then each such Party shall acquire a proportion of the Participating Interest to be transferred equal to the ratio of its own Participating Interest to the total Participating Interests of all the counter-notifying Parties, unless they otherwise agree.

(3) In the event that a Party's proposed transfer of part or all of its Participating Interest involve consideration other than cash or involves other properties

included in a wider transaction (package deal) then the Participating interest (or part thereof) shall be allocated a reasonable and justifiable cash value by the transferor in any notification to the other Parties. Such other Parities may satisfy the requirements of this Article 12.1(G) by agreeing to pay such cash value in lieu of the consideration payable in the third-party offer.

12.2 Rights

Each Party shall have the right, subject to the provisions of Article 12.1, to freely transfer its Participating interest.

ARTICLE XIII — WITHDRAWAL FROM AGREEMENT

13.1 Right of Withdrawal

(A) Subject to the provisions of this Article XIII, any Party may withdraw from this Agreement and the Contact by giving notice to all other Parties stating its decision to withdrawal. Such notice shall be unconditional and irrevocable when given, except as may be provided in Article 13.7.

(B) The effective date of withdrawal for a withdrawing Party sha1l be the end of the calendar month following the calendar month in which the notice of withdrawal is given, provided that if all Parties elect to withdraw, the effective date of withdrawal for each Party shall be the date determined by Article 13.9.

13.2 Partial or Complete Withdrawal

(A) Within thirty (30) Days of receipt of each withdrawing Party's notification, each of the other Parties may also give notice that it desires to withdraw from this Agreement and the Contract. Should all Parties give notice of withdrawal, the Parties shall proceed to abandon the Contract Area and terminate the Contract and this Agreement. If less than all of the Parties give such notice of withdrawal, then the withdrawing Parties shall take all steps to withdraw from the Contract and this Agreement on the earliest possible date and execute and deliver all necessary instruments and documents to assign their Participating Interest to the Parties which are not withdrawing, without any compensation whatsoever, in accordance with the provisions of Article 13.6.

(B) Any Party withdrawing under Article 11.2 or under this Article XIII shall withdraw from the entirety of the Contract Area, including all Exploration Areas and all Discoveries made prior to such withdrawal, and thus abandon to the other Parties not joining in its withdrawal all its rights to recover Petroleum Costs generated by operations after the effective date of such withdrawal and all rights in associated Joint Property.

13.3 Rights of a Withdrawing Party

A withdrawing Party shall have the right to receive its Entitlement of Hydrocarbons produced through the effective date of its withdrawal. The withdrawing Party shall be entitled to receive all information to which such Party is otherwise entitled under this Agreement until the effective date of its withdrawal. After giving its notification of withdrawal, a Party shall not be entitled to vote on any matters coming before the Operating Committee, other than matters for which such Party has financial responsibility.

13.4 Obligations and Liabilities of a Withdrawing Party

(A) A withdrawing Party shall, following its notification of withdrawal, remain liable only for its share of the following:

(1) Costs of Joint Operations, and Exclusive Operations in which it has agreed to participate, that were approved by the Operating Committee or Consenting Parties as part of a Work Program and Budget or AFE prior to such Party's notification of withdrawal, regardless of when they are actually incurred;

(2) Any Minimum Work Obligations for the current period or phase of the Contract, and for any subsequent period or phase which has been approved pursuant to Article 11.2 and with respect to which such Party has failed to timely withdraw under Article 13.4(B);

(3) Emergency expenditures as described in Articles 4.2(B)(11) and 13.5;

(4) All other obligations and liabilities of the Parties or Consenting Parties, as applicable, with respect to acts or omissions under this Agreement prior to the effective date of such Party's withdrawal for which such Party would have been liable, had it not withdrawn from this Agreement; and

(5) In the case of a partially withdrawing Party, any costs and liabilities with respect to Exploitation Areas, Commercial Discoveries and Discoveries from which it has not withdrawn.

The obligations and liabilities for which a withdrawing Party mains liable shall specifically include its share of any costs of plugging and abandoning wells or portions of

wells in which participated (or was required to bear a share of the costs pursuant to Article 13.4(A) to the extent such costs of plugging and abandoning are payable by the Parties under the Contract. Any liens, charges and other encumbrances which the withdrawing Party placed on such Party's Participating Interest prior to its withdrawal shall be fully satisfied or released, at the withdrawing Party's expense prior to its withdrawal. A Party's withdrawal shall not relieve it from liability to the no-withdrawing Parties with respect to any obligations or liabilities attributable to the withdrawing Party under this Article XIII merely because they are not identified or identifiable at the time of withdrawal.

(B) Notwithstanding the foregoing, a Party shall not be liable for any operations or expenditures it voted against (other than operations and expenditures described in Article 13.4(A)(2) or 13.4(A)(3)) if it sends notification of its withdrawal within five (5) Days (or within twenty-four (24) hours if the drilling rig to be used in such operation is standing by on the Contract Area) of the Operating Committee vote approving such operation or expenditure. Likewise, a Party voting against voluntarily entering into or extending of an Exploration Period or Production Period or any phase of the Contract or voluntarily extending the Contract shall not be liable for the Minimum Work Obligations associated therewith provided that it sends notification of its withdrawal within thirty (30) Days of such vote pursuant to Article 11.2.

13.5 Emergency

If a well goes out of control or a fire, blow out, sabotage or other emergency occurs prior to the effective date of a Party's withdrawal, the withdrawing Party shall remain liable for its Participating Interest share of the costs of such emergency, regardless of when they are actually incurred.

13.6 Assignment

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

13.7 Approvals

A withdrawing Party shall promptly join in such actions as may be necessary or desirable to obtain any Government approvals required in connection with the withdrawal and assignments. The non-withdrawing Parties shall use reasonable efforts to assist the withdrawing Party in obtaining such

approvals. Any penalties or expenses incurred by the Parties in connection with such withdrawal shall be borne by the withdrawing Party.

If the Government does not approve a Party's withdrawal and assignment to the other Parties, then the withdrawing Party shall at its option either (1) retract its notice of withdrawal by notice to the other Parties and remain a party as if such notice of withdrawal had ever been sent or (2) hold its Participating Interest in trust for the sole and exclusive benefit of the non-withdrawing Parties with the right to be reimbursed by the non-withdrawing Parties for any subsequent costs and liabilities incurred by it for which it would not have been liable, had it successfully withdrawn.

13.8 Security

(A) A Party withdrawing from this Agreement and the Contract pursuant to this Article XIII shall provide security satisfactory to the other Parties to satisfy any obligations or liabilities which were approved or accrued prior to notice of withdrawal, but which become due after its withdrawal, including, without limitation, security to cover the costs of an abandonment, if applicable.

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

(C) "Security'' means a standby letter of credit issued by a bank, or an on demand bond issued by a surety corporation, such bank or corporation having a credit rating indicating it has sufficient worth to pay its obligations in all reasonably foreseeable circumstances or, failing the provision of either of those, cash deposited in an escrow account with the withdrawal rights granted to Operator.

13.9 Withdrawal or Abandonment by all Parties

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

ARTICLE XIV — RELATIONSHIP OF PARTIES AND TAX

14.1 Relationship of Parties

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

14.2 Tax

Each Party shall be responsible for reporting and discharging its own tax measured by the profit or income of the Party and the satisfaction of such Party's share of all contract obligations under the Contract and under this Agreement. Each Party shall protect, defend and indemnify each other Party from any and all loss, cost or liability arising from the indemnifying Party's failure to report and discharge such taxes or satisfy such obligations. The Parties intend that all income and all tax benefits (including, but not limited to, deductions, depreciation, credits and capitalization) with respect to the expenditures made by the Parties hereunder will be allocated by the Government tax authorities to the Parties based on the share of each tax item actually received or borne by each Party. If such allocation is not accomplished due to the application of the laws and regulations of the Government or other Government action, the Parties shall attempt to adopt mutually agreeable arrangements that will allow the Parties to achieve the financial results intended. Operator shall provide each Party, in a timely manner and at such Party's sole expense, with such information with respect to Joint Operations as such Party may reasonably request for preparation of its tax returns or responding to any audit or other tax proceeding.

14.3 United States Tax Election

(A) If, for United States federal income tax purposes, this Agreement and the operations under this Agreement are regarded as a partnership (and if the Parties have not agreed to form a tax partnership), each "U.S. Party" (as defined below) elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A" of the United States Internal Revenue Code of 1986, as amended (the "Code"), to the extent permitted and authorized by Section 761(a) of the Code and the regulations promulgated under the Code. Operator is authorised and directed to execute and file for each U.S. Party such evidence or this election as may be required by the Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by United States Treasury Regulations Sections 1.761-2 and 1.6031(a)-1(b)(5), and shall provide a copy thereof to each U.S. Party. Should there be any requirement that any U.S. Party give further evidence of this election, each U.S Party shall execute such documents and furnish such other evidence as may be required by the Internal Revenue Service or as may be necessary to evidence this election.

(B) No Party shall give any notice or take any other action inconsistent with the election made above. If any income tax laws of any state or other political subdivision of the United States or any future income tax laws of the United States or any such political subdivision contain provisions similar to those in Subchapter "K", Chapter1, Subtitle "A" of the Code, under which an election similar to that provided by Section 761(a) of the Code is permitted, each U.S. Party shall make such elections as may be permitted or required by such laws. In making the foregoing election, each U.S. Party states that the income derived by it from operations under this Agreement can be adequately determined without the computation of partnership taxable income.

(C) For the purposes of this Article XIV, "U.S. Party" shall mean any Party which is subject to the income tax law of the United States in respect of operations under this Agreement.

(D) No activity shall be conducted under this Agreement that would cause any Party that is not a U.S. Party to be deemed to be engaged in a trade or business within the United States under applicable tax laws and regulations.

(E) A Party which is not a U.S. Party shall not be required to do any act or execute any instrument which might subject it to the taxation jurisdiction of the United States.

ARTICLE XV — CONFIDENTIAL INFORMATION

15.1 Confidential Information

(A) Subject to the provisions of the Contract, the Parties agree that all information and data acquired or obtained by any Party in respect of Joint Operations shall be considered confidential and shall be kept confidential and not be disclosed during the term of the Contract to any person or entity not a Party to this Agreement, except:

(1) To an Affiliate, provided such Affiliate maintains confidentiality as provided in this Article XV;
(2) To a governmental agency or other entity when required by the Contract;
(3) To the extent such data and information is required to be furnished in compliance with any applicable laws or regulations, or pursuant to any legal proceedings or because of any order of any court binding upon a Party;
(4) To prospective or actual contractors, consultants and attorneys employed by any Party where disclosure of such data or information is essential to such contractor's, consultant's or attorney's work;
(5) To a bona fide prospective transferee of a Party's Participating Interest (including an entity with whom a Party or its Affiliates are conducting bona fide negotiations directed toward a merger, consolidation or the sale of a majority of its or an Affiliate's shares);
(6) To a bank or other financial institution to the extent appropriate to a Party arranging for funding;
(7) To the extent such data and information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over such Party, or its Affiliates; provided that if any Party desires to disclose information in an annual or periodic report to its or its Affiliates' shareholders and to the public and such disclosure is not required pursuant to any rules or requirements of any government or stock exchange, then such Party shall comply with Article 19.2;
(8) To its respective employees for the purposes of Joint Operations, subject to each Party taking customary precautions to ensure such data and information

is kept confidential;

(9) Any data or information which, through no fault of a Party, becomes a part of the public domain.

(B) Disclosure as pursuant to Article 15.1(A), (4), (5), and (6) shall not be made unless prior to such disclosure the disclosing Party has obtained a written undertaking from the recipient party to keep the data and information strictly confidential pursuant to the terms of the Contract and not to use or disclose the data and information except for the express purpose for which disclosure is to be made.

15.2 Continuing Obligations

Any Party ceasing to own a Participating Interest during the term of this Agreement shall nonetheless remain bound by the obligations of confidentiality in Article 15.1 and any disputes shall be resolved in accordance with Article XVIII.

15.3 Proprietary Technology

Nothing in this Agreement shall require a Party to divulge proprietary technology to the other Parties; provided that where the cost of development of proprietary technology has been charged to the Joint Account, such proprietary technology shall be disclosed to all Parties bearing a portion of such cost and may be used by any such Party or its Affiliates in other operations.

15.4 Trades

Notwithstanding the foregoing provisions of this Article XV, Operator may, with approval of the Operating Committee, make well trades and data trades for the benefit of the Parties, with any data so obtained to be furnished to all Parties who participated in the cost of the data that was traded. Operator shall cause any third party to such trade to enter into an undertaking to keep the traded data confidential.

ARTICLE XVI — FORCE MAJEURE

16.1 Obligations

If as a result of Force Majeure any Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation to pay any amounts due or to furnish security then the obligations of the Party giving such notice, so far as and to the extent that the obligations are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused and for such reasonable period thereafter as may be necessary for the Party to put itself in the same position that it occupied prior to the Force Majeure, but for no longer period. The Party claiming Force Majeure shall notify the other Parties of the Force Majeure within a reasonable time after the occurrence of the facts relied on and shall keep all Parties informed of all significant developments. Such notice shall give reasonably full particulars of the Force Majeure, and also estimate the period of time which the Party will probably require to remedy the Force Majeure. The affected Party shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in an economic manner, but shall not be obligated to settle any labor dispute except on terms acceptable to it and all such disputes shall be handled within the sole discretion of the affected Party.

16.2 Definition of Force Majeure

For the purposes of this Agreement, “Force Majeure” shall have the same meaning as is set out in the Contract.

ARTICLE XVII — NOTICES

17.1 Notices

Except as otherwise specifically provided, all notices authorized or required between the Parties by any of the provisions of this Agreement, shall be in writing, in English and delivered in person or by courier service or by any electronic means of transmitting written communications which provides written confirmation of complete transmission, and addressed to such Parties as designated below. Oral communication does not constitute notice for purposes of this Agreement, and telephone numbers for the Parties are listed below as a matter of convenience only. The originating notice given under any provision of this Agreement shall be deemed delivered only when received by the Party to whom such notice is directed, and the time for such Party to deliver any notice in response to such originating notice shall run from the date the originating notice is received. The second or any responsive notice shall be deemed delivered when received “Received” for purposes of this Article XVII shall mean actual delivery of the notice to the address of the Party to be notified specified in accordance with this Article XVII. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices be directed to another person at another address, by giving written notice thereof to all other Parties.

Tullow Ghana Limited
PO Box 532
Channel House
Green Street
St. Helier
Jersey
Channel Islands
JE4 5LW

Attention: Exploration Manager
Telephone: +44 1534 883800
Telefax: +44 1534 883801

Copy to:
Tullow Oil plc
5th Floor
Block C
Central Park
Leopardstown
Dublin 18
Ireland

Attention: West Africa Exploration Manager
Tel: +353 1 213 7300
Fax: +353 1 293 0400

Sabre Oil and Gas Limited
4 Rubislaw Place
Aberdeen
AB10 1XN

Attention: Managing Director
Tel: +44 1244 649 400
Fax: +44 1244 649 700

Kosmos Energy Ghana HC
c/o Kosmos Energy, LLC
8401 N. Central Expressway
Suite 280
Dallas
Texas 75225
USA

Attention: Mr. W. Greg Dunlevy
Tel: + 1 214 363 0700
Fax: + 1 214 363 9024

ARTICLE XVIII — APPLICABLE LAW AND DISPUTE RESOLUTION

18.1 Applicable Law

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

18.2 Dispute Resolution

(A) Any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the construction, validity, interpretation, enforceability or breach of this Agreement, shall be exclusively and finally settled by arbitration in accordance with this Article 18.2. Any Party may submit such a dispute, controversy or claim to arbitration by notice to the other Parties.

(B) The arbitration shall be heard and determined by three (3) arbitrators. Each side shall appoint an arbitrator of its choice within sixty (60) Days of the submission of a notice of arbitration. The Party-appointed arbitrators shall in turn appoint a presiding arbitrator of the tribunal within sixty (60) Days following the appointment of both Party-appointed arbitrators. If the Party-appointed arbitrators cannot reach agreement on a presiding arbitrator of the tribunal and/or me Party refuses to appoint it Party-appointed arbitrator within said sixty (60) Day period, the appointing authority for the implementation of such procedure shall be the London Court of International Arbitration ("LCIA"), who shall, appoint an independent arbitrator who does not have any financial interest in the dispute, controversy or claim. All decisions and awards by the arbitration tribunal shall be made by majority vote.

(C) Unless otherwise expressly agreed in writing by the Parties to the arbitration proceedings:

(1) The arbitration proceedings shall be held in London, England;

(2) The arbitration proceedings shall be conducted in the English language and the arbitrator(s) shall be fluent in the English language;

(3) The arbitrator(s) shall be and remain at all times wholly independent and impartial;

(4) The arbitration proceedings shall be conducted under the Arbitration Rules of the LCIA in effect on the Effective Date;

(5) Any procedural issues not determined under the arbitral rules selected

pursuant to Article 18.2(C)(4) shall be determined by the arbitration act and any other applicable laws of England, other than those laws which would refer the matter to another jurisdiction;

(6) The costs of the arbitration proceedings (including attorneys' fees and costs) shall be borne in the manner determined by the arbitrations);

(7) The decision of the sole arbitrator or a majority of the arbitrators, as the case may be, shall be reduced to writing; final and binding without the right of appeal; the sole and exclusive remedy regarding any claims, counterclaims, issues or accountings presented to the arbitrators made and promptly paid in U.S. dollars free of any deduction or offset; and any costs or fees incident to enforcing the award, shall to the maximum extent permitted by law be charged against the Party resisting such enforcement;

(8) Consequential, punitive or other similar damages shall not be allowed except those payable to third parties for which liability is allocated among the Parties by the arbitral award or as expressly provided pursuant to the terms of this Agreement;

(9) The award shall include interest from the date of any breach or violation of this Agreement, as determined by the arbitral award, and from the date of the award until paid in full, at the Agreed Interest Rate; and

(10) Judgment upon the award may be entered in any court having jurisdiction over the person or the assets of the Party owing the judgment or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be.

(11) For purposes of allowing the arbitration provided in this Article XVIII, the enforcement and execution of any arbitration decision and award, and the issuance of any attachment or other interim remedy, am governmental body or agency, including if applicable GNPC, which becomes a Party to this Agreement agrees to waive all sovereign immunity by whatever name or title with respect to disputes, controversies or claims arising out of or in relation to or in connection with this Agreement or the operations earned out under this Agreement.

(12) The arbitration shall proceed in the absence of Party who, after due notice, fails to answer or appear. An award shall not be made solely on the default of Party, but the arbitrator(s) shall require the Party who is present to submit such evidence as the arbitrator(s) may determine is reasonably required to make an award.

(13) If an arbitrator should die, withdraw or otherwise become incapable of serving, or refuse to serve, a successor arbitrator shall be selected and appointed in the same manner as the original arbitrator.

(14) The arbitral award shall state the names of the arbitrators, the names and addresses of the parties, the names of the parties' representatives, if any, and the date and place where the award was made and shall be signed by each arbitrator (or by a majority of the arbitrators with a statement that a minority of the arbitrators have refused to sign).

ARTICLE XIX — GENERAL PROVISIONS

19.1 Conflicts of Interest

(A) Operator undertakes that it shall avoid any conflict of interest between its own interests (including the interests of Affiliates) and the interests of the other Parties in dealing with suppliers, customers and all other organisations or individuals doing or seeking to do business with the Parties in connection with activities contemplated under this Agreement.

(B) The provisions of the preceding paragraph shall not apply to:-

(1) Operator's performance which is in accordance with the local preference laws or policies of the Government; or

(2) Operator's acquisition of products or services from an Affiliate, or the sale thereof to an Affiliate, made in accordance with the terms of this Agreement.

19.2 Public Announcements

(A) Operator shall be responsible for the preparation and release of all public announcements and statements regarding this Agreement or the Joint Operations; provided that, no public announcement or statement shall be issued or made unless prior to its release all the Parties have been furnished with a copy of such statement or announcement and the approval of the Operating Committee has been obtained. Where a public announcement or statement becomes necessary or desirable because of danger to or loss of life, damage to property or pollution as a result of activities arising under this Agreement, Operator is authorized to issue and make such announcement or statement without prior approval of the Parties, but shall promptly furnish all the Parties with a copy of such announcement or statement.

(B) If a Party wishes to issue or make any public announcement or statement regarding this Agreement or the Joint Operations, it shall not do so unless prior to its release, such Party furnishes all the Parties with a copy of such announcement or statement, and obtains the approval of the Operating Committee; provided that, notwithstanding any failure to obtain such approval, no Party, shall be prohibited from issuing or making any such public announcement or statement if it is necessary to do so in order to comply with the applicable laws, rules or regulations of any

government, legal proceedings or stock exchange having jurisdiction over such Party or its Affiliates as set forth in Articles 15.1(A)(3) and (7).

19.3 Successors and assigns

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

19.4 Waiver

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

19.5 Severance of Invalid Provisions

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

19.6 Modifications

Except as is provided in Articles 11.2(B) and 19.5, there shall be no modification of this Agreement or the Contract except by written consent of all Parties.

19.7 Headings

The topical hearings used in this Agreement are for convenience only and shall not be construed as having any substantive significance or as

indicating that all of the provisions of this Agreement relating to any topic are to be found in any particular Article.

19.8 Singular and Plural

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

19.9 Gender

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

19.10 Counterpart Execution

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

19.11 Warranties as to Payments, Gifts and Loans

(A) Each Party warrants that it and its Affiliates have not made, offered, or authorized and will not make, offer or authorize with respect to the matters which are the subject of this Agreement, any payment, gift, promise or other advantage, whether directly or through any other person or entity, to or for the use or benefit of any public official (i.e. any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization) or any political party or political party official or candidate for office, where such payment, gift, promise or advantage would violate (i) the applicable laws of Ghana; (ii) the laws of the country of incorporation of such Party or such Party's ultimate parent company and of the principal place of business of such ultimate parent company; or (iii) the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999, and the convention's Commentaries. Each Party shall defend, indemnify and hold the other Parties harmless from and against any and all claims, damages, losses, penalties, costs and expenses arising from our related to, any breach by such first Party of such warranty. Such indemnify obligation shall survive termination or expiration of this Agreement. Each Party shall in good time (i) respond in reasonable detail to any notice from any other Party reasonably connected with the above-stated warranty; and (ii) furnish applicable documentary support for such response upon request from such other Party;

(B) Each Party agrees to (i) maintain adequate internal controls; (ii) properly record and report all transactions; and (iii) comply with the laws applicable to it. Each Party must rely on the other Party's system of internal controls, and on the adequacy of the full disclosure of the facts, and of financial and other data regarding the Joint Operations undertaken under this Agreement. No Party is in any way authorized to take any action on behalf of another Party that would result in an inadequate or inaccurate recording and reporting of assets, liabilities or any other transactions, or which would put such Party in violation of its obligations under the laws applicable to the operations under this Agreement.

19.12 Entirety

This Agreement is the entire agreement of the Parties with respect to the subject matter contained herein and supersedes all prior understandings and negotiations of the Parties.

19.13 Rights of Third Parties

Without prejudice to the rights of any Indemnitee pursuant to Article 46, no person other than the Parties shall have any rights under this Agreement or considered a third party beneficiary hereto and no person shall have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

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

TULLOW GHANA LIMITED

By: /s/ TULLOW GHANA LIMITED

(Print or type name)

Title:

Date:

SABRE OIL AND GAS LIMITED

By: /s/ SABRE OIL AND GAS LIMITED

(Print or type name)

Title:

Date:

KOSMOS ENERGY GHANA HC

By: /s/ KOSMOS ENERGY GHANA HC

(Print or type name)

Title:

Date:

EXHIBIT A

Deepwater Tano, Ghana

ACCOUNTING PROCEDURE
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EXHIBIT "A"
ACCOUNTING PROCEDURE

Attached to and made part of the Operating Agreement, hereinafter called the "Agreement" effective as of the • day of • 2006 by and between Tullow Ghana Limited, Sabre Oil and Gas Limited and Kosmos Energy Ghana HC.

SECTION 1 — GENERAL PROVISIONS

1.1 Purpose

1.1.1 The purpose of the Accounting Procedure is to establish equitable methods for determining charges and credits applicable to operations under the Agreement which reflect the costs of Joint Operations to the end that no Party shall gain or lose in relation to other Parties.

It is intended that approval of the Work Programme and Budget and AFEs as provided in the Agreement shall constitute approval of the rates and allocation methods used therein to currently charge the Joint Account. All rates and allocation methods contained in Work Programmes, Budgets and AFEs as provided in this agreement shall be in accordance with Article 1.9, but subject to verification by audit and adjustment to actual at a later date as provided in the Accounting Procedure.

1.1.2 The Parties agree, however, that if the methods prove unfair or inequitable to Operator or Non-Operators, the Parties shall meet and in good faith endeavour to agree on changes in methods deemed necessary to correct any unfairness or inequity.

1.2 Conflict with Agreement

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

1.3 Definitions

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

"Accrual basis" means that basis of accounting under which costs and benefits are regarded as applicable to the period in which the liability for the costs is incurred or the right to the benefit arises, regardless of when invoiced, paid or received.

"Material" shall mean Personal Property, equipment, or supplies acquired for Joint Operations.

"Personal Property means any Joint property which is moveable or not permanently affixed to the ground or sea floor or which has been so affixed or can be removed without unreasonable damage to such property.

1.4 Joint Account Records and Currency Exchange

1.4.1 Operator shall at all times maintain and keep true and correct records of the production and disposition of all liquid and gaseous Hydrocarbons and of all costs and expenditures under the Agreement, as well as other data necessary or proper for the settlement of accounts between the Parties hereto in connection with their rights and obligations under the Agreement. The Operator will be responsible for the fiscal obligations relating to the Joint Operations save in respect of those taxes which are the legal responsibility of the Government, GNPC or each of the Parties.

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

1.4.3 Joint Account records shall be maintained by Operator in the English language and in United Slates of America ("US") currency and in such other language and currency as may be required by the laws of Ghana or the Contract. Conversions of currency shall be recorded at the rate actually experienced in that conversion. Currency translations for expenditures and receipts shall be recorded at the rate establish by the standard accounting procedures of the Operator which is currently the arithmetic average of the buying and selling rates at the close of business on the last Business Day of the previous month as quoted by Barclays Bank. London, or if not published, the London Financial Times.

1.4.4 Any realised currency exchange gain or losses shall be credited or charged to the Joint Account, except as otherwise specified in this Accounting Procedure.

1.4.5 This Accounting Procedure shall apply, mutatis mutandis, to Exclusive Operations in the same manner that it applies to Joint Operations; provided, however, that the charges and credits applicable to Consenting Parties shall be distinguished by an Exclusive Operation Account. For the purpose of determining and calculating the remuneration of the Consenting Parties, including the premiums for Exclusive Operations, the costs and expenditures shall be expressed in US currency (irrespective of the currency in which the expenditure was incurred).

1.4.6 The Accruals Basis for accounting shall be used in preparing accounts concerning the Joint Operations.

1.5 Statements and Billings

1.5.1 Unless otherwise agreed by the Parties, Operator shall issue monthly to each Party, on or before the last Day of each month, statements of the costs and expenditures incurred

during the prior month, indicating by appropriate classification the nature thereof, the corresponding budget category AFE and the portion of such costs charged to each of the Parties.

These statements, as a minimum, shall contain the following information:

- Advances of funds received from each Party;
- the share of each Party in total expenditures;
- the accrued expenditures
- the current account balance of each Party; and
- summary of costs, credits and expenditures on a current month, year-to-date and inception-to-date basis;
- details of unusual charges and costs in excess of US$500,000.

1.5.2 Operator shall, upon request, furnish a description of the accounting classifications used by it.

1.5.3 Amounts included in the statements and billings shall be expressed in US currency.

1.5.4 Each Party shall be responsible for preparing its own accounting and tax reports to meet the requirements of Ghana and of all other countries to which it may be subject. Operator, to the extent that the information is reasonably available from the Joint Account records, shall provide Parties in a timely manner with the necessary statements to facilitate the discharge of such of such responsibility.

1.6 Payments and Advances

1.6.1 Upon approval of any Work Programme, Budget and AFE, if Operator so requests, each Party shall advance its share of estimated cash requirements for the succeeding month's operations. Each such cash call shall be equal to the Operator's estimate of the money to be spent in the currencies required to perform its duties under the approved Work Programme and Budget during the month concerned. The Operator may determine that the cash to be called for a month may be paid in separate amounts within the month. For information purposes the cash call shall contain an estimate of the funds required for the succeeding two (2) months.

1.6.2 Each such cash call, detailed by major budget categories and AFE shall be made in writing and delivered to all Parties not less than fifteen (15) Days before the payment due date. The due date for payment of such advances shall be set by Operator but shall be no sooner than the first Business Day of the month for which the advances are required. All advances shall be made without bank charges. Any charges related to receipt of advances from a Non-Operator shall be borne by that Non-Operator.

1.6.3 Each Party shall wire transfer it share of the full amount of each such cash call to Operator on or before the due date, in US dollars at a bank designated by Operator. For all payments made by the Operator in currencies other than US dollars, the Operator shall request payment from the Parties in US dollars. It is the intent that none of the Parties shall experience an exchange gain or loss at the expense of, or to the benefit of, the other Parties. If currency provided by a Non-Operator is other than US Dollars, then the entire

cost of converting to US Dollars shall be borne by the Non-Operator.

1.6.4 Notwithstanding the provisions of Section 1.6.2, should Operator be required to pay any sums of money for the Joint Operations which were unforeseen at the time of providing the Parties with said estimates of its requirements, Operator may make a written request of the Parties for special advances covering the Parties' share of such payments. Each such Party shall make its proportional special advances within ten (10) Days after receipt of such notice.

1.6.5 If a Non-Operator's advances exceed its share of expenditures, the next succeeding cash advance requirements, after such determination, shall be reduced accordingly. A Party may request that its excess advances be refunded. Operator shall make such refund within ten (10) Days after receipt of the Party's request provided that the amount is in excess of US$500,000. The Operator will make best endeavours to place surplus funds in an interest bearing bank account.

1.6.6. If a Party's advances are less than its share of expenditures, the deficiency shall, at Operator's option, be added to subsequent cash advance requirements or be paid by such Party within ten (10) Days following receipt of Operator's billing to such Party for such deficiency.

1.6.7 If, under the provisions of the Agreement, Operator is required to segregate funds received from the Parties, any interest received on such funds shall be applied against the next succeeding cash call or, if directed by the Operating Committee, distributed quarterly. The interest thus received shall be allocated to the Parties in accordance with their Participating Interests except if a Party is late in making a payment in which case interest will be allocated on an equitable basis taking into consideration date of funding by each Party to the accounts in proportion to the funding into the account. A monthly statement summarising receipts, disbursements, transfers to each joint bank account and beginning and ending balances thereof shall be provided by Operator to the Parties. Any interest received by Operator from interest-bearing accounts containing commingled funds received from the Parties shall be credited to the Parties in accordance with the allocation procedure as set out above.

1.6.8 If Operator does not request Non-Operators to advance their share of estimated cash requirements, each, Non-Operator shall pay its share of cash expenditures within ten (10) days following receipt of Operator's billing.

1.6.9 Payments of advances shall be made on or before the due date. If these payments are not received by the due date the unpaid balance shall bear and accrue interest from the due date until the payment is received by Operator at the Agreed Interest Rate and the provisions of Article VIII of the Agreement shall apply.

1.6.10 Subject to governmental regulation, Operator shall have the right, at any time and from time to time, to convert the funds advanced or any part thereof to other currencies to the extent that such currencies are then required for operations. The cost of any such conversion shall be charged to the Joint Account. The conversion rate of various

currencies should be notified in the next billing.

1.6.11 Operator shall endeavour to maintain funds held for the Joint Account in bank accounts at a level consistent with that required for the prudent conduct of Joint Operations.

1.7 Adjustments

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

1.8 Audits

1.8.1 A Non-Operator, upon at least sixty (60) Days advance notice in writing to Operator and all other Non-Operators, shall have the right to audit the Joint Accounts and records of Operator relating to the accounting hereunder for any calendar year within the twenty- four (24) month period following the end of such calendar year. The cost of each such audit shall be borne by Parties conducting the audit. It is provided, however, that Non-Operators must take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within said twenty-four (24) month period. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator and Non-Operators shall make every effort to resolve any claim resulting from an audit within ninety (90) days of the receipt of the audit report. If at the conclusion of the ninety (90) day period the claim remains unresolved, the matter will be referred back to the Operating Committee.

1.8.2 Any information obtained by a Non-Operator under the provisions of this Section 1.8 shall be kept confidential and shall not be disclosed to any third party, except as would otherwise be permitted by Article 15.1 (A) (3) and (9) of the Agreement.

1.8.3 The Operator's Affiliate's records in respect of services referred to in Section 2.6.2 shall not be subject to audit. The Non-Operators will be granted the opportunity to provide an audit programme questionnaire to the Operator's statutory auditors with regard to the form and content of their audit of the Operator's cost allocation procedures,

administrative costs and time-writing. On completion of their audit the Operator's statutory auditors will provide the Operator with a detailed report with their conclusions as to whether the cost allocation procedures have been followed and whether these procedures are fair and reasonable. The Operator shall distribute this report to the Non-Operators. If the Operator's statutory auditors decline to provide such a report, the Non-Operators shall select an internationally reputable independent firm of public accountants to provide such report pursuant to instructions given by the Non-Operators. These instructions shall be handed over to the Operator. The Operator shall accept such firm selected by non-Operators unless it causes a conflict of interest. All costs of the audits specified in this Article 1.8.3 shall be borne by the Non-Operators unless the Operating Committee confirms that the Operator's cost allocation procedures have not been followed as provided for in Article 1.9, in which case, the audit costs shall be charged to the Joint Account.

1.8.4 In the event that the Operator is required by the Government, or by GNPC, to employ a public accounting firm to audit the Joint Account and records of Operator relating to the accounting hereunder, the cost thereof shall be a charge against the Joint Account and a copy of the audit certificate/report shall be furnished to each Party.

1.8.5 At the conclusion of each audit, the Parties shall endeavour to settle outstanding matters expeditiously. To this end the Parties conducting the audit will make a reasonable effort to prepare and distribute a written report to the Operator and all the Parties who participated in the audit as soon as possible and in any event within ninety (90) Days after the conclusion of each audit. The report shall include all claims arising from such audit together with comments pertinent to the operation of the accounts and records. Operator shall make a reasonable effort to reply to the report in writing as soon as possible and in any event no later than ninety (90) Day after receipt of the report. Should the Non-Operators consider that the report or reply requires further investigation of any item therein, the Non-Operators shall have the right to conduct further investigation in relation to such matter notwithstanding the provisions of Sections 1.7 and 1.8.1 that the period of twenty-four (24) months may have expired. However, conducting such further investigation shall not extend the twenty-four (24) month period for taking written exception to and making a claim upon the Operator for all discrepancies disclosed by said audit. Such further investigations shall be commenced within thirty (30) Days and be concluded within sixty (60) Days after the receipt of such report or reply, as the case may be.

1.8.6 All adjustments resulting from an audit agreed between the Operator and the Non-Operator conducting the audit shall be reflected promptly in the Joint Account by the Operator and reported to the Non-Operator(s). If any dispute shall arise in connection with an audit, it shall be reported to and discussed by the Operating Committee, and, unless otherwise agreed by the parties to the dispute, resolved in accordance with the provisions of Article XVIII of the Agreement. If all the parties to the dispute so agree, the adjustment(s); may be referred to an independent expert agreed to by the parties to the dispute. At the election of the parties to the dispute, the decision of the expert will be binding upon such parties. Unless otherwise agreed, the cost of such expert will be shared equally by all parties to the dispute.

1.9.1 Allocations

If it becomes necessary to allocate any costs or expenditures to or between Joint Operations and any other operations, such allocation shall be made on an countable basis. For informational purposes only, Operator shall furnish a description of its allocation procedures pertaining to these costs and expenditures and its rates for personnel and other charges, along with each proposed Work Programme and Budget

SECTION 11 — DIRECT CHARGES

Operator shall charge the Joint Account with all costs and expenditures incurred in connection with Joint Operations. It is also understood that charges for services normally provided by an Operator such as those contemplated in Section 2.6.2 which are provided by Operator's Affiliates shall reflect the cost to the Affiliate, excluding profit, for performing such services, except as otherwise provided in Section 2.6 and Section 2.6.1.

The costs and expenditures shall be recorded as required for the settlement of accounts between the Parties hereto in connection with the rights and obligations under this Agreement and for purposes of complying with the tax laws of Ghana and of such other countries to which any of the Parties may be subject. Without in any way limiting the generality of the foregoing, chargeable costs and expenditures shall include:

2.1 Licences, Permits, etc

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

2.2 Salaries, Wages and Related Costs

2.2.1 The salaries, wages and related costs of the employees of Operator and its Affiliates in Ghana directly engaged in Joint Operations whether temporarily or permanently assigned.

2.2.2 The salaries, wages and related costs of the employees of Operator outside Ghana directly engaged in Joint Operations whether temporarily or permanently assigned.

2.2.3 Salaries and wages shall include everything constituting the employees' total compensation. To the extent not included in salaries and wages, the joint Account shall also be charged with the cost to Operator of holiday, vacation, sickness, disability benefits, living and housing allowances, travel

time, bonuses and other customary allowances applicable to the salaries and wages chargeable hereunder, as well as costs Operator for employee benefits, including but not limited to employee group life insurance, group medical insurance, hospitalisation, retirement and other benefit plans of a like nature applicable to labour costs of Operator. Operators employees participating in Ghana benefit plans may be charged at a percentage rate to reflect payments or accruals

made by Operate applicable to such employees. Such accruals for Ghana benefit plans shall not be paid by Non-Operators, unless otherwise approved by the Operating Committee, until the same are due and payable to the employee, upon withdrawal of a Party pursuant to the Agreement, or upon termination of the Agreement. which-ever occurs first.

2.2.4 Expenditures or contributions made pursuant to assessments imposed governmental authority for payments with respect thereto or on account of such employees.

2.2.5 Reasonable expenses (including related travel costs) of those employees whose salaries and wages are chargeable to the Joint Account under Sections 2 2.1 and 2.2.2 of this Section II and for which expenses the employees are reimbursed.

2.2.6 If employees are engaged in other activities in addition to the Joint Operations, the cost of such employees shall be allocated in accordance with Article l.9.

2.2.7 Except as provided in Section 2.2.9, Operator's cost of employees' relocation to or from the vicinity or location where the employees will reside or work, whether permanently or temporarily assigned to the Joint Operations. If such employee works on other activities in addition to Joint Operations, such relocation costs shall be allocated in accordance with Article 1.9.

2.2.8 Such relocations costs shall include transportation of employees, families, personal and household effects of the employee and family, transit expenses and all other related costs.

2.2.9 Relocation costs from the vicinity of Ghana to another location classified as a foreign location by Operator shall not be chargeable to the Joint Account unless such foreign location is the point of origin of the employee.

2.3 Offices, Camps and Miscellaneous Facilities

Cost of maintaining any offices, sub-offices, camps, warehouses, housing and other facilities of the Operator and/or Affiliates directly serving the Joint Operations. If such facilities serve operations in additions to the Joint Operations, the costs shall be allocated to the properties served in accordance with Article 1.9.

2.4 Material

Cost, net of discounts taken by Operator, of Material purchased or furnished by Operator. Such costs shall include, but are not limited to, export broker's fees, transportation charges, loading, unloading fees, export and import duties and licence fees associated with the procurement of Material and in transit losses, if any, not covered by insurance. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for and the cost thereof to, the Joint Account as may be required for immediate use.

2.5 Exclusively Owned Equipment and facilities of Operator and Affiliates

Charges for exclusively owned equipment, facilities and utilities of Operator and its Affiliates at rate not to exceed the average commercial rates of non-affiliated third parties, then prevailing for like equipment, facilities and utilities for use in the area where the same are used hereunder. Operator shall furnish Non-Operators a list of rates and the basis of application. Such rates shall be revised if found to be either excessive or insufficient every six (6) months.

Drilling tools and other equipment lost in the hole or damaged beyond repair may be charged at replacement cost plus transportation costs to deliver like equipment to the location where used.

2.6 Services

2.6.1 The rates for services provided by Operator's Affiliates and/or third parties within Ghana shall not exceed those rates currently prevailing for services performed by non-affiliated third parties, considering type, quality and availability of such services.

2.6.2 The cost of services performed by Operator's Affiliates technical and professional staff not permanently located within Ghana, shall be charged at the rates generally used by Operator's Affiliates for such personnel and represent the Operator's Affiliates actual cost for that employee or type of employee. These rates shall include all costs incidental to the employment of such personnel but do not include transportation and living expenses which they may incur for the performance of such work. Such expenses shall be charged separately.

As early as possible, the Operator shall provide the Non-Operator with the rates referred to above for each contract year. Estimated rates will be used during the contract year which will be retrospectively adjusted to actual rates within three (3) months of the end of the Operator's Affiliates financial year.

Examples of such services include, but are not limited to, the following:
Geological Studies and Interpretation
Seismic Data Processing
Well Log Analysis, Correlation and Interpretation
Laboratory Services
Well Site Geology
Project Engineering
Source Rock Analysis
Petrophysical Analysis
Geochemical Analysis
Drilling Supervision
Development Evaluation
Project Accounting and professional services

Costs shall include salaries and wages of such technical and professional personnel, lost time, governmental assessments, employee benefits and reasonable expenses. Costs shall also include all support costs necessary for such technical and professional personnel to perform such services, such as, but not limited to, rent, utilities, support staff, drafting, telephone and other communications expenses, computer support, supplies and depreciation and administrative overhead.

2.7 Affiliate Overhead

2.7.1 **Purpose**

Operator shall charge the Joint Account monthly for the cost of redirect services and related office costs of Operator and its Affiliates not otherwise provided in this Accounting Procedure. Indirect costs chargeable under this Section 2.7 represent the cost of general assistance and support services provided by Operator and its Affiliates. These costs are such that it is not practical to identity or associate them with specific projects but are for services which provide the Joint Operations with needed and necessary resources which Operator requires and provide a real benefit to Joint Operations. No cost or expenditure included under other parts of Section II shall be included or duplicated under this Section 2.7. The charges under Section 2.7 are not subject to audit under Sections 1.8.1 and 1.8.2 other than to verify that the overhead percentages are applied correctly to the expenditure basis.

2.7.2 **Amount**

2.7.2.1 The indirect charge under Section 2.7.1 for any month shall equal the greater of the total amount of indirect charges for the period beginning at the start of the Calendar Year through the end of the period covered by Operator's invoice ("Year-to-Date") determined under Section 2.7.2.2, less indirect charges previously made under Section 2.7.1 for the Calendar Year in question, or the amount of the minimum assessment determined under Section 2.7.2.3, calculated on an annualised basis (but reduced pro rata for periods of less than one year), less indirect charges previously made under Section 2.7.1 for the Calendar Year in question.

2.7.2.2 Unless exceeded by the minimum assessment under Section 2.7.2.3, the aggregate Year-to-Date indirect charges shall be a percentage of the Year-to-Date expenditures, calculated on the following scale (US Dollars):

Annual Expenditures

US$0 to US$5,000,000 of expenditures = 5%

Next US$10,000,000 of expenditures = 3%

Excess above US$15,000,000 of expenditures = 1%

2.7.2.3 A minimum amount of US$50,000 shall be assessed each Calendar Year calculated from the Effective Date and shall be reduce, pro rata for periods of less than a year.

2.7.2.4 **Indirect Charge for Projects**

As to major projects (such as, but not limited to pipelines, gas reprocessing an processing plants, final loading and terminating facilities, and dismantling for decommissioning of platforms and related facilities) when the estimated cost of each project amounts to more than US$50,000,000 a separate indirect charge for such project shall be approved by the Operating Committee at the time of approval of the project.

During its process of winding-up Joint Operations Operator shall have the right to charge the greater of the sliding scale percentage rate or the minimum indirect charge for a period of twenty-four (24) months. If the winding-up process continues beyond the end of such period, the charge shall be confined to and based upon the sliding scale percentage rate.

Notwithstanding the foregoing, the indirect rates and related calculation method for development operations, production operations, and dismantling for decommissioning of platforms and related facilities shall be agreed upon by the Operating Committee prior to the submission of the first annual budget for those phase of operations.

2.7.3 **Exclusions**

The expenditures used to calculate the monthly indirect charge shall not include the indirect charge (calculated either as a percentage of expenditures or as a minimum monthly charge), rentals on surface rights acquired and maintained for the Joint Account, guarantee deposits, pipeline tariffs, concession acquisition costs, bonuses paid in accordance with the Contract, royalties and taxes on production or revenue to the Joint Account paid by Operator, expenditures associated with major construction projects for which a separate indirect charge is established hereunder, payments to third parties in settlement of claims, and other similar items.

Credits arising from any government subsidy payments, disposition of Material, and receipts from third parties for settlement of claims shall not be deducted from total expenditures in determining such indirect charge.

2.8 Insurance

Premiums paid for insurance required by law or the agreement to be carried for the benefit of the Joint Operations.

2.9 Damages and Losses to Property

2.9.1 All costs or expenditures necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident, or any other cause. Operator shall furnish Non-Operator written notice of damages or losses incurred in excess of US$500,00 as soon as practical after report of the same has been received by Operator.

2.9.2 Credits for settlements received from insurance carried for the benefit of Joint Operations and from others for losses or damages to Joint Property or Materials Each Party shall be credited with its Participating Interest share thereof except when such receipts are derived from insurance purchases by Operator for less than all parties in which event such proceeds shall be credited to those Parties for whom the insurance was purchased in the proportion of their respective contributions toward to insurance coverage.

2.9.3 Expenditures incurred in the settlement of all losses, claims, damages, judgements and other expenses for the account of Joint Operations.

2.10 Litigation and Legal Expenses

The costs and expenses of litigation and legal services necessary for the protection of the Joint Operations under this Agreement as follows:

2.10.1 Legal services necessary or expedient for the protection of the Joint Operations and all costs and expenses of litigation, arbitration or other alternative dispute resolution procedure, inducing reasonable attorneys' fees and expenses, together with all judgements obtained against the Parties or any of them arising from the Joint Operations.

2.10.2 If the Operating Committee shall so agree, actions or claims affecting the Joint Operations hereunder may be handled by the legal staff of one or any of the Parties hereto; and a charge commensurate with the reasonable costs of providing and furnishing such services rendered may be made by the Party providing such service to Operator for the Joint Account, but no such charges shall be made until approved by the Parties.

2.11 Taxes and Duties

All taxes, duties assessments and governmental charges, of every kind and nature, assessed or levied upon or in connection with the Joint Operations, other than any that are measured by or cased upon the revenues, income and net worth of a Party, or any penalties arising as a result of mismanagement and late payment of taxes by the Operator.

If Operator or an Affiliate is subject to income or withholding tax as a result of services performed at cost for the operations under the Agreement, its charges for such services may be increased by the amount of such taxes incurred (grossed up).

2.12 Training Costs

All costs and expenses incurred for training and developing personnel in accordance with the provisions of the contract or other obligation.

2.13 Ecological and Environmental

Costs to provide or have available pollution containment and removal equipment plus costs of actual control clean up and remediation of petroleum skills.

2.14 Decommissioning (Abandonment) and Reclamation

Costs incurred for decommissioning (abandonment) and reclamation of the Joint Property, including costs required by governmental or other regulatory authority or by the Contract.

2.15 Other Expenditures

Any other costs and expenditures incurred by Operator for the necessary and proper conduct of the Joint Operations in accordance with approve Work Programmes and Budgets and not covered in this Section II.

SECTION III - ACQUISITION OF MATERIAL

3.1 Acquisitions

Materials purchased for the Joint Account shall be charged at net cost paid by the Operator and recorded in the accounting records in accordance with the standard accounting procedures of the Operator. The price of Materials purchased shall include, but shall not be limited to export broker's fees, insurance, transportation charges, loading and unloading fees, import duties, licence fees and demurrage (retention charges) associated with the procurement of Materials and applicable taxes less all discounts taken.

3.2 Materials Furnished by Operator

Materials required for operations shall be purchased for direct charge to the Joint Account whenever practicable, except the Operator may furnish such Materials from its stock under the following conditions:

3.2.1 New Materials (Condition «1»). New Materials transferred from the warehouse or other properties of Operator shall be priced at net cost determined in accordance with Section 3.1 above.

3.2.2 Used Materials (Conditions «2» and «3»).

3.2.2.1 Material which is in sound and serviceable condition and suitable for use without repair or reconditioning shall be classed as Condition «2» and priced at seventy-five percent (75%) of actual historical cost.

3.2.2.2 Materials not meeting the requirements of Section 3.2.2.1 above, but which can be made suitable for use after being repaired or reconditioned, shall be classed as Condition «3» and priced at fifty percent (50%) of actual historical cost after repairs and reconditioning.

3.2.2.3 Material which cannot be classified as Condition «2» or Condition «3» shall be priced at a value commensurate with its use.

3.2.2.4 Tanks, derricks, buildings and other items of Material involving erection costs, if transferred in knocked-down condition, shall be graded as to condition as provided in this Section 3.2.2 of Section III and priced on the basis of actual historical cost.

3.2.2.5 Material including drill pipe, casing and tubing, which is no longer useable for its original purpose but is useable for some other purpose, shall be graced as to condition as provided in this Section 3.2.2 of Section III. Such Material shall be priced on the basis of the current price of items normally used for such other purpose if sold to third parties.

3.3 Premium Prices

Whenever Material is not readily obtainable at prices specified in sections 3.1 and 3.2 of this Section III because of national emergencies, strikes or other unusual causes over which Operator has no control, Operator may charge the Joint Account for the required Material at Operator's actual cost incurred procuring such Material, in making it suitable for use, and moving it to the Contract Area, provided that notice in writing, including a detailed description of the Material required and the required delivery date, is furnished to Non-Operators of the proposed charge at least 3 Days (or such shorter period as may be specified by Operator) before the Material is projected to be needed for operations and prior to billing Non-Operators for such Material the cost of which exceeds US$500,000. Each Non-Operator shall have the right, by so electing and notifying Operator within 3 days (or such shorter period as may be specified by Operator) after receiving notice from Operator, to furnish in kind all or part of his share of such Material per the terms of the notice which is suitable for use and acceptable to Operator both as to quality and time of delivery. Such acceptance by Operator shall not be unreasonably withheld. If Material furnished is deemed unsuitable for use by Operator, all costs incurred in disposing of such Material or returning Material to owner shall be borne by the Non-Operator furnishing the same unless otherwise agreed by the Parties. If a Non-Operator fails to properly submit an election notification within the designated period, Operate is not required to accept Material furnished in kind by that Non-Operator. If Operator fails to submit proper notification prior to billing Non-Operators for such Material, Operator shall only charge the Joint Account on the basis of the price allowed during a "normal" pricing period in effect at time of movement.

3.4 Warranty of Material Furnished by Operator

Under circumstances where the Operator furnishes material from their own inventory then the following shall apply.

(a) in the case of new unused items the Operator shall ensure that all warranties and guarantees issued by the manufacturer are transferred to the Joint Account. In case of defective Material, credit shall not be passed to

the Joint account until adjustment has been received by Operator from the manufacturers or their agents.

(b) in the case of used second-hand material the Operator is deemed at the time of transfer to certify that the material is fit for purpose. In case of defective material the Operator is required to credit the Joint Account in full.

SECTION IV - DISPOSAL OF MATERIALS

4.1 Disposal

Operator shall be under no obligation to purchase the interest of Non-Operators in new or used surplus Materials. Subject to the conditions stipulated in the Contract, Operator shall have the right to dispose of Materials but shall advise and secure prior agreement of the Operating Committee of any proposed disposition of Materials having an original cost to the Joint Account either individually or in the aggregate of US$500,000 or more. When Joint Operations are relieved of Material charged to the Joint Account, Operator shall advise each Non-Operator of the original cost of such Material to the Joint Account so that the Parties may eliminate such costs from their asset records. Credits for Material sold by Operator shall be made to the Joint Account in the month in which the payment is received for the Material. Any Material sold or disposed of under this Section shall be on an ‘as is, where is’ basis without guarantees or warranties of any kind of nature. Costs and expenditures incurred by Operator in the disposition of Materials shall be charged to the Joint Account.

4.2 Material Purchased by a Party or Affiliate

Material purchased from the Joint Property by a Party or an Affiliate thereof shall be credited by Operator to the Joint Account, with new Material valued in the same manner as new Material under Section 3.2.1 and used Material valued in the same manner as used Material under Section 3.2.2, unless otherwise agreed by the Parties.

4.3 Sale to Third Parties

Material purchased from the Joint Property by third parties shall be credited by Operator to the Joint Account at the net amount collected by Operator from the Buyer. If on transactions in excess of US$100,000 the sales price is less than that determined in accordance with the procedure set forth in Section 4.2, then approval by the Parties shall be required prior to the sale. Any claims by the buyer for defective materials or otherwise shall be charged back to the sale. Any claims by the buyer for defective materials or otherwise shall be charged back to the Joint Account if and when paid by Operator.

SECTION V — INVENTORIES

5.1 Periodic Inventories – Notice and Representation

At reasonable intervals, inventories shall be taken by Operator, of all Material on which detailed accounting records are normally maintained. The expense of conducting periodic inventories shall be charged to the Joint Account. Operator shall give Non-Operators written notice at least thirty (30) Days in advance of its intention to take inventory and Non-Operators, at their sole cost and expense, shall each be entitled to have a representative present. The failure of any Non-Operator to be represented at such inventory shall bind such Non-Operator to accept the inventory taken by Operator, who shall in that event furnish each Non-Operator with a reconciliation of overages and shortages. Inventory adjustments to the Joint Account shall be made for overages and shortages. Any adjustment equivalent to US$500,000 or more shall be brought to the attention of the Operating Committee.

5.2 Special Inventories

Whenever there is a sale or change of interest in the Agreement, a special inventory may be taken by the Operator provided the seller and/or purchaser or such interest agrees to bear all the expense thereof. In such cases, both the seller and the purchaser shall be entitled to be represented and shall be governed by the inventory so taken.

Exhibit 10.5

DEED OF ASSIGNMENT

(Deepwater Tano)

THIS DEED OF ASSIGNMENT is made the 1st day of September 2006

BY AND AMONG:

1. Kosmos Energy Ghana HC, a Cayman Islands exempted company (**"Assignor"**);

2. Anadarko WCTP Company, a Ghanaian company ("Assignee");

3. The Minister of Energy representing the Government of the Republic of Ghana;

4. The Ghana National Petroleum Corporation, a public corporation established by Provisional National Defence Council Law 64 of 1983 (**"GNPC"**); and

collectively referred to as the **"Parties"** and individually as a **"Party"**.

WHEREAS

(A) Assignor has agreed to assign and transfer to Assignee an undivided 18% Participating Interest in the Petroleum Agreement (the **"Subject Interest"**).

(B) The prior consent of the Minister of Energy of the Government of the Republic of Ghana and of GNPC to this assignment has been granted pursuant to the letter August 18, 2006 annexed hereto.

(C) In order to effect the assignment and transfer referred to in Recital (A), the Parties have agreed to the execution of this Deed.

THEREFORE it is agreed as follows:

1. In this Deed:

   (a) unless the context otherwise requires, the words, phrases and expressions defined in the Petroleum Agreement shall have the meanings given to them in the Petroleum Agreement;

   (b) references to clauses are to clauses to this Deed unless otherwise specified;

   (c) references to the singular shall include the plural and vice versa; and

   (d) the following terms shall bear the meanings ascribed to them:

"Effective Date"	shall have the meaning given to such term in the Farm-out Agreement;
"Farmout Agreement"	means the agreement between Assignor and Assignee dated March, 2006, and as amended

"Participating Interest"	means an undivided percentage interest in the rights, privileges, duties and obligations of the Contractor under the Petroleum Agreement;
"Petroleum Agreement"	means the Petroleum Agreement dated 10 March 2006 amongst the Government of the Republic of Ghana, (GNPC, Assignor, Tullow Ghana Limited and Sabre Oil and Gas Limited in respect of the Deepwater Tano Block, offshore Ghana; and
"Subject Interest"	shall have the meaning ascribed thereto in the Recitals.

2. By this Deed Assignor assigns and Assignee accepts the assignment by Assignor of all of Assignor's rights, entitlements, obligations and liabilities in the Subject Interest, subject to and in accordance with the terms and conditions of this Deed.

3. Assignor hereby represents and warrants to Assignee that:

(a) As of the date hereof, neither Assignor nor its employees or agents have taken or agreed to take any action which would result in liability for commissions, finder's fees or other compensation for services in connection with this Agreement.

(b) Assignor has the legal right, power and authorization to execute and enter into this Deed and to act upon this Deed in accordance with its terms;

(c) Assignor has not transferred, assigned or encumbered in any way the Subject Interest;

(d) To the knowledge of Assignor, the Petroleum Agreement is in full force and effect;

(e) As of the date hereof, Assignor is not aware of (i) any litigation relating to the Petroleum Agreement or (ii) any breach or threatened revocation of the Petroleum Agreement.

4. Assignee covenants that with effect on and from the Effective Date, in respect of the Subject Interest, it shall perform and observe all of the terms and conditions contained in, and shall assume all obligations and liabilities arising in and under, the Petroleum Agreement and each Party shall accept such performance and observance by Assignee in place of Assignor. Assignee shall be liable to the other Parties for any claims, fines, proceedings, injury, costs (including reasonable legal costs), loss, damage or expense incurred by the other Parties as a result of the failure by Assignee to comply with its obligations under this clause 4.

5. Nothing contained herein shall prejudice the rights and obligations of Assignor and Assignee under or in connection with the Petroleum Agreement and any other documents made between them in relation to the transfer of the Subject Interest.

6. Each Party shall keep confidential and shall not disclose to any third party any information provided by the other Parties in connection with the negotiation, execution or performance of this Deed without the prior written consent of the

other Parties which shall not be unreasonably withheld or delayed; provided that nothing in this Deed shall prevent the disclosure of information in the circumstances set forth in clause 16.5 of the Petroleum Agreement (subject to clause 16.6 thereof), which shall be deemed to be repeated, mutatis mutandis, herein.

7. No Party shall make any announcement to the public or otherwise publicise this Deed or any arrangement entered into under or in connection with this Deed without the prior written consent of the other Parties, such consent not to be unreasonably withheld or delayed.

8. This Deed may only be amended or varied by the written agreement of each of the Parties.

9. No waiver or failure by a Party to insist on the strict performance of this Deed or to act in respect of the default of another Party and no acceptance of payment or performance during the continuance of any such default shall preclude any right, relief or remedy under or in connection with this Deed available to the non-defaulting Parties and may not be relied upon by the defaulting Party as a consent to that default or to its repetition.

10. No Party shall be entitled to assign this Deed without the consent of the other Parties. This Deed shall bind and enure to the benefit of the Parties and their respective successors and permitted assigns.

11. All notices and other communications required or permitted under this Deed shall be in writing to the appropriate Party at the address specified below:

If to Assignor, to:

Kosmos Energy Ghana HC

c/o Kosmos Energy, LLC
8401 North Central Expressway;
Suite 280
Dallas, Texas 75225

Attn: W. Greg Dunlevy
Fax: (214)363 9024

If to Assignee, to:

Anadarko WCTP Company

GnG Manager. Africa Captured Assets
Anadarko Petroleum Corporation
1201 Lake Robbins Drive
The Woodlands, Texas 77380

Attn: Jonathan Leason
Fax: (832) 636 8020

If to the Minister of Energy on behalf Of the Government of the Republic Of Ghana, to:

Minister of Energy

Private Mail Bag
Ministry Post Office
Accra, Ghana

Attn. Minister of Energy
Fax. 233 216 68262

If to GNPC, to:

Ghana National Petroleum Corporation

Petroleum House
Harbour Road
Private Mail Bag
Tema, Ghana
Attn. The Managing Director
Fax. 233 212 32039

Any Party may send any notice, request, demand, claim or other communication hereunder to the intended recipient Party at the address set forth above by mail, personal delivery, expedited or overnight courier, messenger service or fax, but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient Party. Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

12. The Parties agree to promptly execute and deliver all such further instruments and promptly do and perform all such further acts and things as shall be necessary or expedient for the carrying out of the provisions of this Deed.

13. This Deed shall not confer any rights or remedies upon any person other than the Parties and their respective successors and permitted assigns.

14. This Deed is governed by and shall be construed in accordance with the laws of Ghana.

IN WITNESS WHEREOF this Deed has been executed for and on behalf of the Parties.

EXECUTED as a DEED)
on behalf of)
KOSMOS ENERGY GHANA HC)

/s/ KOSMOS ENERGY GHANA HC
Director

/s/ KOSMOS ENERGY GHANA HC
Director/Secretary

EXECUTED as a DEED)
on behalf of)
ANADARKO WCTP COMPANY)

/s/ ANADARKO WCTP COMPANY
Director

/s/ ANADARKO WCTP COMPANY
Director/Secretary

EXECUTED as a DEED)
on behalf of)
THE GOVERNMENT OF THE)
REPUBLIC OF GHANA)

/s/ THE GOVERNMENT OF THE REPUBLIC OF GHANA
Minister of Energy

EXECUTED as a DEED)
on behalf of)
THE GHANA NATIONAL)
PETROLEUM CORPORATION) /s/ THE GHANA NATIONAL PETROLEUM CORPORATION
Director

/s/ THE GHANA NATIONAL PETROLEUM CORPORATION
Director/Secretary

MINISTRY OF ENERGY

Tel: 667152/683961-4
Telex: 2436 ENERGY GH
Fax: 668262
TDD Code (233-21)
Email. moen@energymm.gov.gh

Private Mail Bag
Ministries Post Office
Accra. Ghana.

Post Office Box SD.40
Stadium Post Office
Accra, Ghana.

Republic of Ghana

DA 119/255/04

August 18, 2006

Kosmos Energy
8401 North Central Expressway
Suite 280, Dallas
Texas 75225

Re: Petroleum Agreement
Deepwater Tano Block, Offshore Ghana
Assignment of a Participating Interest to Anadarko

This Ministry has received your letter dated July 20, 2006 regarding the above.

The Ministry of Energy and Ghana National Petroleum Corporation (GNPC) hereby approve your request to assign 18% of Deepwater Tano Block Offshore Ghana to Anadarko Petroleum Corporation.

We hope this would accelerate the pace of exploration in the block.

/s/ Hon. Joseph K. Adda (MP)

Hon. Joseph K. Adda (MP) Minister

Cc: The Managing Director
GNPC
Tema

The Country Manager
Kosmos Energy
Accra

Exhibit 10.6

UNITIZATION AND UNIT OPERATING AGREEMENT

Ghana National Petroleum Corporation (1)

Tullow Ghana Limited (2)

Kosmos Energy Ghana HC (3)

Anadarko WCTP Company (4)

Sabre Oil & Gas Holdings Limited (5)

EO Group Limited (6)

COVERING:

The Jubilee Field Unit located offshore the Republic of Ghana

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		Attachment A: Secondee's Specifications
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UNITIZATION AND UNIT OPERATING AGREEMENT

THIS AGREEMENT is entered into as a deed on 13 July 2009 among Ghana National Petroleum Corporation, a public corporation existing under the laws of the Republic of Ghana and established by Provisional National Defence Council Law 64 of 1983 (hereinafter referred to as ***"GNPC"***); Tullow Ghana Limited, a company existing under the laws of Jersey, Channel Islands and registered in Ghana with branch registration number 1017 (hereinafter referred to as ***"Tullow"***); Kosmos Energy Ghana HC, a company existing under the laws of the Cayman Islands and registered in Ghana with branch registration number EXT 927 (hereinafter referred to as ***"Kosmos"***); Anadarko WCTP Company, a company existing under the laws of the Cayman Islands and registered in Ghana with branch registration number EXT 1090 (hereinafter referred to as ***"Anadarko"***); Sabre Oil & Gas Holdings Limited, a company existing under the laws of the British Virgin Islands and registered in Ghana with branch registration number EXT 1226 (being the successor-in-interest to Sabre Oil & Gas Limited and being hereinafter referred to as ***"Sabre"***); and EO Group Limited, a company existing under the laws of the Cayman Islands and registered in Ghana with branch registration number EXT 1238 (hereinafter referred to as ***"EO Group"***). The companies named above, and their respective successors and assignees (if any), may sometimes individually be referred to as ***"Party"*** and collectively as the ***"Parties"***.

WITNESSETH:

WHEREAS, Tullow, Kosmos, Anadarko, Sabre and EO Group or their predecessors-in-interest entered into a Petroleum Agreement with the Government (represented by the Minister) and GNPC dated July 22, 2004 covering certain areas located in the West Cape Three Points (WCTP) Block Contract Area offshore Ghana;

WHEREAS, Tullow, Kosmos, Anadarko and Sabre or their predecessors-in-interest entered into a Petroleum Agreement with the Government (represented by the Minister) and GNPC dated March 10, 2006 covering certain areas located in the Deepwater Tano (DWT) Contract Area offshore Ghana;

WHEREAS, the Parties have determined that the Unit Interval extends across the boundary between the two Contract Areas and lies in part within each Contract Area;

WHEREAS, a letter has been received from the Minister dated November 25, 2008 determining that the field encompassed by the Unit Interval extends across the boundary between the Contract Areas and that such field shall be developed and exploited as a single unit pursuant to unitization and engineering principles and practices and in accordance with accepted international petroleum industry practices and the Laws/Regulations and instructing the Parties to negotiate and enter into a unitization and unit operating agreement setting forth the terms of the unitization;

WHEREAS, the Parties and the Government have agreed that the terms of this Agreement relating to unitization satisfy any requirements of the Laws/Regulations with respect to unitization; and

WHEREAS, the Parties desire to define their respective rights and obligations with respect to their development and operation of the Unit Interval on a unitized basis;

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

ARTICLE 1
DEFINITIONS

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

1.1 ***Acknowledgment*** has the meaning ascribed to it in Article 4.1(D)(3).

1.2 ***Acquiring Party*** has the meaning ascribed to it in Article 10.8(C).

1.3 ***Act*** has the meaning ascribed to it in Article 21.8.

1.4 ***Additional Oil Entitlements*** has the meaning ascribed to it in each Contract.

1.5 ***Adjustment Date*** has the meaning ascribed to it in Article 5.7(B)(4).

1.6 ***Adjustment Percentage*** has the meaning ascribed to it in Article 5.7(B)(3)(f).

1.7 ***Adjustment Quantity*** has the meaning ascribed to it in Article 5.7(B)(3)(c).

1.8 ***Adjustment Quantity Contribution*** has the meaning ascribed to it in Article 5.7(B)(3)(e).

1.9 ***AFE*** means an authorization for expenditure pursuant to Article 9.6.

1.10 ***Affected Group*** has the meaning ascribed to it in Article 13.1(B)(1).

1.11 ***Affected JOA Group*** has the meaning ascribed to it in Article 13.2(B).

1.12 ***Affiliate*** means a legal entity which Controls, or is Controlled by, or which is Controlled by an entity which Controls, a Party.

1.13 ***Agreed Interest Rate*** means interest compounded on a monthly basis, at the rate per annum equal to the one (1) month term, London Interbank Offered Rate (LIBOR rate) for U.S. dollar deposits, as published in London by the Financial Times or if not published, then by The Wall Street Journal, plus three (3) percentage points, applicable on the first Business Day prior to the due date of payment and thereafter on the first Business Day of each succeeding Calendar Month. If the aforesaid rate is contrary to any applicable usury law, the rate of interest to be charged shall be the maximum rate permitted by such applicable law.

1.14 ***Agreement*** means this agreement, together with the Exhibits attached to this agreement, and any extension, renewal or amendment hereof agreed to in writing by the Parties.

1.15 ***Annual Unit Work Program and Budget*** has the meaning ascribed to it in Article 9.3(A).

1.16 ***Anticorruption Legislation*** means (1) the applicable laws of Ghana; (2) with respect to each Party, the anti-corruption laws of any Home Country Governmental Authority with respect to such Party or any Affiliate of such Party including, as applicable to such Party or its Affiliates, the United Kingdom's anti-corruption legislation, including the Anti-Terrorism Crime & Security Act 2001, and the U.S. Foreign Corrupt Practices Act; (3) the OECD Anti-bribery Principles; or (4) with respect to each Party, any other implementing legislation with respect to (1), (2) and (3) above.

1.17 ***Appraisal Operation*** means any operation designed to delineate the accumulation of Hydrocarbons contained in an existing Discovery, including drilling, well testing and seismic operations, but excluding any operation within the scope of a Unit Development Plan.

1.18 ***Appraised Value*** has the meaning ascribed to it in Article 10.8(C)(1).

1.19 ***Approved Phase 1 Development Plan*** means the "Jubilee Field Phase 1 Development Plan" approved by the Government under the Contracts for the development of Hydrocarbons from the Unit.

1.20 ***Associated Agreements*** means any agreement (or series of substantially identical agreements) other than this Agreement entered into after the Effective Date by all of the Parties and, if applicable, one or more Third Parties, relating to Unit Operations.

1.21 ***Assumption Notice*** has the meaning ascribed to it in Article 13.1(B)(1)(a).

1.22 ***Attorney*** has the meaning ascribed to it in Article 10.9(B).

1.23 ***Authorized Seconding Party*** means Tullow, Anadarko, Kosmos, any successor or assign pursuant to Article 7.3(C), and GNPC or any successor entity owned or Controlled by the Government.

1.24 ***Burden*** has the meaning ascribed to it in Article 4.11.

1.25 ***Business Day*** means a Day on which the banks are customarily open for business in the cities of: Dallas, Texas; Houston, Texas; London, England; and Accra, Ghana.

1.26 ***Buy-Out Option*** has the meaning ascribed to it in Article 10.8(C).

1.27 ***Calendar Month*** means one of the twelve (12) calendar months of the Calendar Year commencing on the first Day of each calendar month, in accordance with the Gregorian Calendar, and the term "Monthly" shall be construed accordingly.

1.28 ***Calendar Quarter*** means a period of three (3) months commencing with January 1 and ending on the following March 31, a period of three (3) months commencing with April 1 and ending on the following June 30, a period of three (3) months commencing with July 1 and ending on the following September 30, or a period of three (3) months commencing with October 1 and ending on the following December 31, all in accordance with the Gregorian Calendar.

1.29 ***Calendar Year*** means a period of twelve (12) months commencing with January 1 and ending on the following December 31 according to the Gregorian Calendar.

1.30 ***Code*** has the meaning ascribed to it in Article 16.3(A).

1.31 ***Consequential Loss*** means any loss, damages, costs, expenses or liabilities caused (directly or indirectly) by any of the following arising out of, relating to, or connected with this Agreement or the operations carried out under this Agreement: (i) reservoir or formation damage; (ii) inability to produce, use or dispose of Hydrocarbons; (iii) loss or deferment of income; (iv) punitive damages; or (v) other indirect damages or losses whether or not similar to the foregoing.

1.32 ***Contract*** means the DWT Contract or the WCTP Contract.

1.33 ***Contract Area*** means the DWT Contract Area or the WCTP Contract Area.

1.34 ***Contract Group*** means the DWT Contract Group or the WCTP Contract Group.

1.35 ***Contract Group Interest*** means the following, expressed as a percentage to four (4) decimal places: in the case of GNPC, its GNPC Participating Interest in connection with the applicable Contract and, in the case of each other Party, (i) its JOA Group Interest in connection with the applicable Contract (ii) divided by one hundred (100), and (iii) multiplied by the "Contractor's" "Participating Interest" under the applicable Contract.

1.36 ***Contract Group Paying Interest*** means for either Contract the following, expressed as a percentage to four (4) decimal places: (a) with respect to all Unit Operations which are "Production Operations" (as that term is defined in each Contract) in the case of each Party, its Contract Group Interest; (b) with respect to all Unit Operations which are "Development Operations" (as that term is defined in each Contract), in the case of GNPC, the GNPC Additional Interest under the applicable Contract and, in the case of each other Party, (i) such Party's JOA Group Interest in connection with the applicable Contract with respect to a specified operation (ii) divided by 100, and (iii) multiplied by the difference between one hundred percent (100%) and the GNPC Additional Interest.

1.37 ***Contributing Parties*** has the meaning ascribed to it in Article 10.2(B).

1.38 ***Contributing Share*** has the meaning ascribed to it in Article 10.2(B).

1.39 ***Contribution Notice*** has the meaning ascribed to it in Article 10.2(B).

1.40 ***Control*** means the ownership directly or indirectly of more than fifty percent (50%) of the voting rights in a legal entity or the ability to direct, directly or indirectly, the management or policies of a Person, whether through ownership of voting shares or other voting rights, pursuant to written contract, or otherwise. ***"Controls", "Controlled by"*** and other derivatives shall be construed accordingly.

1.41 ***Crude Oil*** means all crude oils, condensates, and natural gas liquids at atmospheric pressure which are subject to and covered by the applicable Contract.

1.42 ***Cure Deficiency Notice*** has the meaning ascribed to it in Article 13.1(B)(1)(b).

1.43 ***Date of Commencement of Commercial Production*** has the meaning ascribed to such term in each Contract with respect to the production of Unit Substances from the Unit Interval.

1.44 ***Day*** means a calendar day unless otherwise specifically provided.

1.45 ***Decommissioning*** means all work required in respect of the abandonment of Unit Facilities in accordance with good oil field practice and any specific legal obligation including, as applicable, plugging of wells, abandonment, disposal and/or demolition, cleanup or removal and any necessary site restoration and ***"Decommission"*** shall be construed accordingly.

1.46 ***Decommissioning Costs*** means costs of Decommissioning.

1.47 ***Decommissioning Response Deadline*** has the meaning ascribed to it in Article 12.1(A).

1.48 ***DWT Contract*** means that certain Petroleum Agreement entered into by the Government and GNPC with Tullow, Kosmos and Sabre dated March 10, 2006, as amended from time to time. A copy of the DWT Contract is attached hereto as Exhibit G.

1.49 ***DWT Contract Area*** means the area specified in the DWT Contract as the "Contract Area", as modified from time to time in accordance with the terms of the DWT Contract.

1.50 ***DWT Contract Group*** means all those Persons who from time to time constitute the "Contractor" or equivalent under the DWT Contract (who, at the Effective Date, consist of Tullow, Kosmos, Anadarko and Sabre) and GNPC or any successor-in-interest to GNPC's interest in the DWT Contract.

1.51 ***DWT JOA*** means that certain Joint Operating Agreement dated August 15, 2006 by and among Tullow, Kosmos and Sabre, as amended from time to time, and any other agreements entered into wholly or partially in substitution therefor. A copy of the DWT JOA is attached hereto as Exhibit U.

1.52 ***DWT JOA Group*** means all those Persons who, from time to time, are parties to the DWT JOA (who, at the Effective Date, consist of Tullow, Kosmos, Anadarko and Sabre).

1.53 ***DWT Operator*** means the operator from time to time under the DWT JOA.

1.54 ***DWT Tract*** means that portion of the DWT Contract Area that falls within the Unit Area.

1.55 ***Defaulting Group*** has the meaning ascribed to it in Article 10.1(A).

1.56 ***Defaulting Party*** has the meaning ascribed to it in Article 10.1(A).

1.57 ***Default Notice*** has the meaning ascribed to it in Article 10.1(A).

1.58 ***Default Period*** has the meaning ascribed to it in Article 10.1(B).

1.59 ***Delivery Point*** means, with respect to Unit Substances, each outlet flange where such Unit Substances are first delivered from Unit Facilities to non-Unit Facilities, including the outlet flange of any Unit Facility connecting to non-Unit offshore or onshore facilities, or any non-Unit pipeline, or to any non-Unit vessel, vehicle or other means of transportation, as applicable.

1.60 ***Development Well*** means any well drilled pursuant to a Unit Development Plan.

1.61 ***Development Unit Work Program and Budget*** has the meaning ascribed to it in Article 9.2(A).

1.62 ***Discovery*** means the discovery of an accumulation of Hydrocarbons whose existence until that moment was unproven by drilling.

1.63 ***Dispute*** means any dispute, controversy or claim (of any and every kind or type, whether based on contract, tort, statute, regulation, or otherwise) arising out of, relating to, or connected with this Agreement or the operations carried out under this Agreement, including any dispute as to the construction, validity, existence, tet mination, interpretation, enforceability or breach of this Agreement.

1.64 ***Effective Date*** means the date on which the last of the conditions precedent to this Agreement are satisfied as notified by the Unit Operator to the other Parties pursuant to Article 4.1(D).

1.65 ***Employer Indemnitees*** has the meaning ascribed to it in Article 7.3(G)(1).

1.66 ***Encumbrance*** or ***Encumbrances*** means a mortgage, lien, pledge, charge or other encumbrance. ***"Encumber"*** and other derivatives shall be construed accordingly.

1.67 ***Entitlement*** means that quantity of Unit Substances (excluding all quantities used or lost in Unit Operations) of which a Party has the right and obligation to take delivery pursuant to the terms of this Agreement and the applicable Contract(s), as such rights and obligations may be adjusted by the terms of any lifting, balancing and other disposition agreements entered into pursuant to Article 11.

1.68 ***Environmental Loss*** means any loss, damages, costs, expenses or liabilities (other than Consequential Loss) caused by a discharge of Hydrocarbons, pollutants or other contaminants into or onto any medium (such as land, surface water, ground water and/or air) arising out of, relating to, or connected with this Agreement or the operations carried out under this Agreement, including any of the following: (i) injury or damage to, or destruction of, natural resources or real or personal property; (ii) cost of pollution control, cleanup and removal; (iii) cost of restoration of natural resources; and (iv) fines, penalties or other assessments.

1.69 ***Expansion Call Date*** has the meaning ascribed to it in Article 5.3(B)(1).

1.70 ***Expansion End Date*** has the meaning ascribed to it in Article 5.3(B)(3).

1.71 ***Expansion Period*** means a period of time associated with a proposal for the expansion of the Unit Interval (and, if applicable, Unit Area) in accordance with Article 5.3(B) that begins with the Expansion Call Date and ends with the Expansion End Date attributable to such proposed expansion.

1.72 ***Expansion Proposal*** has the meaning ascribed to it in Article 5.3(B)(1).

1.73 ***Expert*** means the Person appointed as such pursuant to the provisions of Article 20.4 or Exhibit E, as applicable.

1.74 ***Expert Costs*** means the Expert's reimbursable expenses plus the Expert's fee.

1.75 ***Family Member*** means a Person related to another within the second degree of consanguinity, affinity, or legal adoption.

1.76 ***Force Majeure*** has the meaning ascribed to it in Article 18.2.

1.77 ***GNPC Additional Interest*** means: (i) with respect to the WCTP Contract, the "Additional Paying Interest" of two decimal five percent (2.5%) which GNPC has elected to acquire under Article 2.6 of the WCTP Contract; and (ii) with respect to the DWT Contract, the "Additional Interest" of five percent (5%) which GNPC has elected to acquire under Articles 2.5 and 2.6 of the DWT Contract.

1.78 ***GNPC Initial Interest*** means: (i) with respect to the WCTP Contract, a ten percent (10%) "Participating Interest" under Article 2.4 of the WCTP Contract; and (ii) with respect to the DWT Contract, a ten percent (10%) "Initial Interest" under Article 2.4 of the DWT Contract.

1.79 ***GNPC Participating Interest*** means, with respect to each Contract, the sum of the GNPC Additional Interest and the GNPC Initial Interest.

1.80 ***Government*** means the government of the Republic of Ghana and any political subdivision, agency or instrumentality thereof, but excluding GNPC in its role as a party under this Agreement.

1.81 ***Government Action Notice*** has the meaning ascribed to it in Article 13.1(B)(1).

1.82 ***Government Approval*** has the meaning ascribed to it in Article 4.1(D)(2).

1.83 ***Governmental Authority*** means (i) any national, regional or local government and any ministry or department thereof, or (ii) any Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government (including any independent regulator) or (iii) any other governmental entity, instrumentality, agency, authority, court, or company, or (iv) any other entity, committee or commission under the direct or indirect control of a government, or (v) any government-owned or Controlled commercial enterprise.

1.84 ***Gross Negligence / Willful Misconduct*** means any act or failure to act (whether sole, joint or concurrent) by any person or entity which was intended to cause, or which was in reckless disregard of or wanton indifference to, harmful consequences such person or entity knew, or should have known, such act or failure would have on the safety or property of another person or entity.

1.85 ***Home Country Governmental Authority*** means any Governmental Authority where a Party or any of its direct or indirect parent companies is organized or has its principal place of business.

1.86 ***Hydrocarbons*** means all substances which are subject to and covered by the Contract, including Crude Oil and Natural Gas.

1.87 ***HSE*** has the meaning ascribed to it in Article 7.14.

1.88 ***ICC*** has the meaning ascribed to it in Article 20.3(C)(1).

1.89 ***ICC Court*** has the meaning ascribed to it in Article 20.3(C)(2).

1.90 ***Indemnitees*** has the meaning ascribed to it in Article 7.6(B).

1.91 ***Initial Positions*** has the meaning ascribed to it in Article 7.3(C)(1).

1.92 ***IPT*** has the meaning ascribed to it in Article 7.2(D).

1.93 ***IPT Technical Operations*** means those Technical Operations described in Article 7.2(D).

1.94 ***IPT Technical Operations Contract Procedure*** means the contracting procedure applicable to the award of contracts with respect to IPT Technical Operations attached hereto as Exhibit T, Part 1 and made a part hereof.

1.95 ***IPT Technical Operator*** means the Technical Operator designated from time to time pursuant to Article 7 to conduct IPT Technical Operations.

1.96 ***JCC Parties*** means each Party which holds a Unit Interest of over twenty per cent (20%) and GNPC.

1.97 ***JOA Group*** means the DWT JOA Group or the WCTP JOA Group.

1.98 ***JOA Group Interest*** means a Party's undivided share, expressed as a percentage to four (4) decimal places, in the rights and obligations of the Parties in a JOA Group under the applicable Joint Operating Agreement.

1.99 ***Joint Management Committee*** means a "Joint Management Committee" established pursuant to Article 6 of either Contract.

1.100 ***Joint Operating Agreement*** means the DWT JOA or the WCTP JOA.

1.101 ***Laws/Regulations*** means those laws, statutes, rules and regulations governing activities under the Contracts.

1.102 ***Lien Holder*** has the meaning ascribed to it in Article 14.2(D).

1.103 ***Long Term Contract*** means any contract for the sale of Unit Substances that is not a Spot Contract.

1.104 ***Minimum Work Obligations*** means those work and/or expenditure obligations specified in Article 4 of the DWT Contract and Article 4 of the WCTP Contract.

1.105 ***Minister*** means the Minister for Energy of Ghana.

1.106 ***Natural Gas*** means all gaseous hydrocarbons (including wet gas, dry gas and residue gas) which are subject to and covered by the applicable Contract, but excluding Crude Oil.

1.107 ***Non-Affected Group*** has the meaning ascribed to it in Article 13.1(B)(1).

1.108 ***Non-Affected Parties*** has the meaning ascribed to it in Article 13.1(B)(1)(a).

1.109 ***Non-Affiliated Third Party*** means a Third Party who is not an Affiliate of any Party.

1.110 ***Non-Operator*** means each Party to this Agreement other than Unit Operator (or, where the reference is to Technical Operations or Technical Operator, other than Technical Operator).

1.111 ***Non-Unit Well*** means a well drilled in the Unit Area, or drilled outside the Unit Area but having a portion of its wellbore within the Unit Area, other than a Unit Well.

1.112 ***Non-U.S. Party*** has the meaning ascribed to it in Article 16.3(F).

1.113 ***Non-Unit Operations*** means operations (other than Unit Operations) conducted in the Unit Area and/or utilizing Unit Facilities, and undertaken by or on behalf of some or all of the Parties in either JOA Group with respect to its Contract Area, including such operations for purposes of exploring for, gathering, treating, processing, storing, transporting or marketing Hydrocarbons.

1.114 ***Non-Unit Production*** means production of Crude Oil, Natural Gas and/or other substances from or attributable to either Contract Area that is not attributable to the Unit Interval.

1.115 ***Notice of Dispute*** has the meaning ascribed to it in Article 20.3(A).

1.116 ***OECD Anti-bribery Principles*** means the following principles, which are based on the principles set forth in Article 1.1 and 1.2 of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on 17 December 1997, and entered into force on 15 February 1999, and the Convention's Commentaries, namely, that:

(a) It is unlawful for any person intentionally to offer, promise or give any undue pecuniary or other advantage, whether directly or through intermediaries, to a foreign public official, for that official or for a third party, in order that the official act or refrain from acting in relation to the performance of official duties, in order to obtain or retain business or other improper advantage in the conduct of international business; and

(b) Complicity in, including incitement, aiding and abetting, or authorization of an act of bribery of a foreign public official shall be unlawful. Furthermore, attempt and conspiracy to bribe a foreign public official of a country that is not a Party's Home Country Governmental Authority shall be unlawful to the same extent as attempt and conspiracy to bribe a public official of a country that is a Party's Home Country Governmental Authority.

1.117 ***Official*** means (i) any official, officer, employee or Person acting in an official capacity on behalf of a Governmental Authority or public international organization; or (ii) any political party or political party official; or (iii) any candidate for political office.

1.118 ***OHIP*** (or Original Hydrocarbon in Place) has the meaning ascribed to it in Article 5.5(A).

1.119 ***Operator*** means the Unit Operator or Technical Operator.

1.120 ***Option Notice*** has the meaning ascribed to it in Article 10.8(C).

1.121 ***Original Expansion Proposal*** has the meaning ascribed to it in Article 5.3(B)(1).

1.122 ***Original Party*** means each of GNPC, Tullow, Kosmos, Anadarko, Sabre and EO Group together with any of their Affiliates that subsequently become a Party to this Agreement.

1.123 ***Other Group*** has the meaning ascribed to it in Article 10.2(A).

1.124 ***Other Party*** has the meaning ascribed to it in Article 10.2(A).

1.125 ***Paying Interest*** means each Party's undivided share, expressed as a percentage to four (4) decimal places, in the Unit Account expense obligations under this Agreement with respect to a specific Unit Operation, equal to the sum of (i) such Party's Contract Group Paying Interest for the DWT Contract Group with respect to such Unit Operation multiplied by the Tract Participation for the DWT Tract and divided by one hundred (100) and (ii) such Party's Contract Group Paying Interest for the WCTP Contract Group with respect to such Unit Operation multiplied by the Tract Participation for the WCTP Tract and divided by one hundred (100). ***"Paying Interest"*** with respect to a JOA Group means the sum of the Paying Interests of each Party in the JOA Group derived from its interest in the applicable Tract.

1.126 ***Person*** means an individual, corporation, company, partnership, limited partnership, limited liability company, trust, estate, government agency or any other entity, including unincorporated business associations.

1.127 ***Pressure Communication*** means, with respect to any accumulation of Hydrocarbons, that:

(a) such accumulation has Hydrocarbon-bearing sediments which are in direct and continuous Hydrocarbon contact with the Unit Interval, and

(b) such accumulation belongs to the same Hydrocarbon pressure regime(s) as the Unit Interval, with which it is in direct and continuous Hydrocarbon contact as defined in (a) above, and

(c) the composition of the Hydrocarbons of such accumulation is consistent with the composition of the Unit Interval Hydrocarbons, with which they are in direct and continuous Hydrocarbon contact as defined in (a) above.

1.128 ***Pre-Unit Agreement*** means the pre-unitization agreement dated February 22, 2008 by and among Tullow, Kosmos, Anadarko, Sabre and EO Group or their predecessors in interest with respect to the Unit Area, a copy of the Pre-Unit Agreement is attached hereto as Exhibit W.

1.129 ***Production Forecast*** has the meaning ascribed to it in Article 11.4(A).

1.130 ***Prohibited Assignee*** means (i) any Official in Ghana or of the Government or GNPC whilst it is owned or Controlled by the Government; or (ii) any Family Member of such an Official referred to in (i) above; or (iii) any entity in which one or more individuals specified in (i) or (ii) owns an interest, except as a consequence of ownership by such individual of publicly-traded securities.

1.131 ***Project Interest*** means, with respect to any Party, its Unit Interest derived from each Contract Group and its corresponding interests in the Project Interest Agreements.

1.132 ***Project Interest Agreements*** means this Agreement, the Contracts, the Joint Operating Agreements and the Associated Agreements, and when used to refer to the Project Interest Agreements of a particular Party, means this Agreement, the Contracts to which such Party is party, the Joint Operating Agreements applicable to such Contracts and the Associated Agreements.

1.133 ***Proposing Group*** has the meaning ascribed to it in Article 5.3(B)(1).

1.134 ***Proposed Phase 1 Development Plan*** means the "Jubilee Field Phase 1 Development Plan" approved for submission to the Joint Management Committee under Article 6 of each Contract, and to the Government for approval, attached hereto as Exhibit P.

1.135 ***Proscribed Persons*** means any Person: (a) whose name is specified in, or pursuant to, any directive or resolution of, or list maintained by, any Home Country Governmental Authority or the United Nations relating to the designation of a person as a terrorist or of a terrorist organization or the blocking of assets of such person or organization; (b) in respect of whom any Home Country Governmental Authority or the United Nations has publicly announced that all financial transactions involving the assets of such Person or organization have been, or are to be, blocked; or (c) who is designated from time to time by any Home Country Governmental Authority or the United Nations as a terrorist person or organization or an organization that assists or provides support to a terrorist person or organization.

1.136 ***Purchase Price*** has the meaning ascribed to it in Article 10.8(C).

1.137 ***Reasonably Prudent Operator*** has the meaning ascribed to it in Article 7.12(B)(2).

1.138 ***Received*** has the meaning ascribed to it in Article 19.

1.139 ***Recoverable Oil*** means the amount of recoverable Crude Oil within the Unit Interval as set out in the Unit Operator's most recent production profile for the Unit Interval, and as adjusted by the Unit Operator in accordance with any expansion of the Unit Interval under Article 5.3.

1.140 ***Redetermination*** means the process established in Article 5.3 and in Article 5.4 for the review and possible revision of the Tract Participations, Unit Interests and Paying Interests pursuant to Articles 5.5, 5.6 and 5.7, as applicable, including any such review and revision involving a referral to an independent Expert. The term "Redetermination" shall include both the revision of Tract Participations, Unit Interests and Paying

Interests and where applicable under those Articles the reapportionment of each Party's rights to Unit Substances and obligations for Unit Account costs.

1.141 ***Redetermination Basis*** has the meaning ascribed to it in Article 5.5(A).

1.142 ***Redetermination Call Date*** has the meaning ascribed to it in Article 5.5(D)(2).

1.143 ***Redetermination Effective Date*** has the meaning ascribed to it in Article 5.5(E).

1.144 ***Redetermination Effective Month*** has the meaning ascribed to it in Article 5.6(B)(4). *1.145 Redetermination End Date* has the meaning ascribed to it in Article 5.5(E).

1.146 ***Redetermination Period*** means a period of time associated with a particular Redetermination that begins with the Redetermination Trigger Date for such Redetermination and ends with the Redetermination End Date for such Redetermination.

1.147 ***Redetermination Trigger Date*** has the meaning ascribed to it in Exhibit E.

1.148 ***Reserve Fund*** has the meaning ascribed to it in Article 10.5(D).

1.149 ***Rules*** has the meaning ascribed to it in Article 20.3(C)(1).

1.150 ***Run Down Period*** has the meaning ascribed to it in Exhibit D.

1.151 ***Secondee*** has the meaning ascribed to it in Article 7.3(A).

1.152 ***Secondment*** has the meaning ascribed to it in Article 7.3(A).

1.153 ***Security*** means (i) cash in an escrow account held by a bank or such other form of investment as may be authorized by Exhibit D with respect to Decommissioning, or (ii) an irrevocable standby letter of credit issued by a bank; or (iii) an on demand bond issued by a bank, in each case in favor of the Unit Operator on behalf of the Parties for the purposes for which such Security is required under the terms of this Agreement; provided, however, that the bank holding the cash or issuing the standby letter of credit or bond (as applicable) has a credit rating for long-term unsecured debt of at least "AA" by Standard & Poor's or "Aa2" by Moody's, or, in the event neither such entity is issuing credit ratings for long-term unsecured debt, the equivalent rating by a comparable international credit rating agency.

1.154 ***Senior Executive*** has the meaning ascribed to it in Article 20.3(B).

1.155 ***Senior Supervisory Personnel*** means, (i) with respect to Unit Operator, any individual who functions as its designated manager or supervisor of an onshore or offshore installation or facility used for operations and activities of such Party, but excluding all managers or supervisors who are responsible for or in charge of onsite drilling, construction or production and related operations or any other field operations, and any individual who functions for Unit Operator or one of its Affiliates at a management level equivalent to or superior to the management level described herein above, or any officer or director of Unit Operator or one of its Affiliates, and (ii) with respect to the IPT Technical Operator, any individual who functions as its director of the IPT, and any individual who functions for the IPT Technical Operator or one of its Affiliates at a management level equivalent to or superior to the management level described hereinabove, or any officer or director of the IPT Technical Operator or one of its Affiliates, and (iii) for any other Technical Operator, any individual with overall responsibility for the Technical Operations it is performing, and any individual who functions for such Technical Operator or one of its Affiliates at a management level equivalent to or superior to the management level described hereinabove, or any officer or director of such Technical Operator or one of its Affiliates.

1.156 ***Spot Contract*** means any contract for the sale of Unit Substances terminating, or terminable at will by the seller without penalty, ninety (90) Days or less after the commencement of the contract.

1.157 ***Subcommittee*** has the meaning ascribed to it in Article 8.4(A).

1.158 ***Subcontractor*** means any Third Party with whom an Operator enters into an agreement or arrangement for the provision of goods and/or services in connection with the conduct of Unit Operations.

1.159 ***Sufficient New Data*** means well log data and other wellbore data from outside the Unit Interval from a well completed after (i) in the case of any potential first expansion of the Unit Interval, the Effective Date and (ii) in the case of potential second and subsequent expansions of the Unit Interval, the last preceding Expansion Call Date.

1.160 ***Technical Operations*** mean operations within the scope of this Agreement (or whose purpose, at the time of being undertaken, was within the scope of this Agreement), including IPT Technical Operations, conducted by a Technical Operator on behalf of all of the Parties on or after the Effective Date, as further designated pursuant to this Agreement.

1.161 ***Technical Operator*** means a Party designated from time to time pursuant to Article 7 to conduct Technical Operations, in such capacity and not in its capacity as a Party.

1.162 ***Technical Operator Indemnitees*** has the meaning ascribed to it in Article 7.6(B).

1.163 ***Technical Services Agreement*** has the meaning ascribed to it in Article 7.3(H).

1.164 ***Third Party*** means any Person who is not a Party.

1.165 ***Tract*** means the DWT Tract or the WCTP Tract.

1.166 ***Tract Operator*** means the DWT Operator or the WCTP Operator.

1.167 ***Tract Participation*** means each Tract's undivided allocation of Unit Substances under Article 4.2(A) and the undivided share of the rights and obligations of the Parties under this Agreement with respect to the Unit and in the Unit Facilities, Unit Data and other assets held for the Unit Account accruing to the Contract Group associated with that Tract, expressed as a percentage to four (4) decimal places, as initially set out in Exhibit A, but subject to adjustment pursuant to Articles 5.3, 5.4, 13.1(B) and 13.2(A).

1.168 ***Transfer*** means any sale, assignment or other disposition by a Party of any rights or obligations derived from the Contracts or this Agreement or the Joint Operating Agreements to the extent that such transfer covers all or a portion of the Unit Interval, other than an Encumbrance or a transfer of the transferring Party's Entitlement and its rights to any credits, refunds or payments under this Agreement, and excluding any direct or indirect change in Control of a Party, and use of **"Transfer"** as a verb in this Agreement shall be construed accordingly.

1.169 ***Transfer Date*** has the meaning ascribed to it in Article 10.8(C)(5)(a).

1.170 ***Trigger Date*** has the meaning ascribed to it in Exhibit D.

1.171 ***Unit*** means the Jubilee Field Unit created pursuant to Article 4.1 of this Agreement.

1.172 ***Unit Account*** means the account maintained by the Unit Operator in accordance with the provisions of this Agreement and the Unit Accounting Procedure to record charges, expenditures, receipts and credits for Unit Operations.

1.173 ***Unit Accounting Procedure*** means the accounting procedure attached hereto as Exhibit C and made a part hereof.

1.174 ***Unit Area*** means the area described and depicted in Exhibit B, Part 1 and Exhibit B, Part 2, as amended from time to time in accordance with the terms of this Agreement.

1.175 ***Unit Data*** means all information and data acquired by Unit Operator in the conduct of Unit Operations or contributed as Unit Data pursuant to Article 4.6.

1.176 ***Unit Development Plan*** means a plan approved by the Government under the Contracts for the development of Hydrocarbons from the Unit Interval, including the Approved Phase 1 Development Plan, as amended from time to time in accordance with the terms of this Agreement.

1.177 ***Unit Facilities*** means any equipment or other real or personal property or rights with respect thereto, acquired or constructed for the Unit Account or contributed to the Unit Account pursuant to Article 4.7.

1.178 ***Unit Interest*** means each Party's undivided share, expressed as a percentage to four (4) decimal places, in the rights and obligations of the Parties under this Agreement with respect to the Unit and in the Unit Facilities, Unit Data and other assets held for the Unit Account, as initially set out in Exhibit A and adjusted pursuant to Articles 5.2(B)(1), 5.3, 5.4, 13.1(B) and 13.2(A), provided that, notwithstanding the preceding, each Party's obligations with respect to Unit Account expenses are equal to its Paying Interest.

1.179 ***Unit Interval*** means the interval between the top and bottom depths described in Exhibit B, Part 3 to the extent located within the Unit Area, as amended from time to time in accordance with the terms of this Agreement.

1.180 ***Unit Operating Committee*** means the committee established pursuant to Article 8.1.

1.181 ***Unit Operations*** means operations within the scope of this Agreement (or whose purpose, at the time of being undertaken, was within the scope of this Agreement) conducted by the Unit Operator on behalf of all of the Parties on or after the Effective Date, including operations for purposes of developing, producing, gathering, treating, processing, storing, transporting or delivering Unit Substances and including Technical Operations.

1.182 ***Unit Operator*** means the Party designated from time to time pursuant to Article 7 to conduct Unit Operations, in its capacity as operator and not its capacity as a Party.

1.183 ***Unit Operations Contract Procedure*** means the contracting procedure applicable to the award of contracts with respect to Unit Operations attached hereto as Exhibit T, Part 2 and made a part hereof.

1.184 ***Unit Operator Indemnitees*** has the meaning ascribed to it in Article 7.6(B).

1.185 ***Unit Substances*** means all Hydrocarbons produced from or attributable to the Unit Interval which the Parties are entitled to produce under the DWT Contract or the WCTP Contract, as applicable.

1.186 ***Unit Well*** means a well drilled or acquired for the Unit Account and held for the Unit Account at the time referenced.

1.187 ***Unit Work Program and Budget*** means a work program for Unit Operations and budget therefor established pursuant to Article 9.

1.188 ***Urgent Operational Matters*** has the meaning ascribed to it in Article 8.12(A)(1).

1.189 ***U.S. Party*** has the meaning ascribed to it in Article 16.3(F).

1.190 ***WCTP Contract*** means that certain Petroleum Agreement entered into by the Government and GNPC with Kosmos and The E.O. Group dated July 22, 2004, as amended from time to time. A copy of the WCTP Contract is attached hereto as Exhibit H.

1.191 ***WCTP Contract Area*** means the area specified in the WCTP Contract as the "Contract Area", as modified from time to time in accordance with the terms of the WCTP Contract.

1.192 ***WCTP Contract Group*** means all those Persons who from time to time constitute the "Contractor" or equivalent under the WCTP Contract (who, at the Effective Date, consist of Tullow, Kosmos, Anadarko, Sabre and EO Group) and GNPC or any successor-in-interest to GNPC's interest in the WCTP Contract.

1.193 ***WCTP JOA*** means that certain Joint Operating Agreement dated July 22, 2004 by and between Kosmos and The E.O. Group, as amended from time to time, and any other agreements entered into wholly or partially in substitution therefor. A copy of the WCTP JOA is attached hereto as Exhibit V.

1.194 ***WCTP JOA Group*** means all those Persons who from time to time are parties to the WCTP JOA (who, at the Effective Date, consist of Tullow, Kosmos, Anadarko, Sabre and EO Group).

1.195 ***WCTP Operator*** means the operator from time to time under the WCTP JOA.

1.196 ***WCTP Tract*** means that portion of the WCTP Contract Area that falls within the Unit Area.

ARTICLE 2
EFFECTIVE DATE AND TERM

This Agreement shall have effect from the Effective Date and shall continue in effect until the earliest of the following:

(A) The expiration, termination or revocation of both Contracts;

(B) Termination pursuant to Article 4.1(D);

(C) All Parties have become Defaulting Parties as described in Article 10.2(B);

(D) The withdrawal of all of the Parties pursuant to Article 15.2(D); or

(E) The written agreement of all of the Parties to terminate this Agreement.

For the avoidance of doubt, following the expiration, termination or revocation of either Contract, this Agreement shall remain in effect, Article 5.3(E) shall apply, and the Parties to the remaining Contract and GNPC as Contract Group with respect to the expired, terminated or revoked Contract shall continue to have the right to use the Unit Facilities on the same basis as prior to such expiration, termination or revocation, including those Unit Facilities in the Contract Area for the expired, revoked or terminated Contract, until the expiration, termination or revocation of the remaining Contract.

Notwithstanding anything to the contrary in this Article 2: (i) Article 12 and the terms of Exhibit D, as applicable, shall remain in effect until all Decommissioning obligations under this Agreement have been satisfied and all funds held pursuant to Exhibit D have been distributed as provided for therein; and (ii) Article 4, Article 6.3, Article 7.5, Article 7.6, Article 10, Article 17, Article 20 and the obligations to indemnify and to respond and provide information under Article 21.1 shall remain in effect until all such obligations have been extinguished and all Disputes have been resolved. Termination of this Agreement shall be without prejudice to any rights and obligations arising out of or in connection with this Agreement that have vested, matured or accrued prior to such termination.

ARTICLE 3
SCOPE

3.1 Scope

(A) The scope of this Agreement shall include:

(1) The development and operation of the Unit Interval;

(2) The production of Unit Substances and the handling and transportation thereof up to the applicable Delivery Point and, if agreed unanimously by the Parties, transportation of Unit Substances to a point downstream of the Delivery Point;

(3) The principles in accordance with which each Party is entitled to have delivered to it and to take Unit Substances, or any proceeds of sale deriving therefrom;

(4) The acquisition, construction, operation, ownership, use, maintenance, repair and removal of fixed and floating facilities for the development, production, gathering, treatment, processing, compression and transportation of Unit Substances, (i) for Crude Oil, through the offloading flange(s) of any floating production, storage and offloading vessels or other offshore facilities in the Unit Area, or up to the inlet flange of any pipeline transporting Crude Oil from the Unit Area to outside of the Unit Area, and (ii) for Natural Gas, up to the inlet flange of any pipeline transporting Natural Gas from the Unit Area to outside of the Unit Area, plus (iii) any onshore facilities located in Ghana and acquired or constructed for the Unit Account in aid of development and production operations;

(5) Regulation of Non-Unit Operations affecting the Unit Area or proposing to use Unit Facilities;

(6) The regulation of Associated Agreements to the extent set forth herein;

(7) Development of information and promotional marketing material relating to Crude Oil from the Unit Interval;

(8) Decommissioning of Unit Facilities; and

(9) All other activities in connection with any of the foregoing that are expressly provided for by the terms hereof.

(B) For greater certainty, the Parties confirm that, except to the extent expressly included in the Contract, the following activities are outside of the scope of this Agreement and are not addressed herein:

(1) Acquisition, construction, operation, ownership, use, maintenance, repair and removal of fixed and floating facilities, which facilities are located downstream from the facilities described in Articles 3.1(A)(4)(i) and (ii) (including, for the avoidance of doubt, any gas pipeline and downstream processing facilities), other than those facilities described in Article 3.1(A)(4)(iii);

(2) Transportation of the Parties' Entitlements downstream from the applicable Delivery Point;

(3) Marketing and sales of Hydrocarbons, except as expressly provided in Article 10.5 and Article 11;

(4) Acquisition or exercise of rights to explore for, appraise, develop or produce Hydrocarbons outside of the Unit Area (other than as a consequence of expansion of the Unit Area into an adjoining area under the terms of Article 5.3); and

(5) Exploration, appraisal, development or production of minerals other than Hydrocarbons, whether inside or outside of the Unit Area.

ARTICLE 4
CREATION AND EFFECT OF UNIT

4.1 Unitization of Rights and Interests

(A) All rights and interests of the Parties under the DWT Contract and the WCTP Contract insofar as they relate to the Unit Interval, the Unit Substances and the conduct of Unit Operations, are, subject to Article 4.1(D), hereby unitized, effective as of the Effective Date, in accordance with the terms of this Agreement.

(B) As of the Effective Date, all Unit Operations shall be carried out in accordance with and subject to the provisions of this Agreement.

(C) Nothing in this Agreement shall be construed to result in a transfer of title to any Party's interest in a Contract, Joint Operating Agreement or Associated Agreement to any other Party except as provided in Article 4.9(D) or in Article 10.

(D) Save for the provisions of this Article 4.1(D) which shall be effective from the date hereof, this Agreement shall not become effective unless and until the following conditions precedent are satisfied, or waived in writing by all Parties:

(1) Approval for the Proposed Phase 1 Development Plan has been received from the Government.

(2) Approval for the unitization described in this Article 4.1 has been received from the Government in substantially the form of the approval instrument attached hereto as Exhibit Q, Part 1 (the ***"Government Approval")***.

(3) The Parties and the Minister have signed the form of contract acknowledgement attached hereto as Exhibit Q, Part 2 in connection with the unitization (the ***"Acknowledgment"***).

(4) An opinion from the Attorney General of Ghana has been received confirming that the Government Approval and the Acknowledgment are consistent with the Constitution and laws of Ghana and satisfy all approvals required under the Constitution and laws of Ghana and the Contracts, that no further approval of Parliament, the Cabinet of Ministers or other governmental bodies is required for the unitization pursuant to and in accordance with the terms of this Agreement and that the Minister has the power to execute the Government Approval and the Acknowledgment in connection with the unitization and to take other actions needed to implement the Government Approval and the Acknowledgment.

The Unit Operator shall promptly notify the other Parties upon satisfaction of each of the conditions precedent. If, after the expiry of ten (10) Business Days from the date hereof, any of these conditions precedent remain neither satisfied nor waived then this Article 4.1(D) shall terminate and the remainder of this Agreement shall not become effective unless such period is extended by an affirmative "Passmark Vote" of the Jubilee Operating Committee pursuant to the Pre-Unit Agreement (as such term is defined therein).

4.2 Allocation of Unit Substances and Expenditures

(A) All Unit Substances that are produced and saved from and after the Effective Date, excluding, for the avoidance of doubt, any substances re-injected into the Unit Interval as part of Unit Operations, shall be allocated to each Tract in proportion to its Tract Participation. The Unit Substances allocated to a Tract to which the Parties in the applicable Contract Group are entitled under their Contract shall be allocated among those Parties in proportion to their Contract Group Interests.

(B) All expenditures properly chargeable to the Unit Account, incurred with respect to the period from and after the Effective Date, shall be allocated to each Contract Group in proportion to its Tract Participation and to GNPC and the JOA Group in respect of the applicable Contract Group in proportion to their Contract Group Paying Interests.

4.3 Applicability to Contract Obligations and Taxes

(A) The Unit Substances allocated to each Tract under Article 4.2(A) shall, for purposes of the calculation of Additional Oil Entitlements under each Contract, calculation of income tax, profits tax, withholding tax and all other taxes with respect to each Party and each Contract, calculation of royalties under each Contract, determination of domestic marketing obligations with respect to each Contract, and for all other purposes, be deemed to have been produced and saved under the Contract applicable to that Tract, regardless of the actual location of the well from which such Unit Substances are produced.

(B) The expenditures for the Unit Account allocated to GNPC and each JOA Group with respect to each Contract under Article 4.2(B) shall, for purposes of the calculation of Additional Oil Entitlements under that Contract, calculation of income tax, profits tax, withholding tax and all other taxes with respect to GNPC and each JOA Group in connection with that Contract, and for all other purposes, be deemed to have been incurred under that Contract, regardless of the actual location of the Unit Operations to which those expenditures relate.

(C) If the allocation of expenditures and Unit Substances under Article 4.2 are not given effect as described in Articles 4.2(A), 4.2(B), 4.3(A) and 4.3(B) due to the application of Laws/Regulations or other Government action or inaction, the Parties shall attempt to adopt mutually agreeable arrangements which will allow the Parties to achieve the financial results intended by Articles 4.2(A), 4.2(B), 4.3(A) and 4.3(B).

4.4 Continued Liability under Contracts

As between Contract Groups, and subject to the delegation of certain functions to the Unit Operator as described in this Agreement, each Contract Group shall continue to be solely responsible for all obligations accruing with respect to its Contract, including any obligations for royalties, Additional Oil Entitlements and domestic marketing obligations, and the performance of any remaining Minimum Work Obligations, and shall indemnify and hold harmless the Parties in the other Contract Group against any claims with respect to the performance of such obligations.

4.5 Pre-Unitization Expenditures

(A) Those expenditures for the period prior to the Effective Date which are incurred after December 31, 2007 as "Unit Costs" pursuant to the terms of the Pre-Unit Agreement, including those expenditures incurred during the period from January 1, 2008 to the last Day of the Calendar Month which ends prior to the Effective Date, provided that if such Calendar Month ends less than ten (10) Days prior to the Effective Date, such period shall end on the last Day of the preceding Calendar Month, shown in Exhibit I, shall be considered to be expenditures for the Unit Account for all purposes of this Agreement. Notwithstanding the foregoing approval, the Parties

acknowledge that acceptance of such costs as "Petroleum Costs", as defined under the applicable Contract, shall be subject to the provisions of each Contract. Within fifteen (15) Days after the satisfaction of the conditions precedent set out in Article 4.1(D), the Unit Operator shall issue to the Tract Operators a schedule showing each JOA Group's actual share of such expenditures, the share that each JOA Group would have borne had it paid its applicable Paying Interest share, and the amount owing by or to each JOA Group. Within fifteen (15) Days after receipt of such schedule each JOA Group owing such funds shall make payment in the manner described in the Unit Accounting Procedure to the Unit Operator, who shall promptly distribute each such payment to the Tract Operator for the JOA Group entitled to reimbursement. Should the JOA Group owing any amount pursuant to this Article fail to pay that amount when due, no other Party shall be obligated to contribute the amount in default under Article 10.2, but all other rights and remedies of the Parties under Article 10 shall apply with respect to such default.

(B) Each Party shall be entitled to audit the expenditures charged to the Unit Account under Article 4.5(A) in the same manner as provided in the Unit Accounting Procedure for other expenditures for the Unit Account, to the extent they were not previously audited pursuant to the Pre-Unit Agreement, except that the twenty-four (24) month audit and claim period under the Unit Accounting Procedure shall begin to run for all expenditures incurred prior to the Effective Date at the end of the Calendar Year in which the Effective Date falls. Where such expenditures were incurred by a Non-Operator or its Affiliates, the provisions of the Unit Accounting Procedure regarding audits of the Unit Operator or a Technical Operator and its Affiliates shall apply to that Non-Operator and its Affiliates, *mutatis mutandis*. Any amount paid under this Article 4.5 that was not properly charged shall be refunded by the Party or Parties receiving the payment and shall be thereafter treated in accordance with Article 4.5(C).

(C) Except as expressly provided in Article 4.5(A) or elsewhere in this Agreement, all expenditures incurred by any Party prior to the Effective Date shall be the sole responsibility of the Party incurring them (subject to any rights such Party may have under its Joint Operating Agreement or other contractual arrangements) and shall not be charged to the Unit Account. All rights with respect to deductions for Additional Oil Entitlement purposes and tax benefits attributable to expenditures not included in the Unit Account shall remain the property of and inure to the benefit of the Parties which would be entitled to such rights in the absence of this Agreement.

4.6 Existing Data

(A) The data and information listed in Exhibit J, Part 1(a), Part 1(b) and Part 1(c) is owned by GNPC in accordance with Section 23, Subsection 2 of the Petroleum (Exploration and Production) Law, 1984 (PNDCL 84). The Parties agree that all Parties have interests in the data and information listed in Exhibit J, Part 1(a), which data and information shall be deemed to be Unit Data with effect from the Effective Date. The Parties further agree that each JOA Group has the right to use the data and information listed in Exhibit J, Part 1(b) and, with effect from the Effective Date, GNPC grants to each other Party the right to use such data and information, on a non-exclusive and irrevocable basis and without the payment of fees, for so long as it is a party to a Contract. Such right is not transferable in whole or in part, except in connection with a permitted Transfer or Encumbrance of all or a portion of a Party's Unit Interest in accordance with Article 10.8, Article 10.9, Article 14 or Article 15. The grant of rights pursuant to this Article 4.6 shall not result in the transfer of title to the data and information set out in Exhibit J, Part 1(b) , and only the rights granted with respect to such data and information shall be deemed to be Unit Data. Each receiving Party shall keep the data confidential in accordance with the terms of Article 17.2. The grant of rights under this Article is subject to the terms of the applicable Contract and the Laws/Regulations and is without prejudice to any rights of the Government and/or GNPC with respect to such data and information under the terms of either Contract or the Laws/Regulations. The data and information listed in Exhibit J, Part 1(c) shall be licensed to the other Parties pursuant to the seismic data license agreement, in the form attached hereto as Exhibit J, Part 2, to be entered into on the date hereof by GNPC, as licensor, and the other Parties, as licensees. Only the licensed rights with respect to such data and information shall be deemed to be Unit Data.

(B) Except as provided in Article 4.6(A) or Article 4.7(D), and subject to the Laws/Regulations and the terms of the applicable Contract, each Party shall retain its rights to all other data and information with respect to the Unit Area acquired prior to the Effective Date or through Non-Unit Operations, and no such data and information shall be deemed to be Unit Data.

(C) Each Party that has delivered data and information listed in Exhibit J, Part 1(b) or Exhibit J, Part 1(c) warrants to the other Parties that it has the right to disclose and grant the right to use such data and information under Article 4.6(A) and that use of such data and information in accordance with the terms and conditions of this Agreement will not infringe on the intellectual property rights of any Third Party. Subject to the foregoing sentence, such data and information is furnished on an "as is" basis without warranties, express or implied, of any kind, including any warranty that such information and data is merchantable or fit for any particular purpose, or of a particular condition, quality or accuracy. Any use of or reliance on such information and data shall be at each receiving Party's sole risk.

(D) For the avoidance of doubt, data and information included as Unit Data pursuant to this Article and Exhibit J shall not be automatically included in the Common Database pursuant to Exhibit E if such Unit Data lies outside the Unit Area, unless otherwise specified in Exhibit E.

4.7 Existing Facilities

(A) The Parties agree that, with effect from the Effective Date, the facilities, wells and other real property and tangible personal property listed in Exhibit K shall be deemed to be Unit Facilities and the Parties holding the existing rights in such property shall be deemed to have transferred their rights therein to the Parties collectively in proportion to their Unit Interests. This transfer of rights is subject to the terms of

the applicable Contract and the Laws/Regulations and is without prejudice to any rights of the Government with respect to such property under the terms of either Contract or the Laws/Regulations.

(B) Except as provided in Article 4.7(A), each Party shall retain its rights to all other facilities, wells and other real property and tangible personal property acquired prior to the Effective Date or through Non-Unit Operations, and no such property shall be deemed to be Unit Facilities.

(C) All rights transferred pursuant to this Article 4.7 are transferred on an "as is" basis without warranties, express or implied, including warranties as to merchantability, fitness for a particular purpose, conformity to models or samples of materials, use, maintenance, condition, capacity or capability, provided that each Party that has delivered facilities or rights to use facilities pursuant to Article 4.7(A) warrants to the other Parties that it has the right to transfer such facilities, or rights therein, free and clear of all liens, charges and encumbrances, excepting the terms of the applicable Contract and the Laws/Regulations and the rights of the Government. Notwithstanding the preceding sentence, should any facilities, wells and other real property and tangible personal property transferred under this Article 4.7 be entitled to the benefits of a warranty by any Person other than a transferring Party or its Affiliates, the transferring Party or Parties holding the warranty shall transfer such warranty rights to the Parties collectively, in proportion to their Unit Interests, to the extent transferable.

(D) Any Party transferring a well pursuant to Article 4.7(A) shall also transfer or license its rights to all data and information obtained in wellbore operations in that well, on the terms set forth in Article 4.6, to the extent such transfer is permitted by the Contracts, the Laws/Regulations and any applicable Non-Affiliated Third Party agreements. The transfer or license of such rights is without prejudice to any rights of the Government and GNPC with respect to such data and information, under the terms of either Contract or the Laws/Regulations.

4.8 Non-Unit Discoveries

(A) Should a well drilled as a Unit Well encounter Hydrocarbons which may constitute a Discovery outside of the Unit Interval, the Unit Operator shall promptly notify the Contract Group holding the Contract on which the Hydrocarbons were discovered. The applicable Tract Operator shall report the Discovery to the Government and GNPC pursuant to Article 8.1 of the applicable Contract.

(B) The Contract Group holding the Contract on which the Hydrocarbons were discovered shall have no rights with respect to the Unit Well that made the Discovery except as provided in Article 12.1(B).

4.9 Effect on Existing Agreements

(A) The Parties in each Contract Group have provided the Parties that are members of the other Contract Group with a copy of the providing Contract Group's Contract as amended as of the Effective Date; a copy of the DWT Contract is attached hereto as Exhibit G and a copy of the WCTP Contract is attached hereto as Exhibit H. The Parties in each Contract Group will provide the Parties in the other Contract Group with copies of any amendments to such Contract entered into after the Effective Date.

(B) The Parties intend, subject to applicable Ghana Laws/Regulations, that the terms of each Contract, to the extent that they apply to the operations carried out pursuant to this Agreement, shall be applied in such a manner as to give effect to the terms of the Government Approval and the Acknowledgment.

(C) This Agreement shall not be deemed to amend or modify the provisions of either Joint Operating Agreement except as provided in the next sentence and except as expressly provided in the Unit Accounting Procedure. This Agreement shall apply with respect to Unit Operations in lieu of either Joint Operating Agreement, except to the extent the terms of the Joint Operating Agreements are expressly incorporated or otherwise expressly applied by the terms hereof, and, in addition, in the event of conflict between a provision of this Agreement and the provisions of either Joint Operating Agreement with respect to Non-Unit Operations, the provisions of this Agreement will prevail.

(D) Each contract set forth on Part 1 of Exhibit L entered into by a Tract Operator or Anadarko for the joint account under the terms of its Joint Operating Agreement prior to the Effective Date that is still in effect on the Effective Date shall, to the extent relating to operations within the scope of this Agreement as described in Article 3 and to the extent transferable, be transferred to and assumed by Unit Operator and be deemed to have been properly approved with respect to Unit Operations under this Agreement, without prejudice to a Non-Operator's right to audit in accordance with Article 4.9(E). Upon the transfer and assumption of each such contract, Unit Operator shall be fully authorized to perform and enforce that contract on behalf of the Parties. Each contract entered into by Unit Operator, IPT Technical Operator or by Anadarko pursuant to the Pre-Unit Agreement prior to the Effective Date that is still in effect on the Effective Date, including those set forth on Part 2 of Exhibit L, shall be deemed to have been properly approved with respect to Unit Operations under this Agreement (and, in the case of contracts entered into by IPT Technical Operator or by Anadarko shall, to the extent transferable, be transferred to and assumed by Unit Operator), without prejudice to a Non-Operator's right to audit in accordance with Article 4.9(E). Unit Operator shall be fully authorized to execute and perform each such contract on behalf of the Parties. The Parties shall cooperate to cause the execution of such instruments of assignment and/or novation as shall be reasonably necessary to transfer from the IPT Technical Operator or Anadarko and vest in Unit Operator those rights and obligations under such contracts as are to be transferred to and assumed by Unit Operator pursuant to this Article 4.9(D). Within fifteen (15) Days after the satisfaction of the conditions precedent set out in Article 4.1(D), the Unit Operator shall deliver or cause to be delivered to each counterparty

under each contract set forth on Part 1 and Part 2 of Exhibit L and transferred to Unit Operator pursuant to this Article 4.9(D), written notice of such assignment to and assumption by Unit Operator.

(E) Each Operator warrants and represents to the other Parties that each contract set forth in Exhibit L entered into by such Operator was entered into in accordance with the terms of the IPT Technical Operations Contract Procedure or the Unit Operations Contract Procedure, as applicable, as set forth in Exhibit T and in accordance with the provisions of Article 7.2. Notwithstanding anything to the contrary contained in this Agreement or in the Unit Accounting Procedure, a Non- Operator's right to audit the Unit Accounts and records of any Operator relating to any such contracts shall continue for the greater of (i) the period provided for in Section 1.8.1 of the Unit Accounting Procedure and (ii) twenty-four (24) months following the Effective Date.

4.10 Existing Work Programs and Budgets and AFEs and Jubilee Operating Committee Approvals

Each expenditure under the work programs and budgets approved by the Jubilee Operating Committee pursuant to the Pre-Unit Agreement, as set forth in Exhibit M, shall, without any further action being required by the Unit Operating Committee under this Agreement, be deemed to be adopted on the Effective Date as the initial Unit Work Program and Budget under this Agreement (but only to the extent the operations approved thereunder fall within the scope of this Agreement as described in Article 3). Likewise, the unexpended portion of all AFEs set forth in Exhibit N shall be deemed to be adopted on the Effective Date as approved AFEs under this Agreement to the extent the operations approved thereunder fall within the scope of this Agreement as described in Article 3. Any portions of a Pre-Unit Agreement work program and budget and any Pre-Unit Agreement AFE transferred to the Unit pursuant to this Article 4.10 shall thereafter no longer be subject to the Pre-Unit Agreement. Each decision approved by the Jubilee Operating Committee pursuant to the Pre-Unit Agreement which is contained within Exhibit O shall, without any further action being required, be deemed to be adopted on the Effective Date as a matter approved by the Unit Operating Committee under this Agreement (but only to the extent the operations approved thereunder fall within the scope of this Agreement as described in Article 3). The decisions adopted pursuant to this Article 4.10 are subject to the terms of the applicable Contract and the Laws/Regulations, and this Article 4.10 is without prejudice to any remaining obligation to obtain approval of the Government for any such decisions under the terms of either Contract or the Laws/Regulations. For the avoidance of doubt, this Article 4.10 is without prejudice to any required approval of the Joint Management Committee under Article 6 of each Contract.

4.11 Responsibility For Existing Burdens

Each Party represents and warrants to the other Parties that the interest in its Contract and rights with respect thereto that have become subject to this Agreement are free and clear of any overriding royalty, production payment, net profits interest, carry or special allocation of Unit Substances, proceeds thereof or costs of Unit Operations, or other right or Encumbrance (each, a ***"Burden"***) except (i) rights in favor of the Government and GNPC under its Contract and the Laws/Regulations, (ii) security rights under its Joint Operating Agreement for amounts not yet due and payable, (iii) Tullow's carry of Sabre's interest, and Kosmos' carry of E0 Group's interest, each as disclosed in writing to GNPC and the Minister pursuant to the Contracts, (iv) Sabre's financing arrangements as disclosed in writing to all Parties and which do not attach to the rights received by the other Parties under this Agreement, and (v) such other Burdens as have been previously disclosed in writing to all Parties. Any Burden on a Party's interest shall be satisfied solely by that Party, and such Party shall be solely responsible for, and shall defend and indemnify each other Party (except those Parties which have otherwise agreed in writing to bear a part of such arrangements) against any and all costs, expenses, losses, damages and liabilities (including reasonable legal costs, expenses and attorneys' fees, and contractual liability to other Persons for such costs, expenses, losses, damages and liabilities) incident to the Burdens affecting its interest. Each Party contributing an interest in its Contract subject to an existing Burden has obtained ratification of the Unit from each holder of the Burden and has provided a copy thereof to the other Parties.

ARTICLE 5
TRACT PARTICIPATIONS, UNIT INTERESTS AND PAYING INTERESTS

5.1 Tract Participations

(A) The Tract Participation of each Tract as of the Effective Date shall be as set forth in Exhibit A.

(B) The Tract Participations set forth in Article 5.1(A) shall not change during the term of this Agreement for any reason except as expressly provided in Articles 5.3, 5.4, 13.1(B) and 13.2(B), regardless of depletion of Unit Substances, changes in reserve estimates, or the surrender or revocation of any portion of either Contract Area.

5.2 Unit Interests and Paying Interests

(A) The Unit Interests of each Party as of the Effective Date shall be as set forth in Exhibit A, Part 1. The Paying Interests of each Party as of the Effective Date shall be as set forth in Exhibit A, Part 2.

(B) Each Party's Unit Interest is determined by multiplying that Party's Contract Group Interest in each Contract Group by the Tract Participation for the applicable Tract and adding the results. Unit Interests shall be automatically revised (without the need for any amendment to the terms of this Agreement) upon:

(1) Any Transfer of a Unit Interest (including a Transfer under Article 10.8 as a consequence of a default, a Transfer under Article 14, and a Transfer under Article 15 as a consequence of a withdrawal); or

(2) An adjustment of the Tract Participations pursuant to Article 5.3, Article 5.4, Article 13.1(B) or Article 13.2(B).

(C) Paying Interests shall be automatically revised in accordance with the definitions of "Paying Interest" (without the need for any amendment to the terms of this Agreement) upon:

(1) Any Transfer of a Unit Interest (including a Transfer under Article 10.8 as a consequence of a default, a Transfer under Article 14, and a Transfer under Article 15 as a consequence of a withdrawal); or

(2) An adjustment of the Tract Participations pursuant to Article 5.3, Article 5.4, Article 13.1(B) or Article 13.2(B) .

(D) All Unit Interest and Paying Interest calculations shall be rounded to the fourth (4th) decimal place, with digits of five and above rounded upward and those of four and below rounded downward. The total of all Tract Participations within the Unit, the total of all Unit Interests within the Unit and the total of all Paying Interests within the Unit shall each always equal one hundred percent (100%).

5.3 Changes in Unit Area and Unit Interval

(A) Except as provided in Article 5.3(B) and without prejudice to any rights of the Government under the terms of either Contract or the Laws/Regulations, any change to the Unit Area or Unit Interval shall require the unanimous written approval of the Parties, except in the event of the surrender, revocation, termination or expiration of any Contract with respect to any portion (but not all) of the Unit Area covered by that Contract in the circumstances provided in Articles 13.1 and 13.2, in which case the Unit Area and Unit Interval shall be adjusted to exclude the area with respect to which the Contract has been surrendered or revoked or has terminated or expired without any

approval being required. In the case of the surrender, revocation, termination or expiration of any Contract with respect to all of the Unit Area covered by that Contract in the circumstances provided in Articles 13.1 and 13.2, Article 5.3(E) shall apply. In the event of surrender of only a portion of a Contract Area within the Unit Area, such surrendered area shall automatically be excluded from the Unit Area and the provisions of Article 13.2 shall apply. Should an accumulation of Hydrocarbons be located in the surrendered area which is determined to be in Pressure Communication with the Unit Substances, and the Minister so requires pursuant to Article 8.20 of each Contract, each Contract Group and GNPC (as holder of the surrendered area) shall negotiate in good faith to reach an agreement on unitization between the Unit Area and the portion of the surrendered area that is in Pressure Communication with the Unit Substances based upon the principles set forth in this Agreement.

(B)

(1) In the event a Party or group of Parties holding a collective Unit Interest of at least ten percent (10%) (the ***"Proposing Group"***) desires that the Unit Interval (and, if applicable, Unit Area) be expanded to include an accumulation of Hydrocarbons located outside the Unit Interval and within either Contract Area and the Proposing Group has Sufficient New Data indicating that there is an accumulation of Hydrocarbons located outside the Unit Interval and within either Contract Area that is in Pressure Communication with the Unit Substances, the Proposing Group shall propose (the date on which such proposal has been received by all the other Parties being referred to as the ***"Expansion Call Date"***) to all Parties to expand the Unit Interval (and, if applicable, Unit Area) (the ***"Original Expansion Proposal"***). The Proposing Group shall also submit, simultaneously with the Original Expansion Proposal, the specific areas and formations proposed to be included in the applicable expansion and a proposed incremental addition to the quantity of OHIP contained within either Tract in the Unit Interval as a result of the proposed expansion, together with technical evidence and other relevant supporting documentation in relation to the proposed expansion. Any other Party may, within twenty (20) Days of the Expansion Call Date, provide to all other Parties additional information related to the proposed expansion, including alternate areas and formations proposed to be included in such expansion, an alternate proposed incremental addition to the quantity of OHIP contained within either Tract in the Unit Interval and alternate technical evidence and other relevant supporting documentation in relation to the proposed expansion. Within thirty (30) Days of the Expansion Call Date, the Unit Operating Committee shall vote, in accordance with Article 8.9(A)(1), whether to approve the Original Expansion Proposal or an alternate proposal (each referred to herein as an ***"Expansion Proposal"***) and, if an Expansion Proposal is so approved, shall determine the specific areas and formations to include in such expansion. Subject to Article 5.3(B)(2), if an Expansion Proposal is approved, together with the specific areas and formations to be included in such expansion, the Unit Operating Committee shall also vote to determine the incremental addition to the quantity of OHIP contained within either Tract in the Unit Interval.

(2) Should the Unit Operating Committee fail to approve an Expansion Proposal and the specific areas and formations to include in such expansion within the thirty (30) Day period following the Expansion Call Date, such Expansion Proposal shall fail and no expansion shall be conducted pursuant to such Expansion Proposal, without prejudice to the rights of any Proposing Group to make a subsequent Expansion Proposal.

(3) If within thirty (30) Days of the Expansion Call Date, the Unit Operating Committee has voted to approve an Expansion Proposal and to include certain areas and formations within the Unit Interval (and, if applicable, Unit Area), the Unit Interval (and, if applicable, Unit Area) shall be expanded upon such applicable date to incorporate such areas and formations. The date upon which the Unit Interval (and, if applicable, Unit Area) is expanded in accordance with a particular proposed expansion or, if the Unit Interval is not expanded, the end of the time period provided for a vote by the Unit

Operating Committee to approve an Expansion Proposal shall be referred to herein as the ***"Expansion End Date"*** with respect to each such proposed expansion.

(4) If:

(a) the Unit Operating Committee has voted to approve an Expansion Proposal and areas and formations for the expansion, but the Unit Operating Committee has failed to approve the incremental addition to the quantity of OHIP contained within either Tract in the Unit Interval as a consequence of the approved expansion, the quantity of OHIP contained within either Tract in the Unit Interval and the Tract Participations shall not be adjusted in accordance with such approved expansion (provided that such approved expansion shall be used in the next Redetermination provided for in Article 5.5);

(b) the Unit Operating Committee has voted to approve an Expansion Proposal and areas and formations for the expansion, and the incremental addition to the quantity of OHIP contained within either Tract in the Unit Interval as a consequence of the expansion, and the Expansion End Date for such approved expansion is within the three hundred and sixty five (365) Days prior to a Redetermination Call Date, the quantity of OHIP contained within either Tract in the Unit Interval and the Tract Participations shall not be adjusted in accordance with such approved expansion (provided that such approved expansion shall be used in the next Redetermination provided for in Article 5.5);

(c) the Unit Operating Committee has voted to approve an Expansion Proposal and areas and formations for the expansion and the incremental addition to the quantity of OHIP contained within either Tract in the Unit Interval as a consequence of the expansion, and the Expansion End Date for such approved expansion is during a Redetermination Period, the quantity of OHIP contained within either Tract in the Unit Interval and the Tract Participations shall be adjusted automatically in accordance with the incremental addition to the quantity of OHIP contained within either Tract in the Unit Interval that has been approved by the Unit Operating Committee, provided that the adjustments shall not be applied until the applicable Redetermination End Date, at which time they shall be applied to the quantities of OHIP and Tract Participations as in effect at that time for each Tract in the Unit Interval; or

(d) the Unit Interval is expanded in accordance with Article 5.3(B)(3) and none of Articles 5.3(B)(4)(a) to (c) apply, the quantity of OHIP contained within either Tract in the Unit Interval and the Tract Participations shall be adjusted automatically in accordance with the incremental addition to the quantity of OHIP contained within either Tract in the Unit Interval as a consequence of the expansion that has been approved by the Unit Operating Committee.

(5) Within seven (7) Days after any incremental additions to the quantity of OHIP contained within either Tract in the Unit Interval are to be applied pursuant to Article 5.3(B)(4)(c) or Article 5.3(B)(4)(d), the Unit Operator shall calculate the revised Tract Participations in accordance with Article 5.5(A), using such incremental additions plus the quantity of OHIP previously determined to be contained within each Tract in the Unit Interval, without consideration of the expansion, as of the last Redetermination End Date falling on or before the date on which the incremental additions are to be applied. Unit Interests and Paying Interests shall be automatically revised in accordance with Articles 5.2(B) and 5.2(C) upon an adjustment of Tract Participations in accordance with Article 5.3(B)(4).

(6) Notwithstanding anything to the contrary in this Article 5.3(B):

(a) in the case of any expansion for which the Expansion End Date occurs during a Redetermination Period, the changes to the Unit Interval resulting from the expansion shall not be considered for purposes of the applicable Redetermination and all facets of such expansion shall be kept separate from such Redetermination (provided that such expansion shall be used in any future Redetermination provided for in Article 5.5); and

(b) no expansion may be proposed after the final Redetermination Call Date scheduled in accordance with Article 5.5(D)(2)(e).

(C) Notwithstanding anything to the contrary in this Article 5.3, no expansion may be proposed in accordance with Article 5.3(B) prior to or upon the date upon which the Redetermination Trigger Date associated with the Redetermination scheduled in accordance with Article 5.5(D)(1) occurs; except that an expansion may be proposed in accordance with Article 5.3(B) during the period beginning on, and including, January 1, 2010, and ending on, and including, February 28, 2010.

(D)

(1) Upon any modification of the Unit Interval (and, if applicable, Unit Area) pursuant to Article 5.3(A), but not, for the avoidance of doubt, Article 5.3(B), unless one Contract Group has lost its entire interest in the Unit, a Redetermination of Tract Participations shall be carried out. Such Redetermination shall follow the same procedure as, but shall be in addition to, the Redeterminations permitted under Article 5.5, and shall be effective as of the date of modification of the Unit Area or Unit Interval.

(2) Upon any modification of the Unit Interval (and, if applicable, Unit Area) pursuant to Article 5.3(B) the rights and obligations of the Parties under this Agreement shall be based upon their Tract Participations, Unit Interests and Paying Interests as determined in accordance with Articles 5.3(B)(4) and 5.3(B)(5). For the avoidance of doubt, there will be no immediate adjustments for past Unit Account costs, revenues and credits, contributions to any fund for Decommissioning of Unit Facilities, or past production of Unit Substances, as described in Articles 5.6(B) and (C) and 5.7(B) and (C), following any such change in Tract Participations pursuant to Article 5.3(B); however, the expanded Unit Area or Unit Interval shall be considered in any future Redeteuninations provided for in Article 5.5.

(3) As soon as practicable following the effective date of any adjustment of Tract Participations pursuant to this Article 5.3(D), Exhibit A hereto shall be revised as necessary to reflect the results of such adjustment.

(E) In cases where one Contract Group loses its entire interest in the Unit as a consequence of the surrender, expiration or termination of its Contract, the Unit Area shall not change but instead, as provided in the Government Approval, GNPC shall become the Contract Group for that Contract, as if the entire Project Interest with respect to such Contract had been Transferred pursuant to Article 12, and GNPC shall assume the obligations with respect to such Transfer pursuant to Article 14.2(B)(1). For the avoidance of doubt, no consent shall be required in such case under Article 14.2(B)(2). Where this Article 5.3(E) applies, GNPC shall be deemed to have Contract Group Interests and Contract Group Paying Interests of one hundred percent (100%) with respect to the surrendered, revoked, terminated or expired Contract, notwithstanding any terms of this Agreement to the contrary.

5.4 Redetermination of Tract Participations

The respective Tract Participations as shown in Exhibit A hereto are subject to Redetermination in accordance with Articles 5.5, 5.6 and 5.7. It is recognized that the Tract Participations are based on the data available at the time, that the Redeterminations provided in Article 5.5 are to reflect additional or better data, that adjustments made under Article 5.6 are corrections of each Party's respective share of costs incurred for the Unit Account, and that the adjustments to entitlement to Unit Substances made under Article 5.7 are corrections to the Entitlements of the respective Parties based on such corrected Tract Participations.

5.5 Conduct of a Redetermination

(A) Tract Participations shall be redetermined by dividing the redetermined volumes of Original Hydrocarbon in Place ***("OHIP")*** (as that term is defined in Exhibit F) in the Unit Interval underlying the respective Tracts by the total redetermined volume of Original Hydrocarbon in Place in the Unit Interval (the ***"Redetermination Basis"***).

(B) The Parties shall follow the procedures in Exhibit E and Exhibit F to redetermine the Tract Participations. Any redetermination decision by an Expert pursuant to Exhibit E shall be fmal and binding on the Parties.

(C) Unit Interests and Paying Interests shall be automatically revised in accordance with Articles 5.2(B) and 5.2(C) upon a Redetermination of Tract Participations.

(D) Redeterminations may take place only in the circumstances set forth in this Article 5.5(D), or as otherwise expressly provided for in this Agreement.

(1) Tract Participations shall be automatically redetermined in a Redetermination commencing on the date that is the later of (i) six (6) Calendar Months prior to the anticipated Date of Commencement of Commercial Production as such date has been determined by the IPT as of January 1, 2010, or (ii) March 1, 2010.

(2) Any Party or group of Parties holding individually or collectively a Unit Interest of at least ten percent (10%) may require that the Tract Participations be redetermined by notice to all Parties within thirty (30) Days after occurrence of any of the events listed below (the date of each such event hereinafter referred to as a ***"Redetermination Call Date"***):

(a) on the date that is the later of (i) two (2) years after the Date of Commencement of Commercial Production, or (ii) two (2) years after the Redetermination End Date associated with the Redetermination scheduled in accordance with Article 5.5(D)(1);

(b) on the date that is four (4) years after the Redetermination End Date associated with the Redetermination Call Date scheduled in accordance with Article 5.5(D)(2)(a);

(c) on the date that is five (5) years after the Redetermination End Date associated with the Redetermination Call Date scheduled in accordance with Article 5.5(D)(2)(b);

(d) on each subsequent date that is both (i) at least five (5) years after the Redetermination End Date associated with the Redetermination Call Date scheduled in accordance with Article 5.5(D)(2)(c) and (ii) five (5) years after the

Redetermination End Date associated with the most recent prior Redetermination Call Date; and

(e) on the earlier of: (i) January 1, 2024, or (ii) the date upon which sixty percent (60%) of the Recoverable Oil has been extracted from the Unit Interval,

provided that, should any Redetermination Call Date scheduled in accordance with the events described in Articles 5.5(D)(2)(a)-(d) be scheduled to occur at a time after either (i) January 1, 2022 or (ii) the date upon which fifty percent (50%) of the Recoverable Oil has been extracted from the Unit Interval, such Redetermination Call Date, and any Redetermination associated with such Redetermination Call Date, shall not occur. Unit Operator shall provide written notice to all of the Parties at least ninety (90) Days in advance of any Redetermination Call Date.

(3) Notwithstanding the provisions of Article 5.5(D)(2), if any Redetermination Call Date occurs following an Expansion End Date that (i) resulted in an expansion of the Unit Interval and (ii) such expansion was not taken into account in the most recent preceding Redetermination under the principles set forth in Article 5.3(B)(6)(a), then the applicable Redetermination associated with such Redetermination Call Date shall occur automatically without being called by a Party or group of Parties holding a collective Unit Interest of at least ten percent (10%).

(4) Notwithstanding the other provisions of this Article 5.5:

(i) the commencement of any Redetermination that can be called pursuant to Article 5.5(D)(2) or pursuant to Article 5.3 shall be deferred, one time only, until the Expansion End Date(s) for any Expansion Period(s) that is/are pending at the scheduled commencement of the Redetermination;

(ii) the commencement of the Redetermination that is to take place pursuant to Article 5.5(D)(1) shall be deferred until the Expansion End Date for any expansion proposed during the expansion proposal period described in Article 5.3(C); and

(iii) any Redetermination (including any Redetermination pursuant to Article 5.3) that would otherwise commence within twenty-four (24) Calendar Months of the Redetermination Effective Date for the previous Redetermination shall be deferred until after the end of that twenty-four (24) Calendar Month period.

For the avoidance of doubt, nothing in this Article 5.5(D)(4) shall restrict Unit Interval (and, if applicable, Unit Area) expansion and the corresponding adjustment of Tract Participations pursuant to Article 5.3(B). Any Redetermination or Redeterminations prevented from commencing by this Article 5.5(D)(4) may commence at the end of such period, subject to the limitations set out in the proviso following Article 5.5(D)(2)(e). Even though more than one Redetermination has been deferred in this manner, only one Redetermination may commence at the end of the period as a result of the deferral.

(E) A Redetermination shall be effective as of the first Day of the second Calendar Month following the Calendar Month in which: (1) the Parties have unanimously approved Redetermination in writing or (2) the Expert has notified the Parties of its final decision regarding the Redetermination in accordance with the procedures set forth in Exhibit E (the ***"Redetermination Effective Date"***). By virtue of approving the unitization of the Unit Interval in accordance with the terms of this Agreement, the Government thereby approves the results of subsequent Redeterminations conducted in accordance with the terms of this Agreement. The Redetermination Effective Date for a particular Redetermination or, if applicable, the date upon which the thirty (30) Day period

following the Redetermination Call Date for such Redetermination ends without such Redetermination being called or the date upon which the Redetermination process ends pursuant to Section 4.6 of Exhibit E, shall be referred to as the ***"Redetermination End Date"*** with respect to each Redetermination or Redetelinination Call Date, as applicable.

(F)

(1) In the case of (a) any automatic Redetermination under Article 5.5(D)(1) or 5.5(D)(3), or any Redetermination pursuant to Article 5.3(A), regardless of the final shift in Tract Participations, or (b) any Redetermination under Article 5.5(D)(2) referred to an Expert by the Unit Operating Committee pursuant to Section 4.5 of Exhibit E, regardless of the final shift in Tract Participations, (c) any Redetermination under Article 5.5(D)(2)(a), or (d) any other Redetermination conducted under Article 5.5(D)(2) that results in a shift of Tract Participations between the Tracts of one half of a percentage point (0.5%) or more out of one hundred percent (100%), the costs and expenses of Redetermination incurred and paid by the Unit Operator for the Unit Account (and not as a Party) and required under the terms of Exhibit F, including the Expert Costs, shall be charged to the Unit Account and borne by the Parties in accordance with their revised Paying Interests, and all other costs incurred by the Parties in connection with the Redetermination shall be borne by the Parties which incurred them.

(2) In the case of a Redetermination conducted under Article 5.5(D)(2) that is not addressed under Article 5.5(F)(1), the Party or group of Parties which requested the Redetermination pursuant to Article 5.5(D) shall reimburse all direct costs incurred and paid by the other Parties to participate in that Redetermination and all direct costs incurred and paid by the Unit Operator for the Unit Account (and not as a Party) under the terms of Exhibits E and F, including the Expert Costs, plus interest on all such costs from the date of expenditure to the date of reimbursement at the Agreed Interest Rate, plus shall pay to the Unit Account for the sole benefit of the non-requesting Party or Parties, on a pro rata basis according to their respective Unit Interests, an amount equal the greater of (a) five million U.S. dollars ($5,000,000) or (b) ten (10) times the Expert Costs and, notwithstanding anything to the contrary in Article 5.5, the Tract Participations shall not be adjusted.

(3) All costs reimbursable under this Article 5.5 shall be subject to audit by any of the Parties within the time period and in the manner established by the Unit Accounting Procedure for the audit of the Unit Account, and each Party agrees to allow the other Parties to audit its books and records related to any costs claimed by it under this Article.

(G) From the Redetermination Effective Date pursuant to this Article 5.5, the rights and obligations of the Parties under this Agreement shall be based upon their redetermined Tract Participations, revised Unit Interests and revised Paying Interests, and, except as provided in Article 5.3(D), adjustments shall be made as provided in Articles 5.6 and 5.7 as to costs incurred and revenues and credits received for the Unit Account, contributions to any fund for Decommissioning of Unit Facilities, and Unit Substances received, prior to the Redetermination Effective Date. As soon as practicable following the Redetermination Effective Date, Exhibit A hereto shall be revised as necessary to reflect the results of such Redetermination.

5.6 Adjustments to Contributions following Redetermination

(A) From, and including, the Redetermination Effective Date, all Unit Account expenditures shall be borne and paid by GNPC and each JOA Group in accordance with their revised Paying Interests and any revenues and credits (other than proceeds from the sale of Unit Substances) received for the Unit Account shall be allocated based upon GNPC's or such JOA Group's revised Paying Interests.

(B) With regard to Unit Account expenditures paid, and revenues and credits (other than proceeds from the sale of Unit Substances) received for the Unit Account prior to, but not including, the Redetermination Effective Date:

(1) Following the Redetermination Effective Date, GNPC's and each JOA Group's shares of such Unit Account expenditures, and revenues and credits, shall be adjusted in accordance with the provisions of this Article 5.6(B).

(2) Within fifteen (15) Days of the Redetermination Effective Date, the Unit Operator shall furnish each Party a statement showing:

(a) GNPC's and each JOA Group's Monthly contributions to the Unit Account, less its Monthly receipts (other than proceeds from the sale of Unit Substances) from the Unit Account, for each Calendar Month up to but not including the Redetermination Effective Date;

(b) GNPC's and each JOA Group's revised Paying Interest share of such Monthly contributions, less GNPC's or the JOA Group's revised Paying Interest share of such Monthly receipts, assuming the redetermined Tract Participations had always been in effect, but considering Paying Interests separately for each specified operation, so that GNPC is not required to bear a share of any Unit Account Costs with respect to any Unit Operation in excess of its Paying Interest;

(c) the amount of GNPC's and each JOA Group's net overpayment or underpayment to the Unit Account for each Calendar Month, based upon the difference between its revised Paying Interest share of net contributions and its actual net contributions, as determined in accordance with Articles 5.6(B)(2)(a) and 5.6(B)(2)(b), and the aggregate amount owing by or owing to GNPC and each JOA Group. "Contributions" for purposes of this Article 5.6, shall include amounts

deducted for the benefit of the Unit Account directly from the proceeds of a Party's share of Unit Substances prior to receipt by that Party, whether as part of a financing of the Unit Facilities or otherwise. Where GNPC or either JOA Group has made a late contribution but paid interest on the amount owing from the date due to the date paid at the Agreed Interest Rate, such contribution shall be deemed to have been paid on the due date for all purposes of this Article 5.6 and the interest paid shall not be considered for purposes of this Article 5.6.

(3) If GNPC or a JOA Group owes an aggregate underpayment, it shall pay that amount to the Unit Operator in accordance with Article 5.6(B)(4), and upon receipt of any such amounts the Unit Operator shall promptly pay the amounts owed to GNPC or the JOA Group that has made an aggregate overpayment in proportion to the aggregate overpayment by each. All payments under this Article shall be made in the same currency(ies) as the original contributions to which they relate.

(4) If GNPC or a JOA Group owes any amount pursuant to Article 5.6(B)(2), GNPC or the Tract Operator acting on behalf of the JOA Group shall pay that amount by bearing its proportionate share (based upon the relative amounts owed by each such debtor) of sixty percent (60%) of the share of cash calls made by the Unit Operator in respect of Unit Account expenses during the twelve (12) Calendar Months following the Calendar Month of the Redetermination Effective Date (the ***"Redetermination Effective Month"***) that would otherwise be borne by GNPC, to the extent GNPC is an overpaying Party or by the overpaying JOA Group with respect to their overpaying Paying Interests, until the earlier of (a) the last Business Day of the twelfth (12th) Calendar Month following the Redetermination Effective Month or (b) the entire amount owing has been paid in full.

If, following the last Business Day of the twelfth (12th) Calendar Month following the Redetermination Effective Month, GNPC or a JOA Group continues to owe an underpayment pursuant to Article 5.6(B)(2), GNPC or such JOA Group shall, commencing with the thirteenth (13th) Calendar Month following the Redetermination Effective Month, bear its proportionate share (based upon the relative amounts owed by each such debtor) of one hundred percent (100%) of the share of cash calls made by the Unit Operator in respect of Unit Account expenses that would otherwise be borne by GNPC, to the extent GNPC is an overpaying Party or by the overpaying JOA Group with respect to their overpaying Paying Interests until the entire amount owing has been paid in full. In the event that the entire amount owing by GNPC or either JOA Group has not been repaid by the second (2nd) anniversary of the Redetermination Effective Date, the remaining balance shall be due and payable on that anniversary. Until all such amounts have been paid in full, the Unit Operator shall provide each Party with a Monthly statement showing the balance owed by, or owed to, each Party as of the end of the prior Calendar Month. Such make-up payments are adjustments among the Parties for payments that have already been incurred by the overpaying Parties and therefore shall not be subject to taxation.

(5) GNPC's and each JOA Group's actual and redetermined Monthly contributions to the Unit Account and receipts from the Unit Account, as described in Articles 5.6(B)(2)(a) and 5.6(B)(2)(b), shall, for purposes of this Article 5.6, be increased by an amount equal to the interest that would accrue on such contributions or receipts at the Agreed Interest Rate, calculated in each case from the last Day of the Calendar Month in which each such contribution or receipt was made up to the Redetermination Effective Date. This interest shall not be entered into the Unit Account, notwithstanding the terms of Article 5.6(C), nor considered in future Redeterminations.

(6) Should GNPC or either JOA Group owing any amount pursuant to Article 5.6(B)(2) fail to pay that amount when due, no other Party shall be obligated to contribute the amounts in default under Article 10.2, but all other rights and remedies of the Parties under Article 10 of the Agreement shall apply with respect to such default.

(C) Upon GNPC's or any JOA Group's payment of amounts owing under Article 5.6(B), the Unit Account shall be adjusted to reflect that GNPC, as a paying Party, or such JOA Group paid its revised share of each such contribution and received its revised share of each such receipt as of the time of the original contribution or receipt. Upon GNPC's or any JOA Group's receipt of amounts owing under Article 5.6(B) the Unit Account shall be adjusted to reflect that GNPC, as a receiving Party, or such JOA Group paid only its revised share of each such contribution and received only its revised shares of each such receipt as of the time of the original contribution or receipt. Such adjustments shall apply for all purposes of this Agreement, including Article 4.2, provided that there shall be no retroactive adjustment of amounts payable to the Government under Article 4.3 but instead the payments made pursuant to this Article 5.6 shall be taken into account as increases in or reductions to the expenditures by GNPC or such JOA Group in the Calendar Year of payment.

5.7 Adjustments to Entitlements following Redetermination

(A) From, and including, the Redetermination Effective Date, each Tract shall be allocated its redetermined Tract Participation share of Unit Substances, and the Unit Substances so allocated to the Tract to which the Parties in the applicable Contract Group are entitled under their Contract shall be allocated among those Parties in proportion to their Contract Group Interests.

(B) With regard to production from the Unit prior to, but not including, the Redetermination Effective Date:

(1) No compensation shall be paid to any Party for past variations in the price of Unit Substances.

(2) Following the Redetermination Effective Date, each Tract's share of Unit Substances produced up to, but not including the effective date of Redetermination shall be adjusted in accordance with the provisions of this Article 5.7(B).

(3) The Unit Operator shall within fifteen (15) Days of the Redetermination Effective Date furnish each Party and the Government with a statement showing:

(a) the aggregate quantities of each type of Unit Substance allocated to each Tract, up to but not including the Redetermination Effective Date;

(b) the quantities of each type of Unit Substance which each Tract would have been allocated, had the redetermined Tract Participations been in effect from the Date of Commencement of Commercial Production until the date prior to the Redetermination Effective Date;

(c) the difference between (i) the quantity that each Tract whose Tract Participation has been adjusted upward was allocated and (ii) the quantity which such Tract would have been allocated, had the redetermined Tract Participations been in effect, as determined in accordance with Articles 5.7(B)(3)(a) and 5.7(B)(3)(b) (referred to as the ***"Adjustment Quantity"*** with respect to each type of Unit Substance sold separately);

(d) the Government's and each Party's actual shares of Monthly production of each type of Unit Substance for each Calendar Month of production until the date prior to the Redetermination Effective Date and revised shares of Monthly production of each type of Unit Substance for each Calendar Month of production until the date prior to the Redetermination Effective Date, assuming the redetermined Tract Participations had been in effect from the Date of Commencement of Commercial Production;

(e) the amount of the Government's and each Party's overproduction or underproduction of each type of Unit Substance, based upon the difference between its revised share of such type of Unit Substance, and the actual quantities it has produced, determined in accordance with Article 5.7(B)(3)(d) (where consisting of an overproduction, such Person's ***"Adjustment Quantity Contribution"*** with respect to such type of Unit Substance); and

(f) An estimate as to whether the remaining production of each type of Unit Substances will be sufficient to correct the aggregate production allocations of each Tract to its redetermined Tract Participation allocation over two (2) years under the respective Contracts, and, if the remaining production of a type of Unit Substance will be sufficient, the minimum percentage reallocation of the overproduced Tract's share of that type of Unit Substance that is necessary under Article 5.7(B)(4) to permit full recovery of the Adjustment Quantity over the next two (2) years (the ***"Adjustment Percentage"***).

(4) Except to the extent insufficient quantities of any type of Unit Substances are being sold by any overproduced Party under Spot Contracts to permit the adjustments described in this Article 5.7(B)(4) without affecting the production dedicated to Long Term Contracts, such Party's Adjustment Quantity Contribution with respect to that type of Unit Substances shall be subtracted from the relevant quantity of Unit Substances being sold by such Party under Spot Contracts which such Party would otherwise have been

allocated, beginning from the first Day of the third Calendar Month following the Calendar Month of the Redetermination Effective Date (the ***"Adjustment Date"***) and continuing onwards and shall be added to the quantity and type of Unit Substances, as applicable, which the Tract whose Tract Participation has been adjusted upward would otherwise be allocated, beginning from the Adjustment Date and continuing onwards, in each case in the manner described in the next sentence. Starting on the Adjustment Date the Tract whose Tract Participation is increased shall additionally receive the Adjustment Percentage of the production of each type of Unit Substance which each overproduced Party would otherwise be allocated with respect to the Tract with the decreased Tract Participation following the Adjustment Date, until such overproduced Party has returned its entire Adjustment Quantity Contribution for such type of Unit Substance. The share of the Adjustment Quantity for each type of Unit Substance to which the underproduced Contract Group is entitled under its Contract shall be allocated among the Parties in that Contract Group in proportion to the underproduced balance of each Party within the Contract Group.

(5) Where quantities of any type of Unit Substance which are attributable to any overproduced Party that are being sold under Long Term Contracts must be used to recover such Party's Adjustment Quantity Contribution at the rate specified in Article 5.7(B)(4), then subject to the terms of the applicable Long Term Contract, the Government and the Contract Group for the underproduced Tract shall be assigned a percentage of the rights that the overproduced Party holds in each applicable Long Term Contract sufficient to permit each of them to receive the full percentage of the redetermined production allocation of that type of Unit Substance to which they are entitled under Article 5.7(B)(4) and the applicable Contract. Such assignment shall be effective as of the Adjustment Date. Each Party (and, by approval of this Agreement, the Government) agrees that each Long Term Contract that it enters into with respect to the sale of Unit Substances shall contain language authorizing the assignment of interests to the Government and the Contract Group for the underproduced Tract contemplated herein without further approval. Each Party shall cooperate to obtain any approvals that are necessary or advisable, notwithstanding the preceding sentence, from any purchaser of Unit Substances and shall execute such instruments and take such actions as shall be reasonably required to accomplish such assignment (and, if applicable, novate the underproduced Contract Group and the Government into the Long Term Contract).

(6) If (a) at the time of termination of this Agreement an Adjustment Quantity Contribution remains to be recovered from any Person or (b) an overproduced Party elects to withdraw pursuant to Article 15 prior to satisfying its entire Adjustment Quantity Contribution, then the overproduced Party (or, in the event of the termination of this Agreement, each overproduced Person) shall pay a cash settlement to the underproduced Contract Group and the Government, equal in aggregate to the current value of its remaining Adjustment Quantity Contribution with respect to each type of Unit Substances using the average weighted price for all sales of that type of Unit Substance by the Parties during the final three (3) Calendar Months of sales prior to such withdrawal or the termination of this Agreement.

(7) Any additional allocation of production to a Party pursuant to this Article 5.7(B) is conditional upon the Party claiming production being current in its payments to the Unit Account. In the event an overproduced Person or Persons are to make a cash payment upon termination or withdrawal pursuant to Article 5.7(B)(6), each underproduced Person or Persons shall simultaneously pay to the overproduced Person or Persons required to make such cash payment the underproduced Person's share(s) of any amount that remains owing pursuant to Article 5.6(B)(4).

(8) The Unit Operator shall provide Monthly statements to all Parties and to the Government showing the remaining Adjustment Quantity and Adjustment Quantity Contributions for each type of Unit Substance as at the end of the prior Month.

(C) For the avoidance of doubt, expenditures for the Unit Account from the Redetermination Effective Date until recovery of the Adjustment Quantity shall be borne and paid as set forth in Article 5.6(A), notwithstanding the fact that the underproduced Tract will have an allocation of Unit Substances in excess of its redetermined Tract Participation.

ARTICLE 6
NON-UNIT OPERATIONS, USE OF UNIT FACILITIES

6.1 Right to Conduct

(A) Subject to the conditions under this Article 6 and the terms of its applicable Joint Operating Agreement, each Party or JOA Group has the right, at its own risk and expense, to conduct Non- Unit Operations within the portion of the Unit Area lying within the Tract or Tracts in which it holds an interest. Except as otherwise expressly provided in Article 6.7, all Non-Unit Operations shall be conducted on behalf of such Party or JOA Group by the Tract Operator for such Party's or JOA Group's Tract or by GNPC if GNPC so elects to conduct Non-Unit Operations pursuant to its right to conduct sole risk operations in accordance with Article 9 of the applicable Contract (or, if those Parties participating in the Non-Unit Operation so determine, by Anadarko, provided that the ability to conduct such operations is personal to Anadarko and may not be assigned).

(B) The conduct of Unit Operations shall always have precedence over the conduct of Non-Unit Operations. Each Non-Unit Operation shall be conducted in a manner that does not have a material adverse effect on Unit Operations.

6.2 Conditions to Conduct

(A) A JOA Group or a Party wishing to conduct Non-Unit Operations must give the Parties and the Unit Operator not less than forty-five (45) Days prior notice of its intention to undertake such operations and provide the location, the nature of the works, the estimated commencement date and other pertinent information.

(B) No Non-Unit Operation (except use of Unit Facilities, which is governed by Article 6.5) may proceed without the approval of the Unit Operating Committee, except operations which GNPC may be entitled to conduct on a sole risk basis under Article 9 of either Contract. The Unit Operating Committee shall approve or reject any proposal to conduct Non-Unit Operations within thirty (30) Days of its submission to the Unit Operating Committee. The proposal shall be deemed approved unless Parties having sufficient votes to prevent a passmark vote under Article 8.9(A)(1) notify the Unit Operator and the other Parties within such thirty (30) Day period of their vote against the proposal. A Party may vote against a Non-Unit Operation only if, in its reasonable opinion, the Non-Unit Operations will cause a material adverse effect on Unit Operations. A Party's vote against a Non-Unit Operation must specifically describe the material adverse effect or effects (which may include, by way of example and not limitation, the Non-Unit Operation's failure to have a drilling and casing program that adequately protects the Unit Interval, physical conflict (surface or subsurface) between the proposed location of the Non-Unit Operation and the location of Unit Facilities, or the conduct of an unreasonably dangerous operation in the vicinity of Unit Operations) that form the basis for its disapproval. Unit Operating Committee approval shall likewise be required for any material deviation from the announced program for such Non- Unit Operation. In the event that the proposed Non-Unit Operation or material deviation from an approved Non-Unit Operation involves the use of a drilling rig or vessel that is standing by in the Unit Area or in a Contract Area specifically for the purpose of conducting such Non-Unit Operation, the foregoing provisions shall apply in respect of such approval, provided that the

thirty (30) Day approval period provided in this Article 6.2(B) may be shortened to seventy two (72) hours at the request of the JOA Group or Party wishing to conduct the Non-Unit Operations.

(C) Non-Unit Operations shall be conducted under the provisions of the Contract and Joint Operating Agreement applicable to the JOA Group or Party conducting the Non-Unit Operations and shall be at the cost and risk of that JOA Group and/or Party.

(D) Non-Unit Operations must not be conducted, or must cease to be conducted, as the case may be, if the Unit Operator or the Unit Operating Committee determines that the Non-Unit Operations in question present an imminent threat of damage to the Unit Interval or an imminent threat of loss of life, injury, property damage or damage to the environment and so notifies the Party or JOA Group conducting such Non-Unit Operations. Such Non-Unit Operations may not be commenced or resumed until, and on such terms and conditions as, the Unit Operating Committee determines A Party may propose to commence or resume any Non-Unit Operation prevented or suspended as a result of a Unit Operator or a Unit Operating Committee determination under this Article by notice to all Parties, and the proposal shall be deemed approved by the Unit Operating Committee unless Parties having sufficient votes to prevent a passmark vote under Article 8.9(A)(1) notify the Unit Operator and the other Parties within thirty (30) Days from the date of receipt of such proposal of their vote against the commencement or resumption of such Non-Unit Operation. A Party may vote against commencement or resumption of such Non-Unit Operation only if, in its reasonable opinion, the Non-Unit Operation will continue to present an imminent threat of damage to the Unit Interval or an imminent threat of loss of life, injury, property damage or damage to the environment. A Party's vote against commencement or resumption of such Non-Unit Operation must specifically describe the threat or threats that form the basis for its disapproval. In the event that the proposed commencement or resumption of a Non-Unit Operation involves the use of a drilling rig or vessel that is standing by in the Unit Area or in a Contract Area specifically for the purpose of conducting such Non-Unit Operation, the foregoing provisions shall apply in respect of such approval, provided that the thirty (30) Day approval period provided in this Article 6.2(D) may be shortened to seventy two (72) hours at the request of the JOA Group or Party wishing to conduct the Non-Unit Operations.

(E) Any Non-Unit Operation that will penetrate the Unit Interval must be conducted with such precautions as are reasonably necessary to protect the Unit Interval. The JOA Group or Party conducting the Non-Unit Operation that will penetrate the Unit Interval shall include in its notice under Article 6.2(A) the following program:

(1) The surface and bottomhole locations of the wellbore;

(2) The well prognosis;

(3) The proposed well and casing programs; and

(4) A description of the method proposed for protecting the Unit Interval.

The JOA Group or Party shall also furnish any other information with respect to the Non-Unit Operations that is reasonably requested by the Unit Operator or the Unit Operating Committee. The JOA Group or Party shall provide a second notice to all Parties between seventy-two (72) and forty-eight (48) hours prior to spudding the well or commencing the wellbore operation. In the event of any proposed deviation from the announced program the JOA Group or Party shall promptly provide a notice to all Parties. No Non-Unit Well may be completed in the Unit Interval. For the avoidance of doubt, the Unit shall have no rights with respect to a Non-Unit Well that encounters Hydrocarbons in Pressure Communication with the Unit Interval except as provided in Article 6.8.

6.3 Responsibility

The JOA Group or Party participating in Non-Unit Operations shall:

(A) Bear the entire cost and liability of conducting the Non-Unit Operation (without prejudice to any allocation of such cost and liability among such JOA Group or Parties under the terms of the applicable Joint Operating Agreement and any other agreements among some or all of them);

(B) Indemnify the non-participating Parties and the Unit Operator in its capacity as such from any and all costs and liabilities arising from or incurred incident to such Non-Unit Operation including damage to the Unit Interval, Consequential Loss and Environmental Loss, even though caused in whole or in part by a pre-existing defect, or the negligence (whether sole, joint or concurrent), Gross Negligence/Willful Misconduct, strict liability or other legal fault of any indemnitee; provided that, if the Non-Unit Operations have been conducted substantially in accordance with a program approved by the Unit Operating Committee under Article 6.2(E), such indemnity shall not extend to, and the JOA Group or Party conducting the Non-Unit Operations shall not be liable for, any damage inflicted on the subsurface, including the Unit Interval, or any Consequential Losses, such as deferral of production, resulting from such subsurface damage;

(C) Keep the Unit Area and Unit Facilities free and clear of all Encumbrances of every kind created by or arising from such Non-Unit Operation,

(D) Obtain all necessary consents from the Government and other Third Parties, make any necessary reports and returns to the Government and other Third Parties, and otherwise ensure compliance with the terms of the relevant Contract and Laws/Regulations in connection with Non-Unit Operations; and

(E) Procure and maintain for such operation all insurance in the types and amounts required by the Contracts and the Laws/Regulations and such other insurance as may reasonably be required by the Unit Operating Committee, subject to the terms of Articles 7.7(G), (H) and (I), applied *mutatis mutandis.*

6.4 Data

Subject to the Laws/Regulations and the terms of the relevant Contract, each JOA Group or Party shall have the right to use all information and data obtained by such JOA Group or Party from Non-Unit Operations, but data and information from Non-Unit Operations covering the Unit Area or relevant to the Unit Operations shall, subject to the Laws/Regulations and the terms of the applicable Contract and of the relevant data license, if any, be made available without undue delay to the Parties free of charge and on a confidential basis under an irrevocable, non-exclusive license that is transferable only to successor Parties under this Agreement. This license shall constitute part of the Unit Data. Access to any other data and information from Non-Unit Operations shall be subject to the mutual agreement of the relevant Parties.

6.5 Use of Unit Facilities

(A) Subject to the provisions of this Article, Unit Facilities shall only be used for Unit Operations.

(B) Notwithstanding Article 6.5(A), the Unit Operating Committee may, subject to such Person's complying with the provision of this Article 6, authorize a Party or a Third Party to use spare capacity in Unit Facilities consisting of facilities for production, processing or transportation of Hydrocarbons (excluding Unit Wells) or of unused land available at any shore base acquired for the Unit Account, on such terms and conditions as it determines provided that, in the case of proposed use by a Party or JOA Group as a Non-Unit Operation, no Party's approval in the Unit Operating Committee vote shall be unreasonably withheld.

(C) The use of Unit Facilities may only be authorized under Article 6.5(B) if:

(1) Such use does not cause a material adverse effect on Unit Operations in the opinion of the Unit Operating Committee;

(2) Such use does not involve a breach of any relevant Laws/Regulations, either Contract or any Associated Agreement;

(3) An appropriate fee (except to the extent already provided for in Article 6.5(F) or Article 6.5(G)) and other acceptable terms and conditions for such use are agreed between the Unit Operating Committee and the Party or a Third Party and the agreed fees are paid as and when due and credited to the Unit Account; and

(4) Such use will not prevent the commingled production stream from meeting any minimum quality standards established by the Unit Operating Committee or by any contract for the sale of Unit Substances pursuant to which all Parties are sellers.

(D) Where Crude Oil or Natural Gas from multiple sources are commingled in the Unit Facilities, each owner of such commingled substances shall retain title to a share of the commingled substances equal to the share of each such substance that the quantity of such substance supplied to the Unit Facilities by such owner at the time in question (assuming that the first quantities in are the first quantities out) bears to the total quantity of the substance in the Unit Facilities at the time. In the event losses of Crude Oil or Natural Gas occur in the Unit Facilities:

(1) Losses that occur as a result of a single identifiable event shall be attributed to each owner of the commingled substances in the ratio that such owner's quantity of each substance in the Unit Facilities at the time the loss occurs (assuming the first quantities in are the first quantities out) bears to the total quantity of the substance in the Unit Facilities at the time the loss occurs.

(2) All losses due to shrinkage, evaporation, interface losses, or otherwise that are not addressed in Article 6.5(D)(1) shall be attributed to each owner of each substance using the Unit Facilities in the ratio that such owner's quantity of that substance passing through the Unit Facilities during the applicable Calendar Month bears to the total quantity of such substance passing through the Unit Facilities during the applicable Calendar Month.

(E) Should any Party entitled to use capacity in the Unit Facilities pursuant to this Article 6.5 propose to introduce into the Unit Facilities at any time any Crude Oil or Natural Gas meeting the minimum standards for entry into the Unit Facilities but of a materially different quality than the Crude Oil or Natural Gas already utilizing the Unit Facilities, the Parties shall meet to discuss the desirability of establishing a quality adjustment procedure to provide each user with a share of each commingled substance having a value that is equal to the value of the Crude Oil or Natural Gas, as applicable, that was delivered by such user into the Unit Facilities (less losses as described in Article 6.5(D)).

(F) Each Party using up to its Unit Interest share of total capacity for producing, processing or transporting Non-Unit Production shall pay to the Unit Account a Monthly amount equal to that portion of the Monthly cost of maintaining, operating and financing the Unit Facilities used by such Party that the capacity used by such Party (excluding its share of Unit Production) bears to the total capacity of such Unit Facilities used by all users during such Calendar Month, but without payment of any other fee under this Article 6.5. Otherwise, each Party using Unit Facilities for producing, processing or transporting Non-Unit Production pursuant to this Article 6.5 shall pay to the Unit Account Monthly throughout the period of use an arm's-length fee based upon arm's length Non-Affiliated Third Party charges for similar services in the vicinity of

the Unit Area. If no such arm's-length rates for such services are available, then the Party desiring to use Unit Facilities pursuant to this Article 6.5 shall pay to the Unit Account a Monthly fee equal to (a) that portion of the total cost of the Unit Facilities made available to such Party, plus the Unit Operator's latest estimate of the Decommissioning Costs for such Unit Facilities as furnished to the Parties pursuant to Exhibit D, divided by the number of months of useful life established for such Unit Facilities under the tax law of the country of operations, that the capacity made available to such Party on a fee basis under this Article (whether or not actually used) bears to the total capacity of the Unit Facilities (which fee shall continue regardless of the number of months of use or whether the capital costs or Decommissioning Costs have previously been recovered in some other manner) plus (b) that portion of the Monthly cost of maintaining, operating and financing the Unit Facilities used by such Party that the capacity used by such Party on a fee basis under this Article 6.5 during such Calendar Month bears to the total capacity of such Unit Facilities used by all users during such Calendar Month.

(G) Each Party may use land available at any shore base, acquired for the Unit Account but not being used for Unit Operations or any other Non-Unit Operations being undertaken at that time, for purposes of Non-Unit Operations and shall pay to the Unit Account Monthly for the period of use an arm's length rental payment based upon arm's length Non-Affiliated Third Party charges for similar land rental in the vicinity of the shore base. If no such arm's length rental rates for use of land in the vicinity of the shore base are available, and the Parties are unable to agree on the rental rate, any Party may by notice to the other Parties require that the decision on the arm's length rental rate be referred to an Expert pursuant to Article 20.4.

6.6 Expansion or Modification of Unit Facilities

Subject to any necessary approval under its Contract and the Laws/Regulations, and provided that safety and Unit Operations are not impaired, any JOA Group or Party may propose to modify or to expand the capacity of the existing Unit Facilities at its sole risk and expense. In this event, the JOA Group or Party shall present a proposal to the Unit Operating Committee for its consideration, containing at least the information required by Article 6.2(A), and such modification or expansion may not take place until the Unit Operating Committee has granted its approval, not to be unreasonably withheld. The terms of Articles 6.2(C), 6.2(D), and 6.3 shall apply to any such modification or expansion operation.

6.7 Tie-in of Facilities

(A) Subject to any necessary approval under its Contract and the Laws/Regulations, and provided that safety is not impaired and there is no material adverse effect on Unit Operations, any JOA Group or Party entitled to use capacity in the Unit Facilities may propose to tie-in Non-Unit Facilities to the Unit Facilities. In this event, the JOA Group or Party shall present a proposal to the Unit Operating Committee for its consideration, containing at least the information required by Article 6.2(A), which proposal shall be deemed approved unless within thirty (30) Days of receipt of such proposal Parties having sufficient votes to prevent a passmark vote under Article 8.9(A)(1) notify the Unit Operator and the other Parties of their vote against the proposal. A Party may vote against a tie-in proposal only if, in its reasonable opinion, the tie-in proposal would impair safety of or have a material adverse effect on Unit Operations. A Party's vote against a tie-in proposal must specifically describe the impairment or material adverse effect or effects that form the basis for its disapproval. The terms of Articles 6.2(C), 6.2(D), and 6.3 shall apply to any such tie-in operation.

(B) If production operations are already on-going under this Agreement, a Non-Unit Operation shall not lessen the production from the then existing Unit Wells and or the capacity used by such production in the Unit Facilities except for the period of time necessary to tie-in facilities that are part of the Non-Unit Operation. If, during the tie-in of Non-Unit Facilities with the existing Unit Facilities, the production of Hydrocarbons from other pre-existing operations is interrupted as a result, then the Parties to the Non-Unit Operation shall compensate the parties to such existing operations for such temporary deferral of production by paying a fee at a rate approved by the Unit

Operating Committee for each Day or fraction thereof in excess of one hour during which production of Hydrocarbons is interrupted.

(C) The Unit Operator shall conduct all tie-ins of Non-Unit Facilities to Unit Facilities. The Unit Operator, in conducting such tie-ins, shall bear no liability or cost of such Non-Unit Operations except as provided in Article 7.6, which shall apply, *mutatis mutandis,* to the Unit Operator's conduct of such Non-Unit Operations.

(D) Principles, procedures and requirements regarding metering and sampling shall be established by the Unit Operating Committee. If the Parties to the Non-Unit Operations and the Unit Operating Committee cannot agree on the principles, procedures and requirements for metering and sampling within thirty (30) Days after the proposal for the tie-in was first submitted by the Parties to the Non-Unit Operation, the issues in dispute shall be referred to an Expert for resolution in accordance with the terms of Article 20.4.

(E) The cost of decommissioning of facilities installed by the Parties participating in a Non-Unit Operation shall be borne by such Parties.

6.8 Abandonment of Non-Unit Wells

If any JOA Group or Party desires to abandon permanently any Non-Unit Well that penetrates the Unit Interval, that JOA Group or Party will give notice thereof to the Unit Operator and the other Parties not later than (a) forty-eight (48) hours prior to such abandonment, in the case of a well with a rig on location or (b) thirty (30) Days prior to such abandonment, in all other cases, stating in the notice that the well is to be abandoned and offering it to the Unit on the terms set forth in this Article. The Unit shall have an option, to be exercised by notice to the abandoning JOA Group or Party on or before the end of the applicable period, to take over the Non-Unit Well for the Unit Account (in which event the well shall become a Unit Well) on the terms set forth in this Article. Any decision by the Unit to exercise the option shall be made by a vote of the Unit Operating Committee. If the Unit elects to take over the well, the Parties shall assume responsibility for the Unit Account for all costs of plugging and abandoning the well and shall indemnify and hold harmless the JOA Group or Party which previously held the well against all costs, expenses, liabilities and losses associated with such plugging and abandonment (except such JOA Group's or Party's Paying Interest shares of those costs, expenses, liabilities and losses). Except as provided in the immediately preceding sentence, the Parties shall not be required to make any payment or undertake any obligation in connection with such transfer. Any Non-Unit Well transferred to the Unit pursuant to this Article is transferred on an "as is" basis without warranties, express or implied, including warranties as to merchantability, fitness for a particular purpose, or conformity to models or samples of materials.

ARTICLE 7
UNIT OPERATOR

7.1 Designation of Unit Operator and Technical Operator

Tullow is designated as Unit Operator and agrees to act as such in accordance with this Agreement. Kosmos is designated as the IPT Technical Operator and agrees to act as such in accordance with this Agreement. The Parties agree that additional Technical Operators may be appointed by a decision of the Unit Operating Committee from time to time, for the purposes designated in the instrument of appointment, subject to the terms and conditions of this Agreement and with the prior approval of the Minister and GNPC, such approval not to be unreasonably withheld or delayed.

7.2 Rights and Duties of Unit Operator and Technical Operator

(A)

(1) Subject to the terms and conditions of this Agreement, Unit Operator shall have exclusive charge of and responsibility for and shall conduct all Unit Operations, but excluding Technical Operations. Unit Operator may employ independent Subcontractors and agents (which independent Subcontractors and agents may include an Affiliate of Unit Operator, a Non-Operator, or an Affiliate of a Non-Operator) in such Unit Operations.

(2) Subject to the terms and conditions of this Agreement, including Articles 9.3(A), 9.5 and 9.9, each Technical Operator shall have exclusive charge of and responsibility for and shall conduct all Technical Operations entrusted to it, including, in the case of IPT Technical Operator, IPT Technical Operations. Technical Operator may employ independent Subcontractors and agents (which independent Subcontractors and agents may include an Affiliate of Technical Operator, a Non-Operator, or an Affiliate of a Non- Operator) in such Technical Operations.

(B) In the conduct of Unit Operations Unit Operator and each Technical Operator shall, as applicable:

(1) Perform Unit Operations in accordance with the provisions of all applicable Laws/Regulations, this Agreement, the Contracts, the Unit Development Plan, relevant Work Programs and Budgets and the decisions of the Unit Operating Committee not in conflict with this Agreement;

(2) Conduct all Unit Operations in a diligent, safe and efficient manner in accordance with such good and prudent petroleum industry practices and field conservation principles as are generally followed by the international petroleum industry under

similar circumstances;

(3) Exercise due care with respect to the receipt, payment and accounting of funds in accordance with good and prudent practices as are generally followed by the international petroleum industry under similar circumstances;

(4) Comply with the requirements of Article 20 of each Contract with respect to the acquisition of plant, equipment, services and supplies and with the requirements of Articles 21.2 and 21.3 of the WCTP Contract and Articles 21.3 and 21.4 of the DWT Contract with respect to the employment and secondment of Ghanaian and GNPC personnel;

(5) Subject to Article 7.6 and the Unit Accounting Procedure, neither gain a profit nor suffer a loss as a result of being an Operator in its conduct of Unit Operations, provided that each Operator may rely upon Unit Operating Committee approval of specific accounting practices not in conflict with the Unit Accounting Procedure;

(6) In the case of Unit Operator, perform the duties for the Unit Operating Committee set out in Article 8, and prepare and submit to the Unit Operating Committee proposed Work Programs and Budgets and (if required) AFEs, as provided in Article 9;

(7) In the case of Unit Operator, acquire all permits, consents, approvals, and surface or other rights that may be required for or in connection with the conduct of Unit Operations;

(8) Upon receipt of reasonable advance notice, permit the representatives of any of the Parties to have at all reasonable times during normal business hours and at their own risk and expense reasonable access to the Unit Operations with the right to observe all Unit Operations and to inspect all Unit Facilities and to conduct financial audits as provided in the Unit Accounting Procedure;

(9) Timely pay and discharge all liabilities and expenses incurred in connection with Unit Operations and use its reasonable endeavors to keep and maintain the Unit Facilities free from all liens, charges and encumbrances arising out of Unit Operations;

(10) Carry out the obligations of Unit Operator or Technical Operator, as applicable, pursuant to this Agreement, including preparing and furnishing such reports, Work Programs and Budgets, AFEs, records and information as may be required;

(11) In the case of Unit Operator, have, in accordance with any decisions of the Unit Operating Committee, and subject to the rights and duties of the Tract Operators as described in Article 7.2(D)(11), the exclusive right and obligation to represent the Parties in all dealings with the Government, excluding any dealings with GNPC as a Unit Interest or Paying Interest owner, with respect to matters arising under this Agreement and Unit Operations. Unit Operator shall notify the other Parties as soon as possible of such meetings. Subject to the Agreement and any necessary Government approvals, Non-Operators shall have the right to attend any meetings with the Government with respect to such matters, but only in the capacity of observers. Nothing contained in this Agreement shall restrict any Party from holding discussions with the Government with respect to any issue peculiar to its particular business interests arising under the Contracts or this Agreement, but in such event such Party shall promptly advise the Parties, if possible, before and in any event promptly after such discussions, provided that such Party shall not be required to divulge to the Parties any matters discussed to the extent the same involve proprietary information or matters not affecting the Parties;

(12) In the case of Unit Operator, in conjunction with the Unit Operating Committee, collaborate with GNPC in accordance with the gas commercialization provisions of the Approved Phase 1 Development Plan;

(13) In case of an emergency (including a significant fire, explosion, Natural Gas release, Crude Oil release, or sabotage; incident involving loss of life, serious injury to an employee, Subcontractor, or Third Party, or serious property damage; strikes and riots; or evacuations of Operator personnel): (i) take all necessary and proper measures for the protection of life, health, the environment and property; and (ii) as soon as reasonably practicable, report to all other Parties the details of such event and any measures such Operator has taken or plans to take in response thereto;

(14) Establish and implement pursuant to Article 7.14 an HSE plan to govern Unit Operations which is designed to ensure compliance with applicable HSE laws, rules and regulations and this Agreement;

(15) Include, to the extent practical, in its contracts with independent Subcontractors and to the extent lawful, provisions which:

(a) establish that such Subcontractors can only enforce their contracts against the Unit Operator or Technical Operator, as applicable;

(b) permit Unit Operator or Technical Operator, as applicable, on behalf of itself and Non-Operators, to enforce contractual indemnities against, and recover losses and damages suffered by them (insofar as recovered under their contracts) from, such Subcontractors; and

(c) require such Subcontractors to take insurance required by Article 7.7(I).

(16) In the case of the Unit Operator and the IPT Technical Operator, jointly develop appropriate procedures for commissioning, transition and handover in respect of Unit

Facilities and reservoir development plans and reservoir management for each portion of the Unit Development Plan and jointly carry out acceptance and sign-off processes for Unit Facilities with Subcontractor entities;

(17) In the case of the Unit Operator and the IPT Technical Operator, respective representatives shall meet and jointly develop appropriate procedures for the smooth and timely transition of the reservoir development plan and the reservoir management plan for the first phase and each subsequent phase of the Unit Development Plan in the period prior to commencement of first production (and each subsequent commencement of first production) to ensure the Unit Operator is fully prepared to optimize the reservoir management plan to maximize commercial reserves recovery;

(18) In the case of Unit Operator, in conjunction with the Unit Operating Committee, supply the Tract Operators with all reports and information necessary for the Tract Operators to fulfill their reporting obligations under their respective Contracts;

(19) In the case of Unit Operator, allow the Government access to reports and information with respect to Unit Operations and to the Unit Area in accordance with the teems and conditions of the Contracts.

(C) Unit Operator has established the following work teams made up of employees, Secondees, Subcontractors, consultants and agents, performing the functions set forth below, as part of its conduct of Unit Operations:

(1) Ghana operating team, having the following responsibility with respect to Unit Operations:

(a) Drilling, testing and completion of Development Wells within the Unit Interval;

(b) Logistics and local procurement;

(c) Shore base operations;

(d) Dispatch (marine and air);

(e) Importation and customs;

(f) Local permits, filings and liaison with GNPC regarding same;

(g) Warehousing and supply yard;

(h) Community relations and services;

(i) Overall in-country shore base support of the development activities (including Unit Facilities installation);

(j) Overall support of drilling and production activities; and

(k) Providing services, on such terms as may be agreed by Unit Operator and the Tract Operator, as requested by either Tract Operator for drilling and other operations on such Tract Operator's Contract Area but outside of the Unit Interval, with the costs of such services to be invoiced to such Tract Operator, provided that Unit Operator may decline to provide such services in the event that, acting reasonably, Unit Operator considers that to do so would have a material adverse effect on the Unit Interval or Unit Operations.

(2) Production operations team, having the following responsibilities with respect to Unit Operations:

(a) Production operations with respect to production of Unit Substances;

(b) Unit Facilities operations and maintenance;

(c) Scheduling offtake activities;

(d) Production reporting to the Tract Operators;

(e) Production forecasting; and

(f) Planning and scheduling workovers and other remedial well operations.

(3) A Technical Team of sub-surface and facilities personnel, having the following responsibilities with respect to Unit Operations:

(a) Prior to commencement of first production from each phase under the Unit Development Plan, the transition and handover from the IPT Technical Operator in a controlled manner of the complete responsibility for the sub-surface technical studies and execution of the remaining Unit Development Plan work in each such phase; and

(b) After each such handover, continued reservoir management, optimization and further planning and selection of infill well locations and workover requirements which may be additional and incremental to the Unit Development Plan and the Unit Facilities, and are in the immediate area developed by respective phases of the Unit Development Plan.

(4) Gas commercialization team, having responsibility for gas commercialization activities including liaising with GNPC as envisaged by the Approved Phase 1 Development Plan.

(D) IPT Technical Operator is responsible for the functions set forth below (***"IPT Technical Operations"***) and has established an integrated project team (***"IPT"***), made up of employees, Secondees, Subcontractors, consultants and agents, to assist in the performance of IPT Technical Operations:

(1) Evaluate and characterize the subsurface resource in the Unit Interval and develop the best depletion plan;

(2) Planning and selection of locations of all development drilling within the Unit Interval up to the point of the start of transition from the IPT Technical Operator to the Unit Operator and then, jointly with the Unit Operator, during the transition until the completion of the handover of all sub-surface studies and operations to the Unit Operator (see Article 7.2(C)(3)) prior to commencement of first production;

(3) Front end engineering and design work for the Unit Facilities (other than Unit Wells);

(4) Propose amendments to the Unit Development Plan to the Unit Operator for submission to the Unit Operating Committee, including a Development Unit Work Program and Budget and proposed first production date for the additional phases of development covered by such amendment;

(5) Detailed engineering and design work for the Unit Facilities;

(6) Providing support to the Unit Operator in respect of gas commercialization activities to be carried out by the Contractor (as such term is defined in the Contract) under the Unit Development Plan (including supporting Unit Operator in its collaboration with GNPC in accordance with the Approved Phase 1 Development Plan);

(7) Organize and conduct the procurement and tender processes for the Unit Facilities (including potentially some work on Unit Wells);

(8) Manage the fabrication, inspection, testing, installation and commissioning of all Unit Facilities;

(9) Coordinate with the Unit Operator all activities and interfaces between Unit Well drilling and above-ground Unit Facilities with respect to the activities in Articles 7.2(D)(7) and 7.2(D)(8);

(10) Provide all Unit Work Program and Budget and other operational data relating to its activities to the Unit Operator to enable Unit Operator to distribute such information to the Unit Operating Committee; and

(11) Review and provide recommendations with respect to the potential expansion of the Unit Area and/or the Unit Interval as a consequence of the possible existence of an accumulation of Hydrocarbons within either Contract Area that is outside of the Unit Interval but in Pressure Communication with the Unit Interval as anticipated in Article 5.3.

(E) The Unit Operating Committee shall determine when each portion of the Approved Phase 1 Development Plan, and any subsequent amendments thereto, have been completed following installation, commissioning, testing and completion, transition and handover of the Unit Facilities for that portion of the Approved Phase 1 Development Plan, or subsequent amendments thereto.

(F) Notwithstanding Article 7.2(B), each Tract Operator shall:

(1) Pay to the Government for its respective joint account under its respective Joint Operating Agreement all periodic rentals, bonuses, taxes (excluding any measured by the income of the Parties), fees and other payments attributable to its Contract generally, and not specifically to Unit Operations;

(2) Furnish to the Government in kind or pay to the Government in cash, as applicable, the Government's royalty and share of Additional Oil Entitlements with respect to all production of Hydrocarbons from or attributable to its Contract, including Unit Substances allocated to that Tract;

(3) Cause the satisfaction of any domestic marketing or Government sales obligation under its Contract;

(4) Prepare and submit to the Government all budgets and work programs required by its Contract, including where applicable its Group's proportionate part of any Unit Work Program and Budget approved under this Agreement;

(5) Prepare and submit development plans (and, if authorized under this Agreement, plans of appraisal) with respect to operations under its Contract, including such plans with respect to Unit Operations as described in Article 9;

(6) Make any other filings or submissions and perform any other activities that may be required under its Contract and that are not to be filed, submitted or performed by the Unit Operator pursuant to Article 7.2(B); and

(7) Cooperate with and assist the other Tract Operator and the Unit Operator with any filings or submissions required under the other Contract or pursuant to this Agreement, subject to conforming with the approved operations and Work Programs and Budgets under this Agreement.

7.3 Unit Operator and Technical Operator Personnel

(A) Unit Operator shall engage or retain only such employees, Secondees, Subcontractors, consultants and agents as are reasonably necessary to conduct Unit Operations (excluding Technical Operations). Technical Operators shall engage or retain only such employees, Secondees, Subcontractors, consultants and agents as are reasonably necessary to conduct Technical Operations. For the purposes of this Article 7.3, ***"Secondee"*** means an employee of a Non- Operator (or its Affiliate) who is seconded to Unit Operator or a Technical Operator, as applicable, to provide services under a secondment agreement to be entered into between Unit Operator or such Technical Operator, as applicable, and such Non-Operator substantially in the form of Exhibit R, Part 1; and ***"Secondment"*** means placement within Unit Operator's or Technical Operator's organization in accordance with this Article 7.3 of one or more persons who are employed by a Non-Operator or an Affiliate.

(B) Subject to the Contracts and this Agreement, (i) Unit Operator shall determine the number of employees, Secondees, Subcontractors, consultants and agents, the selection of such persons, their hours of work, and (except for Secondees) the compensation to be paid to all such persons in connection with Unit Operations (excluding Technical Operations); and (ii) each Technical Operator shall determine the number of employees, Secondees, Subcontractors, consultants and agents, the selection of such persons, their hours of work, and (except for Secondees) the compensation to be paid to all such persons in connection with Technical Operations performed by such Technical Operator.

(C) Each Authorized Seconding Party shall have the right, as set out herein, to nominate and second qualified personnel to fill certain positions in the organizations of Unit Operator and IPT Technical Operator which are of appropriate influence and seniority to reflect such Party's position under this Agreement. In the event an Authorized Seconding Party, other than GNPC, Transfers more than fifty per cent (50%) of its entire Project Interest, or undergoes a change in Control (other than a change in Control of an Authorized Seconding Party to an Affiliate of such Authorized Seconding Party), then, only in respect of the first such assignment by, or change in Control of, such Authorized Seconding Party, its successor or assignee shall have the same rights to fill certain positions of appropriate influence and seniority in place of such Authorized Seconding Party provided that: (i) in the case of an assignment, the number of such positions shall be reduced pro rata to the assignee's Unit Interest; (ii) such assignee shall not be entitled to assign such rights to any other person; and (iii) the assigning Authorized Seconding Party shall cease to be an Authorized Seconding Party. In each case, such positions shall be determined pursuant to Articles 7.3(D)(1) through (D)(11). Without limiting the generality of the foregoing:

(1) Each Authorized Seconding Party shall have the right to nominate and second qualified personnel to fill initially the positions in the organizations of Unit Operator and IPT Technical Operator as set forth in Exhibit R, Part 2 (the ***"Initial Positions"***); and

(2) The individuals named by an Authorized Seconding Party and whose names are set forth in Exhibit R, Part 2 have been accepted and shall be seconded into the respective Initial Positions designated for such individuals in the organizations of Unit Operator and IPT Technical Operator as set forth in Exhibit R, Part 2. To the extent that individuals are not

listed for an Initial Position in Exhibit R, Part 2, the applicable Authorized Seconding Party shall nominate for such Initial Position one or more proposed Secondees who such Authorized Seconding Party considers reasonably qualified to fulfill the designated purpose and scope of such Secondment, and the applicable Operator shall consider and approve or reject such nominee on the same basis as is described in Article 7.3(D)(7), and the process may be repeated, at the option of such Authorized Seconding Party, until such Initial Position is filled. Any Secondee in the Initial Positions may be terminated by the applicable Operator for cause as described in Article 7.3(D)(8); and

(3) Upon a subsequent vacancy in respect of any Initial Position (whether through resignation, removal, withdrawal or otherwise), the individual to fill such vacancy (if any) shall be determined pursuant to Articles 7.3(D)(1) through (D)(11), provided that each Authorized Seconding Party shall have the right from time to time to propose a qualified secondee for a number of positions in the organizations of Unit Operator and IPT Technical Operator that are comparable in terms of influence and seniority to its respective Initial Positions.

(D) Except as provided in Article 7.3(C) with regard to the Initial Positions, no further Secondments may be implemented without the concurrence of the applicable Operator, in its discretion, except in the manner set out in Articles 7.3(D)(1) through (11) below.

(1) Each Authorized Seconding Party may propose Secondment for a designated purpose related to Technical Operations or other Unit Operations. Any proposal for Secondment must include the:

(a) designated purpose and scope of Secondment, including duties, responsibilities, and deliverables;

(b) duration of the Secondment;

(c) number of Secondees and minimum expertise, qualifications and experience required;

(d) work location and position within the applicable Operator's organization of each Secondee; and

(e) estimated costs of the Secondment.

(2) In relation to a proposed Secondment meeting the requirements of Article 7.3(D)(1), (i) the applicable Operator shall as soon as reasonably practicable, approve (such approval to not be unreasonably withheld) or reject any Secondment proposed by an Authorized Seconding Party. Without prejudice to such Operator's right to conduct Unit Operations (or Technical Operations, as applicable) in accordance with this Agreement and the Contracts, such Operator shall consider such Secondment proposal in light of the: (i) expertise and experience required for the relevant Unit Operations; (ii) expertise and experience of such Operator's personnel; and (iii) potential benefits of such Secondment to the conduct of Unit Operations.

(3) Any Party (other than an Authorized Seconding Party) may propose Secondment for a designated purpose related to Technical Operations or other Unit Operations. Any proposal for Secondment must include the:

(a) designated purpose and scope of Secondment, including duties, responsibilities, and deliverables;

(b) duration of the Secondment;

(c) number of Secondees and minimum expertise, qualifications and experience required;

(d) work location and position within the applicable Operator's organization of each Secondee; and

(e) estimated costs of the Secondment.

The applicable Operator shall, as soon as reasonably practicable, approve or reject in its discretion any Secondment proposed by any such Party.

(4) Any proposal for one or more Secondment positions approved by an Operator is subject to: (i) the Unit Operating Committee's authorization of an appropriate budget for such Secondment positions; and (ii) the Authorized Seconding Parties continuing to make available to each Operator Secondees qualified to fulfill the designated purpose and scope of such Secondment.

(5) As to each approved and authorized Secondment position pursuant to Article 7.3(D)(2), the applicable Operator shall request the Authorized Seconding Parties to nominate, by a specified date, qualified personnel to be the Secondee for such position. Each Authorized Seconding Party has the right (but not the obligation) to nominate for each Secondment position one or more proposed Secondees who such Authorized Seconding Party considers reasonably qualified to fulfill the designated purpose and scope of such Secondment.

(6) As to each approved and authorized Secondment position pursuant to Article 7.3(D)(3), the applicable Operator shall request the Parties to nominate, by a specified date, qualified personnel to be the Secondee for such position. Each Party has the right (but not the obligation) to nominate for each Secondment position one or more proposed Secondees who such Party considers reasonably qualified to fulfill the designated purpose and scope of such Secondment.

(7) Following the deadline for submitting nominations, the applicable Operator shall consider the expertise and experience of each such nominee in light of the expertise and experience required for the approved and authorized Secondment position, and shall select from the nominees the qualified nominee such Operator, in its discretion, deems best for the position, unless such Operator reasonably believes that no nominee is qualified to fulfill the designated purpose and scope of such Secondment and so reports to the Authorized Seconding Parties or Parties, as applicable.

(8) Each Operator shall have the right to terminate any Secondment for cause in accordance with the secondment agreement provided for under Article 7.3(E).

(9) Upon a subsequent vacancy in respect of any Secondment other than an Initial Position, or a Secondment in lieu thereof pursuant to Article 7.3(C)(3), the Secondment shall terminate, subject to any Authorized Seconding Party's, or Party's, right to again propose a Secondment pursuant to this Article 7.3(D).

(10) Although each Secondee shall report to and be directed by Unit Operator or Technical Operator, as applicable, each Secondee shall remain at all times the employee of the Party (or its Affiliate) nominating such Secondee. Each Secondee shall enter into a secondee agreement substantially in the form set forth in Exhibit R, Part 1, Attachment B.

(11) Notwithstanding the terms of this Article 7.3, the Parties agree that neither the Authorized Seconding Parties nor any of the other Parties shall have the right to propose Secondees for positions within the organizations of Unit Operator or a Technical Operator which: (i) are not full time Unit Operation positions (including the positions of Ghana Country Manager and Ghana Finance Manager for such Unit Operator or Technical Operator); or (ii) are the most senior full time position (such as asset manager) within the organization of Unit Operator or a Technical Operator with respect to carrying out Unit Operations, which positions shall be filled by such Operator.

(E) Any Secondment under this Agreement shall be subject to the terms between Unit Operator or Technical Operator, as applicable, and the employer of the Secondee set forth in the secondment agreement provided for under Article 7.3(A). The terms of Articles 7.3(D)(8), 7.3(D)(10), 7.3(F) and 7.3(G) and the terms of any secondment agreement entered into pursuant to Article 7.3(A) or secondee agreement entered into pursuant to Article 7.3(D)(10) shall apply retroactively to January 1, 2008 with respect to any employee of a Non-Operator or its Affiliates who has been seconded to an Operator or its Affiliates prior to the Effective Date.

(F) All costs related to Secondment and Secondees that are within a Unit Work Program and Budget related to such Secondment position shall be charged to the Unit Account.

(G)

(1) Except as provided in Article 7.3(G)(2), neither the Non-Operator providing a Secondee to an Operator nor its Affiliates and their respective directors, officers and employees (collectively, the ***"Employer Indemnitees"***) shall bear any damage, loss, cost, expense or liability (except as a Party to the extent of its Paying Interest share) resulting from the Secondee's performance of (or failure to perform) its duties and functions, and the Employer Indemnitees are hereby released from liability to the other Parties for any and all damages, losses, costs, expenses and liabilities arising out of, incident to or resulting from such performance or failure to perform even though caused in whole or in part by a pre-existing defect, or the negligence (whether sole, joint or concurrent), Gross Negligence/Willful Misconduct, strict liability or other legal fault of any Employer Indemnitee. Except as set out in Article 7.3(G)(2), the Parties shall (in proportion to their Paying Interests) defend and indemnify the Employer Indemnitees from any and all damages, losses, costs, expenses (including reasonable legal costs, expenses and attorneys' fees) and liabilities incident to claims, demands or causes of action brought by or on behalf of any Person or any entity, which claims, demands or causes of action arise out of, are incident to or result from the Secondee's performance of (or failure to perform) its duties and functions even though caused in whole or in part by a pre-existing defect, or the negligence (whether sole, joint or concurrent), Gross Negligence/Willful Misconduct, strict liability or other legal fault of any Employer Indemnitee.

(2) If any Secondee acting as a Senior Supervisory Personnel seconded to an Operator or its Affiliates engages in Gross Negligence/Willful Misconduct which proximately causes the Parties to incur damage, loss, cost, expense or liability for claims, demands or causes of action referred to in Articles 7.6(A) or 7.6(B), then:

(a) all such damages, losses, costs, expenses and liabilities shall be allocated to the Non-Operator providing such Secondee, in an equivalent manner and to the same extent liability for Gross Negligence/Willful Misconduct of Senior Supervisory Personnel is allocated to Unit Operator or any Technical Operator pursuant to the provisions of Article 7.6;

(b) provided that, where such Gross Negligence/Willful Misconduct results from an action by such Secondee at the direction of Unit Operator or any Technical Operator, such Operator shall bear all such damages, losses, costs, expenses and

liabilities in the manner and to the extent liability for Gross Negligence/Willful Misconduct of Senior Supervisory Personnel is allocated to Unit Operator or any Technical Operator pursuant to the provisions of Article 7.6, including Article 7.6(C).

(H) The Parties contemplate that, from time to time during the term of this Agreement, Anadarko may provide services, other than the services of individual Secondees, for the benefit of an Operator under the terms of a technical services agreement between such Operator and Anadarko (each a "Technical Services Agreement") which shall be substantially in the form of Exhibit S.

7.4 ***Information Supplied by Unit Operator***

(A) Unit Operator shall provide Non-Operators with the following data and reports (to the extent to be charged to the Unit Account) as they are currently produced or compiled from Unit Operations, in digital or electronic form where available:

(1) Copies of all logs or surveys, including in digitally recorded format if such exists;

(2) Daily drilling reports and Monthly production reports;

(3) Monthly Production Forecasts;

(4) Copies of all tests and core data and analysis reports;

(5) Final well recap report;

(6) Copies of plugging reports;

(7) Copies of final geological and geophysical maps, seismic data and shot point location maps;

(8) Engineering studies, development schedules and quarterly progress reports on development projects;

(9) Field and well performance reports, including reservoir studies and reserve estimates;

(10) As requested by a Non-Operator, (i) copies of all material reports relating to Unit Operations or the Unit Area furnished by Unit Operator to the Government; and (ii) other material studies and reports relating to Unit Operations;

(11) Crude oil lifting reports under agreements provided for in Article 11.2 and gas balancing reports as provided for in Article 11.3;

(12) Copies of all reports supplied to a Tract Operator relating to Unit Operations;

(13) Such additional information as a Non-Operator may reasonably request, provided that the requesting Party or Parties pay the costs of preparation of such information and that the preparation of such information will not unduly burden Unit Operator's administrative and technical personnel. Only Non-Operators who pay such costs will receive such additional information; and

(14) Other reports as directed by the Unit Operating Committee.

(B) Where information required to be provided by Unit Operator pursuant to Article 7.4(A) is generated by Technical Operations, including information described in Article 7.4(A)(8), the

applicable Technical Operator shall provide such information to Unit Operator as it is currently produced or compiled from Technical Operations to enable Unit Operator to distribute such information to the Non-Operators.

(C) Unit Operator and each Technical Operator shall each give Non-Operators access at all reasonable times during normal business hours to all data and reports (other than data and reports provided to Non-Operators in accordance with Article 7.4(A)) acquired in the conduct of Unit Operations or Technical Operations, as applicable, which a Non-Operator may reasonably request. Any Non- Operator may make copies of such other data at its sole expense.

7.5 Settlement of Claims and Lawsuits

(A) Each Technical Operator shall promptly notify Unit Operator of any and all claims and suits that primarily arise out of, are incident to or result from its Technical Operations. Unit Operator shall promptly notify the Parties of any and all material claims or suits that primarily arise out of, are incident to or result from Unit Operations (including Technical Operations). Unit Operator shall represent the Parties and defend or oppose any such claim or suit. Unit Operator may in its sole discretion compromise or settle any such claim or suit or any related series of claims or suits for an amount not to exceed the equivalent of five hundred thousand U.S. dollars (US$500,000) exclusive of legal fees. Unit Operator shall obtain the approval and direction of the Unit Operating Committee on amounts in excess of the above-stated amount. Without prejudice to the foregoing, each Non-Operator shall have the right to be represented by its own counsel at its own expense in the settlement, compromise or defense of such claims or suits. Any material claims or suits that primarily arise out of, are incident to or result from Tract Operations shall be dealt with according to the applicable Joint Operating Agreement, and any material disputes between the Government and/or GNPC and those Persons who from time to time constitute the "Contractor" or the equivalent under either Contract shall be dealt with in accordance with Article 24 of the applicable Contract or, where so provided in the Acknowledgment, pursuant to Article 1.10 of the Acknowledgment.

(B) Any Non-Operator shall promptly notify the other Parties of any claim made or suit filed against such Non-Operator by a Non-Affiliated Third Party that primarily arises out of, is incident to or results from the Unit Operations (including each Technical Operator for this purpose except with respect to claims or suits that primarily arise out of, are incident to or result from its Technical Operations), and such Non-Operator shall defend or settle the same in accordance with any directions given by the Unit Operating Committee. Those costs, expenses and damages incurred pursuant to such defense or settlement which are attributable to Unit Operations shall be for the Unit Account. If any material claims or suits primarily arise out of, are incident to or result from Tract Operations the Non-Operator shall promptly notify the other parties to the Tract and such claims or suits shall be dealt with according to the applicable Joint Operating Agreement.

(C) Notwithstanding Article 7.5(A) and Article 7.5(B), each Party shall have the right to participate in any such suit, prosecution, defense or settlement conducted in accordance with Article 7.5(A) and Article 7.5(B), at its sole cost and expense; provided always that no Party may settle its Paying Interest share of any claim without first satisfying the Unit Operating Committee that it can do so without prejudicing the interests of the Unit Operations.

7.6 Limitation on Liability of Unit Operator and Technical Operator

(A) Except as set out in Article 7.6(C), neither Unit Operator nor any Technical Operator (nor any other Party, to the extent it performed the duties of Unit Operator or IPT Technical Operator between January 1, 2008 and the Effective Date) nor any other Indemnitee shall bear (except as a Party to the extent of its Paying Interest share) any damage, loss, cost, expense or liability resulting from performing (or failing to perform) the duties and functions of Unit Operator or Technical Operator, as applicable, and the Indemnitees are hereby released from liability to Non- Operators for any and all damages, losses, costs, expenses and liabilities arising out of, incident to

or resulting from such performance or failure to perform, even though caused in whole or in part by a pre-existing defect, or the negligence (whether sole, joint or concurrent), Gross Negligence/Willful Misconduct, strict liability or other legal fault of Unit Operator or Technical Operator (or any such Indemnitee).

(B) Except as set out in Article 7.6(C), the Parties shall (in proportion to their Paying Interests) defend and indemnify Unit Operator and its Affiliates, and their respective directors, officers, and employees (and any other Party and its Affiliates, and their respective directors, officers, and employees, to the extent they performed the duties of Unit Operator between January 1, 2008 and the Effective Date) (collectively, the ***"Unit Operator Indemnitees"*),** from any and all damages, losses, costs, expenses (including reasonable legal costs, expenses and attorneys' fees) and liabilities incident to claims, demands or causes of action brought by or on behalf of any Person or entity, which claims, demands or causes of action arise out of, are incident to or result from Unit Operations, even though caused in whole or in part by a pre-existing defect, or the negligence (whether sole, joint or concurrent), Gross Negligence/Willful Misconduct, strict liability or other legal fault of Unit Operator (or any such Indemnitee). Except as set out in Article 7.6(C), the Parties shall (in proportion to their Paying Interests) defend and indemnify each Technical Operator and its Affiliates, and their respective directors, officers, and employees (and any other Party and its Affiliates, and their respective directors, officers, and employees, to the extent it performed the duties of IPT Technical Operator between January 1, 2008 and the Effective Date) (collectively, the ***"Technical Operator Indemnitees"*** and, together with the Unit Operator Indemnitees, the ***"Indemnitees"***), from any and all damages, losses, costs, expenses (including reasonable legal costs, expenses and attorneys' fees) and liabilities incident to claims, demands or causes of action brought by or on behalf of any Person or entity, which claims, demands or causes of action arise out of, are incident to or result from Technical Operations, even though caused in whole or in part by a pre-existing defect, or the negligence (whether sole, joint or concurrent), Gross Negligence/Willful Misconduct, strict liability or other legal fault of Technical Operator (or any such Indemnitee).

(C) Notwithstanding Articles 7.6(A) or 7.6(B), if any Senior Supervisory Personnel of Unit Operator or any Technical Operator (or of any other Party to the extent that any of its directors, officers and employees acted as Senior Supervisory Personnel prior to the Effective Date) (as applicable) or its Affiliates engage in Gross Negligence / Willful Misconduct which proximately causes the Parties to incur damage, loss, cost, expense or liability for claims, demands or causes of action referred to in Articles 7.6(A) or 7.6(B), including by virtue of directions to a Secondee in the circumstances described in Article 7.3(G)(2)(b), then Unit Operator or such Technical Operator (or other Party), as applicable, shall bear all such damages, losses, costs, expenses and liabilities. Notwithstanding the foregoing, under no circumstances shall Unit Operator or any Technical Operator (or other Party) (except as a Party to the extent of its Paying Interest) or any other Indemnitee bear any Consequential Loss or Environmental Loss without prejudice to the obligations of the Parties collectively under Article 17.5 of each Contract.

(D) Nothing in this Article 7.6 shall be deemed to relieve Unit Operator or any Technical Operator (or other Party) from its Paying Interest share of any damage, loss, cost, expense or liability arising out of, incident to, or resulting from Unit Operations.

(E) The Parties recognize that each of Unit Operator and each Technical Operator is also a Party, and may also be a Tract Operator, and shall be free to pursue its own interests as a Party (and, if applicable, Tract Operator), including through the Unit Operating Committee under Article 8 and as part of each Redetermination process under Article 5. The Parties hereby release:

(1) The Unit Operator, in its capacity as Unit Operator, from liability to Non-Operators for any and all claims of conflict of interest or breach of duty, arising out of, incident to or resulting from its actions in its capacity as a Party or as Tract Operator, and

(2) Each Technical Operator, in its capacity as Technical Operator, from liability to Non-Operators for any and all claims of conflict of interest or breach of duty, arising out of, incident to or resulting from its actions in its capacity as a Party or as Tract Operator,

in the case of clauses (1) and (2) even though caused in whole or in part by a pre-existing defect, or the negligence (whether sole, joint or concurrent), gross negligence, willful misconduct, strict liability or other legal fault of such Operator; provided that, for the avoidance of doubt, nothing in this Article 7.6(E) shall be deemed to relieve an Operator when acting as Tract Operator from its obligations and liabilities under the applicable Joint Operating Agreement.

(F) The Unit Operator, in its role as such, shall bear no liability or cost of conducting Non-Unit Operations on behalf of any Party except as provided in this Article 7.6 which shall apply, *mutatis mutandis,* to the Unit Operator's conduct of Non-Unit Operations.

7.7 Insurance Obtained by Unit Operator

(A) Unit Operator shall procure and maintain for the Unit Account all insurance in the types and amounts required by either Contract and/or this Agreement or the Laws/Regulations in respect of the Unit Operations.

(B) Unit Operator shall procure and maintain any further insurance as the Unit Operating Committee may from time to time require and at competitive rates. In procuring such insurance the Unit Operator shall comply with the Contract and Laws/Regulations and, without prejudice to the generality of the foregoing, shall comply with the provisions relating to contracting with an offshore insurer set out in sections 37 and 38 of the Ghana Insurance Act 2006 (Act 724) as then in effect.

(C) Subject to the Contract and Laws/Regulations including, for the avoidance of doubt, the Ghana Insurance Act 2006 (Act 724), as may be amended from time to time, and to Article 7.7(E), each Party will be provided the opportunity to underwrite any or all of the insurance (excluding the contractor's all risk ("CAR")) to be procured by Unit Operator under Articles 7.7(A) and 7.7(B) through reinsurance policies to such Party's Affiliate insurance company; provided that:

(1) the direct insurance in such case is through a Ghanaian registered insurance company;

(2) such Party's Affiliate insurance company is licensed and regulated as an insurer under the laws of its country of domicile applicable to it and has (and maintains) a credit rating of at least "A-" by Standard & Poor's or A.M. Best or "A3" by Moody's, or in the event no such entity is issuing credit ratings for long-term unsecured debt, the equivalent rating by a comparable international credit rating agency; and

(3) such arrangements will not result in any part of the premiums for such insurance not being recoverable under the Contract, or being significantly higher than the market rate.

(D) Subject to the Contract and the Laws/Regulations including, for the avoidance of doubt, the Ghana Insurance Act 2006 (Act 724), as may be amended from time to time, and to Articles 7.7(E) and 7.7(F), any Party may elect not to participate in some or all of the liability and property insurance (excluding the CAR) to be procured by Unit Operator under Articles 7.7(A) and 7.7(B) provided such Party:

(1) gives prompt written notice to that effect to Unit Operator;

(2) does nothing which may interfere with Unit Operator's negotiations for such insurance for the other Parties;

(3) obtains insurance prior to or concurrent with the commencement of relevant operations and maintains such insurance (in respect of which a current certificate of adequate coverage, provided at least once a year, shall be sufficient evidence) which fully covers its Unit Interest share of the risks that would be covered by the insurance to be procured under Article 7.7(A) or 7.7(B) issued by:

(a) an insurer, either as a direct insurer or as a reinsurer to a Party's Affiliate insurance company, having (and maintaining) a credit rating of at least "A-" by Standard & Poor's or A.M. Best or "A3" by Moody's, or in the event no such entity is issuing credit ratings for long-term unsecured debt, the equivalent rating by a comparable international credit rating agency; or

(b) an insurer that is a Ghanaian registered insurance company and then reinsured with such Party's Affiliate insurance company, provided that such Party's Affiliate insurance company is licensed and regulated as an insurer under the laws of its country of domicile applicable to it and has (and maintains) a credit rating of at least "A-" by Standard & Poor's or A.M. Best or "A3" by Moody's, or in the event no such entity is issuing credit ratings for long-term unsecured debt, the equivalent rating by a comparable international credit rating agency; and

(4) obtains insurance that:

(a) contains a waiver of subrogation in favor of all the other Parties, the Unit Operator and their insurers but only to the extent of those liabilities assumed by such Party under this Agreement;

(b) provides that thirty (30) Days written notice be given to Unit Operator prior to any material change in, or cancellation of, such insurance policy;

(c) is primary to, and receives no contribution from, any other insurance maintained by or on behalf of, or benefiting Unit Operator or the other Parties; and

(d) contains adequate territorial extensions and coverage in the location of the Unit Operations.

(E) With respect to all of the insurance to be procured by Unit Operator under Articles 7.7(A) and 7.7(B) (excluding the CAR), in the event that a Party elects:

(1) not to participate in some or all of the insurance to be procured by Unit Operator under Articles 7.7(A) and 7.7(B); and

(2) to cover its Unit Interest share of the risks in accordance with the provisions of Article 7.7(C) or Article 7.7(D)(3)(b) by reinsuring through its Affiliate insurance company;

then the aggregate maximum amount of insurance to be procured under Articles 7.7(A) and 7.7(B) in which such Party may elect to either underwrite or not to participate, and to reinsure through such Party's Affiliate insurance company in accordance with Article 7.7(C) and Article 7.7(D)(3)(b), excluding the amount of reinsurance through such Party's Affiliate insurance company that is further reinsured with an insurer that satisfies the minimum rating requirements of Article 7.7(D)(3)(a); shall be one hundred million U.S. dollars ($100,000,000) net for such Party's interest; provided that such Party's Affiliate or its ultimate publicly traded parent company (or, if there is no publicly

traded parent company, the highest parent company Controlling the Party) shall be required:

(a) to maintain a credit rating of at least "A-" by Standard & Poor's or A.M. Best or "A3" by Moody's, or in the event no such entity is issuing credit ratings for long-term unsecured debt, the equivalent rating by a comparable international credit rating agency; and

(b) to provide a guarantee under an unconditional guarantee of payment in form reasonably acceptable to the Unit Operating Committee with respect to the amount of reinsurance issued by such Party's Affiliate insurance company that is not further insured with an insurer that satisfies the minimum rating requirements of Article 7.7(D)(3)(a).

(F) To the extent that another insurance company provides insurance to a Party's Affiliate insurance company to satisfy the obligations set out in Article 7.7(D)(3)(a), such entity shall be required to maintain a credit rating of at least "A-" by Standard & Poor's or A.M. Best or "A3" by Moody's, or in the event no such entity is issuing credit ratings for long-term unsecured debt, the equivalent rating by a comparable international credit rating agency.

In the event that the insurance company fails to maintain a credit rating satisfying such requirements, such Party shall immediately notify the Unit Operator and, within thirty (30) Days of such notification, such Party shall either:

(1) provide notice that it will participate in the insurance to be procured by Unit Operator under Article 7.7(A) or 7.7(B) in satisfaction of its Unit Interest share of the risks, in which event Unit Operator shall issue a cash call to such Party for its Paying Interest share of the cost of such insurance payable by such Party in accordance with the terms of this Agreement; or

(2) procure the insurance to be procured by Unit Operator under Article 7.7(A) or 7.7(B) in satisfaction of its Unit Interest share of the risks from an insurer with a credit rating of at least "A-" by Standard & Poor's or A.M. Best or "A3" by Moody's, or in the event no such entity is issuing credit ratings for long-term unsecured debt, the equivalent rating by a comparable international credit rating agency;

failing which such Party shall be deemed to be in default of its obligations under this Agreement.

(G) The cost of insurance in which all the Parties are participating shall be for the Unit Account and the cost of insurance in which less than all the Parties are participating shall be charged to the Parties participating in proportion to their respective Paying Interests.

(H) Unit Operator shall, with respect to all insurance obtained for the Unit Account under this Article 7.7:

(1) procure such insurance (or reinsurance of such insurance) from an insurer having (and maintaining) a credit rating of at least "A-" by Standard & Poor's or A.M. Best or "A3" by Moody's, or in the event no such entity is issuing credit ratings for long-term unsecured debt, the equivalent rating by a comparable international credit rating agency;

(2) use reasonable endeavors to procure or cause to be procured such insurance prior to or concurrent with, the commencement of relevant operations and maintain or cause to be maintained such insurance during the term of the relevant operations or any longer term required under the Contract and the Laws/Regulations;

(3) promptly inform the participating Parties when such insurance is obtained and supply them with certificates of insurance or copies of the relevant policies when the same are issued;

(4) arrange for the participating Parties, according to their respective Unit Interests, to be named as co-insureds on the relevant policies with waivers of subrogation in favor of all the Parties but only with respect to their interests under this Agreement;

(5) use reasonable endeavors to ensure that each policy shall survive the default or bankruptcy of the insured for claims arising out of an event before such default or bankruptcy and that all rights of the insured shall revert to the Parties not in default or bankruptcy; and

(6) duly file all claims and take all necessary and proper steps to collect any proceeds and credit any proceeds to the participating Parties in proportion to their respective Paying Interests.

(I) Unit Operator shall use its reasonable endeavors to require all Subcontractors performing work with respect to Unit Operations (and Technical Operator, to the extent it is negotiating contracts for Technical Operations, shall use its reasonable endeavors to require all Subcontractors performing work with respect to Technical Operations) to:

(1) obtain and maintain any and all insurance in the types and amounts required by the Contract, the Laws/Regulations or any decision of the Unit Operating Committee;

(2) name the Parties as additional insureds on the Subcontractor's insurance policies and obtain from their insurers waivers of all rights of recourse against Operators, Non- Operators and their insurers; and

(3) provide Unit Operator (and, in the case of Technical Operations, the applicable Technical Operator) with certificates reflecting such insurance prior to the commencement of their services;

Provided that, in the event the Unit Operator is unable to obtain agreement from a Subcontractor to obtain any insurance referred to in Article 7.7(I)(1) then the Unit Operator shall obtain appropriate alternative insurance for the Unit Account as required by the Contract and the Laws/Regulations; and, in the case of further insurance required by any decision of the Unit Operating Committee, shall obtain such insurance to the extent available and subject to Article 7.7(B).

7.8 Commingling of Funds

Unit Operator may not commingle with Unit Operator's own funds the monies which Unit Operator receives from or for the Unit Account pursuant to this Agreement.

7.9 Resignation of Unit Operator or Technical Operator

Subject to Article 7.13, (i) Unit Operator may resign as Unit Operator at any time by so notifying the other Parties at least one hundred and twenty (120) Days prior to the effective date of such resignation; and (ii) any Technical Operator may resign as Technical Operator at any time by so notifying the other Parties at least one hundred and twenty (120) Days prior to the effective date of such resignation.

7.10 Termination of IPT Technical Operatorship

The IPT Technical Operator position shall terminate, and IPT Technical Operator shall automatically be deemed to have resigned, upon completion of the installation of all production facilities required for full field development of the Unit Interval under the Unit Development Plan as determined by the Unit Operating Committee pursuant to Article 7.2(E).

7.11 Assignment of the Unit Operatorship or Technical Operatorship to an Affiliate

No Operator may assign its rights or obligations as Operator except that either Operator may assign all (but not part) of its rights and obligations as Operator to one of its Affiliates, subject to the prior written consent of the Minister and GNPC, such consent not to be unreasonably withheld or delayed, and to the following conditions and provisions:

(A) Either (i) such Affiliate shall possess sufficient technical competence and financial resources to perform the duties of the Unit Operator or Technical Operator, as applicable, or (ii) the assigning Operator or another Affiliate possessing such technical competence and financial resources shall have agreed in writing for the benefit of the other Parties that it shall be responsible, and remain responsible, for the assignee's performance of such duties;

(B) Such Affiliate shall have entered into a written instrument whereby it accepts and assumes all of the obligations of the Unit Operator or Technical Operator, as applicable, and is granted all of the rights of such Operator; and

(C) If the Affiliate should cease to be the Affiliate of the assigning Operator, then, notwithstanding Article 7.13, the Affiliate shall be removed as the Unit Operator or Technical Operator, as applicable, and the rights and obligations of such Operator shall be reassigned by the assignee to the former Operator or another Party that is an Affiliate of the Bonner Operator; and

(D) Without prejudice to the right to remove an Operator under Article 7.12(C), if the former Operator and all of its Affiliates cease to own any Unit Interest, the Affiliate shall be deemed to have resigned pursuant to Article 7.9.

7.12 Removal of Unit Operator or Technical Operator

(A) Subject to Article 7.13, Unit Operator or Technical Operator shall be removed upon receipt of notice from any Non-Operator if:

(1) Such Operator becomes insolvent or bankrupt, or makes an assignment for the benefit of creditors;

(2) An order is made by a court or an effective resolution is passed for the reorganization under any bankruptcy law, dissolution, liquidation, or winding up of such Operator;

(3) A receiver is appointed for a substantial part of such Operator's assets; or

(4) Such Operator dissolves, liquidates, is wound up, or otherwise terminates its existence.

(B) Subject to Article 7.13, an Operator may be removed:

(1) By the decision of the Non-Operators if such Operator has committed a material breach of this Agreement and has either failed to commence to cure that breach within thirty (30) Days of receipt of a notice from the Non-Operators detailing the alleged breach or failed to diligently pursue the cure to completion. Any decision of the Non-Operators to give notice of breach to an Operator or to remove an Operator under this Article 7.12(B)(1)

shall be made by an affirmative vote of two (2) or more Non-Operators which are not Affiliates holding a combined Unit Interest of at least sixty-six percent (66%) of the Unit Interest held by all of the Non-Operators (after excluding Affiliates of such Operator); or

(2) If such Operator has repeatedly committed breaches of this Agreement (without regard to whether any or all of such repeated breaches (a) are similar or not, (b) are material or not or (c) were cured or not) over the course of a period of six (6) consecutive months from the date of receipt by such Operator of notice of the first such repeated breach, in a manner that demonstrates a course of conduct that would not reasonably and ordinarily be expected from a Reasonably Prudent Operator, taking into account for this purpose efforts by the Unit Operator to cure such breaches, and such Operator was notified in writing of each such breach by a Non-Operator, by the affirmative vote of three (3) or more of the total number of Non-Operators which are not Affiliates holding combined Unit Interests of at least eighty percent (80%) of the Unit Interests held by all of the Non- Operators (after excluding Affiliates of the affected Operator). If at any relevant time there are fewer than four (4) Parties to this Agreement, then the number of Non- Operators stipulated in this Article 7.12(B)(2) shall be two (2). A "Reasonably Prudent Operator" for purposes of this Article 7.12(B)(2) means an operator seeking in good faith to perform its contractual obligations and, in so doing, and in the general conduct of its undertaking, exercising that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same type of undertaking under the same or similar circumstances and conditions and complying with applicable law,

provided, however, if such Operator disputes: (i) such alleged commission of or failure to cure a material breach, in the case of Article 7.12(B)(1), or (ii) such alleged commission of repeated breaches, in the case of Article 7.12(B)(2), and dispute resolution proceedings are initiated pursuant to Article 20.3 in relation to such breach or breaches, then such Operator shall remain appointed and no successor Operator may be appointed pending the conclusion or abandonment of such proceedings, subject to the terms of Article 10 with respect to such Operator's breach of its payment obligations.

(C) If an Operator together with any Affiliates of such Operator becomes the holder of a Unit Interest of less than twenty percent (20%), then such Operator shall promptly notify the other Parties of such event. The Unit Operating Committee shall then vote within thirty (30) Days of such notification (or, if no such notification is provided by such Operator, within thirty (30) Days of any Party's notification to the other Parties of such event) whether or not to remove such Operator under this Article 7.12(C). An affirmative vote of two (2) or more of the total number of Non- Operators holding a combined Unit Interest of at least sixty six percent (66%) of the Unit Interest held by all of such Non-Operators (after excluding Affiliates of such Operator), shall be required to remove an Operator under this Article. This Article 7.12(C) shall not apply where the IPT Technical Operator position has not yet terminated pursuant to Article 7.10 and Tullow, Kosmos or Anadarko, or any of their respective Affiliates, but not any other successor-in-interest, is serving as the applicable Operator.

(D) If prior to the termination of the IPT Technical Operator position pursuant to Article 7.10:

(1) Tullow, Kosmos or Anadarko, or any of their respective Affiliates, but not any other successor-in-interest, is serving as the IPT Technical Operator; and either

(a) There is a direct or indirect change in Control of the IPT Technical Operator (other than a change in Control of IPT Technical Operator to an Affiliate of IPT Technical Operator); or

(b) The IPT Technical Operator and/or any of its Affiliates Transfers a portion of its Unit Interest (other than a Transfer to an Affiliate of IPT Technical Operator or

to GNPC as required by a Contract or Contracts) which results, at the date of completion of such Transfer, in the IPT Technical Operator together with its Affiliates holding a Unit Interest which is less than the Unit Interest at such date held by any of Tullow, Kosmos or Anadarko, together with its Affiliates, other than the Unit Interest held by any of them which serves as Unit Operator,

then IPT Technical Operator shall promptly notify the other Parties of such events. Within thirty (30) Days of such notification (or, if no such notification is provided by IPT Technical Operator, within thirty (30) Days of notification by Tullow, Kosmos or Anadarko, or any of their respective Affiliates, to the other Parties of such events), any of Tullow, Kosmos or Anadarko, or any of their respective Affiliates, may remove the IPT Technical Operator by serving written notice of removal to all Parties, in which event a successor IPT Technical Operator shall be appointed in accordance with Article 7.13(D). The right to remove the IPT Technical Operator under this Article 7.12(D) is personal to each of Kosmos, Anadarko and Tullow and may not be assigned, except by Kosmos, Anadarko or Tullow to any of its Affiliates, in each case, together with an assignment of a Unit Interest to such Affiliate. Except as provided in Article 7.9 or this Article 7.12, a Party serving as IPT Technical Operator shall remain IPT Technical Operator following a direct or indirect change in Control or a Transfer of a portion of its or any of its Affiliates Unit Interest.

(E) If prior to the termination of the IPT Technical Operator position pursuant to Article 7.10:

(1) Tullow, Kosmos or Anadarko, or any of their respective Affiliates, but not any other successor-in interest, is serving as Unit Operator; and either

(a) There is a direct or indirect change in Control of Unit Operator (other than a change in Control of Unit Operator to an Affiliate of Unit Operator); or

(b) The Unit Operator and/or any of its Affiliates Transfers a portion of its Unit Interest (other than a Transfer to an Affiliate of Unit Operator or to GNPC as required by a Contract or Contracts) which results, at the date of completion of such Transfer, in the Unit Operator together with its Affiliates holding a Unit Interest which is less than the Unit Interest at such date held by any of Tullow, Kosmos or Anadarko together with its Affiliates,

then the Unit Operator shall promptly notify the other Parties of such events. Within thirty (30) Days of such notification (or, if no such notification is provided by Unit Operator, within thirty (30) Days of notification by Tullow, Kosmos or Anadarko, or any of their respective Affiliates, to the other Parties of such events), any of Tullow, Kosmos or Anadarko, or any of their respective Affiliates, may remove the Unit Operator by serving written notice of removal to all Parties, in which event a successor Unit Operator shall be appointed in accordance with Article 7.13(D). The right to remove the Unit Operator under this Article 7.12(E) is personal to Tullow, Kosmos and Anadarko and may not be assigned, except by Tullow, Kosmos or Anadarko to any of its Affiliates, in each case, together with an assignment of a Unit Interest to such Affiliate. Except as provided in Article 7.9 or this Article 7.12, a Party serving as Unit Operator shall remain Unit Operator following a direct or indirect change in Control or a Transfer of a portion of its or any of its Affiliates Unit Interest.

(F) For the avoidance of doubt, a reduction of the Unit Interest of an Operator or an Affiliate of an Operator as a result of a Redetermination shall not constitute a Transfer for the purposes of this Agreement, including for the purposes of Article 7.12(D) or Article 7.12(E).

(G) Notwithstanding the terms of Article 7.12(C), if, prior to the termination of the IPT Technical Operator position pursuant to Article 7.10:

(1) Tullow, Kosmos or Anadarko, or any of their respective Affiliates, but not any other successor-in interest, is serving as an Operator; and either

(a) The Unit Operator Transfers all of its Unit Interest (other than a Transfer to an Affiliate of Unit Operator); or

(b) The IPT Technical Operator Transfers all of its Unit Interest (other than a Transfer to an Affiliate of IPT Technical Operator),

then such Operator shall be deemed to have resigned as Operator, effective on the date the Transfer becomes effective under Article 14, in which event a successor Operator shall be appointed in accordance with Article 7.13(D).

(H) Notwithstanding the terms of Article 7.12(C), if,

(1) A Party serving as Operator Transfers all of its Unit Interest (other than a Transfer to an Affiliate of such Operator); and either

(a) Prior to the termination of the IPT Technical Operator position pursuant to Article 7.10, a Party other than Tullow, Kosmos or Anadarko, or any of their respective Affiliates, is serving as an Operator and Transfers all of its Unit Interest (other than a Transfer to an Affiliate of such Operator); or

(b) After termination of the IPT Technical Operator position pursuant to Article 7.10 a Party serving as Operator Transfers all of its Unit Interest (other than a Transfer to an Affiliate of such Operator),

then such Operator shall be deemed to have resigned as Operator, effective on the date the Transfer becomes effective under Article 14, in which event a successor Operator shall be appointed in accordance with Articles 7.13(A) and 7.13(B).

7.13 Appointment of Successor

When a change of Operator occurs pursuant to Article 7.9 or Article 7.12:

(A) Unit Operator shall fulfill the role of any Technical Operator following any resignation or removal of such Technical Operator unless and until a successor Technical Operator is appointed pursuant to the provisions of this Article 7.13.

(B) Except as provided in Article 7.12(D), Article 7.12(E) and Article 7.12(G), the Unit Operating Committee shall meet as soon as possible to appoint a successor Operator pursuant to the voting procedure of Article 8.9. No Party may be appointed as a successor Operator against its will.

(C) If any Operator is removed, neither such Operator nor any Affiliate of such Operator shall be considered as a candidate for the successor Operator provided that: (a) any Operator removed under Article 7.12(C) or any Affiliate of such Operator; and (b) any Operator which is removed under Article 7.12(D), Article 7.12(E) or Article 7.12(G), or any Affiliate of such Operator or any transferee (pursuant to Article 14), may be considered as a candidate for the successor Operator.

(D) In the case of removal or deemed resignation of:

(1) the Unit Operator under Article 7.12(E) or Article 7.12(G), within sixty (60) Days of such removal or deemed resignation, Tullow, Kosmos and Anadarko (other than the Party which is the current Unit Operator) shall determine, by agreement solely between them, which of them should fill the open Unit Operator position; and

(2) the IPT Technical Operator under Article 7.12(D) or Article 7.12(G), within sixty (60) Days of such removal or deemed resignation, Tullow, Kosmos and Anadarko (other than the Party which is the current IPT Technical Operator) shall determine, by agreement solely between them, which of them should fill the open IPT Technical Operator position; provided that if Anadarko is not the affected IPT Technical Operator, Anadarko shall fill the open IPT Technical Operator position and provided further that the right to succeed the IPT Technical Operator is personal to Anadarko and may not be assigned, except to an Affiliate of Anadarko together with an assignment of a Unit Interest by Anadarko to such Affiliate. In the event that Anadarko is the affected IPT Technical Operator and the applicable Parties cannot agree within such period, the successor IPT Technical Operator shall be determined by the affirmative vote of two (2) or more of the total number of Non-Operators which are not Affiliates holding a combined Unit Interest of at least a majority of the Unit Interests held by all of the Non-Operators (after excluding Affiliates of Anadarko).

(E) The resigning or removed Operator shall be compensated out of the Unit Account for its reasonable expenses directly related to its resignation or removal, except in the case of Article 7.12(B)(1) or Article 7.12(B)(2).

(F) The resigning or removed Operator and the successor Operator shall arrange for the taking of an inventory of all Unit Facilities and Unit Substances, and an audit of the books and records of the removed Operator. Such inventory and audit shall be completed, if possible, no later than the effective date of the change of Operator and shall be subject to the approval of the Unit Operating Committee. The liabilities and expenses of such inventory and audit shall be charged to the Unit Account.

(G) Following a resignation or removal, upon the effective date of appointment of a successor Operator, such successor Operator shall succeed to all duties, rights and authority prescribed for the Operator it replaces. The former Operator shall transfer to the successor Operator custody, where applicable, of all Unit Facilities, books of account, records and other documents maintained by such Operator pertaining to the Unit Area and to Unit Operations. Upon delivery of the above- described facilities and data, the former Operator shall be released and discharged from all obligations and liabilities as such Operator accruing after such date.

7.14 Health, Safety and Environment ("HSE")

(A) With the goal of achieving safe and reliable operations in compliance with applicable HSE laws, rules and regulations (including avoiding significant and unintended impact on the safety or health of people, on property, or on the environment), Unit Operator and IPT Technical Operator shall meet and no later than six (6) months following the date of execution of this Agreement establish and implement an HSE plan in a manner consistent with standards and procedures generally followed in the international petroleum industry under similar circumstances, harmonizing the HSE policies of each of them, and using (unless they otherwise agree) the most stringent standards established by either of their policies. Each Operator shall thereafter design and operate Unit Facilities consistent with the HSE plan. In addition, each Operator shall conform with locally applicable HSE laws, rules and regulations and other HSE-related statutory requirements that may apply.

(B) The Unit Operating Committee shall from time to time review details of the HSE plan and each Operator's implementation thereof.

(C) In the conduct of Unit Operations, each Operator shall establish and implement a program for regular HSE assessments. The purpose of such assessments is to periodically review HSE systems and procedures, including actual practice and performance, to verify that the HSE plan is being implemented in accordance with the policies and standards of the HSE plan. Each Operator shall, at a minimum, conduct such an assessment before entering into significant new Unit Operations

and before undertaking any major changes to existing Unit Operations. Upon reasonable notice given to an Operator, Non-Operators shall have the right to participate in such HSE assessments.

(D) Each Operator shall require its Subcontractors, consultants and agents undertaking activities for the Unit Account to manage HSE risks in a manner consistent with the requirements of this Article 7.14.

(E) The HSE plan adopted under Article 7.14(A) shall, at a minimum, prohibit within the Unit Area the following:

(1) Possession, use, distribution or sale of firearms, explosives, or other weapons (except use of explosives required for drilling operations, with the approval of senior management of Unit Operator and in accordance with applicable Laws/Regulations);

(2) Possession, use, distribution or sale of alcoholic beverages without the prior written approval of senior management of Unit Operator; and

(3) Possession, use, distribution or sale of illicit or non-prescribed controlled substances and the misuse of prescribed drugs.

ARTICLE 8
UNIT OPERATING COMMITTEE

8.1 Establishment of Unit Operating Committee

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

8.2 Powers and Duties of Unit Operating Committee

The Unit Operating Committee shall have power and duty to authorize and supervise Unit Operations that are necessary or desirable to fulfill this Agreement and properly develop the Unit Area in accordance with this Agreement and in a manner appropriate in the circumstances.

8.3 Authority to Vote

The representative of a Party, or in his absence his alternate representative, shall be authorized to represent and bind such Party with respect to any matter which is within the powers of the Unit Operating Committee and is properly brought before the Unit Operating Committee. Each such representative shall have a vote equal to the Unit Interest of the Party such Person represents. Each alternate representative shall be entitled to attend all Unit Operating Committee meetings but shall have no vote at such meetings except in the absence of the representative for whom he is the alternate.

In addition to the representative and alternate representative, each Party may also bring to any Unit Operating Committee meetings such technical and other advisors as it may deem appropriate.

8.4 Subcommittees

(A) The Unit Operating Committee may establish such subcommittees, including technical subcommittees, as the Unit Operating Committee may deem appropriate (each a

*"**Subcommittee**"*). The functions of such Subcommittees shall be in an advisory capacity or as otherwise determined unanimously by the Parties. Each Party shall have the right to appoint a representative to each Subcommittee, and to remove and replace that representative at any time, by notice to the other Parties.

(B) All reasonable costs incurred by Subcommittee representatives to attend and participate in Subcommittee meetings shall be charged to the Unit Account.

(C) Each of the following Subcommittees shall be deemed to be established on the Effective Date as approved Subcommittees under this Agreement:

(1) Technical (to cover all technical and operational matters from subsurface to production) ;

(2) Gas;

(3) Accounting & Financing;

(4) Oil Marketing;

(5) Audit; and

(6) Environment Health and Safety.

(D) The Unit Operating Committee may, from time to time, vote to rename, consolidate or dissolve any of the Subcommittees established pursuant to the provisions of this Article 8.4.

8.5 Notice of Meeting

(A) Unit Operator may call a meeting of the Unit Operating Committee by giving notice to the Parties at least fifteen (15) Days in advance of such meeting. Any Non-Operator or group of Non- Operators holding individually or collectively a Unit Interest of at least ten percent (10%) may request a meeting of the Unit Operating Committee by giving notice to all the other Parties. Upon receiving such request, Unit Operator shall call such meeting for a date not less than fifteen (15) Days nor more than twenty (20) Days after receipt of the request. The notice periods above may only be waived with the unanimous consent of all the Parties.

8.6 Contents of Meeting Notice

(A) Each notice of a meeting of the Unit Operating Committee as provided by Unit Operator shall contain:

(1) The date, time and location of the meeting;

(2) The agenda of the matters and proposals to be considered and/or voted upon; and

(3) Copies of all proposals to be considered at the meeting (including all appropriate supporting information not previously distributed to the Parties).

(B) A Party, by notice to the other Parties given not less than seven (7) Days prior to a meeting, may add other matters to the agenda for the meeting.

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

8.7 Location of Meetings

All meetings of the Unit Operating Committee shall be held in the offices of the Unit Operator in London, England or Accra, Ghana or the offices of the IPT Technical Operator in Dallas, Texas (or elsewhere, as may be convenient to the Parties, if the Unit Operating Committee so decides,).

8.8 Unit Operator's Duties for Meetings

(A) With respect to meetings of the Unit Operating Committee and any Subcommittee, Unit Operator's duties shall include, but not be limited to:

(1) Timely preparation and distribution of the agenda;

(2) Organization and conduct of the meeting; and

(3) Preparation of a written record or minutes of each meeting.

(B) Unit Operator shall have the right to appoint the chairman of the Unit Operating Committee and all Subcommittees.

8.9 Voting Procedure

(A) Except as otherwise expressly provided in this Agreement, all decisions, approvals and other actions of the Unit Operating Committee on all proposals coming before it shall be decided as follows:

(1) All decisions, approvals and other actions of the Unit Operating Committee for which a voting passmark is not specifically established by the other terms of this Agreement shall require the affirmative vote of two (2) or more Parties which are not Affiliates then having collectively at least eighty percent (80%) of the Unit Interests. If there are fewer than three (3) Parties to this Agreement, then the number of Parties stipulated in this Article 8.9(A)(1) does not apply.

(2) All decisions, approvals and other actions listed below shall require the unanimous approval of the Parties who are eligible to vote under the terms hereof

Matter

(a) Amendment of this Agreement

(b) Any decision to voluntarily expand the Unit Area or Unit Interval pursuant to Article 5.3(A)

(c) Any voluntary approval by the Parties of redetermined Tract Participations pursuant to Exhibit E

(d) Any voluntary disposition of substantially all of the Unit Facilities, except in connection with a termination of Unit Operations under Article 10.2(B) or Article 15.2(D)

(e) Any voluntary permanent termination of Unit Operations as a whole, except as a consequence of the expiration, termination or revocation of either Contract or pursuant to Article 10.2(B), Article 15.2(C) or Article 15.2(D).

(f) Any voluntary surrender by a JOA Group of a portion of its Contract Area that is located within the Unit Area pursuant to Article 13.2(A).

(g) Assignment of ownership of intellectual property rights in the Unit Data to Unit Operator or a Party

(h) Any matter for which unanimous approval of the Parties is expressly required by the terms of this Agreement.

8.10 Record of Votes

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

8.11 Minutes

The secretary shall provide each Party with a copy of the minutes of the Unit Operating Committee meeting within fifteen (15) Business Days after the end of the meeting. Each Party shall have fifteen (15) Days after receipt of such minutes to give notice to the secretary of its objections to the minutes. A failure to give notice specifying objection to such minutes within said fifteen *(15)* Day period shall be deemed to be approval of such minutes. In any event, the votes recorded under Article 8.10 shall take precedence over the minutes described above.

8.12 Voting by Notice

(A) In lieu of a meeting, any Party may submit any proposal to the Unit Operating Committee for a vote by notice. The proposing Party or Parties shall notify Unit Operator who shall give each Party's representative notice describing the proposal so submitted and whether Unit Operator considers such operational matter to require urgent determination. Unit Operator shall include with such notice adequate documentation in connection with such proposal to enable the Parties to make a decision. Each Party shall communicate its vote by notice to Unit Operator and the other Parties within one of the following appropriate time periods after receipt of Unit Operator's notice:

(1) (a) twenty-four (24) hours in the case of operations which involve the use of a drilling rig or vessel that is standing by in the Unit Area specifically for the purpose of conducting such operations, and (b) seventy two (72) hours in case of any other operational matters reasonably considered by Unit Operator to require by their nature urgent determination ((a) and (b) together being referred to as *"**Urgent Operational Matters**");* and

(2) Ten (10) Days in the case of all other proposals.

(B) Except in the case of Article 8.12(A)(1), any Party or group of Parties holding individually or collectively a Unit Interest of at least ten percent (10%) may, by notice delivered to all Parties within ten (10) Days of receipt of Unit Operator's notice, request that the proposal be decided at a meeting rather than by notice. In such *an* event, that proposal shall be decided at a meeting duly called for that purpose.

(C) Except as provided in Article 10, any Party failing to communicate its vote in a timely manner shall be deemed to have voted against such proposal.

(D) If a meeting is not requested, then at the expiration of the appropriate time period, Unit Operator shall give each Party a confirmation notice stating the tabulation and results of the vote.

8.13 Effect of Vote

All decisions taken by the Unit Operating Committee pursuant to this Article 8 that are within the scope of this Agreement shall be conclusive and binding on all the Parties. For the avoidance of doubt, any decision taken by the Unit Operating Committee hereunder, is without prejudice to any required approval of the JMC under each Contract.

8.14 Joint Management Committee

The Unit Operator shall be entitled to participate in meetings of the Joint Management Committee established pursuant to Article 6 of each Contract to act as representative of the Parties with respect to Unit Operations, regardless of whether Unit Operator holds a position as a Joint Management Committee representative under such Contract. The Joint Management Committee representative(s) appointed by each Tract Operator with respect to each Contract shall have the sole right to exercise all voting rights of the "Contractor" on the Joint Management Committee and shall exercise such voting rights to the extent pertaining solely to Unit Operations in accordance with the prior decisions of the Unit Operating Committee as directed by Unit Operator. Any Technical Operator shall be entitled to participate in meetings of the Joint Management Committee established pursuant to Article 6 of each Contract, to the extent helpful for purposes of discussing operations handled by such Technical Operator, regardless of whether such Technical Operator holds a position as a Joint Management Committee representative under such Contract.

ARTICLE 9
UNIT WORK PROGRAMS AND BUDGETS

9.1 Appraisal

The Parties agree that no Appraisal Operations may be conducted with respect to the Unit Interval. The Mahogany-2 Well and the Hyedua-2 Well, as such wells are described in the Proposed Phase 1 Development Plan, shall each be deemed an "Appraisal Well" under the applicable Contract, even though used for production or injection purposes under this Agreement. The Parties agree that GNPC shall have no obligation to bear any share of the cost of such "Appraisal Wells", notwithstanding the fact that such costs may be incurred after GNPC's acquisition of an "Additional Interest" or "Additional Paying Interest" under either Contract. The Mahogany-2 Well and the Hyedua-2 Well shall be considered Unit Operations under this Agreement.

9.2 Unit Development Plan and Development Unit Work Program and Budget

(A) The Parties have approved for submission to the Joint Management Committee under Article 6 of each Contract, and to the Government for approval, the Proposed Phase 1 Development Plan attached hereto as Exhibit P and the development Unit Work Program and Budget (the "**Development Unit Work Program and Budget**") as set out in Exhibit M hereto.

(B) Unit Operator shall periodically review the Unit Development Plan and associated Development Unit Work Program and Budget and propose amendments as may be prudent, and the Unit Operating Committee shall consider, modify (if necessary), and approve or reject those proposed amendments in accordance with Article 8.9.

(C) The Parties agree that approval of a Unit Development Plan and associated Development Unit Work Program and Budget and any amendments thereto by the Unit Operating Committee shall constitute approval of the corresponding plan of development and associated budget and amendments under the JOA Groups' respective Joint Operating Agreements. Each Tract Operator shall submit the Unit Development Plan (and any approved amendments) and its proportionate share of the Development Unit Work Program and Budget to the Joint Management Committee under its Contract and to the Government for its approval. Unit Operator shall support each JOA

Group in seeking such approval. If any changes are required by either Joint Management Committee or by the Government, Unit Operator may make such requested changes if necessary to obtain approval, without resubmitting the Unit Development Plan, Development Unit Work Program and Budgets or amendments, as applicable, to the Unit Operating Committee, *provided* that such changes would not constitute a material change to the Development Unit Work Program and Budget or add or delete any material aspect of the Unit Development Plan, with "material" deemed to include any amendment which (either alone or cumulatively with other amendments) increases or decreases the previously approved Development Unit Work Program and Budget by more than five percent (5%) or any major budget category in such Development Unit Work Program and Budget by more than ten percent (10%). Unit Operator shall promptly notify the Parties of any such changes, and the Unit Development Plan, Development Unit Work Program and Budget, and the associated work programs and budgets under the Contracts, shall be deemed approved as changed.

9.3 Annual Work Programs and Budgets

(A) Not later than the first Day of September of each preceding Calendar Year with respect to Calendar Year 2010 and thereafter, Unit Operator shall submit to the Parties a proposed Unit Work Program and Budget for Unit Operations for the applicable Calendar Year (the "**Annual Unit Work Program and Budget**"), which shall with respect to development operations be consistent with the then-existing Unit Development Plan, along with reasonable and necessary supporting information, and a proposed update of the life of Unit Interval production forecast in the Unit Development Plan. Technical Operator shall submit its proposal for the relevant portions of the Annual Unit Work Program and Budget relating to Technical Operations to Unit Operator at least thirty (30) Days prior to the date for Unit Operator's submission of the Annual Unit Work Program and Budget to the Parties. Each Annual Unit Work Program and Budget submitted by Unit Operator shall contain an itemized estimate of the cost of Unit Operations and all other expenditures to be made for the Unit Account during the Calendar Year in question and shall, *inter alia:* (i) identify each work category in sufficient detail to afford the ready identification of the nature, scope and duration of the activity in question; (ii) include such reasonable information regarding each Operator's allocation procedures and estimated manpower costs as the Unit Operating Committee may determine; and (iii) comply with the requirements of each Contract. Within thirty (30) Days of the Unit Operator's delivery of the proposed Annual Unit Work Program and Budget and updated production forecast, the Unit Operating Committee shall meet to consider, modify (if necessary), and either approve or reject the proposed Annual Unit Work Program and Budget in accordance with Article 8.9; *provided* that no Annual Unit Work Program and Budget may provide for development operations that exceed the scope of, or conflict with, the previously approved Unit Development Plan or associated Development Unit Work Program and Budget unless amendments to such previously approved plan and budget are adopted at or before the adoption of the Annual Unit Work Program and Budget.

(B) Any work that cannot be efficiently completed within a single Calendar Year may be proposed in a multi-year Unit Work Program and Budget. Upon approval by the Unit Operating Committee, such multi-year Unit Work Program and Budget shall, subject only to revisions approved by the Unit Operating Committee thereafter: (i) remain in effect as among the Parties (and the associated cost estimate shall be a binding pro-rata obligation of each Party) through the completion of the work; and (ii) be reflected in each Annual Unit Work Program and Budget. If either Contract requires that Work Programs and Budgets be submitted to the Government for approval, such multi-year Unit Work Program and Budget shall be submitted to the Government either in a single request for a multi-year approval or as part of the annual approval process, according to the terms of the Contract.

(C) The Parties agree that approval of an Annual Unit Work Program and Budget by the Unit Operating Committee shall constitute approval of a proportionate work program and budget under each Tract's respective Joint Operating Agreement. Each Contract Group shall include its Tract Participation pro rata share of an Annual Unit Work Program and Budget adopted under this

Article 9.3 in the work programs and budgets submitted to the Joint Management Committee under its Contract and to the Government for approval under its Contract, if required. Unit Operator shall support each Contract Group in seeking such approvals, if required. If any changes are required by either Joint Management Committee or by the Government to the Unit portion of any work program and budget submitted under either Contract, Unit Operator may make such requested changes to the Annual Unit Work Program and Budget if necessary to obtain approval, without submitting the Annual Unit Work Program and Budget to the Unit Operating Committee, *provided* such changes do not add or delete any material portion of the work program and are within Unit Operator's deemed authority pursuant to Article 9.7 and, if applicable, Article 9.2(C). Unit Operator shall promptly notify the Parties of any such changes, and the Annual Unit Work Program and Budget, and work programs and budgets under the Contracts, shall be deemed approved as changed.

(D) In the event an Annual Unit Work Program and Budget is not approved by the Unit Operating Committee prior to the date on which the Government requires a final Annual Unit Work Program and Budget (or, if sooner, by the commencement of the Calendar Year to which the Annual Unit Work Program and Budget applies), Unit Operator may submit to the Government such Annual Unit Work Program and Budget for the Calendar Year, consistent with the scope of, and not in conflict with, the approved Unit Development Plan and Development Unit Work Program and Budget, as is reasonably necessary to meet the commitments under the Unit Development Plan and Development Unit Work Program and Budget that are required to be carried out during the relevant Calendar Year and to fulfill all obligations of the Parties under any contracts for the sale or delivery of Unit Substances and other Associated Agreements. In this event, the Unit Operating Committee shall be deemed to have approved such Annual Unit Work Program and Budget. Unit Operator shall be reimbursed by GNPC and each JOA Group for their Paying Interest shares of costs and expenses incurred by Unit Operator and deemed approved in accordance with this Article 9.3(D). In the event no update of the life of Unit Interval production forecast in the Unit Development Plan is approved by the Unit Operating Committee, the existing production forecast shall continue to apply for purposes of this Agreement.

(E) As set out in Article 1.6.12 of the Unit Accounting Procedure and notwithstanding any other terms of this Agreement, in no event shall GNPC be liable for, and GNPC shall be deemed to have a Paying Interest of zero (0) with respect to, any Unit Account expenses which are not allowable under Article 3.17 of Annex 2 of either Contract.

9.4 Amendments of Work Programs and Budgets.

A Party or group of Parties may at any time, by notice to the other Parties, propose that a Unit Work Program and Budget be amended. In the case of a specific Unit Operation that will be subject to an amendment to the Annual Unit Work Program and Budget (but not the Development Unit Work Program and Budget), such proposal may take the form of an AFE submitted for approval. To the extent that such amendment is approved by the Unit Operating Committee, the relevant Work Program and/or Budget shall, subject to any requisite approval by either Joint Management Committee or by the Government of amendments to the underlying work programs and budgets for the Contracts, be deemed amended accordingly, provided that, any such amendment shall not invalidate any commitment or expenditure already made by the Unit Operator in accordance with any previous authorization given pursuant hereto.

9.5 Contract Awards

All contract awards shall be conducted in accordance with Article 20 of each Contract and the Laws/Regulations. The applicable Operator shall award each contract for Unit Operations on the basis set out below (the amounts stated are in U.S. dollars and the person mentioned in the "Contracts" column is the contract recipient). Where a contract is to be awarded under Procedure B or Procedure C below, each JCC Party shall be invited to tender (or to have one of its Affiliates tender) for the contract and, in the event that the bid submitted by such Party or Affiliate is equivalent to or more favorable than other bids received in

terms of technical and quality standards, price, grade, quantity, delivery dates and other commercial terms, it shall be given preference, subject to the terms of Article 20 of each Contract.

Contracts	Procedure A	Procedure B	Procedure C	Procedure D	Procedure E
IPT Technical Operations: Persons not a Party or Affiliates of a Party	0 to $1,000,000	> $1,000,000 to $25,000,000	>$25,000,000	—	—
Unit Operations (Other than IPT Technical Operations): Persons not a Party or Affiliates of a Party	0 to $1,000,000	> $1,000,000 to $25,000,000	>$25,000,000	—	—
IPT Technical Operations: Parties or Affiliates of a Party	—	—	—	0 to $1,000,000	> $1,000,000
Unit Operations (other than IPT Technical Operations): Parties or Affiliates of a Party	—	—	—	0 to $1,000,000	> $1,000,000

Procedure A - No Tender. Non-Affiliated Third Parties

(A) Unit Operator (or, in the case of contracts with respect to Technical Operations, the applicable Technical Operator) shall award the contract to the best qualified Person as determined by cost and ability to perform the contract without the obligation to tender and without informing or seeking the approval of the Unit Operating Committee.

Procedure B - Tender, Non-Affiliated Third Parties

(B) Unit Operator (or, in the case of contracts with respect to Technical Operations, the applicable Technical Operator) shall:

(1) Provide the Parties with a list of the Persons whom such Operator proposes to invite to tender for the said contract;

(2) Add to such list any Person whom a Party reasonably requests to be added within not more than seven (7) Days of receipt of such list;

(3) Complete the tendering process within a reasonable period of time;

(4) Notify the Parties of the Persons to whom the contract has been awarded;

(5) Deliver a competitive bid analysis stating the reasons for the choice made to GNPC and to any other Party upon its request; and

(6) Provide a copy of the final version of the contract to GNPC and to any other Party upon its request.

Procedure C - Tender and Unit Operating Committee Approval, Non-Affiliated Third Parties

(C) Unit Operator (or, in the case of contracts with respect to Technical Operations, the applicable Technical Operator) shall:

(1) Provide the Parties with a list of the Persons whom such Operator proposes to invite to tender for the said contract;

(2) Add to such list any Person whom a Party reasonably requests to be added within not more than seven (7) Days of receipt of such list;

(3) Prepare and dispatch the tender documents to the Persons on the list as aforesaid and to the JCC Parties and to any other Party upon request;

(4) After the expiration of the period allowed for tendering, consider and analyze the details of all bids received;

(5) Prepare and circulate to the Parties, a competitive bid analysis, stating such Operator's recommendation as to the Person to whom the contract should be awarded, the reasons therefor, and the technical, commercial and contractual terms to be agreed upon;

(6) Obtain the approval of the Unit Operating Committee to the recommended bid; and

(7) Provide a copy of the final version of the contract to GNPC and to any other Party upon its request.

Procedure D - No Tender, Affiliates

(D) Unit Operator (or, in the case of contracts with respect to Technical Operations, the applicable Technical Operator) may award the contract to an Affiliate as the best qualified Subcontractor as determined by cost and ability to perform the contract without the obligation to tender and without informing or seeking the approval of the Unit Operating Committee.

Procedure E - Tender and Unit Operating Committee Approval, Affiliates

(E) Unit Operator (or, in the case of contracts with respect to Technical Operations, the applicable Technical Operator) shall:

(1) Prepare and circulate to the Parties an analysis, stating such Operator's reasons for the award, and the technical, commercial and contractual terms to be agreed upon;

(2) Obtain the approval of the Unit Operating Committee to the recommended bid; and

(3) Provide a copy of the final version of the contract to GNPC and to any other Party upon its request.

(F) The Parties have approved additional contracting and procurement procedures which shall apply to the award of contracts with respect to (i) IPT Technical Operations ***("IPT Technical Operations Contract Procedure")*** and (ii) Unit Operations ***("Unit Operations Contract Procedure")*** each in the form attached hereto as Exhibit T. The IPT Technical Operations Contract Procedure and the Unit Operations Contract Procedure may be amended by vote of the Unit Operating Committee pursuant to Article 8.9(A)(1).

(G) With respect to contracts for Technical Operations, each Technical Operator (through the IPT in the case of IPT Operator) shall conduct the initial procurement process in accordance with the applicable procedures set forth in Articles 9.5(A) to 9.5(F) above (and the IPT Technical Operations Contract Procedure in the case of IPT Operator), including development of bidder lists and preparation of requests for proposal, conduct the tender and bid evaluation and shall either award the contract or recommend the award of the contract to the Unit Operating Committee, as applicable in accordance with the above procedures and provide notice of the contract award with

respect to contracts for Technical Operations, provided that, unless the Unit Operating Committee otherwise determines, Unit Operator shall execute each contract for Technical Operations.

(H) The requirements to hold a competitive tender pursuant to Procedure B or Procedure C may be waived on a contract by contract basis by a vote of the Unit Operating Committee pursuant to Article 8.9(A)(1).

(I) The procedures set forth in this Article 9.5 shall not apply to any contracts that have been awarded, or in respect of which invitations to tender have been issued, on or before the Effective Date.

9.6 Authorization for Expenditure ("AFE") Procedure

(A) Prior to incurring any commitment or expenditure for the Unit Account, which is estimated to be:

(1) In excess of one million U.S. dollars ($1,000,000) in a Development Unit Work Program and Budget; and

(2) In excess of one million U.S. dollars ($1,000,000) in a Production Unit Work Program and Budget,

Unit Operator shall send to each Non-Operator an AFE as described in Article 9.6(D). Notwithstanding the above, Unit Operator shall not be obliged to furnish an AFE to the Parties with respect to general and administrative costs and operating expenditures that are listed as separate line items in an approved Annual Unit Work Program and Budget.

(B) Technical Operator shall furnish Unit Operator with the form of each AFE required for Technical Operations to permit Unit Operator to distribute the AFE to each Non-Operator.

(C) Prior to making any expenditures or incurring any commitments for work subject to the AFE procedure in Article 9.6(A), Unit Operator shall obtain the approval of the Unit Operating Committee. If the Unit Operating Committee approves an AFE for the operation, Unit Operator shall be authorized to conduct the operation under the terms of this Agreement. When an AFE for an operation is approved for differing amounts than those provided for in the applicable line items of the approved Annual Unit Work Program and Budget, the Annual Unit Work Program and Budget shall be deemed to be revised accordingly. Unit Operator shall be entitled to submit for approval master AFEs covering multiple commitments or expenditures that are subject to Article 9.6(A), and if any such AFE is approved, subsequent AFEs issued for individual commitments or expenditures covered by the master AFE shall be for informational purposes only and shall not require a further approval.

(D) Each AFE proposed by Unit Operator (or sent to Unit Operator by Technical Operator) shall:

(1) Identify the operation by specific reference to the applicable line items in the Annual Unit Work Program and Budget but may relate to the total cost of the operation to be performed;

(2) Describe the work in detail;

(3) Contain such Operator's best estimate of the total funds required to carry out such work;

(4) Outline the proposed work schedule;

(5) Provide a timetable of expenditures, if known; and

(6) Be accompanied by such other supporting information as is necessary for an informed decision.

9.*7* ***Overexpenditures***

(A) For expenditures on any line item of an approved Unit Work Program and Budget, or under any approved AFE, each Operator shall be entitled to incur without further approval of the Unit Operating Committee an overexpenditure for such line item or AFE of up to ten percent (10%) of the authorized amount for such line item or AFE; provided that the cumulative total of all overexpenditures for a Calendar Year shall not exceed five percent (5%) of the total Annual Unit Work Program and Budget for that Calendar Year. Any increases to the approved Unit Work Program and Budget by the Unit Operator pursuant to the authority granted to it under Article 9.2(C) or 9.3(B) without Unit Operating Committee approval shall be considered overexpenditures for purposes of this Article 9.7.

(B) At such time that Unit Operator reasonably anticipates the limits of Article 9.7(A) will be exceeded, Unit Operator shall furnish to the Unit Operating Committee a reasonably detailed estimate for the Unit Operating Committee's approval. In the case of a specific operation, such estimate may take the form of an AFE submitted for approval. Upon receipt of Unit Operating Committee approval, the Unit Work Program and Budget shall be revised accordingly and the overexpenditures permitted in Article 9.7(A) shall be based on the revised Unit Work Program and Budget. Unit Operator shall promptly give notice of the amounts of overexpenditures when actually incurred. Technical Operator shall promptly provide Unit Operator with notice if Technical Operator reasonably anticipates that the limits of Article 9.7(A) will be exceeded with respect to Technical Operations, and with notice of the amounts of overexpenditures on Technical Operations when actually incurred, to permit Unit Operator to provide the necessary notice to the Unit Operating Committee.

(C) The restrictions contained in this Article 9 shall be without prejudice to Unit Operator's rights to make expenditures necessary and proper for the protection of life, health, the environment and property in the case of an emergency without the Unit Operating Committee's approval; provided, however, that Unit Operator shall immediately notify the Parties of the details of such emergency and measures taken.

9.8 ***Decommissioning Unit Work Program and Budget***

(A) Unit Operator has included a preliminary estimated Decommissioning budget in the Proposed Phase 1 Development Plan under Article 9.2(A). Not later than the first Day of September of the Calendar Year that immediately precedes the Calendar Year in which the Unit Operator's latest estimate of Recoverable Oil pursuant to Article 9.3(A) indicates that the Trigger Date will occur, Unit Operator shall deliver to the Parties a draft Decommissioning Unit Work Program and Budget along with reasonable and necessary supporting information. Within thirty (30) Days of such delivery, the Unit Operating Committee shall meet to consider, modify (if necessary), and either approve or reject the proposed Decommissioning Unit Work Program and Budget in accordance with Article 8.9(A)(1). If the Unit Operating Committee fails to approve such Decommissioning Unit Work Program and Budget, the preliminary estimated Decommissioning budget included in the Unit Development Plan shall govern as the applicable Decommissioning Unit Work Program and Budget for all purposes of this Agreement, without prejudice to the terms of either Contract or applicable Laws/Regulations, until a Decommissioning Unit Work Program and Budget is approved under the terms hereof.

(B) The Parties agree that approval of a Decommissioning Unit Work Program and Budget and any amendments thereto by the Unit Operating Committee shall constitute approval of the corresponding Decommissioning work program and budget and amendments under the Parties' respective Joint Operating Agreements, and the current Annual Unit Work Program and Budget shall be deemed to have been amended accordingly. Following receipt of the Decommissioning

Unit Work Program and Budget as approved by the Unit Operating Committee, each Tract Operator shall submit its proportionate share of the approved Decommissioning Unit Work Program and Budget (and any approved amendments) to the Joint Management Committee under its Contract and to the Government for its approval. If any changes are required by the Joint Management Committee under either Contract or by the Government, Unit Operator may make such requested changes if necessary to obtain approval without resubmitting the Decommissioning Unit Work Program and Budget or amendments, as applicable, to the Unit Operating Committee, *provided* that such changes would not constitute a material change to the Decommissioning Work Program Budget, with "material" deemed to include any amendment which (either alone or cumulatively with other amendments) increases or decreases the previously approved Decommissioning Unit Work Program and Budget by more than five percent (5%) or any major budget category in such Decommissioning Unit Work Program and Budget by more than ten percent (10%). Unit Operator shall promptly notify the Parties of any such changes, and the Decommissioning Unit Work Program and Budget, and the associated work programs and budgets under the Contracts, shall be deemed approved as changed.

(C) Not later than the first Day of September of each Calendar Year subsequent to the Calendar Year in which a Decommissioning Unit Work Program and Budget is required to be delivered by the Unit Operator pursuant to Article 9.8(A), the Unit Operator shall prepare and shall submit the following for approval by the Unit Operating Committee:

(1) If necessary, proposals to amend the Decommissioning Unit Work Program and Budget;

(2) A detailed estimate of the Decommissioning Costs to be incurred in each Calendar Year pursuant to the Decommissioning Unit Work Program and Budget (expressed as the undiscounted cost in U.S. dollars at the time of expected expenditure and including a ten percent (10%) contingency); and

(3) For Calendar Years prior to the expiration of the Run Down Period, an estimate of the total Decommissioning Costs at the end of each Calendar Year within the Run Down Period.

(D) Any amendment of the Decommissioning Unit Work Program and Budget and the estimates of Decommissioning Costs proposed pursuant to Article 9.8(C) shall be considered by the Unit Operating Committee within thirty (30) Days of its submission.

(E) If all or part of the Decommissioning Unit Work Program and Budget, or any annual estimate of Decommissioning Costs pursuant to Article 9.8(C), for any Calendar Year subsequent to the Calendar Year in which a Decommissioning Unit Work Program and Budget is required to be delivered by Unit Operator pursuant to Article 9.8(A), is not approved by the Unit Operating Committee in accordance with the terms of this Article 9.8, then the Decommissioning Unit Work Program and Budget which governs the immediately preceding Calendar Year shall continue to govern for all purposes of this Agreement, without prejudice to the terms of either Contract or applicable Laws/Regulations, until a revised Decommissioning Unit Work Program and Budget is approved under the terms hereof.

(F) Prior to making any expenditures or incurring any commitments under an approved Decommissioning Unit Work Program and Budget, Unit Operator shall comply with the AFE procedure in Article 9.6, where applicable.

9.9 Costs of Technical Operations and Other Unit Operations

Unit Operator shall be entitled to call for advances, or may bill, GNPC and the JOA Groups for charges to the Unit Account, including charges for Technical Operations, in accordance with the terms of the Unit Accounting Procedure, based upon their Paying Interests with respect to the applicable charges. Technical

Operator shall provide Unit Operator with a request for advances, or an invoice for costs paid, for Technical Operations in accordance with the terms of this Agreement at least five (5) Days prior to the date for delivery of Unit Operator's call for advances or billing to GNPC and the Tract Operators on behalf of the JOA Groups. Should Technical Operator provide a request for advances or invoice after that date, Unit Operator shall use reasonable efforts to make a corresponding call for advances or billing to GNPC and the Tract Operators within five (5) Days after receipt of Technical Operator's request or invoice, provided that in no event shall Unit Operator be required to send out more than two calls for advances, or two billings, to GNPC and the Tract Operators in any Calendar Month. Within ten (10) Days after receipt of funds from GNPC or either Tract Operator with respect to Unit Operator's call for advances or billing, Unit Operator shall send to Technical Operator the portion attributable to Technical Operator's request for advance or invoice. In the event of a partial payment or other circumstance in which the portion of a payment that should be attributed to Technical Operator is not clear, Unit Operator shall allocate the funds received on a pro rata basis, in proportion to the outstanding amounts for which advances have been requested or which have been billed to the paying Party or JOA Group by each of Unit Operator and Technical Operator.

ARTICLE 10
DEFAULT

10.1 Default

(A) Subject where applicable to the rights of GNPC under the Contracts, if GNPC or either JOA Group fails to pay when due its Paying Interest share and, as applicable, its Contributing Share of Unit Account expenses (including cash advances and interest) or to obtain and maintain any Security required of GNPC or either JOA Group under Exhibit D, then GNPC (a ***"Defaulting Party")*** or that JOA Group (a ***"Defaulting Group")*** shall be in default. Unit Operator, or any Other Group in case Unit Operator is a member of the Defaulting Group but not a member of an Other Group, as defined below, shall promptly give notice of such default (the ***"Default Notice")*** to each Party. For the avoidance of doubt, in the event of a failure by GNPC to pay "Petroleum Costs" pursuant to either Contract, GNPC shall have whatever rights it is entitled to under the Contracts, including the right to apply the applicable provisions of Article 2 of the applicable Contract in lieu of Article 10.4, and, in addition, the provisions of Article 10.6(A)(3) and Article 10.8 shall not apply.

(B) For purposes of this Article 10, ***"Default Period"*** means the period beginning five (5) Business Days from the date that the Default Notice is issued in accordance with this Article 10.1 and ending when all of the Defaulting Party's or Defaulting Group's defaults pursuant to this Article 10 have been remedied in full.

10.2 Contributions of Amount in Default

(A) With respect to the Defaulting Party or Defaulting Group, if GNPC and/or a JOA Group (the ***"Other Group")*** is not in default, they shall each be known as an ***"Other Party".***

(B) Upon a failure by the Defaulting Party or Defaulting Group to pay the entire amount due within ten (10) Business Days of receipt of the Default Notice, Unit Operator may by notice (a ***"Contribution Notice''),*** require each of the Other Parties to contribute a share of the amount due from the Defaulting Party or Defaulting Group or to post a share of the Security required to be posted by the Defaulting Party or Defaulting Group, such ***"Contributing Share"*** being the proportion that such Other Party's Paying Interest bears to the total Paying Interests of the Other Parties. If any Other Party fails to pay or post its Contributing Share within ten (10) Business Days of receipt of the Contribution Notice, it shall also be in default, with the result that Unit Operator shall send another Default Notice to the remaining Other Party, if any, and the remaining Other Party shall be required to contribute its revised Contributing Share of the amount due or post its revised Contributing Share of the amount required to be posted. The Other Parties contributing the amounts in default or posting the Security required to be posted shall be referred to as the ***"Contributing Parties"*** for purposes of this Article 10. If both JOA Groups become

Defaulting Groups, the Unit Operator shall undertake to terminate Unit Operations pursuant to Article 2.

(C) Until such time as the Defaulting Party or Defaulting Group has remedied the default in respect of all unpaid amounts, each Contributing Party shall contribute its Contributing Share of the Defaulting Party's or Defaulting Group's share of all subsequent Unit Account costs, and post its Contributing Share of any Security subsequently required to be posted by the Defaulting Party or Defaulting Group.

(D) If the Unit Operator is a member of the Defaulting Group but not also a member of an Other Group, then any Other Group member may send the Default Notice (and Contribution Notice, if applicable) and all payments otherwise payable to the Unit Operator for Unit Account costs pursuant to this Agreement shall be made to the Tract Operator for the Other Group instead until the default is cured or a successor Unit Operator appointed. The Tract Operator for notifying Other Group shall maintain such funds in a segregated account separate from its own funds and shall apply such funds to claims due and payable from the Unit Account of which it has notice, to the extent the Unit Operator would be authorized to make such payments under the terms of this Agreement. The Tract Operator shall be entitled to bill or cash call the Contributing Parties in accordance with the Unit Accounting Procedure for proper charges that become due and payable during such period to the extent sufficient funds are not available. When the Unit Operator's JOA Group has cured its default or a successor Unit Operator is appointed, the Tract Operator acting under this Article shall turn over all remaining funds in the account to the Unit Operator and shall provide the Unit Operator and the other Parties with a detailed accounting of the funds received and expended during this period. The notifying Other Group and its Tract Operator shall not be liable for damages, losses, costs, expenses or liabilities arising as a result of its actions under this Article 10.2(D), except to the extent the Unit Operator would be liable under Article 7.6. While the Unit Operator is a member of the Defaulting Group, the Unit Operator shall continue to perform its other functions as the Unit Operator that are not transferred to the notifying Party by this Article, until Unit Operator is removed or resigns.

10.3 Temporary Financing

If the Unit Operator requires funds in a shorter time than it is possible for the Contributing Parties to make funds available then the Unit Operator in its discretion may itself temporarily finance such deficit, or may obtain a temporary line of credit. The Unit Operator shall require each Contributing Party to pay its Contributing Share of the costs, attributable to the Defaulting Party or Defaulting Group, of such temporary financing together with any interest which may be payable on the temporary financing and, for the purpose of Article 10.5, such costs together with such interest shall be added to the amount in default. Finance made available by the Unit Operator shall bear interest calculated at the Agreed Interest Rate. The Unit Operator shall be considered a Contributing Party with respect to amounts advanced by it as Unit Operator until such amounts are repaid in full, including interest, and costs to which it is entitled under Article 10.11.

10.4 Interest Due Under Default

Subject, where applicable, to GNPC's rights under the Contracts, all amounts in default and not paid when due under this Agreement shall bear interest at the Agreed Interest Rate plus an additional five percentage points (5%) (or, if such rate is contrary to any applicable usury law, the maximum rate permitted by such applicable law) from the due date to the date of payment.

10.5 Share of Unit Substances; Other Set-Off

(A) During the Default Period, the Defaulting Party or Defaulting Group shall not have a right to its Entitlement, which shall vest in and be the property of the Contributing Parties. Unit Operator (or the notifying Other Group, acting through its Tract Operator, if Unit Operator is a member of the Defaulting Group and not also a member of an Other Group) shall be authorized to sell such Entitlement in an arm's-length sale on terms that are commercially reasonable under the

circumstances and, after deducting all costs, charges and expenses incurred in connection with such sale, pay the net proceeds to the Contributing Parties in proportion to the amounts they are owed by the Defaulting Party or Defaulting Group with respect to the Defaulting Party's or Defaulting Group's interest (in payment of first the costs they are entitled to under Article 10.11, then interest and then principal) and, after amounts owed to the Contributing Parties are repaid, apply such net proceeds toward the establishment of the Reserve Fund, if applicable, until all such total amount in default is recovered and such Reserve Fund is established. Any surplus remaining shall be paid to the Defaulting Party or Defaulting Group, as applicable, and any deficiency shall remain a debt due from the Defaulting Party or Defaulting Group to the Contributing Parties. When making sales under this Article 10.5(A), the Contributing Parties shall have no obligation to share any existing market or obtain a price equal to the price at which their own production is sold.

(B) Without prejudice to GNPC's rights under the Contracts, if Unit Operator disposes of any Unit Facilities or if any other credit or adjustment is made to the Unit Account during the Default Period, Unit Operator (or the notifying Other Group, acting through its Tract Operator, if Unit Operator is a member of the Defaulting Group and not also a member of an Other Group) shall be entitled to apply the Defaulting Party's or Defaulting Group's Paying Interest share of the proceeds of such disposal, credit or adjustment against the total amount in default (against first the costs to which the Contributing Parties are entitled under Article 10.11, then interest and'then principal) and toward the establishment of the Reserve Fund, if applicable. Any surplus remaining shall be paid to the Defaulting Party or Defaulting Group, and any deficiency shall remain a debt due from the Defaulting Party or Defaulting Group to the Contributing Parties.

(C) If the Defaulting Party or Defaulting Group are entitled to any payment under Article 5.6(B) following a Redetermination, Unit Operator (or the notifying Other Group, acting through its Tract Operator, if Unit Operator is a member of the Defaulting Group and not also a member of an Other Group) shall be entitled to apply such payment instead against the Defaulting Party's or Defaulting Group' total amount in default (against first the costs to which the Contributing Parties are entitled under Article 10.11, then interest and then principal) and toward the establishment of the Reserve Fund, if applicable. Any surplus remaining shall be paid to the Defaulting Party or Defaulting Group, and any deficiency shall remain a debt due from the Defaulting Party or Defaulting Group to the Contributing Parties.

(D) The Contributing Parties shall be entitled to apply the net proceeds received under Articles 10.5(A), 10.5(B) and 10.5(C) toward the creation of a reserve fund (the ***"Reserve Fund")*** in an amount equal to the Defaulting Party's or Defaulting Group's share of: (i) the estimated cost of Decommissioning pursuant to Exhibit D: (ii) the estimated cost of severance benefits for local employees upon cessation of operations; and (iii) any other identifiable costs that the Contributing Parties anticipate will be incurred in connection with the cessation of operations. Upon the conclusion of the Default Period, all amounts held in the Reserve Fund shall continue to be held as security for the Defaulting Party's or Defaulting Group' share of such costs (provided that, once security for Decommissioning is required pursuant to Exhibit D. the amounts held hereunder as security for Decommissioning shall be deposited as such Defaulting Party's or Defaulting Group's Security pursuant to Exhibit D).

10.6 Other Effects of Default

(A) Notwithstanding any other provision of this Agreement, but subject to the rights of GNPC under Article 10.1(A), the Defaulting Party, or the members of the Defaulting Group (with respect to their Unit Interests and Paying Interests derived from the Defaulting Group, but not with respect to their Unit Interests and Paying Interests derived from an Other Group), as applicable, shall have no right, during the Default Period, to:

(1) Call or attend Unit Operating Committee or Subcommittee meetings;

(2) Vote on any matter coming before the Unit Operating Committee or any Subcommittee;

(3) Receive or access any data or information relating to any operations under this Agreement (except statements of the amounts for which it is in default);

(4) Consent to or reject data trades between the Parties and Third Parties, nor access any data received in such data trades;

(5) Transfer or Encumber all or part of its Unit Interest subject to the default, except to non-defaulting Parties in accordance with this Article 10;

(6) Consent to or reject any Transfer or Encumbrance or otherwise exercise any other rights in respect of Transfers or Encumbrances under Article 14;

(7) Receive its share of Unit Substances or proceeds thereof;

(8) Withdraw from this Agreement under Article 15;

(9) Take assignment of any portion of another Party's Unit Interest in the event such Party is either in default or withdrawing from this Agreement or a Joint Operating Agreement; or

(10) Require that any redetermination be conducted pursuant to Article 5.5(D) or propose any expansion under Article 5.3.

(B) Notwithstanding any other provisions in this Agreement, during the Default Period:

(1) Unless agreed otherwise by the Contributing Parties, for purposes of voting during the Default Period, the Unit Interest of each Contributing Party shall be deemed to be increased by allocating to it a share of the Unit Interest of the Defaulting Party or Defaulting Group equal to the ratio such Contributing Party's Unit Interest, after excluding any Unit Interest attributable to a Defaulting Group, bears to the total Unit Interests of the Contributing Parties (after excluding any Unit Interests attributable to a Defaulting Group);

(2) Any matters requiring a unanimous vote or approval of the Parties shall not require the vote or approval of the Defaulting Party or the vote of the Unit Interests of the Parties attributable to the Defaulting Group; and

(3) The Defaulting Party or Defaulting Group shall be bound by decisions of the Unit Operating Committee made during the default.

10.7 Right to Remedy

(A) A Defaulting Party or Defaulting Group may remedy its default at any time prior to the loss of its Project Interest under Article 10.8 by the payment to the Unit Operator of the total amount in default together with interest thereon at the rate specified in Article 10.4 and all costs for which it is liable under Article 10.11.

(1) If a Defaulting Party or Defaulting Group makes any payment, the amount so received shall first be applied towards the payment of costs for which it is liable under Article 10.11, then toward the payment of interest and thereafter toward the defaulted amounts.

(2) Any such payment, together with interest thereon, received by the Unit Operator shall be paid to the Contributing Parties in proportion to the amounts they are owed by the Defaulting Party or Defaulting Group, provided that, in the event that such Parties as have paid a Contributing Share have not all paid their respective Contributing Share on

the same Day in respect of any requirement or cash call from the Unit Operator, such proportions shall be adjusted in respect of any payment of interest to take account of the different periods in respect of which their respective Contributing Shares have been outstanding.

(3) Interest paid by a Defaulting Party or Defaulting Group under this Article 10.7 shall be accounted for outside the Unit Account but in related records so that such interest is not taken into account for the purposes of a Redetermination of Tract Participations pursuant to this Agreement or for the purposes of calculation of taxes or Additional Oil Entitlements under either Contract.

10.8 Remedies in the Event of Continued Default

(A) If a Defaulting Party or Defaultmg Group has been in default and failed to remedy its default within thirty (30) Days following the date of the Contribution Notice provided for in Article 10.2(B), then, without prejudice to any other rights available to the Contributing Parties to recover amounts owed them under this Agreement, at any time thereafter until the Defaulting Party or Defaulting Group has cured its defaults:

(1) Any Contributing Party or group of Contributing Parties holding individually or collectively a Unit Interest (as increased pursuant to Article 10.6(B)(1)) of at least fifty percent (50%) shall have the option, exercisable in its discretion, to require that the Defaulting Party or Defaulting Group withdraw from this Agreement and Transfer all of its Project Interests (in the case of a Defaulting Group, only that Project Interest attributable to the Contract with respect to which it is in default), as described in Article 10.8(B); and

(2) Any Contributing Party or group of Contributing Parties holding individually or collectively a Unit Interest (as increased pursuant to Article 10.6(B)(1)) of at least fifty percent (50%) shall have the option, exercisable in its discretion, to require that the Defaulting Party or Defaulting Group offer to sell all of its Project Interests (in the case of a Defaulting Group, only that Project Interest attributable to the Contract with respect to which it is in default) to any Contributing Parties wishing to purchase such interests, as described in Article 10.8(C).

Such options shall be exercised by providing notice of such election to the Defaulting Party or Defaulting Group and each Contributing Party. Until the Defaulting Party's or Defaulting Group's interests have been Transferred in full pursuant to this Article 10.8, each option is cumulative, not exclusive, and the exercise of one option which does not result in the Transfer of the Defaulting Party's or Defaulting Group's interests shall not preclude the Contributing Parties from exercising such option again, or another option. If the Government or any other Person whose consent is required does not consent to the proposed Transfer, then the Defaulting Party or Defaulting Group shall hold its Project Interest in trust for the sole and exclusive benefit of the Parties entitled to the Transfer with the right to be indemnified by the Parties entitled to the Transfer for any subsequent costs and liabilities incurred by it for which it would not have been liable had it successfully withdrawn from the Project. Subject to that, all costs and expenses pertaining to any such assignment (including for the avoidance of doubt any stamp duty incurred on the documents executed to effect such assignment) shall be the responsibility of the Defaulting Party or Defaulting Group.

(B) If option (1) in Article 10.8(A) is exercised, the Defaulting Party or Defaulting Group shall be deemed to have withdrawn and Transferred, pursuant to Article 15.6, effective on the date of the Contributing Party's notice under Article 10.8(A), all of its Project Interest to the Contributing Parties. In the absence of an agreement among the Contributing Parties to the contrary, any Transfer to the Contributing Parties following the exercise of the remedies set forth in option (1) of Article 10.8(A) shall be in proportion to the Contributing Shares of the Contributing Parties.

The acceptance by a Contributing Party of any portion of the Defaulting Party's or Defaulting Group's Project Interest shall not limit any rights or remedies that such Contributing Party has to recover any remaining balance (including interest and costs to which it is entitled under Article 10.11) owing under this Agreement by the Defaulting Party or Defaulting Group.

(C) In connection with option (2) in Article 10.8(A) each Party grants to each of the other Parties the right and option to acquire (the " **Buy-Out Option**") all of its Project Interest (in the case of a Defaulting Group, only that Project Interest attributable to the Contract for which it is in default), as determined in this Article 10.8(C). If option (2) is exercised, by notice to the Defaulting Party or Defaulting Group and each Other Party (the "**Option Notice**")**,** the Defaulting Party or Defaulting Group shall be obligated to transfer, effective on the date of the Option Notice, its Project Interest to the Contributing Parties electing to acquire such interest pursuant to this Article 10.8(C) (each, an " **Acquiring Party**"). If there is more than one Acquiring Party, each Acquiring Party shall acquire a proportion of the Project Interest of the Defaulting Party equal to the ratio of its own Contributing Share to the total Contributing Share of all Acquiring Parties and pay such proportion of the Purchase Price, unless they otherwise agree.

The amount to be paid to acquire the Defaulting Party's or Defaulting Group's Project Interest (the " **Purchase Price**") shall be as follows:

(1) In the Option Notice the Parties providing the Option Notice shall specify a value for the Defaulting Party's or Defaulting Group's Project Interest (in the case of a Defaulting Group, only that Project Interest attributable to the Contract for which it is in default). Within five (5) Days of the Option Notice, the Defaulting Party or Defaulting Group shall (i) notify all Contributing Parties that it accepts the value specified in the Option Notice (in which case such value is the " **Appraised Value**"); or (ii) refer the Dispute to an Expert pursuant to Article 20.4 for determination of the value of such Project Interest (in which case the value determined by such Expert shall be deemed the "**Appraised Value**"). If the Defaulting Party or Defaulting Group fails to so notify the Contributing Parties, the Defaulting Party or Defaulting Group shall be deemed to have accepted the value contained in the Option Notice as the Appraised Value.

(2) If the valuation of the Defaulting Party's or Defaulting Group's Project Interest is referred to an Expert, such Expert shall determine the Appraised Value which shall be equal to the fair market value of the Defaulting Party's or Defaulting Group's Project Interest (in the case of a Defaulting Group, limited to that Project Interest attributable to the Contract for which it is in default), less the following: (i) the total amount in default; (ii) all costs, including the Expert Costs, to obtain such valuation; and (iii) fifteen percent (15%) of the fair market value of such Project Interest.

(3) Within ten (10) Days of notification of the Appraised Value, each Contributing Party shall, by notice to Unit Operator and the other Contributing Parties, elect whether to purchase some or all of the Defaulting Party's or Defaulting Group's Project Interest (in the case of a Defaulting Group, limited to that Project Interest attributable to the Contract for which it is in default), based upon the Appraised Value. A failure to timely deliver such a notice shall be deemed an election not to acquire any of such Project Interest at such Appraised Value.

(4) Should no Contributing Party elect to purchase the Defaulting Party's or Defaulting Group's Project Interest at the Appraised Value, no transfer pursuant to this Article 10.8(C) shall take place, the Defaulting Party or Defaulting Group shall remain in default, and the Contributing Parties shall continue to have available to them all rights and remedies as if the Option Notice had never been delivered.

(5) If the Defaulting Party's Project Interest is transferred pursuant to this Article 10.8(C), the Appraised Value shall be paid to the Unit Operator in four (4) installments, each equal to twenty five percent (25%) of the Appraised Value as follows:

(a) the first installment shall be due and payable within fifteen (15) Days after the date on which the Defaulting Party's or Defaulting Group's Project Interest (in the case of a Defaulting Group, only that Project Interest attributable to the Contract for which it is in default) is effectively transferred to the Acquiring Parties (the *"**Transfer Date**");*

(b) the second installment shall be due and payable within one hundred and eighty (180) Days after the Transfer Date;

(c) the third installment shall be due and payable within three hundred and sixty five (365) Days after the Transfer Date; and

(d) the fourth installment shall be due and payable within five hundred and forty five (545) Days after the Transfer Date.

Effective as of the date of the Option Notice, the Defaulting Party or Defaulting Group shall Transfer all of its Project Interest (in the case of a Defaulting Group, limited to that Project Interest attributable to the Contract for which it is in default), to the Acquiring Parties electing to acquire such interest. The Unit Operator shall use the receipts received from the Acquiring Party(ies) to remedy the default and to repay to the Contributing Parties all amounts owed to them with respect to the Defaulting Party or Defaulting Group (including interest and costs to which they are entitled under Article 10.11). Any amount in excess of the amounts necessary to remedy the default and to pay all related costs, (including the costs of the assignment) and interest, if any, shall be paid by the Unit Operator to the Defaulting Party or the Defaulting Group, as applicable. Assignment of the Defaulting Party's or Defaulting Group's Project Interests pursuant to this Article 10.8(C) shall not limit any rights or remedies that the Contributing Parties have to recover any remaining balance (including interest and costs to which they are entitled under Article 10.11) owing under this Agreement by the Defaulting Party or Defaulting Group.

10.9 Conditions of Assignment

(A) Any Transfer of the Defaulting Party's or Defaulting Group's Project Interest made pursuant to Article 10.8 shall be:

(1) Subject to any necessary consent of the Government and GNPC under the Contracts;

(2) Without prejudice to any other rights and remedies any Party may have against the Defaulting Party or Defaulting Group, whether in law, equity or otherwise;

(3) Accompanied by the putting into effect the provisions of Article 12 regarding Security for Decommissioning Costs; and

(4) Effective as among the Parties as of the date of the first notice of exercise of the applicable option by a Contributing Party under Article 10.8(A).

The Defaulting Party or Defaulting Group and other Parties shall use their reasonable endeavors to obtain any necessary consent of the Government and any other necessary consents, and to take any other actions necessary to effect the Transfer. Promptly after obtaining all necessary consents, the Defaulting Party or Defaulting Group shall execute and deliver any and all documents necessary to effect the Transfer, provided that it shall be a term of such Transfer that the Defaulting Party or Defaulting Group shall warrant that it is the beneficial owner of the interest it is purporting to

assign and that such interest is being assigned free of any Encumbrances (other than the terms of this Agreement, the Joint Operating Agreement, the Associated Agreements and the Contract, as applicable). The Defaulting Party or Defaulting Group shall promptly remove any Encumbrance that may exist on the interest that it is required to Transfer.

(B) By way of security for the performance of its obligations under Article 10.8 and this Article 10.9, each Party hereby constitutes and appoints, jointly and severally, each other Party as its true and lawful attorney *"**Attorney**")* on its behalf and in its name or otherwise to execute, sign, enter into and give effect to any and all documents and instruments and make such filings and applications as may be necessary to accomplish any such Transfer and to make such Transfer legally effective, and to obtain any necessary consents, including consents required under the Contract, on the following terms:

(1) The Unit Operator, or, if the Unit Operator is a member of the Defaulting Group but not also a member of an Other Group, the Tract Operator for the Other Group, shall be responsible for the preparation of any and all documents to effect any Transfer in accordance with the terms of this Article 10.9 and shall co-ordinate as between or among the Contributing Parties the arrangements in relation to the execution thereof.

(2) This power of attorney may be exercised independently by each Attorney, without the need to join the others. An Attorney may act under this power of attorney notwithstanding that another Attorney has previously acted or purported to act under it.

(3) The appointment contained in this power of attorney shall remain in full force and effect and be irrevocable until the earlier of the expiry or termination of this Agreement or the Transfer of the whole of the Project Interest of the appointing Party in question to another Party or Parties or a Third Party.

(4) In relation to the introduction of a Third Party to this Agreement as a Party hereto, and to any applicable Joint Operating Agreement, each Associated Agreement and the applicable Contract, such Third Party shall not acquire any rights hereunder unless and until each Party has executed in favour of the other Parties (other than any Party whose Project Interest is being reduced to zero (0) as a consequence of such introduction) a power of attorney in favour of such Parties which shall be granted in accordance with the terms of this Article 10.9.

(5) All acts done and documents executed or signed by an Attorney in good faith in the purported exercise of any power conferred by this power of attorney shall for all purposes be valid and binding on the grantor and its successors and assigns. If so requested, each Party will ratify and confirm each act done or caused to be done on its behalf by one of its Attorneys.

(6) Each Party irrevocably and unconditionally undertakes to indemnify each Attorney with respect to such Party against all actions, proceedings, claims, costs, expenses and liabilities of every kind arising from the exercise of any powers conferred by this power of attorney.

10.10 Effect of Transfer on Decommissioning

Any Defaulting Party or Defaulting Group whose interest is Transferred pursuant to the terms of this Article 10 shall have the same liability for Decommissioning Costs as such Party would have had if it had withdrawn under Article 15.

10.11 Right to Costs

The Other Parties shall be entitled to recover from the Defaulting Party or Defaulting Group all reasonable attorneys' fees and other costs incurred by the Other Parties in the collection of amounts owing by the Defaulting Party or Defaulting Group and in the enforcement of their remedies hereunder.

10.12 Rights not Exclusive

The rights and remedies granted to the Other Parties in this Article 10 shall be cumulative, not exclusive, and shall be in addition to any other rights and remedies that may be available to the non-defaulting parties, whether at law, in equity or otherwise. Each right and remedy available to the Other Parties may be exercised from time to time and so often and in such order as may be considered expedient by the non-defaulting parties in their sole discretion.

10.13 Survival

The obligations of the Defaulting Party or Defaulting Group and the rights of the Other Parties shall survive the surrender of the Contracts, abandonment of Unit Operations and termination of this Agreement.

10.14 No Right of Set Off

Each Party acknowledges and accepts that a fundamental principle of this Agreement is that GNPC and each JOA Group pays its Paying Interest share of all amounts due under this Agreement as and when required. Accordingly, GNPC and each JOA Group which becomes a Defaulting Party or Defaulting Group undertakes that, in respect of either any exercise by the Other Parties of any rights under or the application of any of the provisions of this Article 10, GNPC and such JOA Group hereby waives any right to raise by way of set off or invoke as a defense, whether in law or equity, any failure by any other Party to pay amounts due and owing under this Agreement or any alleged claim that such Party may have against Unit Operator, Technical Operator or any Non-Operator, whether such claim arises under this Agreement or otherwise. Each Party further agrees that, without prejudice to GNPC's rights under the Contracts, the nature and the amount of the remedies granted to the Other Parties hereunder are reasonable and appropriate in the circumstances.

ARTICLE 11
DISPOSITION OF PRODUCTION

11.1 Right and Obligation to Take in Kind

Except as otherwise provided in Article 10 or this Article 11, each Party shall have the right and obligation to own, take in kind and separately dispose of its Entitlement.

11.2 Disposition of Crude Oil

If Crude Oil is to be produced from the Unit Interval, the Parties shall in good faith, and not less than three (3) months prior to the anticipated first delivery of Crude Oil, as promptly notified by Unit Operator, negotiate and conclude the terms of a lifting agreement to cover the offtake of Crude Oil produced from the Unit Interval at each applicable Delivery Point. Each lifting procedure shall be based on the AIPN Model Form Lifting Procedure and shall contain all such terms as may be negotiated and agreed by the Parties, consistent with the Unit Development Plan and subject to the terms of the Contracts and shall contain provisions to allow for joint liftings. If a lifting agreement has not been entered into for each Delivery Point by the date of first delivery of Crude Oil, the Parties shall nonetheless be obligated to take and separately dispose of such Crude Oil as provided in Article 11.1 and in addition shall be bound by the terms set forth in the AIPN Model Form Lifting Procedure for each Delivery Point for which no lifting agreement is in place until a lifting agreement is executed by the Parties.

11.3 Disposition of Natural Gas

The Parties recognize that it may be necessary to enter into arrangements for the marketing and sale of Natural Gas which are consistent with the Unit Development Plan. The Parties shall in good faith negotiate and conclude the terms of any such arrangements.

11.4 Production Forecasts

(A) No later than the first Day of the Calendar Month preceding the Calendar Month in which the Date of Commencement of Commercial Production is anticipated to occur, and thereafter on the first Day of each Calendar Quarter, the Unit Operator shall provide the Parties with a Production Forecast. A *"**Production Forecast**"* shall consist of the estimated average daily rate of production of Unit Substances for each Calendar Month during each of the next succeeding two (2) Calendar Years and, if there are multiple Delivery Points, the estimated quantities to be delivered to each Delivery Point.

(B) If at any time the Unit Operator becomes aware that a change has taken place or will take place which in the Unit Operator's judgment has caused or will cause a significant variance from the latest Production Forecast, the Unit Operator shall promptly notify each Party of the following:

(1) The reason for such variance, its estimated magnitude, the date and time the change is expected to begin, and the estimated duration thereof; and

(2) The Unit Operator's revised Production Forecast for the period covered by the current Production Forecast based on such variance, along with all other requirements for a Production Forecast pursuant to Article 11.4(A).

For the purposes of this Article 11.4(B) only, a variation often percent (10%) or more in any figure appearing in a Production Forecast for Unit Substances shall be deemed to be a significant variance.

(C) The Production Forecast under this Article are only estimates. Actual production may vary based upon reservoir performance, variations in well deliverability and the composition of the produced substances, actions of the Government and other Third Parties, maintenance and repair obligations and Force Majeure, among other factors.

ARTICLE 12
DECOMMISSIONING

12.1 Right to Take over Unit Facilities and Unit Wells

(A) In the event that Unit Operations are to terminate pursuant to Article 10.2(B) or Article 15.2(D), the Unit Operator shall give notice thereof to each JOA Group stating that Unit Operations are to terminate, and listing the material Unit Facilities together with Unit Operator's latest estimate of Decommissioning Costs pursuant to Exhibit D. Subject to the terms of the Contracts and applicable Laws/Regulations, each JOA Group shall have an option to take over as Non-Unit Operations any or all of such Unit Facilities located or held for use in the Contract Area or Contract Areas in which it holds its JOA Group Interests, which option shall be exercised by notice to the Unit Operator within thirty (30) Days after receipt of the Unit Operator's notice (the ***"Decommissioning Response Deadline"***). If a JOA Group elects to take over any such Unit Facilities, the JOA Group shall (i) collectively assume responsibility for all Decommissioning Costs for the Unit Facilities that they take over and indemnify the other Parties and the Unit Operator (in its role as such) from and hold them harmless against all costs, expenses, liabilities and losses associated with that decommissioning and (ii) collectively assume responsibility for any remaining Trust Fund Cash Calls required pursuant to Exhibit D and prior to taking over such

Unit Facilities, provide replacement Complementary Security for the Decommissioning Costs (as described in Exhibit D) for any Complementary Security then held pursuant to Exhibit D with respect to such Unit Facilities, which Security may not be released prior to completion of Decommissioning without the written consent of the other Parties. Any Complementary Security previously provided by the other JOA Group with respect to such Unit Facilities pursuant to Article 12.3 shall be released immediately after the Party or JOA Group has provided replacement Complementary Security pursuant to Article 12.1(A)(ii) above. All rights to Unit Facilities transferred pursuant to this Article 12.1(A) are transferred on an "as is" basis without warranties expressed or implied, including warranties as to merchantability, fitness for a particular purpose, conformity to models or samples of materials, use, maintenance, condition, capacity or capability. When any Unit Facilities are transferred to a JOA Group under this Article 12.1, all rights held by the Parties for the Unit Account in data and information for those Unit Facilities shall also be transferred to the JOA Group. The transfer of such rights is subject to the terms of the applicable Contract and the Laws/Regulations and is without prejudice to any rights of the Government with respect to such data and information under the terms of either Contract or the Laws/Regulations.

(B) If any Unit Well is to be abandoned permanently, Unit Operator shall provide notice to the members of the JOA Group in whose Contract Area the Unit Well is located not later than forty-eight (48) hours prior to such abandonment, in the case of a well with a rig on location or thirty (30) Days prior to such abandonment, in all other cases, stating in the notice that the well is to be abandoned and offering it to such JOA Group on the terms set forth in this Article. The JOA Group shall have an option, to be exercised by notice to the Unit Operator on or before the end of the applicable period, to take over the Unit Well as a Non-Unit Well on the terms set forth in this Article. If the JOA Group elects to take over the well, such JOA Group shall assume responsibility for all costs of plugging and abandoning the well and shall indemnify and hold harmless the other Parties against all costs, expenses, liabilities and losses associated with such plugging and abandonment. Any Unit Well transferred to a JOA Group pursuant to this Article is transferred on an "as is" basis without warranties, express or implied, including warranties as to merchantability, fitness for a particular purpose, conformity to models or samples of materials, use, maintenance, condition, capacity or capability. When any Unit Well is transferred to a JOA Group under this Article 12.1, all rights held by the Parties for the Unit Account in data and information for that Unit Well, excluding data and information limited to the Unit Interval (such as past production data), shall also be transferred to that JOA Group. The Parties shall be entitled to retain copies of the transferred data and information on the same terms as are set forth in Article 6.4. The transfer of such rights is subject to the terms of the applicable Contract and the Laws/Regulations and is without prejudice to any rights of the Government with respect to such data and information under the terms of either Contract or the Laws/Regulations. The JOA Group taking over the Unit Well may not produce the Unit Interval and any operations conducted in such well after the date of the transfer shall be subject to the terms of Article 6.

12.2 Decommissioning

To the extent either Group is responsible for decommissioning under its Contract, the Unit Operating Committee shall direct the Decommissioning of the Unit Facilities which are not taken over pursuant to Article 12.1, in accordance with the Contracts, any applicable Laws/Regulations, the approved Decommissioning Unit Work Program and Budget and good international oil and gas field practice. All costs and expenses of Decommissioning shall be charged to the Unit Account, and subject to the Contracts, any proceeds derived from the disposition of salvaged Unit Facilities upon Decommissioning shall be credited to the Unit Account.

12.3 Provision for and the Conduct of Decommissioning

The Parties shall provide for and conduct the Decommissioning of the Unit Facilities and the abandonment of the Unit Area and provide Security for the same in accordance with the terms of Exhibit D. In the event that some of the Parties continue to use the Unit Facilities following the expiration, termination, or

revocation of one Contract as provided for in Article 2, the Security provided by both Contract Groups shall remain in effect until such Unit Facilities are finally Decommissioned.

12.4 Decommissioning Liability

For the avoidance of doubt, subject to the obligations of the Government under Exhibit D, nothing provided for in Exhibit D shall remove, vitiate or otherwise annul the obligation of any Party to meet in full its liability to pay its Paying Interest share of Decommissioning Costs in accordance with this Agreement. Each Party shall remain liable for due payment of all Cash Calls (as defined in the Unit Accounting Procedure) payable by it under this Agreement in respect of its liability for Decommissioning Costs and for meeting Trust Fund Cash Calls (including posting Complementary Security) payable by it under Exhibit D. In the event that the Security provided by the Parties pursuant to Article 12.3 and in accordance with the terms of Exhibit D is insufficient to meet Decommissioning Costs in full, each Party shall remain liable to pay its Paying Interest share of any outstanding Decommissioning Costs.

12.5 Decommissioning Liability upon Transfer

In the event of a Transfer by any Party pursuant to the terms of Article 14, transferee shall demonstrate its financial capability to provide for its Paying Interest share of Trust Fund Cash Calls (as defined in Exhibit D) and such other Decommissioning Costs as may be required in the future pursuant to Article 12.3 and Exhibit D in order to obtain the consent of the other Parties required under Article 14.2(B)(2).

ARTICLE 13
MAINTENANCE, TERMINATION, SURRENDER, EXPIRY, EXTENSIONS AND RENEWALS

13.1 Maintenance

(A) Each Contract Group covenants, in respect of its Contract, that it will:

(1) To the extent it is reasonably within its control, preserve such Contract insofar as it covers the Unit Area for its remaining stated duration and comply with its terms and will exercise any optional rights to extend the term of its Contract if all terms of that extension are already established by its Contract and the Laws/ Regulations, provided that a Party that (a) engages in a good faith dispute with the Government over the interpretation of its Contract or the Laws/Regulations, or (b) fails to take actions not expressly required under the terms of its Contract or applicable Laws/Regulations to preserve its Contract, shall not be in breach of this Article 13.1(A)(1) with respect to any such actions under Article 13.1(A)(1)(a) or any omissions to take such actions under Article 13.1(A)(1)(b);

(2) Not agree to (to the extent that it is reasonably within its power to prevent) any amendment, modification or replacement of its Contract which would impair the rights of any of the Parties in the other Contract Group or affect Unit Operations without the prior written consent of the other Contract Group, or do or omit to do any other thing that would prevent or adversely affect performance of its obligations under this Agreement, and exercise its rights in such manner as to secure that the terms and provisions of this Agreement may be performed.

(3) Not resort to or take any action or omit to take any action that would create or cause or which is likely to create or cause a termination or revocation of its Contract insofar as it relates to the Unit Area, provided that a Party that: (a) engages in a good faith dispute with the Government over the interpretation of its Contract or Law/Regulations, or (b) fails to take actions not expressly required under the terms of its Contract or applicable Law/Regulations to preserve its Contract, shall not be in breach of this Article 13.1(A)(3) with respect to any such actions under Article 13.1(A)(3)(a) or any omissions to take such actions under Article 13.1(A)(3)(b).

(B)

(1) If either Contract Group or Tract Operator for a Group receives a notice of default or proposed termination or revocation with respect to its Contract from the Government (such Contract Group, for purposes of this Article 13.1(B)(1), the ***"Affected Group"***, and the other Contract Group, the ***"Non-Affected Group")***, it shall provide notice of such default, termination or revocation notice (for purposes of this Article 13.1(B)(1), a ***"Government Action Notice")*** to the members of the Non-Affected Group within ten (10) Days after receipt of such Government Action Notice, accompanied by a description of the steps that it proposes to take to challenge or cure that default or proposed termination or revocation.

(a) If the Affected Group fails to provide a Government Action Notice in accordance with Article 13.1(B)(1), any Party or group of Parties in the Non-Affected Group holding individually or collectively a Unit Interest of at least ten percent (10%) ***("Non-Affected Parties")*** may provide the Affected Group notice of the Affected Group's failure to provide a Government Action Notice and such Parties' intention to take the steps necessary to challenge or cure the default or proposed termination or revocation (for purposes of this Article 13.1(B)(1)(a), an ***"Assumption Notice")***. If the Affected Group fails to provide a Government Action Notice within ten (10) Days of its receipt of an Assumption Notice, the Non-Affected Parties may challenge or cure the default or proposed termination or revocation on behalf of the Affected Group, and in the event such default, termination or revocation is successfully challenged or cured, the Affected Group shall, except to the extent that some or all of the Non-Affected Group notifies it in writing that it does not wish to receive assignment of some or all of the Affected Group's Project Interests, assign its Project Interest free of cost to the Parties in the Non-Affected Group in proportion to such Parties' Group Interests, unless the Parties in the Non-Affected Group otherwise agree, and the Affected Group shall be treated as a withdrawing Group under Article 15.

(b) If the Affected Group provides a Government Action Notice in accordance with Article 13.1(B)(1), but the Government Action Notice fails to identify the steps reasonably necessary to challenge or cure the default or proposed termination or revocation, or the Affected Group fails to take the steps reasonably necessary to challenge or cure the default or proposed termination or revocation, Non-Affected Parties may provide notice of such occurrence to the Affected Group (for purposes of this Article 13.1(B)(1)(b), a ***"Cure Deficiency Notice")***. If the Affected Group fails to respond to the Cure Deficiency Notice by either providing a supplemental Government Action Notice properly identifying the steps reasonably necessary to challenge or cure the default or proposed termination or revocation, or taking the steps reasonably necessary to challenge or cure the default or proposed termination or revocation within ten (10) Days of a Cure Deficiency Notice, as applicable, the Non-Affected Parties may challenge or cure the default or proposed termination or revocation on behalf of the Affected Group, and in the event such default, termination or revocation is successfully challenged or cured, the Affected Group shall, except to the extent that some or all of the Non-Affected Group notifies it in writing that it does not wish to receive assignment of some or all of the Affected Group's Project Interests, assign its Project Interest free of cost to the Parties in the Non-Affected Group in proportion to such Parties' Group Interests, unless the Parties in the Non-Affected Group otherwise agree, and the Affected Group shall be treated as a withdrawing Group under Article 15. For the avoidance of doubt, Non-Affected Parties may provide more than one Cure Deficiency Notice with respect to each Government Action Notice pursuant to this Article 13.1(B)(1)(b).

(c) Notwithstanding the terms of Articles 13.1(B)(1)(a) and 13.1(B)(1)(b), if the Affected Group disputes the alleged failure to provide an Assumption Notice, or to identify or take the steps reasonably necessary to challenge or cure the default or proposed termination or revocation, and dispute resolution proceedings are initiated under Article 20.3 with respect to such Dispute within twenty (20) Days after delivery to the Affected Group of the relevant Assumption Notice or Cure Deficiency Notice, then the Affected Group shall not be required to assign its Project Interest or withdraw pending conclusion or abandonment of such proceedings, provided that the Affected Group may not Transfer or Encumber all or any part of its Project Interest during this period.

(2) If either Contract expires, terminates or is revoked prior to the expiry of this Agreement as provided herein, then the Parties to the expired, terminated, or revoked Contract shall cease to own a Project Interest with respect to that Contract and GNPC shall assume such Project Interest in accordance with the terms of Article 5.3(E). This loss of interest shall be without prejudice to any remedy that a Party may have against any other Party under this Agreement, at law or in equity because of the actions or omissions resulting in such a termination or revocation.

13.2 Surrender

(A) No JOA Group shall voluntarily renounce relinquish or surrender any portion of its Contract Area that is located within the Unit Area without the prior unanimous consent of the Unit Operating Committee. Should any JOA Group voluntarily surrender all or a portion of its Contract Area within the Unit Area without the prior unanimous consent of the Unit Operating Committee in contravention of the terms of this Article, it shall, except to the extent that the other Contract Group notifies it in writing that the other Contract Group does not wish to receive assignment of some or all of the surrendering JOA Group's Project Interests, assign any remaining Project Interest free of cost to the Parties in the other Contract Group in proportion to such Parties' Contract Group Interests, unless the Parties in the other Contract Group otherwise agree. The surrendering JOA Group shall be treated as a withdrawing Contract Group under Article 15. This loss of interest shall

be without prejudice to any remedy that a Party may have against any other Party under this Agreement, at law or in equity because of the actions or omissions resulting in such a termination or revocation.

(B) If under any applicable Laws or pursuant to the Contract, either JOA Group (for purposes of this Article 13.2(B), an ***"Affected JOA Group"***) is required to renounce or relinquish or surrender a part of its Contract Area, that part of the Contract Area that is included in the Unit Area shall be given first priority as to the area to be retained and no part of the Unit Area shall be renounced, relinquished or surrendered unless it becomes necessary, in which event the Tract Operator for the Affected JOA Group shall advise the Unit Operator and the Unit Operating Committee of such necessity at least one hundred and twenty (120) Days in advance of the earlier of the date for filing irrevocable notice of such surrender or the date of such surrender. Prior to the end of such period, the Unit Operating Committee, in consultation with the Affected JOA Group, shall determine the size and shape of the surrendered area, consistent with the requirements of the Contract. If a sufficient vote of the Unit Operating Committee cannot be obtained, then the proposal supported by a simple majority of the Unit Interests shall be adopted. If no proposal attains the support of a simple majority of the Unit Interests, then the proposal receiving the largest aggregate Unit Interest vote shall be adopted. In the event of a tie, Unit Operator shall choose among the proposals receiving the largest aggregate Unit Interest vote. The Affected JOA Group shall execute any and all documents and take such other actions as may be necessary to effect the surrender. Each Party renounces all claims and causes of action against Unit Operator and any other Parties on account of any area surrendered in accordance with the foregoing but against its recommendation if Hydrocarbons are subsequently discovered under the surrendered area. In the event of such surrender, the Unit Operating Committee shall meet to consider the incremental reduction to the quantity of OHIP contained within either Tract in the Unit Interval as a

consequence of the surrender, and Tract Participations shall be adjusted in the same manner, if any, as would be the case following an expansion under Article 5.3(B).

(C) As contemplated by the applicable Laws/Regulations, GNPC shall have the right to explore, develop and produce Hydrocarbons from any part of a Contract Area that is renounced, relinquished or surrendered, subject to Article 5.4 of the applicable Contract.

13.3 Extension of the Term

Without prejudice to any provisions to the contrary in any other applicable agreement, each JOA Group shall have the right but not the obligation to seek or obtain renewals or extensions of its Contract, the terms of which are not directly established under its Contract, on terms and conditions acceptable to such JOA Group in its sole discretion. Where the terms of any renewal or extension are already established under the Contract and renewal or extension is necessary to maintain the Contract in effect, the JOA Group shall be required to exercise the renewal or extension in accordance with Article 13.1(A)(1) and Article 13.1(A)(2).

ARTICLE 14
TRANSFER OF INTEREST OR RIGHTS

14.1 Obligations

A Transfer or Encumbrance shall be effective only if it satisfies the terms and conditions of: (A) the applicable Contract and any applicable Joint Operating Agreement, and (B) Article 14.2.

14.2 Transfer

(A) Any Transfer or Encumbrance of an interest in a Contract and the corresponding Joint Operating Agreement must also include a Transfer or Encumbrance of the corresponding rights and obligations in this Agreement and all Associated Agreements in which the transferor holds an interest. Likewise, any Transfer or Encumbrance of an interest in this Agreement or any Associated Agreement must include a Transfer or Encumbrance of the corresponding rights and obligations in this Agreement and all Associated Agreements, one or both of the Contracts, as applicable, and the Joint Operating Agreement or Joint Operating Agreements corresponding to such Contract or Contracts.

(B) A transferee shall have no rights in this Agreement (except any notice and cure rights or similar rights that may be provided to a Lien Holder by separate instrument signed by all Parties) unless and until:

(1) It expressly undertakes in an instrument reasonably satisfactory to the other Parties to perform the obligations of the transferor under this Agreement in respect of the Project Interest being transferred, whenever accruing, and obtains and furnishes to the other Parties a copy of any necessary Government approval for the Transfer or Encumbrance and furnishes any guarantees required by the Government or the applicable Contract on or before the applicable deadlines, and

(2) Except in the case of a Transfer to an Affiliate and Transfers among Parties as provided for in Article 10 or Article 15, each Party has consented in writing to such Transfer, which consent shall be denied only if the transferee fails to establish to the reasonable satisfaction of each Party its financial capability to perform its payment obligations under this Agreement including the satisfaction of its obligations with respect to Decommissioning pursuant to Article 12. No consent shall be required under this Article 14.2(B)(2) for a Transfer to an Affiliate if the transferring Party agrees in an instrument reasonably satisfactory to the other Parties to remain liable for its Affiliate’s performance of its obligations.

(C) To the extent a transferee has satisfied the requirements set out in Article 14.2(B), the transferor shall be released from any and all of its obligations hereunder in relation to such transferred interest; provided that, notwithstanding the Transfer, the transferor shall remain liable to the other Parties for any obligations, financial or otherwise, in relation to such transferred interest which have vested, matured or accrued under the provisions of this Agreement prior to the date of such Transfer.

(D) Nothing contained in this Article 14 shall prevent a Party from Encumbering all or any undivided share of its Project Interest to a Third Party (a ***"Lien Holder"***) for the purpose of security relating to finance, provided that:

(1) Such Party shall remain liable for all obligations relating to such interest;

(2) The Encumbrance shall be subject to any necessary approval of the Government and be expressly subordinated to the rights of the other Parties under this Agreement; and

(3) Such Party shall ensure that any Encumbrance shall be expressed to be without prejudice to the provisions of this Agreement.

(E) Each Party represents that neither it, nor any holder of equity interests in it or its direct or indirect parent companies or any right to any revenues or dividends or other distributions of such Party or its direct or indirect parent companies is or shall while it is a Party to this Agreement be a Prohibited Assignee, or a Person appearing on any list of Proscribed Persons, except as a consequence of purchase by such Prohibited Assignee or Proscribed Person of publicly-traded securities. From and after the Effective Date, should a Transfer or Encumbrance of (1) equity interests in a Party or its direct or indirect parent companies or any right to any revenues or dividends or other distributions of such Party or its direct or indirect parent companies or (2) any interest by such Party in any Project Interest Agreement or any right to revenues or other distributions under any Project Interest Agreement occur which would breach this Article, such Party shall promptly provide notice to all other Parties and shall have thirty (30) Days in which to Transfer or Encumber its interest to a Person not in violation of the restrictions in this Article, failing which the other Parties shall have the remedies described in Article 10.8 as if such Party were a Defaulting Party.

(F) No Party shall Transfer or Encumber an interest in a segregated portion of the Unit Interval or Unit Area, or in any portion of a Contract Area. A Transfer or Encumbrance by a Party must be in respect of all or an undivided percentage of its Unit Interest share together with the corresponding rights and obligations in this Agreement and all Associated Agreements, one or both of the Contracts, as applicable, and the Joint Operating Agreement or Joint Operating Agreements corresponding to such Contract or Contracts. For the avoidance of doubt, a Party with interests in both Contracts may Transfer or Encumber its interests in one Contract and the corresponding interests in such Contract's Joint Operating Agreement, this Agreement and the Associated Agreements, and maintain its interests in the other Contract and the corresponding interests in such other Contract's Joint Operating Agreement, this Agreement and the Associated Agreements.

(G) In the event of a Transfer by an Operator, the terms of Articles 7.11 and/or 7.12(C), (D), (E) or (F) may apply as provided therein.

ARTICLE 15
WITHDRAWAL FROM AGREEMENT

15.1 Right of Withdrawal

(A) Subject to the provisions of this Article 15 and the Project Interest Agreements, any Party not in default may at its option withdraw from the Project Interest Agreements by giving notice to all

other Parties stating its decision to so withdraw. Such notice shall be unconditional and irrevocable when given, except as may be provided in Article 15.7.

(B) No Party may withdraw from this Agreement without withdrawing from its other Project Interest Agreements, nor may any Party withdraw from any other Project Interest Agreement without withdrawing from this Agreement and no Party may withdraw from a segregated portion of the Unit Area or Unit Interval, or from any portion of a Contract Area without withdrawing from an entire Contract Area, provided that, for the avoidance of doubt, a Party with interests in both Contracts may withdraw from one Contract and the corresponding interests in such Contract's Joint Operating Agreement, this Agreement and the Associated Agreements, and maintain its interests in the other Contract and the corresponding interests in such other Contract's Joint Operating Agreement, this Agreement and the Associated Agreements.

(C) The effective date of withdrawal for a withdrawing Party shall be the end of the Calendar Month following the Calendar Month in which the notice of withdrawal is given, provided that if all Parties elect to withdraw, the effective date of withdrawal for each Party shall be the date determined by Article 15.9.

15.2 Withdrawal

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

(B) If less than all of the Parties in a Contract Group give such notice of withdrawal, then the withdrawing Parties shall take all steps to withdraw from their Project Interest Agreements on the earliest possible date and execute and deliver all necessary instruments and documents to assign their Project Interests to the Parties in the Group which are not withdrawing, without any compensation whatsoever, in accordance with the provisions of Article 15.6.

(C) Should all of the members of a Contract Group give notice of withdrawal, the other Contract Group may, within thirty (30) Days after the last notice from the members of the withdrawing Contract Group, notify the withdrawing Contract Group that it does not wish to receive assignment of some or all of the withdrawing Contract Group's Project Interests, in which case those interests shall not be assigned. Following the end of the thirty (30) Day period, the Parties in the withdrawing Contract Group shall take all steps to withdraw from their Project Interest Agreements on the earliest possible date, and execute and deliver all necessary instruments and documents to assign their Project Interests as to which the other Contract Group has not refused assignment to the members of the Contract Group for the remaining Contract that are not electing to withdraw, without any compensation whatsoever, in accordance with the provisions of Article 15.6. Should the members of the non-withdrawing Contract Group refuse assignment of the interest in the other Contract that would be assigned, Article 5.3(E) shall apply.

(D) Within thirty (30) Days of receipt of a notice that all of the members of a Contract Group are withdrawing pursuant to Article 15.2(C) above, the other Contract Group may also give notice that it desires to withdraw from its Project Interest Agreements. Should all Parties give notice of withdrawal from the Project Interest Agreements, the Parties shall proceed to abandon the Contract Areas and terminate the Project Interest Agreements.

(E) All costs and expenses incurred by a withdrawing Party in connection with its withdrawal shall be borne by such Party, and a withdrawing Party shall reimburse all non-withdrawing Parties for all costs and expenses incurred by such Parties in connection with such withdrawal.

15.3 Rights of a Withdrawing Party

A withdrawing Party shall have the right to receive its Entitlement produced through the effective date of its withdrawal. The withdrawing Party shall be entitled to receive all information to which such Party is otherwise entitled under this Agreement until the effective date of its withdrawal. After giving its notification of withdrawal, a Party shall not be entitled to vote on any matters coming before the Unit Operating Committee, except that it shall be entitled to vote prior to the effective date of its withdrawal upon matters for which such Party has financial responsibility.

15.4 Obligations and Liabilities of a Withdrawing Party

A withdrawing Party shall, following its notification of withdrawal, remain liable only for its share of the following:

(A) Costs of Unit Operations: (1) in which it has agreed to participate, (2) that were approved by the Unit Operating Committee as part of a Development Unit Work Program and Budget or an Annual Unit Work Program and Budget (including a multi-year Unit Work Program and Budget under Article 9.3(B)) or AFE prior to such Party's notification of withdrawal, or (3) incurred under any contract for performance of all or any part of Unit Operations entered into by Unit Operator prior to such Party's notification of withdrawal;

(B) Expenditures described in Articles 7.2(B)(13) and 15.5 related to an emergency occurring prior to the effective date of a Party's withdrawal, regardless of when such expenditures are incurred;

(C) All other obligations and liabilities of the Parties with respect to acts or omissions under this Agreement prior to the effective date of such Party's withdrawal for which such Party would have been liable, had it not withdrawn from this Agreement; and

(D) Regardless of whether a Party is abandoning the Contract Area, the obligations and liabilities for which a withdrawing Party remains liable shall specifically include its share of any costs of: (1) plugging and abandoning wells or portions of wells in which it was required to bear a share of the costs pursuant to Article 15.4(A) to the extent such costs of plugging and abandoning are payable by the Parties under the applicable Contract, Laws/Regulations or this Agreement, and (2) Decommissioning any Unit Facilities in which it was required to bear a share of the costs pursuant to Article 15.4(A), to the extent the Decommissioning Costs for such Unit Facilities are payable by the Parties under the applicable Contract, and (3) contributions owing pursuant to Article 5.6 as a result of Redetermination and any cash amounts owing pursuant to Article 5.7(B)(6) in lieu of adjustments to Entitlements as a result of a Redetermination. Any Encumbrances which were placed on the withdrawing Party's Unit Interest prior to such Party's withdrawal shall be fully satisfied or released, at the withdrawing Party's expense, prior to its withdrawal. A Party's withdrawal shall not relieve it from liability to the non-withdrawing Parties with respect to any obligations or liabilities attributable to the withdrawing Party under this Article 15 merely because they are not identified or identifiable at the time of withdrawal.

Notwithstanding the other provisions of this Article 15.4, a Party shall not be liable for any operations or expenditures it voted against (other than operations and expenditures described in Article 15.4(B)) if it sends notification of its withdrawal within five (5) Days (or within such shorter period as may be required for Urgent Operational Matters) of the Unit Operating Committee vote approving such operation or expenditure.

15.5 Emergency

If a well goes out of control or a fire, blow out, sabotage or other emergency occurs prior to the effective date of a Party's withdrawal, the withdrawing Party shall remain liable for its Paying Interest share of the costs of such emergency, regardless of when they are incurred.

15.6 Assignment

Subject to any necessary consent of the Government and GNPC under the Contracts, a withdrawing Party or Parties shall assign their Project Interests, free of cost, to each of the non-withdrawing Parties in its Contract Group in proportion to such non-withdrawing Parties' Contract Group Interests as provided herein, unless such non-withdrawing Parties agree otherwise. Subject to any necessary consent of the Government and GNPC under the Contracts, a withdrawing Contract Group shall assign those portions of its Project Interest as to which the non-withdrawing Contract Group has not refused assignment pursuant to Article 15.2(C), free of cost, to the Parties in the non-withdrawing Contract Group that are not electing to withdraw, in proportion to the non-withdrawing Parties' Contract Group Interests as provided herein, unless the non-withdrawing Contract Group agrees otherwise.

15.7 Approvals

A withdrawing Party shall promptly join in such actions as may be necessary or desirable to obtain any Government approvals required in connection with the withdrawal and assignments. The non-withdrawing Parties shall use reasonable endeavors to assist the withdrawing Party in obtaining such approvals. Any penalties or expenses incurred by the Parties in connection with such withdrawal shall be borne by the withdrawing Party.

15.8 Security

A Party withdrawing from its Project Interest Agreements pursuant to this Article 15 shall provide Security reasonably satisfactory to the other Parties to satisfy any obligations or liabilities for which the withdrawing Party remains liable in accordance with Article 15.4, but which become due after its withdrawal, including Security to cover the costs of an abandonment and Decommissioning, if applicable.

15.9 Withdrawal or Abandonment by All Parties

In the event all Parties decide to withdraw, the Parties agree that they shall be bound by the terms and conditions of this Agreement for so long as may be necessary to wind up the affairs of the Parties with the Government, to satisfy any requirements of the Laws/Regulations and to facilitate the sale, disposition or abandonment of property or interests held by the Unit Account, all in accordance with Article 2.

ARTICLE 16
RELATIONSHIP OF PARTIES AND TAX

16.1 Relationship of Parties

The rights, duties, obligations and liabilities of the Parties under this Agreement shall be individual, not joint or collective. It is not the intention of the Parties to create, nor shall this Agreement be deemed or construed to create, a mining or other partnership, joint venture or association or (except as explicitly provided in this Agreement) a trust. This Agreement shall not be deemed or construed to authorize any Party to act as an agent, servant or employee for any other Party for any purpose whatsoever except as explicitly set forth in this Agreement. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries except as expressly provided in Articles 10.8(A) and 15.7 of this Agreement.

16.2 Tax

Each Party shall be responsible for reporting and discharging its own tax measured by the profit or income of the Party and the satisfaction of such Party's share of all contract obligations under the Contract and under this Agreement. Each Party shall protect, defend and indemnify each other Party from any and all loss, cost or liability arising from the indemnifying Party's failure to report and discharge such taxes or satisfy such obligations. The Parties intend that all income and all tax benefits (including deductions, depreciation, credits and capitalization) with respect to the expenditures made by the Parties hereunder will

be allocated by the Government tax authorities to the Parties based on the share of each tax item actually received or borne by each Party. If such allocation is not accomplished due to the application of the Laws/ Regulations or other Government action, the Parties shall attempt to adopt mutually agreeable arrangements that will allow the Parties to achieve the financial results intended. Unit Operator shall provide each Party, in a timely manner and at such Party's sole expense, with such information with respect to Unit Operations as such Party may reasonably request for preparation of its tax returns or responding to any audit or other tax proceeding.

16.3 United States Tax Election

(A) If, for United States federal income tax purposes, this Agreement and the operations under this Agreement are regarded as a partnership and if the Parties have not agreed to form a tax partnership, each U.S. Party elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A" of the United States Internal Revenue Code of 1986, as amended (the ***"Code"***), to the extent permitted and authorized by Section 761(a) of the Code and the regulations promulgated under the Code. Unit Operator, if it is a U.S. Party, is authorized to execute and file for each U.S. Party such evidence of this election as may be required by the Internal Revenue Service, including all of the returns, statements, and data required by United States Treasury Regulations Sections 1.761-2 and 1.6031(a)-l, and shall provide a copy thereof to each U.S. Party. However, if Unit Operator is not a U.S. Party, the Party who holds the greatest Unit Interest among the U.S. Parties shall fulfill the obligations of Unit Operator under this Article 16.3, and in the event Kosmos and Anadarko have the greatest, and equal, Unit Interests, such obligations shall be fulfilled by Anadarko.

(B) Should there be any requirement that any U.S. Party give further evidence of this election, each U.S. Party shall execute such documents and furnish such other evidence as may be required by the Internal Revenue Service or as may be necessary to evidence this election.

(C) No Party shall give any notice or take any other action inconsistent with the foregoing election. If any income tax laws of any state or other political subdivision of the United States or any future income tax laws of the United States or any such political subdivision contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A" of the Code, under which an election similar to that provided by Section 761(a) of the Code is permitted, each U.S. Party shall make such election as may be permitted or required by such laws. In making the foregoing election or elections, each U.S. Party states that the income derived by it from operations under this Agreement can be adequately determined without the computation of partnership taxable income.

(D) Unless approved by every Non-U.S. Party, no activity shall be conducted under this Agreement that would cause any Non-U.S. Party to be deemed to be engaged in a trade or business within the United States under United States income tax laws and regulations.

(E) A Non-U.S. Party shall not be required to do any act or execute any instrument which might subject it to the taxation jurisdiction of the United States.

(F) For the purposes of this Article 16.3, ***"U.S. Party"*** shall mean any Party that is subject to the income tax laws of the United States with respect to operations under this Agreement. ***"Non-U.S. Party"*** shall mean any Party that is not subject to such income tax laws.

ARTICLE 17
UNIT DATA - CONFIDENTIALITY - INTELLECTUAL PROPERTY

17.1 Unit Data

(A) Each Party may use all Unit Data (including interpretation of and derivative works from such Unit Data) in its own operations without the approval of or accounting to any other Party, subject to

any applicable restrictions and limitations set forth in this Article 17, this Agreement, the Contracts, or any applicable patents or other Non-Affiliated Third Party rights. For purposes of this Article 17, the right to use shall entail the right to copy and prepare derivative works subject to any applicable restrictions and limitations set forth in this Article 17, this Agreement, the Contracts, or any applicable patents or other Non-Affiliated Third Party rights.

(B) Each Party may, subject to any applicable restrictions and limitations set forth in this Agreement, the Contracts, any applicable patents or other Non Affiliated Third Party rights, extend the right to use Unit Data to each of its Affiliates which are obligated to terms not less restrictive than this Article 17.

(C) Subject to Article 4.6(C), all Unit Data received by a Party under this Agreement is received on an "as is" basis without warranties, express or implied, of any kind. Any use of such Unit Data by a Party shall be at such Party's sole risk.

17.2 Confidentiality

(A) Subject to the provisions of the Contracts, any other applicable Non-Affiliated Third Party agreements and rights and this Article 17, the Parties agree that all information in relation to Unit Operations and, with respect to the receiving Parties, any information received pursuant to Article 6.4, shall be considered confidential and shall be kept confidential and not be disclosed (i) during the term of either Contract, to the extent disclosure is prohibited by the terms thereof, except as may be permitted therein, (ii) during the term of the data license agreement to be entered into pursuant to Article 4.6(A), to the extent disclosure is prohibited by the terms thereof, except as may be permitted therein, and (iii) during the term of this Agreement to any person or entity not a Party to this Agreement, except:

(1) Pursuant to Article 17.1(B);

(2) To a Governmental Authority when required by the Contracts provided that prior to any such disclosure (except routine disclosures by any Operator in fulfillment of its duties hereunder) such Party provides reasonable advance written notice of the disclosure and the legal reasons for such disclosure to the other, non-disclosing Parties;

(3) To the extent such information is required to be furnished in compliance with the applicable law or regulations, or pursuant to any legal proceedings or because of any order of any court binding upon a Party, or under the terms of either Contract;

(4) To a Governmental Authority with respect to any information disclosed by any Party in accordance with the terms of Article 21.1, where the general counsel of such Party, or where such Party has no general counsel, the senior external legal advisor of such Party determines to voluntarily disclose such information on the basis that such Governmental Authority has a legitimate need to know such information disclosed in accordance with the terms of Article 21.1; provided that prior to any such disclosure such Party provides reasonable advance written notice of the disclosure and the legal reasons for such disclosure to the other, non-disclosing Parties;

(5) To prospective or actual attorneys engaged by any Party where disclosure of such information is essential to such attorney's work for such Party;

(6) To prospective or actual Subcontractors and consultants engaged by any Party where disclosure of such information is essential to such Subcontractor's or consultant's work for such Party;

(7) To a bona fide prospective Transferee of all or a portion of a Party's Unit Interest to the extent appropriate in order to allow the assessment of such Unit Interest (including an entity with whom a Party and/or its Affiliates are conducting bona fide negotiations directed toward a merger, consolidation or the sale of a majority of its or an Affiliate's shares), and any Transferee of all or a portion of a Party's Unit Interest;

(8) To a bank or other financial institution to the extent appropriate to a Party arranging for funding, or to provide Security;

(9) To the extent such information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over such Party, or its Affiliates; provided that if any Party desires to disclose information in an annual or periodic report to its or its Affiliates' shareholders and to the public and such disclosure is not required pursuant to any rules or requirements of any government or stock exchange, then such Party shall comply with Article 21.5;

(10) To its and its Affiliates' respective employees for the purposes of Unit Operations as the case may be, subject to each Party taking customary precautions to ensure such information is kept confidential;

(11) Any information which, through no fault of a Party, becomes a part of the public domain;

(12) To any Third Party to whom Unit Data is licensed pursuant to Article 17.3; and

(13) To any mediator, arbitrator or expert in a proceeding pursuant to Article 20.3 or Article 20.4 (including, for the avoidance of doubt, a proceeding pursuant to Exhibit E).

(B) Disclosure as pursuant to Articles 17.2(A)(6), (7) and (8) shall not be made unless prior to such disclosure the disclosing Party has obtained a written undertaking from the recipient party to keep the information strictly confidential for at least two (2) years (or such longer term as is required by a Project Interest Agreement or any other applicable Non-Affiliated Third Party agreement) and to use the information for the sole purpose described in Articles 17.2(A)(6), (7) and (8), whichever is applicable, with respect to the disclosing Party.

(C) Without prejudice to any other rights or remedies that a Party may have, each Party acknowledges and agrees that damages alone would not be an adequate remedy for any breach of the terms of this Article 17.2. Accordingly, a Party shall be entitled, without proof of special damages, or the posting of a bond, to the remedies of injunction, specific performance or other equitable relief for any threatened or actual breach of the terms of this Article 17.2.

(D) Each Party hereby expressly acknowledges and agrees to the disclosure of the power of attorney as set forth in Article 10.9(B), by the Unit Operator or any other Party to a Third Party, to the extent that such disclosure is necessary or desirable in connection with the exercise of any remedies as set out in Articles 10.8 or 10.9 regarding a continued Default.

17.3 Intellectual Property

(A) Decisions regarding obtaining, maintaining and licensing such intellectual property rights shall be made by the Unit Operating Committee, and the costs and revenues thereof shall be for the Unit Account. Upon unanimous consent of the Unit Operating Committee as to ownership, licensing rights, and income distribution, the ownership of intellectual property rights in the Unit Data may be assigned to the Unit Operator or to a Party.

(B) Nothing in this Agreement shall be deemed to require a Party to (i) divulge proprietary technology to any of the other Parties; or (ii) grant a license or other rights under any intellectual property rights owned or controlled by such Party or its Affiliates to any of the other Parties.

(C) If a Party or an Affiliate of a Party has proprietary technology applicable to activities carried out under this Agreement which the Party or its Affiliate desires to make available on terms and conditions other than as specified in Article 17.3(A), the Party or Affiliate may, with the prior approval of the Unit Operating Committee, make the proprietary technology available on terms to be agreed. If the proprietary technology is so made available, then any inventions, discoveries, or improvements which relate to such proprietary technology and which result from Unit Account expenditures shall belong to such Party or Affiliate. In such case, each other Party shall have a perpetual, royalty-free, irrevocable license to practice such inventions, discoveries, or improvements, but only in connection with the Unit Operations.

(D) Subject to Article 7.6(C), all costs and expenses of defending, settling or otherwise handling any Non-Affiliated Third Party claim, including any claim accruing or arising prior to the date hereof, which is based on the actual or alleged infringement of any intellectual property right through the possession, disclosure or use of Unit Data in Unit Operations shall be for the Unit Account and charged to the Parties based upon the Unit Operation from which the claim arose (or, if not attributable to a particular operation, shall be deemed to arise from the Approved Phase 1 Development Plan).

17.4 Continuing Obligations

Any Party ceasing to own a Unit Interest during the term of this Agreement shall nonetheless remain bound by the obligations of confidentiality in Article 17.2, and any Disputes in relation thereto shall be resolved in accordance with Article 20.3.

17.5 Trades

Unit Operator may, with approval of (i) the Unit Operating Committee and (ii) GNPC of the specific data to be traded, make well trades and data trades for the benefit of the Parties, with any data so obtained to be furnished to all Parties. Unit Operator shall cause any Third Party to such trade to enter into an undertaking to keep the traded data confidential and to confirm that ownership of the traded data remains with GNPC.

ARTICLE 18
FORCE MAJEURE

18.1 Obligations

If as a result of Force Majeure any Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation to pay any amounts due or to furnish Security, then the obligations of the Party giving such notice, so far as and to the extent that the obligations are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused and for such reasonable period thereafter as may be necessary for the Party to put itself in the same position that it occupied prior to the Force Majeure, but for no longer period. The Party claiming Force Majeure shall notify the other Parties of the Force Majeure within a reasonable time after the occurrence of the facts relied on and shall keep all Parties informed of all significant developments. Such notice shall give reasonably full particulars of the Force Majeure and also estimate the period of time which the Party will probably require to remedy the Force Majeure. The affected Party shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in an economic manner but shall not be obligated to settle any labor dispute except on terms acceptable to it, and all such disputes shall be handled within the sole discretion of the affected Party. GNPC may not claim Force Majeure in respect of any action or provision of the Government or any agency of the Government and no other Party may claim Force Majeure in respect of any action by such Party or its Affiliates.

18.2 Definition of Force Majeure

For the purposes of this Agreement, ***"Force Majeure"*** shall mean circumstances which were beyond the reasonable control of the Party concerned and shall include strikes, lockouts and other industrial disturbances.

ARTICLE 19
NOTICES

Except as otherwise specifically provided or as may otherwise be specifically agreed by the Unit Operating Committee, all notices authorized or required between or among the Parties by any of the provisions of this Agreement shall be in writing, in English, and delivered in person or by courier service or by facsimile which provides written confirmation of complete transmission, and addressed to such Parties. Oral communication and (except as may otherwise be specifically agreed by the Unit Operating Committee) e-mail do not constitute notice for purposes of this Agreement, and e-mail addresses and telephone numbers for the Parties are listed below as a matter of convenience only. A notice given under any provision of this Agreement shall be deemed delivered only when received by the Party to whom such notice is directed, and the time for such Party to deliver any notice in response to such originating notice shall run from the date the originating notice is received. ***"Received"*** for purposes of this Article 19 shall mean actual delivery of the notice to the address of the Party specified hereunder or to be thereafter notified in accordance with this Article 19. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices be directed to another person at another address, by giving written notice thereof to all other Parties.

Petroleum House
Harbour Road
Private Mail Bag Tema
Accra, Ghana
Attention: Managing Director
Fax: +233 22 202854
Email: nb.asafuadjaye@gnpcghana.com
Telephone: +233 22 204726

Copy to: Director of Operations
Fax: +233 22 202 854
Email: t.manu@gnpcghana.com
Telephone: +233 22 202 843

c/o Kosmos Energy LLC
8176 Park Lane
Suite 500
Dallas, Texas 75231 USA
Attention: Mr. J Matthews, VP & License Manager
Fax: +1 214 445 9705
Email: jmatthews@Kosmosenergy.com
Telephone: +1 214 445 9709

Copy to: Kosmos Energy Ghana HC
Suite 409, Century Yard
Cricket Square, Elgin Avenue
George Town
Grand Cayman KY1-1209
CAYMAN ISLANDS
Attention: Mr. Andrew Johnson
Fax: + 345 946 4090

Tullow Ghana Limited
Del Mina Place
Orphan Crescent
Labone
Osu Accra, Ghana
Attention: President and General Manager, Tullow Ghana
Fax: +233 21 768121
Email: dai.jones@tullowoil.com
Telephone: +233 21 763 600

Copy to: General Counsel, Tullow Oil plc
Fax: +44 208 994 5332
Email: graham.martin@tullowoil.com
Telephone: +44 208 996 1000

Sabre Oil & Gas Holdings Limited
Avenue Louis Casai 18, 5th Floor
CH-1203 Geneva, Switzerland
Attention: David Lampe - Director
Fax: + 41 22 747 7763
Email: david.lampe@sabreoilandgas.com
Telephone: + 41 22 747 7763

Copy to: David Morton - Director
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ARTICLE 20
APPLICABLE LAW - DISPUTE RESOLUTION - WAIVER OF IMMUNITY

20.1 Compliance with Ghana Laws/Regulations

Unit Operations shall be carried out in compliance with the terms of the applicable Ghana Laws/Regulations, the Contracts, the Government Approval and the Acknowledgment. For the avoidance of doubt, if a dispute, controversy or claim is between GNPC and one or more of the other Parties and arises out of, relates to or is connected with either the terms and conditions of the Contract or the Government Approval or the Acknowledgment, that dispute, claim or controversy shall be resolved in accordance with the terms of Article 24 of the applicable Contract or Article 1.10 of the Acknowledgment, as applicable.

The Parties confirm that the enforcement by the Minister, on behalf of the government of the Republic of Ghana, of the unitization of the Jubilee Field Unit pursuant to the Government Approval and/or the Acknowedgment shall be governed by the laws of the Republic of Ghana and shall be resolved in accordance with the terms of Article 1.10 of the Acknowledgment.

20.2 Law of Interpretation

This Agreement shall be interpreted and construed in accordance with the laws of England, exclusive of any conflicts of law principles that could require the application of any other law to such interpretation and construction.

20.3 Dispute Resolution

(A) Notification. Except to the extent a Dispute is to be resolved by an Expert as provided in Article 20.4, a Party who desires to submit a Dispute for resolution shall commence the dispute resolution process by providing the other parties to the Dispute written notice of the Dispute (***"Notice of Dispute"***). The Notice of Dispute shall identify the parties to the Dispute and contain a brief statement of the nature of the Dispute and the relief requested. The submission of a Notice of Dispute shall toll any applicable statutes of limitation related to the Dispute, pending the conclusion or abandonment of dispute resolution proceedings under this Article 20.

(B) Negotiations. Except to the extent a Dispute is to be resolved by an Expert as provided in Article 20.4, the parties to the Dispute shall seek to resolve any Dispute by negotiation among Senior Executives. A ***"Senior Executive"*** means any individual who has authority to negotiate the settlement of the Dispute for a Party. Within thirty (30) Days after the date of the receipt by each party to the Dispute of the Notice of Dispute (which notice shall request negotiations among Senior Executives), the Senior Executives representing the parties to the Dispute shall meet at a mutually acceptable time and place to exchange relevant information in an attempt to resolve the Dispute. If a Senior Executive intends to be accompanied at the meeting by an attorney, each other party's Senior Executive shall be given written notice of such intention at least three (3) Days in advance and may also be accompanied at the meeting by an attorney. Notwithstanding the above, any Party may initiate arbitration proceedings pursuant to Article 20.3(C) concerning such Dispute within thirty (30) Days after the date of receipt of the Notice of Dispute.

(C) Arbitration. Except to the extent a Dispute is to be resolved by an Expert as provided in Article 20.4 (but including under this Article 20.3(C) for the avoidance of doubt, any Dispute as to the interpretation of the Expert procedures under this Agreement or as to whether any Expert proceedings conducted pursuant to this Agreement have conformed to such procedures), any Dispute not resolved by the Parties shall be exclusively and definitively resolved through final and binding arbitration, it being the intention of the Parties that this is a broad form arbitration agreement designed to encompass all possible disputes.

(1) Rules. The arbitration shall be conducted in accordance with the Arbitration Rules of the International Chamber of Commerce (***"ICC"***) (as then in effect) (the ***"Rules"***).

(2) Number of Arbitrators. The arbitration shall be conducted by three (3) arbitrators, unless all parties to the Dispute agree to a sole arbitrator within thirty (30) Days after the commencement of the arbitration. For greater certainty, for purposes of this Article 20.3(C), the commencement of the arbitration means the date on which the claimant's request for arbitration is received by the Secretariat of the International Court of Arbitration of the ICC (***"ICC Court"***).

(3) Method of Appointment of the Arbitrators.

(a) If the arbitration is to be conducted by a sole arbitrator, then the arbitrator will be jointly nominated by the parties to the Dispute. If the parties to the Dispute fail to agree on the arbitrator within thirty (30) Days after reaching agreement to use a sole arbitrator, then the ICC Court shall appoint the arbitrator.

(b) If the arbitration is to be conducted by three (3) arbitrators and there are only two (2) parties to the Dispute, then each party to the Dispute shall nominate one (1) arbitrator within forty five (45) Days of the commencement of the arbitration, and the two (2) arbitrators so nominated shall select the presiding arbitrator within thirty (30) Days after the latter of the two (2) arbitrators has been nominated. If a party to the Dispute fails to nominate its party-nominated arbitrator or if the two (2) party-nominated arbitrators cannot reach an agreement on the presiding arbitrator within the applicable time period, then the

ICC Court shall appoint the remainder of the three (3) arbitrators not yet appointed.

(c) If the arbitration is to be conducted by three (3) arbitrators and there are more than two (2) parties to the Dispute, then within forty five (45) Days of the commencement of the arbitration, all claimants shall jointly nominate one (1) arbitrator and all respondents shall jointly nominate one (1) arbitrator, and the two (2) arbitrators so nominated shall select the presiding arbitrator within thirty (30) Days after the latter of the two (2) arbitrators has been nominated. If either all claimants or all respondents fail to make a joint nomination of an arbitrator or if the party-nominated arbitrators cannot reach an agreement on the presiding arbitrator within the applicable time period, then the ICC Court shall appoint all three (3) arbitrators.

(4) Consolidation. If the Parties initiate multiple arbitration proceedings under this Agreement and/or under any Joint Operating Agreement, the subject matters of which are related by common questions of law or fact, then all such proceedings may be consolidated into a single arbitral proceeding, as determined by the tribunal constituted hereunder. To the extent an arbitral proceeding under this Agreement is consolidated with an arbitral proceeding under a Joint Operating Agreement and there is a conflict between the dispute resolution provisions of this Agreement and such Joint Operating Agreement, the dispute resolution provisions of this Agreement shall prevail. For the avoidance of doubt, as noted above in Article 20.1, if a dispute, controversy or claim is between GNPC and one or more of the other Parties and arises out of, relates to or is connected with either the terms and conditions of the Contract or the Government Approval or the Acknowledgment, that dispute, claim or controversy shall be resolved in accordance with the terms of Article 24 of the applicable Contract or Article 1.10 of the Acknowledgement, as applicable. If the subject matter of such a dispute, controversy and claim and an arbitration proceeding under this Agreement are related by common questions of law or fact, then such proceedings may all also be consolidated into a single arbitral proceeding, as determined by the tribunal constituted hereunder.

(5) Place of Arbitration. Unless otherwise agreed by all parties to the Dispute, the place of arbitration shall be London, England.

(6) Language. The arbitration proceedings shall be conducted in the English language and the arbitrator(s) shall be fluent in the English language.

(7) Entry of Judgment. The award of the arbitral tribunal shall be final and binding. Judgment on the award of the arbitral tribunal may be entered and enforced by any court of competent jurisdiction.

(8) Notice. All notices required for any arbitration proceeding shall be deemed properly given if sent in accordance with Article 19.

(9) Qualifications and Conduct of the Arbitrators. All arbitrators shall be and remain at all times wholly impartial and independent, and, once appointed, no arbitrator shall have any ex parte communications with any of the parties to the Dispute concerning the arbitration or the underlying Dispute other than communications directly concerning the selection of the presiding arbitrator, where applicable. Whenever the parties to the Dispute are of more than one nationality, the single arbitrator or the presiding arbitrator (as the case may be) shall not be of the same nationality as any of the parties or their ultimate parent entities, unless the parties to the Dispute otherwise agree.

(10) Interim Measures. Notwithstanding any requirements for alternative dispute resolution procedures as set forth in Articles 20.3(B) and (C), any party to the Dispute may apply to

a court for interim measures (i) prior to the constitution of the arbitral tribunal (and thereafter as necessary to enforce the arbitral tribunal's rulings); or (ii) in the absence of the jurisdiction of the arbitral tribunal to rule on interim measures in a given jurisdiction. The Parties agree that seeking and obtaining such interim measures shall not waive the right to arbitration. The arbitrators (or in an emergency the presiding arbitrator acting alone in the event one or more of the other arbitrators is unable to be involved in a timely fashion) may grant interim measures including injunctions, attachments and conservation orders in appropriate circumstances, which measures may be immediately enforced by court order. Such grant by the presiding arbitrator acting alone may be set aside by the full panel of arbitrators. Hearings on requests for interim measures may be held in person, by telephone, by video conference or by other means that permit the parties to the Dispute to present evidence and arguments.

(11) Costs and Attorneys' Fees. The arbitral tribunal is authorized to award costs and attorneys' fees and to allocate them between or among the parties to the Dispute. The costs of the arbitration proceedings, including attorneys' fees, shall be borne in the manner determined by the arbitral tribunal.

(12) Interest. The award shall include interest, as determined by the arbitral award, from the date of any default or other breach of this Agreement until the arbitral award is paid in full. Interest shall be awarded at the Agreed Interest Rate.

(13) Currency of Award. The arbitral award shall be made and payable in United States dollars, free of any tax or other deduction.

(14) Consequential or Exemplary Damages. The Parties waive their rights to claim or recover, and the arbitral tribunal shall not award, any Consequential Loss, except to the extent such damages have been awarded to a Person other than the Parties and their Affiliates and are subject to allocation between or among the parties to the Dispute, or any punitive, multiple or other exemplary damage (whether statutory or common law).

(15) Waiver of Challenge to Decision or Award. To the extent permitted by law, any right to appeal or challenge any arbitral decision or award, or to oppose enforcement of any such decision or award, or to refer any question of law, before a court or any governmental authority, is hereby waived by the Parties. Without limiting the generality of the preceding sentence, the Parties agree to exclude any right to appeal any question of law to the courts of England under Section 45 or 69 of the Arbitration Act of 1996.

(16) Privilege. Legal professional privilege, including privileges protecting attorney-client communications and attorney work product of each Party from compelled disclosure or use in evidence, legal advice privilege and litigation privilege, as recognized by the laws governing each Party's relationship with its in-house and its outside counsel, shall apply to and be binding in any arbitration proceeding conducted under this Article 20.3.

(D) Confidentiality. All negotiations, mediation, arbitration, and expert determinations relating to a Dispute (including a settlement resulting from negotiation or mediation, an arbitral award, documents exchanged or produced during a negotiation or Expert determination or mediation or arbitration proceeding, and memorials, briefs or other documents prepared for the arbitration) are confidential and may not be disclosed by the Parties, their employees, officers, directors, counsel, consultants, and expert witnesses, except (in accordance with Article 17.2) to the extent necessary to enforce this Article 20 or any arbitration award, to enforce other rights of a Party, or as required by law; provided, however, that breach of this confidentiality provision shall not void any settlement, expert determination or award.

(E) Acknowledgment Dispute Resolution. Each of the Parties agrees to be bound by the provisions of Article 1.10 of the Acknowledgment with respect to disputes or differences within the scope of that Article.

20.4 Expert Determination

For any determination referred to an Expert under this Agreement, the Parties hereby agree that such determination shall be conducted expeditiously by an Expert selected unanimously by the parties to the Dispute. The Expert is not an arbitrator of the Dispute and shall not be deemed to be acting in an arbitral capacity. The Expert shall not (without the written consent of the parties to the Dispute) be appointed to act as an arbitrator or as adviser to any party to a Dispute arbitrated pursuant to Article 20.3(C), provided that nothing in this sentence shall preclude any party to such a Dispute from using the Expert as a witness regarding the proper conduct of the expert procedure. The Party desiring an Expert determination shall give the other parties to the Dispute written notice of the request for such determination. If the parties to the Dispute are unable to agree upon an Expert within ten (10) Days after receipt of the notice of request for an Expert determination, then, upon the request of any of the parties to the Dispute, the International Centre for Expertise of the ICC shall appoint such Expert. The Expert, once appointed, shall have no ex parte communications with any of the parties to the Dispute concerning the Expert determination or the underlying Dispute. All communications between any Party and the Expert shall be conducted in writing, with copies sent simultaneously to the other parties to the Dispute in the same manner, or at a meeting to which representatives of all parties to the Dispute have been invited and of which such parties have been provided at least five (5) Business Days notice. Within thirty (30) Days after the Expert's acceptance of its appointment, the Party or Parties who referred the matter for resolution under this Article shall provide the Expert with a report containing its or their proposal for the resolution of the matter and the reasons therefor, accompanied by all relevant supporting information and data. Within the same thirty (30) Day period, the respondent Party or Parties shall provide the Expert with a report explaining their proposal and the reasons therefor, accompanied by all relevant supporting information and data. Within sixty (60) Days of receipt of the above-described materials and after receipt of additional information or data as may be required by the Expert, the Expert shall make a determination, which determination shall be consistent with the terms of this Agreement, with respect to each issue submitted to it pursuant to this Article 20.4.

The Expert's determination shall be final and binding on the parties to the Dispute. Any Party that fails or refuses to honor the determination of an Expert shall be in default under this Agreement.

The provisions of Exhibit E shall supersede the provisions of this Article 20.4 with respect to any Expert determination under Exhibit E, to the extent the two are in conflict.

20.5 Waiver of Immunity

Any Party that now or hereafter has a right to claim immunity for itself or any of its assets hereby waives such immunity and agrees not to claim such immunity, in connection with this Agreement, including any Dispute hereunder. This waiver includes immunity from (A) legal process of any sort whatsoever, (B) jurisdiction or judgment, award, determination, order or decision of any court, arbitrator, tribunal or Expert, (C) inconvenient forum, and (D) any effort to confirm, enforce, or execute any decision, settlement, award, judgment, service of process, execution order, attachment (including pre-judgment attachment) or other remedy that results from an expert determination, arbitration or any judicial or administrative proceedings commenced pursuant to this Agreement. Each Party acknowledges that its rights and obligations hereunder are of a commercial and not a governmental nature.

ARTICLE 21
GENERAL PROVISIONS

21.1 Conduct of the Parties

(A) Public Anti Corruption Provisions.

(1) No Party to this Agreement shall knowingly permit or allow, by act or omission, the paying, making, offering, promising, authorizing or causing to pay, make, offer, give, promise or authorize, either directly or indirectly, by it or any of its Affiliates, of any bribe, commission, money, payment, gift (other than promotional and marketing gifts of nominal value), loan, fee, reward, travel, entertainment or transfer of anything of value, to or for the use or benefit of any Official, of a nature and cost which is not permitted under the Anticorruption Legislation, in connection with this Agreement or the operations associated therewith.

(2) Furthermore and without prejudice to the above, each Party, in recognition of the OECD Anti-bribery Principles represents and warrants that it and its Affiliates have not knowingly, either directly or indirectly, paid, made, offered, given, promised, or authorized and will not knowingly pay, make, offer, give, promise or authorize, in connection with this Agreement or the operations associated therewith, any commissions, money, payment, gift (other than promotional and marketing gifts of nominal value), loan, fee, reward, travel, entertainment or transfer anything of value, to or for the use or benefit of any Official for the purposes of:

(a) influencing any act, omission or decision on the part of any such Official, in his or her official capacity;

(b) securing any improper advantage from such Official; or

(c) inducing any such Official to use his or her influence with another Official or Governmental Authority to affect or influence any official act or to direct business to any Person, or to obtain or retain business related to this Agreement;

where such commission, money, payment, gift (other than promotional and marketing gifts of nominal value), loan, fee, reward, travel, entertainment or transfer of anything of value would violate the Anticorruption Legislation applicable to it.

(3) Each Party further represents and warrants that it and its Affiliates have not either directly or indirectly paid, made, offered, given, promised or authorized, and will not pay, make, offer, give, promise or authorize, in connection with this Agreement or the operations associated therewith, to or for the use or benefit of any other Person, any commissions, money, payment, gift (other than promotional and marketing gifts of nominal value), loan, fee, reward, travel, entertainment or anything of value, if the Party or Affiliate knows, has a firm belief or is aware that there is a high probability that the other Person would use the commissions, money, payment, gift (other than promotional and marketing gifts of nominal value), loan, fee, reward, travel, entertainment or anything of value for any of the purposes prohibited by Article 21.1(A)(2).

(4) Each Party further represents and warrants that it and its Affiliates have not either directly or indirectly taken or authorized, and will not take or authorize, any act in connection with this Agreement or the operations associated therewith that could give rise to either civil or criminal liability for any Original Party under any Anticorruption Legislation applicable to such Original Party.

(B) Indemnity. Each Party shall defend, indemnify and hold the other Parties harmless from and against any and all claims, damages, losses, penalties, costs and expenses arising from or related to, any breach by such first Party of such warranties or covenants under Article 21.1(A) (excluding any Consequential Loss or punitive, multiple or other exemplary damages in accordance with Article 20.3(C)(14)). Such indemnity obligation shall survive termination or expiration of this Agreement.

(C) Internal Controls. Each Party agrees, in connection with this Agreement or the operations associated therewith, to (1) maintain adequate internal controls; (2) properly record and report all transactions; and (3) comply with the Anticorruption Legislation applicable to it. Each Party shall be entitled to rely on the other Parties' system of internal controls and record keeping, and on the adequacy of full disclosure of the facts, and transactions and of financial and other data regarding Unit Operations and any other activity undertaken under this Agreement. No Party is in any way authorized to take any action on behalf of another Party that would result in an inadequate or inaccurate recording and reporting of assets, liabilities or any other transaction, or which would put such Party in violation of its obligations under the Anticorruption Legislation or any other laws applicable in connection with this Agreement or the operations associated therewith.

(D) Audit Rights. During the term of this Agreement and for a period of five (5) years thereafter, each Party shall in a timely manner:

(1) respond in reasonable detail as to itself and its Affiliates after reasonable inquiry and investigation to any notice from any other Party reasonably connected with the representations, warranties and covenants set forth in Article 21.1(A) and Article 21.3;

(2) furnish relevant documentary support for such response upon request from such other Party; and

(3) in general, cooperate in good faith with such other Party in determining whether a breach of the representations and warranties has occurred.

(E) Annual Certification. Each Party shall complete an annual certification attesting that, to its knowledge after reasonable inquiry and investigation, neither such Party nor its Affiliates has breached the terms of Article 21.1(A) or Article 21.3 or committed to any act prohibited by the Anticorruption Legislation in connection with this Agreement or the matters which are the subject of this Agreement.

(F) Subcontractors. Unit Operator and each Technical Operator, shall obtain express anticorruption provisions, including where appropriate in the contracting party's opinion, applicable anticorruption legislation provisions, audit rights, termination provisions, and requirements that each Subcontractor obtain similar provisions in any contracts with its subcontractors, in a written agreement with each of its respective Subcontractors retained for the Unit Account.

21.2 Proscribed Persons

Each Party represents and warrants that neither it nor its Affiliates is or shall be on any list of Proscribed Persons, and agrees that, if it or any of its Affiliates is or becomes a Proscribed Person, it shall notify the other Parties to this Agreement as soon as possible after it becomes aware of such fact. A Party or its Affiliate being or becoming a Proscribed Person shall be deemed to be a breach of this Agreement and such Party shall be deemed to be a Defaulting Party subject to the remedies under Articles 10.6, 10.8, 10.9, 10.10 and 10.11, notwithstanding such Party's payment of all amounts owing by it when due under this Agreement and furnishing and maintaining any Security required of it under this Agreement. Such Party will only cease being a Defaulting Party by having itself removed from the list of Proscribed Persons prior to loss of its Project Interest under Article 10.8.

21.3 Private Anti Corruption Provisions

Each Party agrees that neither it, nor its Affiliates nor their respective directors, officers and employees or individual contractors or consultants (natural persons) fulfilling a staff role in such Party's organization, will knowingly, whether directly or indirectly, pay, make, offer, give, promise or authorize, or accept, in connection with this Agreement or the operations associated herewith, any bribe, commission, money, payment, gift (other than promotional and marketing gifts of nominal value), loan, fee, reward, travel, entertainment or transfer of anything of value, to or for the use of any directors, officers and employees or individual contractors or consultants (natural persons) fulfilling a staff role, of any other Party, or any of its Affiliates, or any subcontractor of any tier, for the purpose of:

(A) improperly influencing any act, omission or decision on the part of any such other Party, or its Affiliates, or any such subcontractor of any tier, in connection with this Agreement and the operations associated herewith; or

(B) securing any improper advantage from such other Party, or its Affiliates, or any subcontractor of any tier, in connection with this Agreement or the operations associated herewith.

21.4 Conflicts of Interest

(A) Each Operator undertakes that it shall avoid any conflict of interest between its own interests (including the interests of Affiliates) and the interests of the other Parties in dealing with suppliers, customers and all other organizations or individuals seeking to provide goods or services to the Parties in connection with Unit Operations.

(B) The provisions of the preceding paragraph regarding each Operator shall not apply to: (1) such Operator's performance which is in accordance with the written local preference laws or policies of the Government; (2) such Operator's acquisition of products or services from an Affiliate, or the sale thereof to an Affiliate, made in accordance with the terms of this Agreement; or (3) such Operator's acquisition of goods and services for the benefit of any Tract for which it is Tract Operator.

(C) Unless otherwise agreed by the Parties in writing, the Parties and their Affiliates are free to engage or invest (directly or indirectly) in an unlimited number of activities or businesses, any one or more of which may be related to or in competition with the business activities contemplated under this Agreement, without having or incurring any obligation to the other Parties, including any obligation to offer any interest in such business activities to any Party.

21.5 Public Announcements

(A) Subject to any required approvals under Article 16 of each Contract, Unit Operator shall be responsible for the preparation and release of all public announcements and statements regarding this Agreement or the Unit Operations; provided that no public announcement or statement shall be issued or made unless, prior to its release, all the Parties have been furnished with a copy of such statement or announcement and the approval of at least two (2) Parties which are not Affiliates of Unit Operator holding fifty percent (50%) or more of the Unit Interests not held by Unit Operator or its Affiliates has been obtained. Any Party failing to communicate its vote within three (3) Business Days of receipt shall be deemed to have approved such statement or announcement. Where a public announcement or statement becomes necessary or desirable because of danger to or loss of life, damage to property or pollution as a result of activities arising under this Agreement, Unit Operator and the applicable Tract Operator are authorized to issue and make such announcement or statement without prior approval of the Parties, but shall promptly furnish all the Parties with a copy of such announcement or statement.

(B) If a Party wishes to issue or make any public announcement or statement regarding this Agreement or the Unit Operations, it shall not do so unless, at least three (3) Business Days prior to the release of the public announcement or statement, such Party furnishes all the Parties with a copy of such announcement or statement, and obtains the approval of at least two (2) Parties which are not Affiliates holding fifty percent (50%) or more of the Unit Interests not held by such announcing Party or its Affiliates; provided that, notwithstanding any failure to obtain such approval, no Party shall be prohibited from issuing or making any such public announcement or statement if it is necessary to do so in order to comply with the applicable laws, rules or regulations of any government, legal proceedings or stock exchange having jurisdiction over such Party or its Affiliates as set forth in Article 17.2.

21.6 Successors and Assigns

Subject to the limitations on Transfer and Encumbrances contained in Article 14, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Parties.

21.7 Waiver

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

21.8 No Third Party Beneficiaries

The Contracts (Rights of Third Parties) Act 1999 (the ***"Act")*** shall only apply in respect of any relief from liability, hold harmless, indemnity or benefit expressly granted by Article 7.3(G), Article 7.6(A) and Article 7.6(B) and, without prejudice to those Articles, no Third Party shall otherwise have any right pursuant to the Act to enforce any term of this Agreement. Any rights held by a Third Party hereunder may only be enforced by arbitration in accordance with Article 20.3(C). The consent of a Third Party shall not be necessary for any rescission or variation (including any release or compromise in whole or part of any liability), novation or termination of this Agreement.

21.9 For the avoidance of doubt, notwithstanding the foregoing, the Parties recognise that the Minister, on behalf of the government of the Republic of Ghana, shall have the right to enforce the unitization of the Jubilee Field Unit and rights arising therefrom pursuant to the Government Approval and/or the Acknowedgment which enforcement shall be governed by the laws of the Republic of Ghana and shall be resolved in accordance with the terms of Article 1.10 of the Acknowledgment.***Joint Preparation***

Each provision of this Agreement shall be construed as though all Parties participated equally in the drafting of the same. Consequently, the Parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable to this Agreement.

21.10 Severance of Invalid Provisions

If and for so long as any provision of this Agreement shall be deemed to be judged invalid for any reason whatsoever, such invalidity shall not affect the validity or operation of any other provision of this Agreement except only so far as shall be necessary to give effect to the construction of such invalidity, and any such invalid provision shall be deemed severed from this Agreement without affecting the validity of the balance of this Agreement, but only if the economic or legal substance of the transactions contemplated hereby is not affected in any way that is materially adverse to any Party hereto. In the event that any provision in this Agreement is determined to be invalid or unenforceable, the Parties shall negotiate in good faith to agree upon a valid and enforceable replacement provision that will effectuate the intent of the Parties as set forth herein.

21.11 Modifications

Except as is provided in Article 21.10, there shall be no modification of this Agreement except by written consent of all Parties (without any further approvals being necessary).

21.12 Interpretation

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

(B) Singular and Plural. Reference to the singular includes a reference to the plural and vice versa.

(C) Gender. Reference to any gender includes a reference to all other genders.

(D) Article. Unless otherwise provided, reference to any Article or an Exhibit means an Article or Exhibit of this Agreement, and any reference to an Article or an Exhibit in any Exhibit means an Article or Exhibit of that Exhibit.

(E) Include. ***"include"*** and ***"including"*** shall mean include or including without limiting the generality of the description preceding such term and are used in an illustrative sense and not a limiting sense.

(F) Priority. In the event of a conflict between the body of this Agreement and any Exhibit, the body of this Agreement shall prevail except in the case of matters concerning an Expert, in which case the terms of the applicable Exhibit shall prevail over Article 20.3.

21.13 Counterpart Execution

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

21.14 Entirety

With respect to the subject matter contained herein, this Agreement (i) is the entire agreement of the Parties; and (ii) supersedes all prior understandings and negotiations of the Parties.

IN WITNESS of their agreement each Party has caused its duly authorized representative to execute and deliver this instrument as a deed on the date first written above.

SIGNATURE PAGE FOLLOWS

Signed as a deed on behalf of
GHANA NATIONAL PETROLEUM CORPORATION

By: /s/ Nana Boakye Asafu-Adjaye
Name: Nana Boakye Asafu-Adjaye
Title: Managing Director
Date: 13th July 2009

In the presence of: /s/ Thomas Manu
Name: Thomas Manu
Address: Ghana National Petroleum Corp.
Date: 13th July 2009

Signed as a deed on behalf of
TULLOW GHANA LIMITED

By: /s/ Dai Jones
Name: Dai Jones
Title: President and General Manager
Date: 13/07/09

By: /s/ TULLOW GHANA LIMITED
Name:
Title:
Date:

Signed as a deed on behalf of
KOSMOS ENERGY GHANA HC

By: /s/ KOSMOS ENERGY GHANA HC
Name:
Title:
Date:

In the presence of: Andrew B. Jerman
Name: Andrew B. Jerman
Address: 1717, Arts Plaza, Dallas, Tx 75201
Date: 13-July 2009

Signed as a deed on behalf of
ANADARKO WCTP COMPANY

[Seal]

By: /s/ Donald H. Macliver
Name: Donald H. Macliver
Title: Vice President
Date: 13 July 2009

By: /s/ Charles E. Provost
Name: Charles E. Provost
Title: Vice President
Date: 13 July 2009

Signed as a deed on behalf of
SABRE OIL & GAS HOLDINGS LIMITED

By: /s/ Kofi Esson
Name: Kofi Esson
Title: Attorney In Fact
Date: 13 July 2009

In the presence of: Peter Sloan
Name: Peter Sloan
Address: 6 Park Rd, Selsey, W. Sussex, UK
Date: 13 July 2009

Signed as a deed on behalf of
EO GROUP LIMITED

By: /s/ EO GROUP LIMITED
Name:
Title:
Date:

In the presence of: James Barnes
Name: James Barnes
Address: Houston Texas
Date: 13 July 2009

Exhibit 10.8

NDIAN RIVER

PRODUCTION SHARING CONTRACT

BETWEEN

THE REPUBLIC OF CAMEROON

AND

KOSMOS ENERGY CAMEROON HC

CONTENTS

PREAMBLE

WITNESSETH:

Having regard to Law No. 99/013 of December 22, 1999 instituting the Petroleum Code and its implementing texts, in particular the Petroleum Regulations; and

Whereas, all solid, liquid, or gaseous Hydrocarbons deposits contained in the soil or subsoil of the Territory of Cameroon are and remain the exclusive property of the **STATE**;

Whereas, the **STATE** may authorise commercial companies to carry out Petroleum Operations in furtherance of a Production Sharing Contract entered into between themselves and the **STATE** pursuant to the provisions of the Petroleum Legislation;

Whereas, the **CONTRACTOR** justifies that it has the technical competence and financial ability required to properly carry out the Petroleum Operations;

Whereas, the **CONTRACTOR** or its component entity that has been named as Operator is a Petroleum Company and can demonstrate that it has satisfactory experience as an operator (particularly in areas and under conditions similar to those of the Contract Area), and in the field of environmental protection;

Whereas, the **CONTRACTOR** has been selected to negotiate a Production Sharing Contract with the STATE covering the Ndian River Block, opened to Petroleum Operations, under the provisions of Article 5, paragraph 2 of the Petroleum Regulation;

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

This Production Sharing Contract (hereafter referred to as "this Contract") is hereby made and entered into, pursuant to Law No. 99/013 dated December 22, 1999 instituting the Petroleum Code,

by and between

The Government of the REPUBLIC OF CAMEROON (hereafter referred to as the "STATE"), represented for purposes of this Contract by the Minister of Industry, Mines and Technological Development and by the Executive-General Manager of the National Hydrocarbons Corporation (NHC),

on one hand,

and

the CONTRACTOR, consisting of:

KOSMOS ENERGY CAMEROON HC, a company founded and duly organised under the laws of the Cayman Islands, also acting in its capacity of Operator of the Contract Area, and represented for purposes of this Contract by its President and Chief Executive Officer, Mr. James C. Musselman.

on the other hand,

ARTICLE 1 LEGAL NATURE AND PURPOSE OF THE CONTRACT

1.1 This Contract is a Production Sharing Contract within the meaning of Sections 15 and 16 of the Petroleum Code and is governed by the provisions of the Petroleum Legislation.

1.2 The purpose of this Contract is the Exploration and Exploitation of Hydrocarbons within the Contract Area. During the term of this Contract, the Hydrocarbons produced as a result of the Petroleum Operations shall be shared in accordance with the provisions of Articles 13 and 22 of this Contract.

ARTICLE 2 DEFINITIONS

Subject to the provisions of this article, the terms and expressions defined in the Petroleum Code and in the Petroleum Regulation shall have the meaning given to them in those texts.

For purposes of this Contract, the terms and expressions defined in this Article 2 shall have the following meaning:

2.1 **"AFE"** ("Authorisation for Expenditure"): means a document bestowing authority to incur expenditure according to the provisions of Article 10.7 hereunder, and which is prepared by the Operator and signed by the Parties, each of which retains a copy.

2.2 **"Calendar Year":** means a period of twelve (12) consecutive months, commencing 1 January and ending 31 December, according to the Gregorian calendar.

2.3 **"Fiscal Year":** means a period of twelve (12) consecutive months, commencing 1 January and ending 31 December, according to the Gregorian calendar.

2.4 **"Annexes":** means the following documents which are an integral part of this Contract:

Annex A: Geographic Coordinates of the Contract Area;

Annex B: Accounting Procedure;

Annex C: Participation Agreement;

Annex D: Letter of Guarantee.

2.5 **"Exploitation Authorisation":** means the Exclusive Exploitation Authorisation for Hydrocarbons granted or renewed for the benefit of the CONTRACTOR in accordance with the provisions of Part III, Chapter III of the Petroleum Code.

2.6 **"Exploration Authorisation":** means the Exclusive Exploration Authorisation for Hydrocarbons granted and renewed for the benefit of the CONTRACTOR in accordance with the provisions of Part III, Chapter II of the Petroleum Code.

2.7 **"Domestic Transportation Authorisation":** means the Domestic Transportation Authorisation granted in accordance with Part III, Chapter IV of the Petroleum Code.

2.8 **"Barrel":** means a quantity or unit of Liquid Hydrocarbons (free of water, mud and other sediments) equal to 158.9074 litres at a temperature of 15.56° Celsius and at atmospheric pressure 1.034 kg/cm ^{2}.

2.9 **"Joint Property":** means personal and real property acquired under joint ownership by the Parties and kept by the CONTRACTOR for the purposes of utilization in connection with the conduct of Petroleum Operations.

2.10 **"Budget":** means the forecast estimate of the cost of a Work Programme.

2.11 **"Petroleum Code":** means Law No. 99/013 of December 22, 1999 constituting the Petroleum Code of the Republic of Cameroon, revised and amended, if applicable.

2.12 **"Operating Committee":** means the committee established pursuant to Article 7 of this Contract.

2.13 **"Joint Account":** means the account opened and related books and records maintained by the Operator for the purpose of recording Petroleum Costs.

2.14 **"CONTRACTOR":** means KOSMOS ENERGY CAMEROON HC and any successor or assignee of the rights and obligations of CONTRACTOR under this Contract, and particularly in accordance with Articles 12 and 23 hereunder.

2.15 **"Contract":** means this Production Sharing Contract and its Annexes that form an integral part hereof, as well as any amendments to this Contract and its Annexes to which the Parties may ultimately agree.

2.16 **"Development Costs":** means Petroleum Costs defined as such in Article 2.3 of the Accounting Procedure.

2.17 **"Exploitation Costs":** means Petroleum Costs defined as such in Article 2.4 of the Accounting Procedure.

2.18 **"Petroleum Costs":** means costs incurred by the CONTRACTOR and by the STATE, if applicable, for the performance of Petroleum Operations pursuant to this Contract and to the Accounting Procedure.

2.19 **"Exploration Costs":** means Petroleum Costs defined as such in Article 2.2 of the Accounting Procedure.

2.20 "**Effective Date":** means the date of signature of this Contract.

2.21 **"Date of Production of the First Tonne of Commercial Hydrocarbons":** means the date on which the first tonne of Hydrocarbons extracted from the first Exploitation Area resulting from the Contract will have been placed in a storage unit with the intention of marketing.

2.22 **"Discovery":** means the confirmed existence of an accumulation of liquid or gaseous Hydrocarbons by a well that has penetrated Hydrocarbons-bearing horizons, the existence of which was heretofore not known. Such Hydrocarbons shall be surface-recoverable and measurable by methods of production testing currently in use in the petroleum industry.

2.23 **"Commercial Discovery":** means a Hydrocarbons Discovery from which the CONTRACTOR believes that the expected proceeds of sale of the CONTRACTOR's share of production will cover its past and anticipated future Petroleum Costs and allow a net profit and a return on investment which warrants Exploitation.

2.24 **"Convertible Currency":** means any currency other than the CFA Franc which is freely convertible on international exchange markets, acceptable to the Party who requests a payment in convertible currency.

2.25 **"U.S. Dollar":** means the dollar of the United States of America.

2.26 **"STATE":** means the Republic of Cameroon or any government body or unit duly authorised to manage its petroleum interests, and any Cameroonian public authorities empowered by law to make a decision or to take administrative or regulatory action for the purpose of implementing the provisions of the Petroleum Legislation.

2.27 **"Exploitation":** means the activities intended to extract Hydrocarbons for commercial purposes, especially activities of development, production and related activities, such as Abandonment.

2.28 **"Drilling":** means drilling, coring, casing, perforation, logging, development of drilling fluids and mud programs, side-tracking, deepening or reconditioning of any well, including all well testing and appraisals, and if applicable, sealing and abandonment or temporary completion, with a view to final completion or subsequent abandonment. The term "Drilling" does not include the installation of permanent production equipment or pipelines, but it does include the work necessary for the preparation of the wells' location as well as the mobilisation and demobilisation of the drilling rigs.

2.29 **"Force Majeure":** has the meaning ascribed to it in Article 24 of this Contract.

2.30 **"Natural Gas":** means Hydrocarbons as found in a gaseous state under atmospheric pressure of 1.034 kg/cm ^{2} and at a temperature of 15.56°C including Associated Natural Gas as well as Non-Associated Natural Gas and all its constituent elements.

2.31 **"Hydrocarbons":** means all liquid or gaseous hydrocarbons as found in their natural state, otherwise referred to as Crude Petroleum or Natural Gas, as the case may be, as well as all connected products and substances extracted in association with such hydrocarbons.

2.32 **"Day":** means a period of twenty-four (24) hours beginning at zero hours (00:00) and ending at midnight (24:00).

2.33 **"Petroleum Legislation":** means the Petroleum Code and the Petroleum Regulation, as well as other legislative and regulatory texts in force, that govern Petroleum Operations in Cameroon.

2.34 **"LIBOR":** means the rate of interest known as the "London Interbank Offered Rate" on three (3) month U.S. Dollar deposits as quoted at 11:00 a.m. in London, United Kingdom, by the National Westminster Bank or by any other bank as agreed by the Parties, on the first banking Day of the month for which the interest payment is due and the bank is open.

2.35 **"Operator":** means the entity, a component of the CONTRACTOR, responsible for the conduct and performance of Petroleum Operations as defined in Article 8 of this Contract.

2.36 **"Petroleum Operations":** means all the activities of Exploration, Exploitation and transportation of Hydrocarbons referred to in this Contract, including storage and processing, especially the processing of Natural Gas, as well as the activities of loading or delivery of Hydrocarbons up to the Delivery Point, excluding activities of refining, stocking and distribution of petroleum products.

2.37 **"Participating Interest"** has the meaning given to it in the Participation Agreement attached as Annex C hereto.

2.38 **"Party":** means, respectively, the STATE or the CONTRACTOR. **"Parties":** means the STATE and the CONTRACTOR.

2.39 **"Contract Area":** means the area defined in Article 3 of this Contract.

2.40 **"Appraisal Area":** means the area that is to be the subject of an appraisal study following a Discovery, in accordance with the provisions of Article 11.2 of this Contract.

2.41 **"Exploitation Area":** means all or part of the Contract Area covered by an Exploitation Authorisation.

2.42 **"Exploration Area":** means all or part of the Contract Area covered by an Exploration Authorisation.

2.43 **"Development Period":** means, for any Exploitation Area, the period of the Development and Exploitation Phase beginning on the date of granting of an Exploitation Authorisation and ending on the Date of Production of the First Tonne of Commercial Hydrocarbons.

2.44 **"Production Period":** means, for any Exploitation Area, the period of the Development and Exploitation Phase beginning on the Date of Production of the First Tonne of Commercial Hydrocarbons and ending upon the expiration of the Exploitation Authorisation.

2.45 **"Crude Petroleum":** means, Hydrocarbons as found in a liquid state under atmospheric pressure of 1.034 kg/cm ^{2} (14.7 psia) and at a temperature of 15.56°C, including condensates.

2.46 **"Development and Exploitation Phase":** means the phase covered by an Exploitation Authorisation and determined in accordance with the provisions of Article 4.2 of this Contract.

2.47 **"Exploration Phase":** means the phase covered by an Exploration Authorisation and determined in accordance with the provisions of Article 4.1 of this Contract.

2.48 **"Delivery Point":** means the FOB connection point in the Territory of Cameroon between the loading facilities and the ship, as defined in a development plan, or any other point of transfer adopted by mutual agreement of the Parties.

2.49 **"Accounting Procedure":** means the accounting procedure that appears in Annex B to this Contract.

2.50 **"Available Production":** means the quantities of Hydrocarbons produced from the Contract Area, less those quantities utilised for the Petroleum Operations, flared or reinjected.

2.51 **"Reimbursement Oil"** or "Reimbursement Gas": (commonly known in the industry as "cost oil" or "cost gas") means the portion of the Available Production applied to reimbursement of Petroleum Costs pursuant to the provisions of Article 13 or Article 22 of this Contract as applicable.

2.52 **"Compensation Oil"** or "Compensation Gas" (commonly known in the industry as "profit oil" or "profit gas"): means the remainder of the Available Production, after deducting Reimbursement Oil and/or Reimbursement Gas, which is shared between the STATE and the CONTRACTOR pursuant to the provisions of Article 13 or Article 22 of this Contract as applicable.

2.53 **"Work Programme":** means a plan or written report detailing the specific Petroleum Operations defined in Article 10 of this Contract which are to be carried out by the CONTRACTOR.

2.54 **"Exploration":** means the detailed prospection activities, including but not limited to geological and geophysical studies and surveys, as well as Drilling intended to discover economically exploitable Hydrocarbons deposits, including activities of appraisal and delineation of a Hydrocarbons Discovery thought to be commercial.

2.55 **"Petroleum Regulation":** means Decree No. 2000/465 of June 30, 2000, as revised and amended, if applicable, setting forth the terms of application for Law No. 99/013 of December 22, 1999 constituting the Petroleum Code.

2.56 **"Affiliate":** means a legal entity or entities that controls or is controlled by one of the components of the CONTRACTOR or by a legal entity controlling or controlled by a legal entity that controls one of such components. "Control" means the direct or indirect ownership of the majority of shares with voting rights.

2.57 **"Sub-Contractor":** means the third parties who undertake Petroleum Operations or provide services or goods for the Petroleum Operations on behalf of the CONTRACTOR.

2.58 **"Quarter":** means a period of three (3) consecutive months in accordance with the Gregorian calendar, beginning on the first day of January, April, July and October.

ARTICLE 3 CONTRACT AREA

3.1 The initial Contract Area on the Effective Date includes the block named Ndian River covering a total surface area of approximately two thousand five hundred and ten square kilometers (2510 km^2), as defined by the geographic coordinates shown in Annex A of this Contract. A map showing the boundaries of the Contract Area is shown in Annex A for illustration purposes.

3.2 The total surface area of the Contract Area shall be reduced in accordance with the terms set forth in Article 5 of this Contract, it being understood that, solely for purposes of calculating the reductions foreseen in Article 5, the Contract Area shall be determined by deducting the surface areas covered by any Exclusive Exploitation Authorisation(s).

ARTICLE 4 TERM OF THE CONTRACT

This Contract is entered into for the term of the Exploration Phase and, in the event of Commercial Discovery (ies), for the Development and Exploitation Phase(s) which may derive therefrom, as same are defined in this article.

4.1 Exploration Phase

4.1.1 The initial period of the Exploration Phase shall be three (3) years starting from the Effective Date. In accordance with the 2 nd paragraph of Section 28 (1) of the Petroleum Code, signature of this Contract constitutes the grant of an Exploration Authorisation.

4.1 2 The initial period of the Exploration Phase shall be renewed, at the request of the CONTRACTOR, for two (2) additional periods of two (2) years each. In such case, the renewal is granted to the CONTRACTOR in accordance with the terms provided in Section 28 of the Petroleum Code and Articles 21 and 22 of the Petroleum Regulation, and cannot be refused if the conditions required of the CONTRACTOR by these provisions have been fully satisfied.

4.1.3 Pursuant to Section 28, paragraph 5 of the Petroleum Code, the term of the Exploration Phase, over and above the renewals provided for in Article 4.1.2 above and subject to any extension in the event of Force Majeure pursuant to Article 24.5 hereafter, shall be extended:

(i) for an additional period of time that the Minister in charge of hydrocarbons deems necessary for the CONTRACTOR to complete the current Exploration Drilling, or of the appraisal and delineation of a Discovery, with the granted extension not being less than six (6) months and not exceeding one (1) year. The one (1) year limitation herein may be extended if the Minister in charge of hydrocarbons deems such extension necessary to complete an ongoing appraisal program.

(ii) in the event of a Discovery of Non-Associated Natural Gas, for a term equal to two (2) years, renewable for an equivalent period by the STATE if the CONTRACTOR establishes that an additional extension is necessary for it to find commercial outlets sufficient for a profitable exploitation of the reservoir and to complete ongoing negotiations with the STATE on the special terms for development and Exploitation of Natural Gas according to the provisions set forth in Article 22.3.1 of this Contract.

4.2 Development and Exploitation Phase:

4.2.1 The initial period of the Development and Exploitation Phase is twenty (20) years for Crude Petroleum, starting from the date of granting of the Exploitation Authorisation.

4.2.2 The initial period of the Development and Exploitation Phase referred to in Article 4.2.1 above may be renewed one time for an additional period often (10) years, pursuant to the Petroleum Legislation. The renewal shall be granted if the CONTRACTOR has fulfilled its obligations for such initial period and can demonstrate the possibility of continuing commercial Hydrocarbons production beyond the current validity period.

4.2.3 In the event of Discovery and Exploitation of Non-Associated Natural Gas, the term of the initial period of the Development and Exploitation Phase shall be twenty-five (25) years. This period can be renewed one time for an additional term often (10) years pursuant to the provisions of Section 38 (2) of the Petroleum Code.

ARTICLE 5 SUCCESSIVE RELINQUISHMENTS OF THE CONTRACT AREA

5.1 At the end of the initial period of the Exploration Phase referred to in Article 4.1.1 above, the CONTRACTOR shall relinquish thirty percent (30%) of the Contract Area determined in accordance with Article 3.2 above.

5.2 At the end of the first renewal period of the Exploration Phase referred to in Article 4.1.2 above, the CONTRACTOR shall relinquish twenty percent (20%) of the Contract Area determined in accordance with Article 3.2 above.

5.3 At the end of the second renewal period of the Exploration Phase referred to in Article 4.1.2 above or at the end of the supplementary period referred to in Article 4.1.3 above, whichever is later, the CONTRACTOR shall proceed with the relinquishment of the entire Contract Area, excluding any portion for which an Exploitation Authorisation has been granted or applied for.

5.4 The shape and size of the parcels relinquished pursuant to this Article 5 shall, to the extent reasonably possible, be of simple configuration and of a size sufficient to allow the granting of a new petroleum contract.

ARTICLE 6 MINIMUM WORK PROGRAMME

During the Exploration Phase, the CONTRACTOR undertakes the performance of the following minimum Work Programme, it being understood that the work obligations take precedence over expenditure of the estimated amounts:

6.1 During the initial period of the Exploration Phase of three (3) years:

(a) An aeromagnetic & gravity survey of approximately three thousand five hundred (3500) line kilometers across the Ndian River Block to aid identification of possible volcanics, basement fabrics and trapping geometries. This will reduce reservoir risk associated with high amplitude reflectors in deep prospects.

(b) Geological field work to recover samples of oil seeps and conduct geochemistry studies so as to reduce the gas risk in the Ndian River block.

(c) Selective purchase or reprocessing of existing 2D seismic data within or adjacent to the block to enhance interpretation and thereby reduce risk on structural/ stratigraphic model.

(d) Integrated interpretation of the complete geological and geophysical dataset into an exploration model for the Eastern Rio del Rey basin, as a basis for seismic acquisition in Phase 2.

(e) Seismic acquisition and processing of up to four hundred (400) line kilometers of 2D seismic data subject to a maximum expenditure of five million five hundred thousand U.S. Dollars (US$5,500,000).

Total cost of the above mentioned work is estimated at five million nine hundred thousand U.S. Dollars (US$5,900,000).

6.2 During the first renewal period of the Exploration Phase of two (2) years:

(a) One (1) Exploration well to be drilled in the Contract Area targeting the late Cretaceous or Miocene age reservoirs.

Total cost of the above mentioned work is estimated at six million U.S. Dollars (US$6,000,000).

6.3 During the second renewal period of the Exploration Phase of two (2) years:

a) One (1) Exploration well to be drilled in the Contract Area targeting the late Cretaceous or Miocene age reservoirs.

Total cost of the above mentioned work is estimated at six million U.S. Dollars (US$ 6,000,000).

6.4 At the beginning of the initial period of the Exploration Phase and thereafter at the beginning of each additional period, the CONTRACTOR shall furnish to the Operating Committee a bank guarantee consistent with that in Annex D of this Contract, for an initial amount equal to the estimated cost of the minimum Work Program to be completed during such period in accordance with Articles 6.1, 6.2 and 6.3 of this Contract. The STATE may call such guarantee in the event of non-performance of the minimum Work Program which it covers, and such guaranty shall be reduced or terminated, all in accordance with the terms specified in said guarantee.

6.5 The CONTRACTOR may interrupt a Drilling which has not reached the depth and/or deepest geologic objective envisioned by the corresponding minimum Work Programme if the CONTRACTOR has encountered petroleum bearing strata, which, according to the CONTRACTOR, constitute a Discovery. In such case, the well drilled shall nonetheless be considered an Exploration well within the framework of the corresponding minimum Work Programme.

6.6 The CONTRACTOR may suspend a Drilling that has not reached the depth or the deepest geologic objective envisioned by the corresponding Work Programme if it has encountered technical Drilling difficulties which in the CONTRACTOR'S opinion, and based on generally accepted practices in the international petroleum industry, justify the suspension. In such case, the Operating Committee shall either deem the CONTRACTOR to have fulfilled the work obligations concerning the well in question, or it shall define an adequate and reasonable substitute work obligation. Any dispute arising from this article which cannot be resolved between the Parties shall be resolved by expert as provided in Article 27.2.

6.7 All work carried out by the CONTRACTOR beyond the minimum Work Programme provided for in any period of the Exploration Phase shall be credited to the minimum Work Programme for the following period of the Exploration Phase.

6.8 If the minimum Work Programme for any period of the ongoing Exploration Phase has been performed during the preceding period of the Exploration Phase, the CONTRACTOR shall nevertheless undertake to carry out in the Exploration Area, during such ongoing period, work that may consist of geophysical or geological work as determined by the CONTRACTOR with the objective to farther define the prospectivity of the Exploration Area.

6.9 The estimated expenditure amounts set forth in Articles 6.1, 6.2 and 6.3 above are expressed in constant U.S. Dollars for the month of the Effective Date, and shall be revised at the end of each Calendar Year starting from the Effective Date, in order to reflect the actual value of the estimated expenditure amounts for purposes of Article 6.9.1 hereafter, in accordance with the method set forth in Article 6.9.2 below:

6 9.1 At the end of each Calendar Year, starting from the Effective Date, the Exploration Costs actually incurred by the CONTRACTOR during such Calendar Year shall be deducted from the total amount of the CONTRACTOR'S estimated expenditure amounts for purposes of Article 6.9.2 hereafter for the current period of the Exploration Phase.

6.9.2 The amount remaining after the deduction referred to in Article 6.10.1 above shall be revised each Calendar Year by multiplying it by the factor:

In / Inl

Where:

"In": is the inflation index shown in the monthly index of "US Consumer Prices", revised quarterly, as it appears in the publication "International Financial Statistics" of the International Monetary Fund for the month in the Calendar Year during which the adjustment is made, corresponding to the month of the Effective Date;

"In1": is inflation index shown in the monthly index of "US Consumer Prices", revised quarterly, as it appears in the publication "International Financial Statistics" of the International Monetary Fund for the month of the Calendar Year, corresponding to the month of the Effective Date, preceding the Calendar Year during which the adjustment in question is made.

6.10 It is understood that the monetary value of the work referred to in Articles 6.1, 6.2 and 6.3 above are shown in this Contract for reference purposes only and solely for determining the indemnity due pursuant to Section 30 of the Petroleum Code. It does not constitute a minimum expenditure obligation, the CONTRACTOR'S obligation being defined only in the work obligations of the minimum Work Programme set forth in said articles.

ARTICLE 7 OPERATING COMMITTEE

7.1 The Operating Committee shall be responsible for the supervision of the Petroleum Operations. The STATE and the CONTRACTOR shall each appoint one (1) full member and one (1) substitute member to the Operating Committee. The substitute members may not vote except in the absence of the full member. Within forty-five (45) Days of the Effective Date, the STATE and the CONTRACTOR shall each notify to the other Party the name of its full member and the substitute member it has appointed to the Operating Committee. Any Party's full member or substitute member may be replaced by said Party after having notified the other Party accordingly. Each Party may bring to the Operating Committee meetings advisors or experts whose presence it considers desirable and which in any event shall be limited to five (5), unless the Parties agree beforehand on another number. Each full member, or, in the absence of a full member, its substitute member, shall be deemed duly authorised to represent and to bind the Party appointing him on any subject which is within the jurisdiction of the Operating Committee.

Each entity comprising the CONTRACTOR may send an observer, who shall not have voting rights, to the meetings of the Operating Committee.

7.1.1 The CONTRACTOR shall be responsible for the drafting of the minutes of the meeting, including a record of the decisions made in the meeting, which shall be submitted to the Parties for approval at the end of the meeting. The minutes shall be submitted to the Parties for their comments and approval within fifteen (15) days following the holding of the Operating Committee meeting.

7.1.2 The Operating Committee shall meet at the request of a Party, but in any event, at least every six (6) months, by notification containing the desired agenda, the date, time and place of the planned meeting, sent by one Party to the other Party with at least fifteen (15) Days' prior written notice before the expected date of the meeting. Each Party shall have the right to add topics to the agenda by notifying the other Party at least seven (7) Days prior to the expected date of the meeting. No decision may be made at a meeting on a subject matter that was not written into the agenda for such meeting, unless all Parties shall otherwise unanimously agree thereto. The CONTRACTOR shall prepare all documents necessary to review the items on the agenda.

7.1.3 Each Party shall have one (1) vote on the Operating Committee. The Operating Committee may not validly deliberate unless each of the Parties is represented by a full member or by its substitute member. In the event that a member representing each Party is not present at the time of a meeting of the Operating Committee, the meeting of the Operating Committee shall be postponed to a date set within the next eight (8) Days. The representative who was present must notify the Parties of the new meeting date as well as the time and place where it will be held.

7.1.4 The Operating Committee shall be free, if necessary, to engage experts from time to time in order to carry out special tasks.

7.1.5 Notwithstanding the requirements in Article 7.1.2 above, in the event that a decision that falls within the jurisdiction of the Operating Committee is required while there is a rig standing by or for any other event that requires an immediate response or in which case delay results in significant expense, the Operating Committee may conduct its meeting and execute its vote by fax or email.

7.2 Subject to the provisions of Article 7.3 below, the Operating Committee:

7.2.1 Shall approve all Work Programmes and corresponding Budgets and all amendments that may be made thereto, and shall make certain that the insurance coverage of the Parties is consistent with generally accepted practices in the international petroleum industry and adequate with regard to risks incurred;

7.2.2 Shall approve the methods and procedures established by the Operator to be followed for the efficient conduct of the Petroleum Operations;

7.2.3 Shall have the right, and following the giving of reasonable prior written notice, to access the administrative offices and the work sites of the Petroleum Operations. Such visits, for which the dates and agenda are set by agreement with the Operator, which agreement cannot be withheld without valid reason, must not hamper the normal and safe conduct of

Petroleum Operations and shall in any event be at the sole risk and expense of the represented Party(ies).

7.3 Subject to the provisions of this Article 7, all decisions of the Operating Committee shall be unanimous and shall bind the STATE and the CONTRACTOR.

7.3.1 If unanimity cannot be reached, the Operating Committee shall reconvene within fifteen (15) Days in order to settle the unresolved issue. This period may be shortened in case of an emergency.

7.3.2 Notwithstanding the foregoing, the decisions of the Operating Committee shall not require unanimity in the following cases:

(i) The STATE shall not have the right to veto decisions or withhold approval pertaining to the Petroleum Operations conducted by the CONTRACTOR pertaining to an Exploration Authorisation, provided that the proposals are not considered to be contrary to current practices and operations in the international petroleum industry;

(ii) Any decision pertaining to applications for granting, renewal or relinquishment of Exploration Authorisations, Exploitation Authorisations and Domestic Transportation Authorisations shall be made solely by the CONTRACTOR;

(iii) The decision to appraise and/or develop a Discovery shall be the CONTRACTOR'S decision alone;

(iv) if unanimity cannot be reached on the adoption of the development and production plan and its corresponding Budget, the CONTRACTOR'S proposals shall be deemed to have been duly approved by the Operating Committee, subject to any Party's right of recourse, at its own expense, to expertise pursuant to the provisions of Article 27.2 hereafter if the said Party believes that adjustments should be made to the development and production plan on matters pertaining to the environment, security, costs, planning or ultimate recovery or that the plan in question is not consistent with the current generally accepted practices in the international petroleum industry. In such case, and unless the Parties agree otherwise, the development and production plan and its corresponding Budget shall be made to conform to the expert's conclusions and be deemed approved by the Parties. The expert's expenses shall be considered Petroleum Costs.

ARTICLE 8 RIGHTS AND OBLIGATIONS OF THE CONTRACTOR

8.1 The CONTRACTOR is responsible for the conduct and performance of the Petroleum Operations in the Contract Area during the term of the Contract, pursuant to the Work Programmes and corresponding Budgets approved by the Operating Committee, the provisions of this Contract and of the Petroleum Legislation, as well as the generally accepted practices of the international petroleum industry.

8.2 The rights and obligations of the CONTRACTOR include the following, without limitation:

8.2.1 The preparation and submission of the Work Programmes and corresponding Budgets, for the purpose of enabling the Operating Committee to make its decisions, including any revisions or amendments which may be made to same.

8.2.2 The obligation to supply the STATE, as soon as possible, with information, documentation and data pertaining to the Petroleum Operations, except for technical usage deriving from the CONTRACTOR'S proprietary know-how. Concerning cores and other data acquired within the framework of the Petroleum Operations and which cannot be duplicated, said data shall be conserved by the CONTRACTOR, available to be consulted by the STATE and furnished to the STATE when it is no longer useful for the conduct of the Petroleum Operations and at the latest before the expiry date of the Contract.

8.2.3 The right, during the term of this Contract, to dispose of and to freely export, without having to post bond or a guarantee, its share of Hydrocarbons as provided for in Articles 13 and 22 of this Contract. The CONTRACTOR shall be required to fulfill all administrative formalities required by the current Petroleum Legislation for the purposes of such disposal and export.

8.2.4 Application for and obtaining, within the framework of the current legislation, all rights governing the utilisation of radio frequencies and other means of communication, all movements of aircraft, land vehicles or small craft, landing fields, routes, housing for personnel, warehouses, equipment for reception of freight, loading platforms and any other equipment which the CONTRACTOR may need in order to carry out the Petroleum Operations.

8.2.5 The right to freely utilise, for the conduct and performance of the Petroleum Operations, its personnel and the products and services of its Affiliates, regardless of location. The utilisation of such personnel and the products and services of its Affiliates should be at rates that conform to general rates charged by Petroleum Operators of international reputation working for petroleum operations in conditions similar to those in the Gulf of Guinea region of West Africa.

8.3 The CONTRACTOR is required to:

8.3.1 Complete the minimum Work Programme in accordance with the terms of Article 6 of this Contract;

8.3.2 Comply with the decisions of the Operating Committee;

8.3.3 Pay all invoices related to Petroleum Operations on a timely basis;

8.3.4 Acquire all permits, permissions, approvals, and easements for access or occupancy that may be necessary in order to carry out the Petroleum Operations under the provisions of the Petroleum Legislation;

8.3.5 Be responsible for the safekeeping of all Joint Property; and

8.3.6 Pay to whom owed any taxes, fees and other miscellaneous payments provided for in this Contract and by current Petroleum Legislation.

8.4 Without prejudice to the provisions of the Petroleum Legislation, particularly those of Title XIX of the Petroleum. Regulation pertaining to insurance, the CONTRACTOR shall address any claim or litigation arising from the Petroleum Operations, other than claims and litigation which may arise between the Parties (including between those entities constituting the CONTRACTOR), and may settle or resolve any well founded claim or dispute which involves an amount not exceeding one hundred thousand U.S. Dollars (US$100,000), lawyers' fees not included, without referring the matter to the Operating Committee. The CONTRACTOR shall obtain the prior consent of the Operating Committee for the settlement of any dispute which involves an amount greater than one hundred thousand U.S. Dollars (US$100,000).

If a dispute should arise between the STATE and a third party in relation to the Petroleum Operations, or which impact upon same, the STATE shall promptly notify the CONTRACTOR in writing. The CONTRACTOR shall either defend against the claims of the third person or settle same, pursuant to the instructions which it will have received from the Operating Committee, it being understood that during the Development and Exploitation Phase, the amount of the damages and legal expenses connected thereto shall be chargeable to the Joint Account.

8.5 In the event services or goods are provided to the Petroleum Operations by a third party other than the Operator or its Affiliates, the forecast cost or estimate of which exceeds four hundred thousand U.S. Dollars (US$400,000) during the Exploration Phase or five hundred thousand U.S. Dollars (US$500,000) during the Development and Exploitation Phase, or if the cost exceeds any amount set by the Operating Committee, the Operator shall, except for valid reasons, proceed with a call for bids.

8.6 The Contractor shall bear all the direct or indirect consequences of civil liability it incurs due to any damages caused to third parties by it in the conduct of Petroleum Operations. As such it shall indemnify, defend and hold the STATE harmless against all third party claims.

The CONTRACTOR shall bear the consequences of any damage caused to the STATE arising directly from the partial or total non-performance of its contractual obligations pursuant to this Contract, except for any damages not arising directly from such non-performance. The CONTRACTOR shall not be liable towards the STATE for damage to the environment that may have existed in the Contract Area prior to the Effective Date, or any indirect losses or for any losses caused wholly or partly by any act or omission of the STATE, regional or local government entities.

ARTICLE 9 RIGHTS AND OBLIGATIONS OF THE STATE

9.1 Rights of the STATE:

The STATE is entitled to require that the CONTRACTOR fulfill its obligations under this Contract. If the STATE determines that the CONTRACTOR is in breach of the provisions identified in Article 28.1 or of its obligations as identified in Article 49 of the Petroleum Regulation, the STATE shall provide it written notice specifying the noted performance failures in. the Petroleum Operations according to the provisions set forth in, *mutatis mutandis,* Articles 28.1, 28.2, 28.3 and 28.4 hereafter.

Pursuant to Article 50 of the Petroleum Regulation, if such formal notice is not responded to, the STATE may carry out the work that is necessary in order to fulfill the obligations identified in Article 49 of the Petroleum Regulation, at the expense of and for the account of the CONTRACTOR.

9.2 Obligations of the STATE:

9.2.1 The STATE shall take any steps necessary intended to facilitate the activities of CONTRACTOR and its Sub-contractors. At the request of either, such assistance applies to the following matters, without limitation:

9.2.1.1 obtaining authorisations for the utilisation and installation of the means of transportation and communication, in particular the Domestic Transportation Authorisation;

9.2.1.2 obtaining required authorisations in customs and import-export matters;

9.2.1.3 obtaining for the expatriate personnel working in Cameroon and for members of their families, visas, work permits or residence cards and any other administrative authorisations which may be necessary in order to carry out this Contract;

9.2.1.4 obtaining required authorisations for transmitting abroad, if applicable, documents, data or samples for purposes of analysis or processing as required for the Petroleum Operations;

9.2.1.5 relations with the administration and local authorities;

9.2.1.6 obtaining, as part of its completed application including documents and items required by legislation and regulations in force, approvals which are necessary for the conduct of Petroleum Operations;

9.2.1.7 any other subject which lends itself to assistance by the STATE, particularly in the areas of public safety and order, within the framework of the current legislation and regulations; and

9.2.1.8 access to and use of land required for Petroleum Operations in accordance with Part IV of the Petroleum Code and Title VIII of the Petroleum Regulation.

9.2.2 The STATE guarantees to the CONTRACTOR, to each entity comprising the CONTRACTOR and to assignees of the CONTRACTOR:

9.2.2.1 The stability of the economic and tax regime of the Petroleum Operations within the conditions set forth under Article 29 of this Contract;

9.2.2.2 Non-discrimination towards them in the application of legislative or regulatory provisions as compared to any other commercial company carrying out petroleum operations in the Territory of Cameroon under the conditions set forth in Article 29 of this Contract.

9.2.2.3 Free choice of their contractors, suppliers and service providers, subject to the provisions of Articles 8.5 above and 18 hereafter.

ARTICLE 10 WORK PROGRAMMES AND BUDGETS

10.1 Within three (3) months following the Effective Date, the CONTRACTOR shall submit to the Operating Committee the appropriate Work Programme and Budget for the portion of the Calendar Year not yet elapsed.

10.2 Prior to 30 September of each Calendar Year, the CONTRACTOR shall submit for review to the Parties a proposed Work Programme and corresponding Budget for the following Calendar Year.

The Parties shall notify the CONTRACTOR before the 1st of November of each Calendar Year, either their agreement or their reservations and any modifications and supplements which they would like to have adopted, all of which shall be supported by detailed documentation.

10.3 The CONTRACTOR shall submit to the Operating Committee, prior to 30 November of each Calendar Year, the Work Programme for the following Calendar Year. After review, revision and supplement, if applicable, the final Work Programme and corresponding Budget shall be adopted by the Operating Committee pursuant to Article 7 of this Contract, and not later than 15 December, or by any other date agreed to by the Parties.

10.4 The Work Programme and corresponding Budget transmitted to the Operating Committee shall include a technical and financial description of each type of Petroleum Operation as well as the schedule for the work.

The Work Programme and corresponding Budget may include, as applicable and without limitation:

10.4.1 Exploration Phase:

- geological, geophysical and/or geochemical studies;
- surface geology;
- seismic, gravimetric or magnetometric acquisition work;
- processing and reprocessing of seismic data as well as its subsequent interpretation;
- planned laboratory analyses;
- the Drilling operations planned (by number of wells, rig months, metres drilled and cost);
- necessary logistical support (by cost);

- professional training programme for Cameroonian nationals other than those employed by the CONTRACTOR;
- other.

10.4.2 Development and Exploitation Phase

10.4.2.1 Development Period:

- studies preliminary to the Development project:
- planned Drilling;
- necessary plant and equipment;
- dimensions of structures and other necessary facilities;
- proposed professional training programme;

10.4.2.2 Production Period:

- studies;
- well completions and reconditioning of development wells;
- production infrastructures;
- production equipment;
- maintenance work, painting work, other;
- proposed professional training programme;
- the estimated date for submission of the Abandonment Plan or, if applicable, the updated Abandonment Plan;

The Budget shall be broken down for each Petroleum Operation in accordance with this Article 10.4 and consistent with the Accounting Procedure.

10.5 The Budget shall be expressed in U.S. Dollars.

10.6 The documentation which shall be submitted to the Operating Committee for detailed review of the Budget shall include, as applicable:

10.6.1 A detailed statement of Petroleum Operations to be carried out during the period under consideration as well as corresponding investments;

10.6.2 A detailed statement of Exploitation Costs;

10.6.3 A forecast production statement;

10.6.4 A summary of the above-mentioned statements;

10.6.5 All maps, blueprints and technical reports supporting the planned Work Program.

These statements shall be annotated and shall highlight the principal assumptions made.

10.7 In performance of the resolutions and decisions of the Operation Committee, the CONTRACTOR shall submit to the Parties, for prior approval, an AFE for each budget item pertaining to (i) any Development Cost and (ii) Exploitation Costs for large maintenance projects, surface facilities and wells, which necessitate a capital expenditure in the approved Work Program and corresponding Budget which exceeds five hundred thousand U.S. Dollars (US$500,000).

10.8 When necessary in order to finish an operation that was included in the approved Work Programme, the CONTRACTOR may exceed the budgeted amount in question.

The CONTRACTOR shall promptly inform the Parties of such excess, and furnish all necessary explanations and supporting documentation.

When the excess is greater than ten percent (10%), the CONTRACTOR shall inform the Parties of such excess and, subject to the preceding paragraph, obtain their prior approval while providing all necessary explanations and supporting documentation.

10.9 In the event of a change in circumstances necessitating that changes be made to an annual Work Programme and corresponding Budget, the CONTRACTOR may make necessary revisions, provided that:

10.9.1 Regarding revisions to a Work Programme and corresponding Budget during the Exploration Phase:

- the revisions may not exceed ten percent (10%) or one hundred thousand U.S. Dollars (US$100,000), whichever is greater, of the Budget item to which they relate within the context of the approved Budget, and the total of such revisions do not exceed five percent (5%) of the total amount of the approved Budget;

- such revisions shall be consistent with the obligations of the CONTRACTOR referred to in Article 6 of this Contract and with the general objective set forth in such Work Programme and Budget.

10.9.2 Regarding modifications to a Work Programme and corresponding Budget during the Exploitation Phase:

- the revisions do not exceed seven point five percent (7.5%) or two hundred thousand U.S. Dollars (US$200,000), whichever is greater, of the Budget item to which they relate within the context of the approved Budget, and that the total of such revisions do not exceed two point five percent (2.5%) of the total amount of the approved Budget;

- such revisions shall be consistent with the provisions of this Contract and with the general objective set forth in said Work Programme and Budget.

10.9.3 Beyond these limits, any other revision shall receive the approval of the Operating Committee before it may be implemented.

10.9.4 The limits imposed by this article may be revised by a decision of the Operating Committee.

10.10 Notwithstanding anything contained in this Article, in the event of an emergency, the CONTRACTOR may incur expenses and take immediate measures that it judges necessary in order to protect persons or property and to prevent pollution. The CONTRACTOR shall inform the Parties of such an expense within forty-eight (48) hours of the emergency event.

ARTICLE 11 APPRAISAL OF A DISCOVERY; COMMERCIAL DISCOVERY

11.1 As soon as a Discovery is confirmed, the CONTRACTOR shall so notify the Parties as soon as possible and not later than fifteen (15) days following the Discovery. Within sixty (60) Days following the confirmation of its existence, the CONTRACTOR shall submit to the Operating Committee a report concerning the Discovery that shall contain all available details.

11.2 Not later than six (6) months following the notification of the Discovery and if the CONTRACTOR considers that the Discovery qualifies for appraisal, the CONTRACTOR shall submit to the Operating Committee an appraisal Work Programme and corresponding Budget for the purpose of evaluating as soon as reasonably possible whether the Discovery in question constitutes a Commercial Discovery.

Such appraisal Work Programme shall include an indication of the location of the Discovery, its type and the designation of the Appraisal Area, as well as an estimate of the possible recoverable reserves.

The appraisal Work Programme shall also include all appraisals, tests and Drilling to be conducted in the Appraisal Area as well as the preparation of all economic and technical studies connected with the recovery, processing and transportation of the Hydrocarbons from the Appraisal Area. Unless there is express written consent from the Operating Committee, the term of such appraisal Work Programme shall not exceed the remaining portion of the Exploration Phase as defined in this Contract, without prejudice to the provisions of Article 4.1.3 above.

The performance of the obligations under an appraisal Work Programme and corresponding Budget shall not relieve the CONTRACTOR of any of its work obligations for the Exploration Phase as defined in Article 6 of this Contract.

11.3 If the STATE does not request in writing amendments to the appraisal Work Programme and corresponding Budget for the Appraisal Area within thirty (30) Days following receipt of such programme, it shall be deemed to have been approved and adopted by the Operating Committee.

If the STATE submits in writing a request for amendments to be made to the appraisal Work Programme and corresponding Budget for the Appraisal Area, such amendments shall be consistent with the practices in current use in the international petroleum industry. The Operating Committee shall meet within fifteen (15) Days following the request for amendments to study the requested amendments to the appraisal Work Programme and corresponding Budget, and, if agreed, the amended Work Programme and corresponding Budget shall be approved and adopted by the Operating Committee in accordance with the provisions of Article 7.3 above. If the CONTRACTOR does not respond to the request for amendments submitted by the STATE within

thirty (30) Days after receipt, the proposed amendments shall be deemed to have been accepted and shall be incorporated into the appraisal Work Program and corresponding Budget.

If the CONTRACTOR disagrees with the amendment request submitted by the STATE, the Parties shall have one hundred and twenty (120) Days after the request for amendments by the STATE to agree to the Work Programme and Budget proposed by CONTRACTOR. Failing agreement within such time period, the CONTRACTOR's proposal shall be deemed accepted, subject to the STATE submitting the dispute for settlement by an expert pursuant to Article 27.2 hereafter.

11.4 After the adoption of the appraisal Work Programme and the corresponding Budget, the CONTRACTOR shall diligently pursue its appraisal of the Discovery until it determines whether or not the Discovery is a Commercial Discovery.

Within thirty (30) Days following the completion of the appraisal work and in any event, subject to Article 11.2 above, prior to the expiration of the Exploration Phase, the CONTRACTOR shall submit to the Operating Committee for approval the Discovery report and plan of development and production referred to in Article 27 of the Petroleum Regulation.

11.5 If the Operating Committee decides not to undertake appraisal work, the CONTRACTOR may decide either:

- to plug and abandon the well in accordance with the current generally accepted practices in the international petroleum industry and the environmental protection plan contemplated in Article 21.1.1; or

- to postpone the decision to undertake other work on the well and on the Discovery.

11.6 If the CONTRACTOR considers that the Discovery constitutes a Commercial Discovery, the Discovery report referred to in Article 11.4 above, together with all documents required by the Petroleum Legislation for the granting of an Exploitation Authorisation, shall be submitted to the Minister in charge of hydrocarbons for purposes of granting the Exploitation Authorisation, and such Exploitation Authorisation, shall be granted in accordance with the provisions of the Petroleum Legislation.

In accordance with Section 40 of the Petroleum Code, the CONTRACTOR has the right to proceed with Exploitation of the said Discovery after having obtained the necessary Exploitation Authorisation according to the procedures defined in the Petroleum Code and the Petroleum Regulation.

11.7 After the approval by the Operating Committee of the development and production plan submitted under the provisions of the Title V of the Petroleum Regulation and pursuant to Article 11.4 above, the CONTRACTOR shall submit to the Operating Committee within ninety (90) Days from the start of the Development and Exploitation Phase a detailed statement of the Exploitation Work Programme and corresponding Budget for the first Calendar Year of the Development and Exploitation Phase and for the remaining portion of the year which precedes such Calendar Year.

ARTICLE 12 PARTICIPATION OF THE STATE

12.1 Pursuant to Section 6 of the Petroleum Code, the STATE, or a government body or unit that is duly authorised for such purpose, may take a participating interest share ("Participating Interest") in Petroleum Operations related to Exploitation which is the subject of this Contract. Election to participate in accordance with this provision shall be determined for each Exploitation Authorisation separately. The STATE's Participating Interest so elected in any Exploitation Authorisation may not be less than five percent (5%) nor greater than fifteen percent (15%), at the choice of the STATE.

12.2 The STATE shall notify the CONTRACTOR of its decision to participate in such Petroleum Operations within sixty (60) Days following the approval by the Operating Committee of the development and production plan for the relevant Exploitation Area, said period to be reduced by as many Days as necessary so that its term ends at least ninety (90) Days before the expiration of the validity period of the current Exploration Authorisation. Such notification shall also indicate the percentage of Participating Interest to be held by the STATE and the identity of the government body or unit that shall hold such Participation.

12.3 If the STATE decides to participate in the such Petroleum Operations:

12.3.1 The STATE or the government body or unit shall be the co-holder of a Participating Interest in the corresponding Exploitation Authorisation.

12.3.2 The participation of the STATE shall take effect starting from the date of the grant of the Exploitation Authorisation for the Exploitation Area concerned.

12.3.3 Within two (2) months following the notification by the STATE of its decision to participate in the Petroleum Operations in accordance with Article 12.2 above, the STATE or the government body or unit authorised for such purpose and the CONTRACTOR shall enter into a Participation Agreement consistent with the model in Annex C of this Contract.

12.3.4 Without prejudice to the provisions of Article 12.4.2 hereafter, within thirty (30) Days following the end of the Quarter during which the STATE notifies the CONTRACTOR of its decision to participate in the Petroleum Operations, the STATE shall reimburse, without interest, its Participating Interest share of the Development and Exploitation Costs incurred by the CONTRACTOR in the performance of Petroleum Operations in relation to the Exploitation Area.

12.4 Notwithstanding Article 12.3.2, as from the date of notification of its participation for each Exploitation Area pursuant to Article 12.2 above, the STATE or the government body or unit authorised for such purpose:

12.4.1 Shall have voting rights corresponding to its Participating Interest for any decision made under the Participation Agreement;

12.4.2 Shall assume the responsibility for paying its Participating Interest share of all costs and expenses incurred for the Exploitation of the relevant Exploitation Area; except for those stated in Article 15.3 and Article 19.1 hereunder, which shall remain for the account of the other entities comprising the CONTRACTOR;

12.4.3 Shall lift its Participating Interest share of Available Production;

12.4.4 Shall be, to the extent of its Participating Interest, considered as an entity of the CONTRACTOR, and for purposes of this Contract, the share of the STATE in the Reimbursement Oil and the Compensation Oil shall be treated as being a part of the production share to which CONTRACTOR is entitled, to the extent that such share is acquired in application of the provisions of this Article 12.

ARTICLE 13 RECOVERY OF PETROLEUM COSTS AND PRODUCTION SHARING

13.1 Recovery of Petroleum Costs

13.1.1 Starting from the Date of Production of the First Ton of Commercial Hydrocarbons, the CONTRACTOR shall market all of the production of Crude Oil obtained from the Contract Area, pursuant to the provisions defined below, with the exception of the share to which the STATE is entitled and which it decides to take in kind in accordance with Article 13.4 below.

13.1.2 For the recovery of Petroleum Costs, the CONTRACTOR may lift for each Calendar Year its Reimbursement Oil, which shall in no event be greater than sixty percent (60%) of the Available Production of Crude Oil, or only such smaller percentage as is necessary and sufficient to allow for recovery of the Petroleum Costs.

13.1.3 The recovery of Petroleum Costs by the Contractor shall be guaranteed in the following order:

- Exploitation Costs of the current Calendar Year;
- Development Costs;
- Exploration Costs on a first in, first out basis.

13.1.4 The value of the Reimbursement Oil, defined in the Article 13.1.2 above, shall be calculated pursuant to the provisions of Article 16 of this Contract.

13.1.5 If during a Calendar Year the Petroleum Costs not yet recovered by the CONTRACTOR from the Contract Area in application of the provisions of this Article 13.1 exceed the equivalent in value of sixty percent (60%) of the Available Production of Crude Oil, calculated pursuant to the preceding paragraph, the remainder of Petroleum Costs which are not recovered shall be carried forward to the following Calendar Year(s) until total recovery of the Petroleum Costs or until this Contract terminates.

13.2 Production Sharing

The Compensation Oil shall be shared between the STATE and the CONTRACTOR as a function of the value of the "R" factor defined hereafter:

Value « R »	STATE Share, %	CONTRACTOR Share, %
Less than 0.25	15	85
From 0.25 to 0.50	20	80
From 0.50 to 1.00	25	75
From 1.00 to 1.50	40	60
From 1.50 to 2.00	45	55
From 2.00 to 2.50	50	50
More than 2.50	65	35

For the application of this article, for a given Calendar Year, "R" refers to the ratio of "Net Cumulative Revenue" over "Cumulative Investments" calculated at the close of the preceding Calendar Year, where :

- **"Net Cumulative Revenue"** means the sum, from the Effective Date up until the end of the preceding Calendar Year, of the CONTRACTOR's gross revenues obtained as per the provisions of Articles 13.1 and 13.2 above, in the case of Crude Petroleum, and Articles 22.3.2 and 22.3.5 below in the case of Natural Gas, less the sum of the Exploitation Costs determined pursuant to the provisions of the Accounting Procedure annexed to this Contract and the amount of the company tax pertaining to Petroleum Operations and paid in the Republic of Cameroon for all fiscal years prior to the current Fiscal Year.

- **"Cumulative Investments"** means the sum, from the Effective Date up until the end of the preceding Calendar Year, of the Exploration Costs and Development Costs determined according to the provisions of the Accounting Procedure. Neither the recovery nor the amortisation of such Costs shall be taken into consideration for the calculation of the costs referred to in this definition.

13.3 The STATE may receive its participating interest share of Crude Petroleum production defined in Articles 13.1 and 13.2 above either in kind or in cash, at its sole discretion. However, in the absence of any notification pursuant to Article 13.5 below, the STATE shall be deemed to have elected to receive all of its partcipating interest share in kind and to separately market and dispose thereof at its own expense.

13.4 If the STATE wishes to receive in cash all or part of the monetary value of its participating interest share of Crude Petroleum production defined in Articles 13.1 and 13.2 above during a Calendar Quarter, it shall so notify the CONTRACTOR at least ninety (90) days prior to the beginning of the Quarter in question, specifying the exact quantity of its participating interest share of production to be received in kind during such Quarter.

Once the Parties have agreed on the amount payable to the CONTRACTOR, as compensation for lifting and marketing the STATE's share as provided above, the CONTRACTOR shall then be required to (i) sell that quantity of the STATE's participating interest share of production not taken in kind by the STATE for the Quarter in question pursuant to the preceding paragraph, (ii) to proceed with liftings of such share during such Quarter, and (iii) to pay to the STATE, within sixty (60) Days following each lifting, an amount equal to the product of the quantity corresponding to the STATE.'s production share sold by the CONTRACTOR pursuant hereto multiplied by the sales price actually realized by the CONTRACTOR in an arms length transaction, minus the agreed compensation payable to the CONTRACTOR. Nothwithstanding the foregoing, nothing contained in Articles 13.3 or 13.4 above shall require the CONTRACTOR to enter into marketing arrangements which would interfere with the proper performance of any Crude Oil sales agreement for its share of production that the CONTRACTOR has executed prior to the written notice by STATE contemplated, in Article 13.4 above.

The STATE shall have the right to request the payment for sales of its share of production handled by the CONTRACTOR in U.S. Dollars or in the Convertible Currency in which the transaction took place.

The CONTRACTOR shall not subscribe to any sales commitment for the STATE's production share for a term longer than one (1) year, unless the STATE gives its consent thereto in writing.

ARTICLE 14 FINANCIAL AND TAX PROVISIONS - EXCHANGE SYSTEM

14.1 Financial Provisions

14.1.1 All sums due to the STATE or to the CONTRACTOR under this Contract shall be payable in U.S. Dollars, except for mutual written agreement of the Parties on the choice of another Convertible Currency.

14.1.2 In the case of a delay in making a payment due under this Contract, the amounts due shall bear interest at the LIBOR rate increased by two percentage points (2%), beginning on the date on which they were due to have been paid.

14.2 Tax Provisions

14.2.1 In accordance with the provisions of the Petroleum Code and of this Contract and without prejudice to the application of Article 29 below, the CONTRACTOR shall be liable, by reason of his Petroleum Operations, for payment of only the following taxes, levies, duties , and royalties:

a) the bonuses as defined in Article 15 below;

b) the flat fees as defined in Section 90 of the Petroleum Code, for which the amounts and methods of payment are specified in the Finance Law No. 2000/08 of June 30, 2000 and its Application Decree No. 2002/032/PM of January 3, 2002;

c) an annual surface rental fee as defined in Section 91 of the Petroleum Code for which the amount and methods of payment are specified by the finance law and application decree cited in paragraph b) above;

d) the duties and taxes levied by the Customs Administration as identified in Sections 104 to 109 of the Petroleum Code specifying the customs provisions applicable to the Contract;

e) the company tax identified in Section 93 of the Petroleum Code at the rate stipulated in Article 14.2.2 below.

f) under conditions of general application, for fees related to transaction tax, stamp duty, tolls and real estate publicity, as well as for motor vehicle tax, with the exception of registration fees related to loans, sureties and contracts directly related to Petroleum Operations; and

g) the special tax provided for in Section 99.4 of the Petroleum Code, only with regard to Exploitation activities.

14.2.2 The net profits that the CONTRACTOR earns from all of its Petroleum Operations in the Contract Area, unless otherwise specially provided in the Petroleum Code, are subject for the term of this Contract to a company tax at the rate of forty percent (40%).

The company tax basis rules are those determined by Sections 93 to 95 of the Petroleum Code, subject to the following special provisions:

- The amount fiscally deductible from the part of expenses constituting Petroleum Costs in application of this Contract is understood to be the amount of Petroleum Costs effectively recovered during said Calendar Year. As regards capital expenditures, the allocations to the tax deductible amortisations for each fiscal period correspond to the Petroleum Costs effectively recovered for these capital expenditures and for said fiscal period.

- The CONTRACTOR's taxable profits or losses resulting from its Petroleum Operations in the Contract Area may, at the option of the CONTRACTOR, be consolidated for tax purposes with taxable income (or losses) resulting from its activities in respect to any other petroleum agreement in Cameroon.

- The CONTRACTOR's books, records and accounts as well as tax returns shall be in US Dollars.

14.2.3 The payment of company tax for a given fiscal period shall be effected in four installments. Each installment shall be determined by application of the rate of company tax rate referenced in Article 14.2.2 above on the estimated portion of the taxable income for the year attributable to the Quarter.

Each installment shall be paid no later than the 15 th of the month following the Quarter in which it is due. The final accounting shall be effected when the financial statements are submitted.

14.2.4 The CONTRACTOR shall benefit from the exonerations mentioned in Section 99 of the Petroleum Code.

14.2.5 It is expressly understood that the provisions of this article apply individually to each entity comprising the CONTRACTOR under this Contract.

14.3 Exchange Rate System

14.3.1 The CONTRACTOR is subject to the exchange rate regime of the Republic of Cameroon pursuant to the conditions specified in Section 110 of the Petroleum Code.

14.3.2 Pursuant to Section 110 (4) of the Petroleum Code, the benefit of the guarantees granted to the CONTRACTOR by virtue of said Section 110 of the Petroleum Code is extended to foreign national Sub-Contractors of the CONTRACTOR and their expatriates.

ARTICLE 15 SIGNATURE AND PRODUCTION BONUSES

15.1 Within thirty (30) Days following the Effective Date, the CONTRACTOR shall pay to the STATE a signature bonus in the amount of five hundred thousand U.S. Dollars (US$500,000)

15.2 Within thirty (30) Days following the start of the first renewal period of the Exploration Phase, the CONTRACTOR shall pay to the STATE a further signature bonus in the amount of two hundred and fifty thousand U.S. Dollars (US$250,000).

15.3 The CONTRACTOR shall pay to the STATE:

15.3.1 A production bonus in the amount of five hundred thousand U.S. Dollars (US$500,000) when the cumulative Crude Petroleum production since the beginning of Exploitation from the total of the Exploitation Authorisations deriving from the Contract Area reaches the threshold of five million (5,000,000) Barrels;.

15.3.2 A production bonus in the amount of one million U.S. Dollars (US$1,000,000) when the cumulative Crude Petroleum production since the beginning of Exploitation from the total of the Exploitation Authorisations deriving from the Contract Area reaches the threshold of fifteen million (15,000,000) Barrels.

15.3.3 A production bonus in the amount of one million U.S. Dollars (US$1,000,00) when the cumulative Crude Petroleum production since the beginning of Exploitation from the total of the Exploitation Authorisations deriving from the Contract Area reaches the threshold of thirty million (30,000,000) Barrels.

15.3.4 A production bonus in the amount of two hundred fifty thousand U.S. Dollars (US$250,000) when the cumulative Natural Gas production since the beginning of Exploitation from the total of the Exploitation Authorisations deriving from the Contract Area reaches the threshold of thirty (30) billion cubic feet.

15.3.5 A production bonus in the amount of five hundred thousand U.S. Dollars (US$500,000) when the cumulative Natural Gas production since the beginning of Exploitation from the total of the Exploitation Authorisations deriving from the Contract Area reaches the threshold of ninety (90) billion cubic feet.

15.3.6 A production bonus in the amount of one million U.S. Dollars (US$1,000,000) when the cumulative Natural Gas production since the beginning of Exploitation from the total of the

Exploitation Authorisations deriving from the Contract Area reaches the threshold of three hundred (300) billion cubic feet.

15.4 Payments required under Article 15.3 above shall be made within thirty (30) Days following the Day the cumulative production threshold in question is reached.

ARTICLE 16 VALUATION OF HYDROCARBONS

The Parties shall comply with the provisions of Title XIII of the Petroleum Regulation pertaining to the valuation of Hydrocarbons.

ARTICLE 17 LIFTING OF PRODUCTION

17.1 Ownership of the share of Hydrocarbons production to which CONTRACTOR is entitled under this Contract passes to the CONTRACTOR at the Delivery Point.

17.2 Each Party may separately obtain, lift in kind and dispose of as it wishes its share of the Available Production calculated pursuant to the provisions of Articles 13 and 16 above, notwithstanding the provisions of Article 58 of the Petroleum Regulation.

17.3 Not later than ninety (90) Days preceding the forecast Date of Production of the First Ton of Commercial Hydrocarbons, the Parties shall enter into a lifting agreement for the Available Production.

ARTICLE 18 LOCAL GOODS AND SERVICES

The CONTRACTOR and its Sub-Contractors shall comply with the provisions of Sections 76 and 77 of the Petroleum Code pertaining to granting preference to Cameroonian enterprises and personnel for the purposes of Petroleum Operations and notably for construction, supply, and service contracts.

ARTICLE 19 TRAINING OF PERSONNEL

19.1 The CONTRACTOR shall make available to the STATE a budget by Calendar Year that shall be dedicated to professional training of Cameroonian nationals in the petroleum sector of any skill levels who are not part of the CONTRACTOR's personnel. The amount of such budget shall be equal to fifty thousand U.S. Dollars (US$50,000) for each Calendar Year during the Exploration Phase and one hundred thousand U.S. Dollars (US$100,000) for each Calendar Year during the Development and Exploitation Phase. Such budget shall be utilised in compliance with the professional training programmes contained in the Work Programmes and Budgets mentioned in Article 10.4 of this Contract.

19.2 The STATE shall furnish the CONTRACTOR with reasonable accounting evidence that such budget was in fact expended for the above-mentioned professional training programs when applicable.

ARTICLE 20 FIXED ASSETS - OWNERSHIP OF GOODS

20.1 Fixed assets which are acquired with funds which are recorded in the Joint Account shall be considered to be the joint property of the Parties, who shall each make a record of same in their respective accounting books, at the pro rata of their respective participation in the Petroleum Costs, it being understood that such fixed assets financed by advances granted to the STATE by the

CONTRACTOR shall become the property of the STATE, pro rata to its participation in the Petroleum Costs, to the extent that the STATE has entirely repaid all such advances.

20.2 Upon the expiration or the termination of this Contract, or in the event of surface relinquishment, the goods and fixed assets belonging to the CONTRACTOR, and which are necessary for the Petroleum Operations and which relate exclusively to the Petroleum Operations within the relinquished parcels, shall become the property of the STATE.

20.3 With regard to Articles 20.1 and 20.2 above, in the case in which such goods and fixed assets are shared by Petroleum Operations in multiple Exploitation Areas at the time of the surface relinquishment, the Parties shall meet to agree as to how and when such transfer shall take place so as to not impede the CONTRACTOR's efficient execution of its Petroleum Operations in the remaining Exploitation Area(s).

ARTICLE 21 ABANDONMENT AND ENVIRONMENTAL PROTECTION

21.1 During the performance of Petroleum Operations, the CONTRACTOR shall use reasonable efforts to ensure that its personnel and its Sub-Contractors take the environmental protection and Abandonment measures which are required under the provisions of the Petroleum Legislation, and particularly of Law No. 96/12 of 5 August 1996 constituting the framework law pertaining to management of the environment and its implementing decrees, as well as the current generally accepted practices of the international petroleum industry. In accordance with this obligation, the CONTRACTOR shall take the environmental and safety capability of a company into account in the hiring of its Sub-Contractors.

21.1.1 The CONTRACTOR shall provide the Minister in charge of the environment, within the two (2) months preceding the commencement of the minimum Work Programme, an environmental protection plan containing especially a waste management plan based on an integrated system of pollution control in accordance with Articles 63 and 64 of the Petroleum Regulation.

The application of this plan may be supervised on the ground by the Environmental Administration.

The Minister in charge of the environment shall have a period of thirty (30) Days to approve the environmental protection plan or communicate his comments to the CONTRACTOR. Failing a response within this period, the plan shall be deemed approved.

21.1.2 The CONTRACTOR commits in particular to submitting in due course the environmental impact study in compliance with the provisions of the Petroleum Legislation.

21.2 The CONTRACTOR shall establish an Abandonment Plan for each Exploitation Authorisation in the Contract Area in compliance with the Petroleum Regulation and the current generally accepted practices in the international petroleum industry. Such Abandonment Plan shall be annually reviewed by the CONTRACTOR to take into account especially the evolution of technical and financial parameters. The Abandonment Plan and its revisions shall be submitted to the STATE for approval.

21.2.1 The nature and terms for performing Abandonment work to be carried out by the CONTRACTOR shall be treated as a separate topic in each annual Work Program and corresponding Budget and shall be decided upon by the Parties according to the prevailing specific technical and environmental characteristics of the area to be relinquished or the facilities to be abandoned in accordance with the Abandonment Plan.

Pursuant to Section 44 of the Petroleum Code and subject to the exceptions identified in Article 21.2.2 below, the CONTRACTOR shall, before the expiration of the Exploitation Authorisation in question, undertake the Abandonment work in accordance with the Abandonment Plan.

21.2.2(1) The CONTRACTOR shall not be obligated to proceed with all or part of the Abandonment work if the STATE notifies it in writing not later than one-hundred and eighty (180) Days before the expiration of the Exploitation Authorisation:

i. its intention to pursue Hydrocarbons Exploitation within the framework of a given Exploitation Authorisation;

ii. the STATE's request to leave in place specified goods and fixed assets located in the Contract Area and as a consequence not to proceed, in whole or in part, with the Abandonment work, it being understood that in such case the STATE cannot oppose the definitive plugging and abandonment of wells located in the Exploitation Authorisation in question.

(2) In. the events identified in Article 21.2.2. (1) above, the Parties agree

i. that in the Exploitation Area in question, there shall be prepared an inventory of features and a detailed inventory of wells and of all fixed and movable assets and installations transferred to the STATE by the CONTRACTOR, and the effective date of transfer of their control to the STATE shall be established.

ii. that the CONTRACTOR shall secure the Abandonment funds in such a way as to guarantee, for the STATE as well as for itself, the irrevocable character of the application of the funds to the Abandonment work, their freedom from seizure and their protection against creditors of the Parties, or the bankruptcy of the establishment where the funds are held.

(3) On condition of the performance by the CONTRACTOR of the obligations placed under its responsibility by virtue of (i) and (ii) of Article 21.2.2 (2) above, for which it will in no event be exempted by the STATE, the latter releases the CONTRACTOR of its obligation to undertake the Abandonment work in the Exploitation Authorisation in question in the cases contemplated in Article 21.2.2 (1) above. Accordingly the STATE, pursuant to the Petroleum Code, waives all rights of recourse against the CONTRACTOR directly or indirectly related to the Abandonment work it has dispensed the CONTRACTOR from undertaking, or all damage and loss resulting therefrom, and moreover holds the CONTRACTOR harmless as against all third party claims of whatever nature for damage caused to third parties from wells, fixed and moveable assets and installations not abandoned by the CONTRACTOR at the request of the STATE.

21.3 The Parties agree that the CONTRACTOR shall not be liable for damage to the environment that may have existed in the Contract Area prior to the Effective Date.

21.4 CONTRACTOR is obligated to make Abandonment provisions as from the Date of Production of the First Ton of Commercial Hydrocarbons produced from the Contract Area in accordance with the methodology specified in the Accounting Procedure, and to place the corresponding funds in the Abandonment Account identified in Article 21.5 below. The funds placed into the Abandonment Account in accordance with this Article shall be included as Petroleum Costs.

21.5 Within six (6) months following the Date of Production of the First Ton of Commercial Hydrocarbons, the CONTRACTOR is required to open an escrow account in U.S. Dollars entitled in this Contract as the "Abandonment Account", for which the funds corresponding to the Abandonment provisions placed therein are allocated exclusively for payment of expenses related to the conduct of the Abandonment work in the Contract Area.

The banking establishment shall be chosen by CONTRACTOR from among institutions that have a rating at a minimum equal to "Standard & Poor's" "AA", or its international designated equivalent, or an equivalent agreed to by the monetary authority.

The Abandonment Account shall be created and managed in U.S. Dollars in a way as to:

- guarantee the stability of the currency in which the account is funded relative to the main currency utilised for financing the cost of the Abandonment work;
- guarantee the availability of the funds on the date the work is carried out;
- supervise the proper performance of the financial management of the funds, thus making it possible to minimise charges to economic earnings;
- manage the funds through a contractual arrangement which guarantees fairness and stability;
- guarantee the transferability of rights and obligations attached to the status of a co-Holder.

The actual methodology for the creation and management of the Abandonment Account and the funding schedule are specified in the Accounting Procedure.

ARTICLE 22 NATURAL GAS

22.1 Non-Associated Natural Gas:

22.1.1 For the purposes of this Article, Non-Associated Natural Gas consists of Natural Gas from an accumulation which contains predominantly Natural Gas and from which Natural Gas is the main commercial product. In the event a Discovery of Non-Associated Natural Gas is confirmed, the CONTRACTOR shall notify the Parties and submit a report consistent with the provisions of Article 11.1 of this Contract. Following the submission of such report, the CONTRACTOR shall initiate a dialogue within the Operating Committee for the purpose of determining whether the appraisal and Exploitation of said Discovery could lead to potential commerciality. In furtherance of this dialogue, the Parties shall jointly assess (i) identified market outlets for the Natural Gas of the subject Discovery in respect of both the local market and the export market; (ii) the infrastructure necessary for commercial Exploitation and (iii) commercial arrangements that may increase the possibility of commerciality.

22.1.2 Should the CONTRACTOR, following the aforesaid dialogue, come to the conclusion that the appraisal of the Non-Associated Natural Gas Discovery:

(i) is justified, it shall undertake the appraisal Work Programme of the said Discovery, consistent with the provisions of Article 11.1 through 11.4 of this Contract;

(ii) may be justified but requires further study of markets or additional Exploration in the Contract Area in order to conclusively warrant appraisal, it may defer its decision regarding appraisal of such Non-Associated Natural Gas Discovery until such a time as it deems appropriate, subject only to the expiration of the Exploration Phase as it may be extended pursuant to Article 4.1.3(ii) of this Contract. If the CONTRACTOR subsequently elects within the Exploration Phase to appraise the Non-Associated Natural Gas Discovery it shall do so consistent with the provisions of Article 11.1 through 11.4 of this Contract.

(iii) is not justified, the CONTRACTOR shall relinquish its rights on the surface area which bounds such Discovery upon expiration of the Exploration Authorisation. In such case, the CONTRACTOR shall lose any right to Natural Gas which may be extracted from said Discovery, and the STATE shall then be free to undertake, or cause to be undertaken, any appraisal, development, production, processing, transport and marketing operations pertaining to the said Discovery, without any compensation to the CONTRACTOR, provided, however, that the execution of the CONTRACTOR's Petroleum Operations shall not be thereby prejudiced.

22.1.3 When the appraisal work is completed, and if the Parties mutually agree that the commercial Exploitation of this Discovery is warranted in order to supply the local market, or in the event the CONTRACTOR commits to develop and produce the Natural Gas for export, then the CONTRACTOR shall, before the end of the appraisal period, submit an application for an Exploitation Authorisation, which the Minister in charge of hydrocarbons shall grant in accordance with the provisions of the Petroleum Legislation.

The CONTRACTOR shall then have the right and the obligation to proceed with the development and production of this Natural Gas, consistent with the plan of development and production approved pursuant to the provisions of the Petroleum Legislation, and the provisions of this Contract which address Crude Petroleum shall be *"mutatis mutandis "* applicable to Natural Gas, subject to the special provisions of Article 22.3 of this Contract.

22.1.4 Should the CONTRACTOR, on completion of the appraisal work, determine that the Non-Associated Natural Gas Discovery is not commercial, the CONTRACTOR shall relinquish its rights on the surface area that bounds such Discovery upon the expiration of the Exploration Authorisation.

In such case, the CONTRACTOR shall lose any right to Natural Gas which may be extracted from the said Discovery, and the STATE shall then be free to undertake, or cause to be undertaken, any appraisal, development, production, processing, transport and marketing operations pertaining to the said Discovery, without any compensation to the CONTRACTOR, provided, however, that the execution of CONTRACTOR's Petroleum Operations shall not be thereby prejudiced.

Should the CONTRACTOR, on completion of the appraisal work carried out on a Discovery, consider that the Non-Associated Natural Gas field which is the subject of the Discovery is commercial, but that the presently existing commercial markets do not allow for a profitable Exploitation of the field, the CONTRACTOR may, on application and pursuant to the conditions set forth in Article 4.1.3 (ii) above, receive an extension of the Exploration Phase, in order to allow the CONTRACTOR to develop market outlets which are adequate for the profitable Exploitation of the field.

During the period referred to in the preceding paragraph, CONTRACTOR shall, submit to the Operating Committee, within sixty (60) Days of the end of each year, a report which explains the actions taken by it in order to reach this goal, and which updates the study of potential market outlets for the subject Non-Associated Natural Gas.

At the end of said period, the CONTRACTOR shall relinquish all its rights to a Non-Associated Natural Gas Discovery, unless it has applied for an Exploitation Authorisation.

22.2 Associated Natural Gas

22.2.1 For the purposes of this Article, Associated Natural Gas shall be Natural Gas which is not considered Non-Associated Natural Gas. In the event of a Discovery containing Associated Natural Gas, the CONTRACTOR shall specify in the report referred to in Article 11.4 of this Contrat whether or not production of the Associated Natural Gas (after processing of said Associated Gas for the purpose of separating Crude Petroleum) exceeds the volumes utilised for Petroleum Operations (including re-injection and fuel), and whether it considers that such surplus may be available for marketing. Should the CONTRACTOR advise the STATE that a marketable surplus exists, the Parties shall jointly assess marketing outlets for such Associated Natural Gas surplus, in respect of both the local market and the export market (including the possibility of the joint sale of their share of production of such surplus Associated Natural Gas in the event such surplus is not suitable for commercial exploitation in any other manner), as well as the means necessary for its commercial Exploitation.

Should the Parties agree that development for sale of the Associated Natural Gas is warranted, the CONTRACTOR shall specify, in the Exploitation Work Programme and corresponding Budget referred to in Article 11.7 of this Contact, the additional installations required for the development and production of this surplus and the estimated applicable costs.

In such event, the CONTRACTOR shall be free to proceed with the development and production of this surplus, in accordance with the Exploitation Work Programme and corresponding Budget approved by the Operating Committee pursuant to the provisions of Article 11.7 above, and the provisions of this Contract applicable to Crude Oil shall apply *"mutatis mutandis"* to the surplus Associated Natural Gas, subject to the special provisions referred to in Article 22.3 below.

A similar procedure shall apply if it is decided to proceed with the sale or marketing of the Associated Natural Gas while Exploitation of the field is in progress.

22.2.2 Should the CONTRACTOR conclude that Exploitation of the surplus Associated Natural Gas is not warranted, and should the STATE at any time decide to utilise such Associated Natural Gas, the STATE shall advise the CONTRACTOR, in which event:

a) The CONTRACTOR shall make available to the STATE, free of charge, at the outlet of the separator of Crude Oil and Natural Gas, all or part of such surplus which the STATE elects to lift;

b) The STATE shall be responsible for gathering, processing, compressing and transporting such surplus from the separator referred to above, and it shall assume all additional costs and risks associated with the Petroleum Operations pertaining thereto;

c) The construction of infrastructure necessary to the operations referred to in paragraph b) above, as well as the lifting of such surplus by the STATE, shall be carried out in accordance with the generally accepted practices in the international petroleum industry, and in a manner which does not hinder the production, lifting and transport of Crude Oil by the CONTRACTOR.

22.2.3 Any surplus of Associated Natural Gas which is not utilised pursuant to the provisions of Article 22.2.1 and 22.2.2 above shall be re-injected by the CONTRACTOR. However, the CONTRACTOR shall have the right to flare such gas in accordance with generally accepted practices in the international petroleum industry, provided the CONTRACTOR shall furnish the Operating Committee with a report which justifies that this gas cannot be utilised profitably for the purpose of increasing the recovery of Crude Petroleum by means of reinjection, and in such event, the Minister in charge of hydrocarbons shall approve the flaring.

22.3 Provisions common to Associated and Non-Associated Natural Gas

22.3.1 In the event of a Natural Gas Discovery, the Parties shall consult as soon as possible to define the legal, financial and fiscal conditions for the development of the Discovery. These provisions shall be the subject of a special agreement, in accordance with the terms of Article 31.2 of this Contract.

22.3.2 For the purpose of recovering Petroleum Costs pertaining to Natural Gas, the CONTRACTOR may lift free of charge, for each Calendar Year, Reimbursement Gas equal to eighty percent (80%) of the Available Production of Natural Gas, or only such lesser percentage that is necessary and sufficient to allow recovery of the Petroleum Costs.

22.3.3 The value of the Reimbursement Gas as defined in the preceding paragraph shall be calculated in accordance with the provisions of Article 22.3.6 of this Contract. The recovery of Petroleum Costs shall be guaranteed in the order cited in Article 13.1.3 above.

22.3.4 If, in the course of a given Calendar Year, Petroleum Costs as yet unrecovered by the CONTRACTOR in the Contract Area under the provisions of Articles 22.3.1 and 22.3.2 above exceed the equivalent in value of the percentage of Available Natural Gas specified above and calculated in accordance with the provisions of the preceding paragraph, then in such event, the balance of Petroleum Costs pertaining to Natural Gas which are

unrecovered as specified above for the Calendar Year under consideration, shall be carried forward to the Calendar Year(s) following, until full recovery of the Petroleum Costs pertaining to Natural Gas or the expiration of this Contract

22.3.5 After deduction of the Reimbursement Gas in accordance with the provisions of Articles 22.3.1 and 22.3.2 above, Compensation Gas shall be shared between the STATE and the CONTRACTOR as a function of the value of the "R" factor as defined in Article 13.2:

Value « R »	STATE Share, %	CONTRACTOR Share, %
Less than 0.50	15	85
From 0.50 to 1.00	25	75
From 1.00 to 1.50	40	60
More than 1.50	55	45

In any event, these provisions may be reviewed at the request of any Party depending on the utilisation adopted for the Natural Gas (including but not limited to gas exports, local use, generating electricity from gas, production of LPG) as well as the scenario and development conditions ultimately adopted.

The figures indicated in the table above shall not be applicable for large scale integrated Natural Gas projects, including LNG, gas-to-liquids, methanol, and such other projects that average in excess of 150 MMCF per day over a long term contract, the terms of which shall be negotiated between the Parties at the time of the project consideration.

The CONTRACTOR shall be entitled to freely access its share of Natural Gas production in accordance with the provisions of this Contract. It shall also be entitled to carry out the separation of liquids from Natural Gas extracted, and to transport, store and sell on the local or export market its share of liquid Hydrocarbons separated as aforesaid. The Parties shall agree to the regime to be applied to condensates when the time comes.

22.3.6 For the purposes of this Contract, the price of Natural Gas, expressed in dollars per million BTU shall be equal to the effective price as determined in sales contracts for Natural Gas, provided such sales shall specifically exclude:

a) Sales which involve a buyer which is an Affiliate of the seller, as well as sales between entities which comprise the CONTRACTOR; or

b) Sales which include consideration other than a payment in freely convertible currency or sales which are motivated, in whole or in part, by consideration which is not prompted by the economic consideration normally found in the sale of Natural Gas.

In respect of the sales referred to in paragraphs a) and b) above, the price of Natural Gas shall be arrived at by mutual agreement between the STATE and the CONTRACTOR on the basis of the market price in effect at the time of the sale of a fuel that is a substitute to Natural Gas.

22.3.7 In the event the CONTRACTOR elects to separate from Natural Gas all or a portion of liquid Hydrocarbons following a procedure determined bv the CONTRACTOR, Natural Gas shall be measured alter the CONTRACTOR has completed separation operations.

ARTICLE 23 ASSIGNMENT

23.1 The CONTRACTOR may assign all or part of its rights and obligations under this Contract pursuant to provisions of the Petroleum Legislation and this article.

23.1.1 Pursuant to Paragraph 2 of Section 17 (1) of the Petroleum Code, the STATE already grants its prior consent to assignments among entities comprising the CONTRACTOR, having as their sole purpose the repartition of participation percentages among these entities.

23.1.2 In the case contemplated above, the assignor is obligated to inform the STATE and submit to it the information listed in Article 32 of the Petroleum Regulation.

The assignment shall be effective on the date agreed between assignor and assignee, it being understood that the assignee shall thereby be legally substituted to all the rights and obligations of the assignor under this Contract, including the obligation that the assignee provide a letter of guarantee, if applicable, with assignor being absolved of all responsibilities and obligations in proportion to the percentage participation assigned as from the effective date of the assignment.

23.2 The STATE may assign all or part of its rights and obligations arising under this Contract:

23.2.1 to a government body or unit, provided that the latter remains bound by all the terms of this Contract; or

23.2.2 to the CONTRACTOR.

23.3 The assignment of rights and obligations by the CONTRACTOR and by the STATE pursuant to this article shall in no way diminish the obligations that may have arisen and which have not been fulfilled by the Parties before the assignment date, except for a written commitment by the assignee to be responsible for assignor's responsibilities.

23.4 Assignments of any kind effected pursuant to this Contract between entities comprising the CONTRACTOR and their Affiliated Companies are subject to the payment of flat fees, as prescribed by Section 90 of the Petroleum Code.

ARTICLE 24 FORCE MAJEURE

24.1 No Party shall be liable for the non-performance or the partial or late performance of any of its obligations, if the responsible Party is so prevented by reason of Force Majeure.

An event shall be considered to be an event of Force Majeure if it meets the following conditions:

- it has the effect of temporarily or permanently preventing either of the Parties from performing the obligations incumbent upon it under this Contract; and

- it is unforeseeable or unpreventable or beyond the control of either force of the Parties, it being understood that failure to meet a payment obligation is never excused by Force Majeure.

24.2 For purposes of this Contract, the following occurrences, *inter alia,* shall be considered as Force Majeure if they meet the conditions referred to above: strikes, work stoppages, fires, earthquakes, landslides, disruption of the means of transportation, floods, hurricanes, volcanic eruptions, explosions, wars, guerrilla warfare, terrorist acts, blockades.

24.3 The Party impeded by the Force Majeure shall immediately so notify the other Party and later confirm it in writing together with any useful and detailed information.

In the event that performance of an obligation is only partial or late, by reason of an event of Force Majeure, the Parties shall continue to carry out the clauses of this Contract that they are in a position to carry out despite the Force Majeure. Moreover, the impeded Party shall do its best to meet its obligations pursuant to this Contract and to make every reasonable effort to minimise its consequences.

The Party impeded by the Force Majeure shall renew its compliance with the provisions of this Contract within a reasonable period of time after the event of Force Majeure has ceased to exist. The Party that is not impeded shall do its best to assist the impeded Party in renewing its compliance with the provisions of this Contract.

24.4 In any event, at the request of either Party, the Operating Committee shall record the event of Force Majeure, the suspension of the Petroleum Operations as well as the return to normal application of the clauses of this Contract.

24.5 In the event of Force Majeure, the term of the Exploration Phase or, if applicable, that of the Exploitation and Development Phase, shall be extended for a time period equal to that of the Force Majeure. In the same manner, the terms granted to a Party, or from which it benefits pursuant to the Contract or the Accounting Procedure, shall be extended for a time period equal to that of the Force Majeure.

ARTICLE 25 CONFIDENTIALITY

25.1 The Parties shall comply with the provisions of the Petroleum Legislation, particularly those of Title XVII of the Petroleum Regulation pertaining to the confidentiality obligation incumbent upon them with regard to documents, reports, surveys, plans, data, samples and other information connected to the performance of this Contract (hereafter referred to as "Contractual Data").

25.2 Subject to the provisions of Article 25.3 below, the Parties consider Contractual Data to be confidential and commit, as may apply to each, not to communicate it to third parties other than Affiliates, except for routine statistical data. This obligation shall survive until expiration of the Contract in accordance with Article 109 of the Petroleum Regulation.

25.3 Each entity comprising the CONTRACTOR may, after having so informed the other entities and the STATE, communicate Contractual Data:

a) to any company with a good faith interest in effecting a possible assignment or in rendering assistance in connection with the Petroleum Operations, after obtaining a commitment from such company to keep all such information and data confidential and to use them solely for the purposes of such assignment or assistance:

b) to any external professional consultants involved in Petroleum Operations, after obtaining a similar confidentiality commitment on their part;

c) to any bank or financial entity from which the CONTRACTOR seeks to obtain financing, after obtaining a similar confidentiality commitment on their part;

d) when and to the extent required by a recognised stock exchange;

e) within the context of any judicial, administrative or arbitral adversarial proceedings;

f) to an Affiliate, provided such Affiliate maintains confidentiality as provided in this Article 25;

g) to a governmental agency or other entity when required by the Contract.

25.4 After having informed the CONTRACTOR, the STATE may also communicate Contractual Data to its lenders.

25.5 The CONTRACTOR may, with the prior written consent from the Minister of Hydrocarbons, exchange Contractual Data for similar information and data with any interested petroleum company. A copy of the exchange agreement covering the above cited agreement and the exchanged data shall be submitted to the STATE, under the same confidentiality restrictions.

25.6 The provisions of Articles 25.2, 25.3, 25.4 and 25.6 above are also applicable as pertaining to this Contract and its Annexes.

ARTICLE 26 JOINT LIABILITY

The obligations and responsibilities of the entities comprising the CONTRACTOR under this Contract are joint and several, it being understood that the entities comprising the CONTRACTOR shall not be jointly subject to the company tax provided in Article 14.2 of this Contract, which shall be due individually from each of them.

ARTICLE 27 INTERPRETATION; SETTLEMENT OF DISPUTES

27.1 If a Party waives, one or more times, performance of an obligation or condition specified in this Contract, or if such Party does not exercise certain of its rights under this Contract, such waivers shall not be interpreted as a permanent waiver of its rights or of the right to require future performance of all obligations and conditions of this Contract.

27.2 The Parties agree that the disputes mentioned in Articles 6.6, 7.3.2 iv, 11.3 of this Contract as well as the evaluation of Hydrocarbons pursuant to Article 16 of this Contract are deemed to be of a technical nature and shall be submitted for expert resolution pursuant to the provisions of Title XX of the Petroleum Regulation. The decision of the expert shall be final and binding on the Parties.

27.3 The Parties shall make reasonable efforts to amicably settle any dispute arising between them under this Contract. Failing amicable settlement, the STATE and the CONTRACTOR hereby consent to submit to the International Centre for Settlement of Investment Disputes (hereinafter the "ICSID") any dispute arising out of or relating to this Contract for settlement by arbitration pursuant to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (hereinafter the "ICSID Convention").

27.4 Any arbitral tribunal constituted pursuant to this Contract shall consist of three (3) arbitrators being appointed in accordance with the provisions of the ICSID Convention and arbitration rules.

27.5 Any arbitral tribunal constituted pursuant to this Contract shall apply the law of Cameroon as supplemented, where applicable, by principles of international law, in compliance with the provisions of this Contract and particularly with the stabilisation clause in, Article 29 below.

27.6 The STATE hereby waives any right of sovereign immunity as to it and its property intended to prevent the enforcement and execution of any award by an arbitral tribunal constituted pursuant to this Contract.

27.7 The arbitration shall take place in Paris (France). The language of the arbitral proceedings shall be French or English.

27.8 Any arbitration proceedings pursuant to this Contract shall be conducted in accordance with the Arbitration Rules of the ICSID in effect on the date on which such proceedings are initiated.

27.9 The Parties hereby agree that for purposes of Article 25 (1) of the ICSID Convention, any dispute in connection with or arising from this Contract is considered to be a legal dispute occurring directly as a result of an investment.

27.10 The Parties shall not be discharged from their obligations under this Contract while the arbitration procedure is rendering.

However, the introduction of the arbitration procedure shall suspend the performance of the contested matter for the entire duration of such procedure.

27.11 The decisions and awards of the arbitrators shall be final and irrevocable in nature. They shall bind the Parties and are executory pursuant to Article 54 of the ICSID Convention.

The Parties waive, formally and without reservation, any right to attack such decision or award, to impede its implementation by any means whatsoever, or to have recourse before any court or jurisdiction whatsoever, except for the recourse provided in Articles 50 to 52 of the ICSID Convention.

27.12 In the event the ICSID is incompetent for any reason whatsoever to decide on or resolve any dispute submitted to it pursuant to Article 27.3 above, any dispute, controversy or claim arising out of or relating to this Contract, or the breach, termination or invalidity thereof, shall be settled by arbitration in accordance with the United Nations Commission on International Trade Law

(UNCITRAL) Arbitration Rules in force. In such event, all the provisions of this Article 27, except for 27.3 and 27.9 above, shall be applied *mutatis mutandis.*

ARTICLE 28 TERMINATION OF THE CONTRACT - RELINQUISHMENT

28.1 Subject to the provisions of Articles 28.2 and 28.3 below, and without prejudice to the application of Article 27.12 above, the STATE shall have the right to terminate this Contract, provided that it notifies the CONTRACTOR ninety (90) Days in advance, if the CONTRACTOR:

a) fails to meet a payment obligation for a period of more than thirty (30) Days after the date when the payment is due;

b) has seriously violated the provisions of this Contract;

c) has materially breached the legislation and regulations in force in respect of Petroleum Operations;

d) has declared bankruptcy or become subject to winding up by decision of the court.

28.2 If the facts which gave rise to the notice of termination under Article 28.1 (a), (b) or (c) above are remedied by the CONTRACTOR within ninety (90) Days following the notice by the STATE of its intention to terminate, or within any other extension of time granted by the STATE, such termination shall not become effective.

28.3 If the CONTRACTOR intends to challenge the defaults or breaches asserted by the STATE in its termination notice, it should justify its position by providing all justifications it deems necessary in writing addressed to the STATE within thirty (30) Days from the receipt of the notification letter cited in Article 28.1 above.

28.4 If, following the above procedure and the expiry of the ninety (90) Day period, disagreement persists between the STATE and the CONTRACTOR, the dispute shall be settled by arbitration pursuant to Article 27 above. In such case the sanctions provided for in the legislation and regulations or in this Contract shall not be enforced by the STATE before the arbitrators foreseen in Article 27 above have heard the CONTRACTOR'S explanations and delivered their judgment.

28.5 If the STATE, pursuant to Section 19.1 of the Petroleum Code and Article 34 of the Petroleum Regulation, becomes aware of changes in the factors constituting control of the CONTRACTOR or of a component of the CONTRACTOR, it may, within a ninety (90) Day period, notify the latter and the other components of the CONTRACTOR that it deems the modifications to the control factors of said component of the CONTRACTOR are incompatible with the component's exclusive Exploration and Exploitation rights granted pursuant to this Contract. If the rights and obligations of said component of the CONTRACTOR are not taken over by the other components of the CONTRACTOR within ninety (90) Days, the STATE shall have the right to terminate this Contract upon thirty (30) Days advance written notice by notifying the CONTRACTOR to such effect.

28.6 If the facts that may give rise to termination become the subject of proceedings under Article 27 of this Contract, the termination shall not become effective for the entire duration of the proceedings, and shall only become effective as a result of decision at the end of such proceedings.

28.7 Within ninety (90) Days following the advance written notice of termination of this Contract under Articles 28.1 or 28.5 above, or within any other extension of time granted by the STATE, the CONTRACTOR shall complete any reasonable and necessary action to prevent damage to the environment and to ensure the safety of persons and property.

28.8 The CONTRACTOR may relinquish all of its rights and obligations for any Exploitation Area if it considers that it is no longer in the commercial interest of the CONTRACTOR to continue with Exploitation operations on such Exploitation Area, provided that:

28.8.1 The CONTRACTOR gives the STATE written notice of its intention to relinquish twelve (12) months in advance; and

28.8.2 The CONTRACTOR properly concludes the work or pays an amount equivalent to the monetary value of the work which was specified in the Work Programme and Budget examined and approved by the Operating Committee prior to the date of the notification of the surrender; and

28.8.3 The CONTRACTOR carries out, in conformity with generally recognised practices of the international petroleum industry, all operations necessary for the transfer of Exploitation activity to the STATE, if the STATE decides to carry on the Exploitation pursuant to the provisions of Articles 21.2.2 (1) and 28.8 of this Contract, all in a manner as to allow the normal continuation of the Petroleum Operations. The CONTRACTOR shall moreover take all reasonable and necessary precautions to prevent damage to the environment and to ensure the safety of persons and property, and abandon the wells and reservoirs, if applicable.

28.8.4 All costs incurred by the CONTRACTOR under this Article 28.8 for the conduct of the Petroleum Operations carried out pursuant to this Contract shall constitute Exploitation Costs, with the exception of costs which result solely from the relinquishment by the CONTRACTOR, which shall be charged exclusively to the CONTRACTOR.

28.8.5 The CONTRACTOR commits to liquidating all debts that it has contracted up to the effective date of its relinquishment and shall remain responsible for its debts, including financial costs, up until definitive liquidation of same.

28.8.6 The relinquishment by the CONTRACTOR shall take effect only after the fulfillment of the conditions set forth in this Article and in Article 21.2.2 (2) above.

28.9 As from the effective date of the relinquishment by the CONTRACTOR of its rights and obligations in connection with an Exploitation Area pursuant to this Article, the CONTRACTOR shall no longer have any right or interest in the Exploitation Area that the relinquishment concerns, and definitively waives any claim to the production which may later be extracted therefrom.

28.10 The STATE shall assume all risks and responsibilities connected with the Petroleum Operations as of the effective date of the relinquishment and shall provide the CONTRACTOR, at the latter's request, with a written statement verifying that the latter is released from any obligation, without prejudice to the application of the provisions in Article 21.2.3 (3) above.

28.11 If the STATE wishes that the Exploitation of the Exploitation Area in question be continued after the relinquishment by the CONTRACTOR has taken effect, it may ask the CONTRACTOR to

continue with such Exploitation, in the name of and on behalf of the STATE and solely at the expense, risk and responsibility of the latter, for a maximum period of three (3) months starting from the effective date of the relinquishment.

The CONTRACTOR agrees to transfer for the benefit of the STATE the balances in Abandonment Fund under the conditions set forth in Article 21.2.2 (2) (ii) above as well as the guaranties or obligations connected to the Petroleum Operations, the relevant insurance coverage pertaining to the goods and equipment acquired from national or foreign companies and agencies to the extent that such transfer is authorised by the provisions of the contracts signed by the CONTRACTOR with such companies and agencies. The CONTRACTOR shall notify such companies and agencies of the substitution of the STATE for the CONTRACTOR in all rights and obligations of the CONTRACTOR arising from such guaranties and insurance contracts.

The CONTRACTOR shall draw up or shall have drawn up, legal instruments concerning such transfers that have been agreed to by third-party companies and agencies, and expenses for such activities shall be considered as Petroleum Costs.

28.12 The termination of the Contract for any reason whatsoever shall not be interpreted as a waiver by either Party of its rights acquired prior to the effective date of the termination or, if applicable, the relinquishment, which have not been fulfilled by such effective date. It is equally understood that the termination of the Contract pursuant to this article shall not be interpreted as discharging either Party of its obligations that have not been fulfilled as of the effective date of the termination.

28.13 The termination of the rights and obligations of any Party to this Contract as a result of any act, omission or circumstance affecting one entity comprising the CONTRACTOR shall not constitute termination of the right and obligations hereunder of the remaining CONTRACTOR Parties who shall be entitled, if they so elect and without prejudice to the terms of the Participation Agreement, to receive the participating interest of such entity in proportion to their respective participating interests.

ARTICLE 29 STABILISATION CLAUSE

29.1 In the event of a change in the provisions of Title VI of the Petroleum Code, or more generally of any of the provisions of the Petroleum Legislation and of the provisions of the texts to which the Petroleum Code refers for the application of the said Title VI, or of the annual finance law, which take place after the Effective Date and which would affect in a significant manner the economic or tax equilibrium of this Contract to the detriment of the CONTRACTOR, the CONTRACTOR may, within two (2) months from the written notification to CONTRACTOR of the legislative or regulatory measure in question, send to the Minister in charge of hydrocarbons written notification stating that the legislative or regulatory change in question would have a significant detrimental effect on CONTRACTOR’s economic and/or tax equilibrium as guaranteed pursuant to Article 9.2.2.1 of this Contract. Said notification shall also set forth the CONTRACTOR’s justifications.

29.2 For purposes of the preceding paragraph, a “significant” modification is that which has the effect of reducing the CONTRACTOR’s economic benefits resulting from this Contract.

29.3 Within a two (2) month period starting from receipt of the CONTRACTOR’s notice referred to in Article 29.1 above, the Minister in charge of hydrocarbons may either:

29.3.1 Accept in writing the reasons of the CONTRACTOR and make arrangements so that the legislative or regulatory provision in question no longer applies to the CONTRACTOR nor to any entity comprising CONTRACTOR; or

29.3.2 Reject in writing the CONTRACTOR's justifications.

If the Minister in charge of hydrocarbons does not respond to the notice referred to in Article 29.1 above within the given time frame, the remedy under Article 29.3.1 above shall be deemed to apply.

29.4 If the Minister in charge of hydrocarbons cannot make arrangements as provided for in Article 29.3.1 above, the Parties shall endeavor to make such readjustments to the Contract as to reestablish the economic or fiscal equilibrium of the Contract as it had been agreed to on the Effective Date, taking into account the new legislative or regulatory provision referred to in the notice.

The Parties shall make their best efforts to agree upon revisions to be made to the Contract within ninety (90) Days as from the notification of the rejection of the above-mentioned request by the CONTRACTOR.

The revisions to be made to the Contract may not in any event diminish the rights or increase the obligations of the CONTRACTOR as had been agreed to as of the Effective Date.

29.5 If agreement cannot be reached between the Parties within the time frame provided in Article 29.4 above, the dispute may be submitted by either Party to the arbitration procedure as provided for in Article 27 of this Contract.

29.6 The submission of written notice referred to in Article 29.1 above shall cause the suspension of the measure until the decision of the Minister in charge of hydrocarbons and, in the case of rejection, until the end of the time period provided for in Article 29.4 above, or, pursuant to Article 29.5 above, until the end of the proceedings set forth in Articles 27.3 or 27.11 above.

ARTICLE 30 NOTICES

30.1 All notices concerning this Contract shall be in writing and delivered in person or by express courier or by any means of transmission, either electronic or communication in writing, which makes it possible to confirm that the transmission took place, and shall be sent to the Parties at the following addresses:

STATE : The REPUBLIC OF CAMEROON
C/O NATIONAL HYDROCARBONS CORPORATION

B.P. 955
YAOUNDE - CAMEROON
For the attention of Mr. Adolphe MOUDIKI
Executive-General Manager
TEL: (237) 220 19 10 / 220 98 64
FAX : (237) 220 98 69 / 220 46 51

CONTRACTOR : KOSMOS ENERGY CAMEROON HC
c/o Kosmos Energy LLC
8401 North Central Expressway, Suite 280
Dallas, Texas 75225
UNITED STATES OF AMERICA
To the attention of Mr. W. Greg Dunlevy
Chief Financial Officer
TEL: (214)363 0700
FAX: (214)363 9024

30.2 Any written notice given under the provisions of this Contract shall be deemed to have been received as of the time of its transmission, if by electronic means, and at the time when it is actually delivered to the addressee in other cases. A Party's obligation to respond to the notice shall commence as of the Day when the notice is deemed received.

30.3 Either Party has the right to change the address where it wishes to receive any notice and communication, not later than five (5) working Days prior to the effective date of the change of address.

ARTICLE 31 CONTRACT DOCUMENTS AND LANGUAGES OF THE CONTRACT

31.1 This Contract consists of this document and its Annexes.

31.2 This Contract may not be modified except by written agreement of the Parties.

31.3 This Contract shall be drawn up in English and French. Three (3) originals shall each be signed by the signatories to this Contract. Both versions of the Contract shall be equally binding.

Done in Yaoundé on November 20th, 2006 in three (3) originals in the English language and three (3) originals in the French language.

For the **REPUBLIC OF CAMEROON,**

The Minister of Industry, Mines and Technological Development

/s/ Charles Sale [SEAL]
Charles SALE

The Executive General Manager of the National Hydrocarbons Corporation

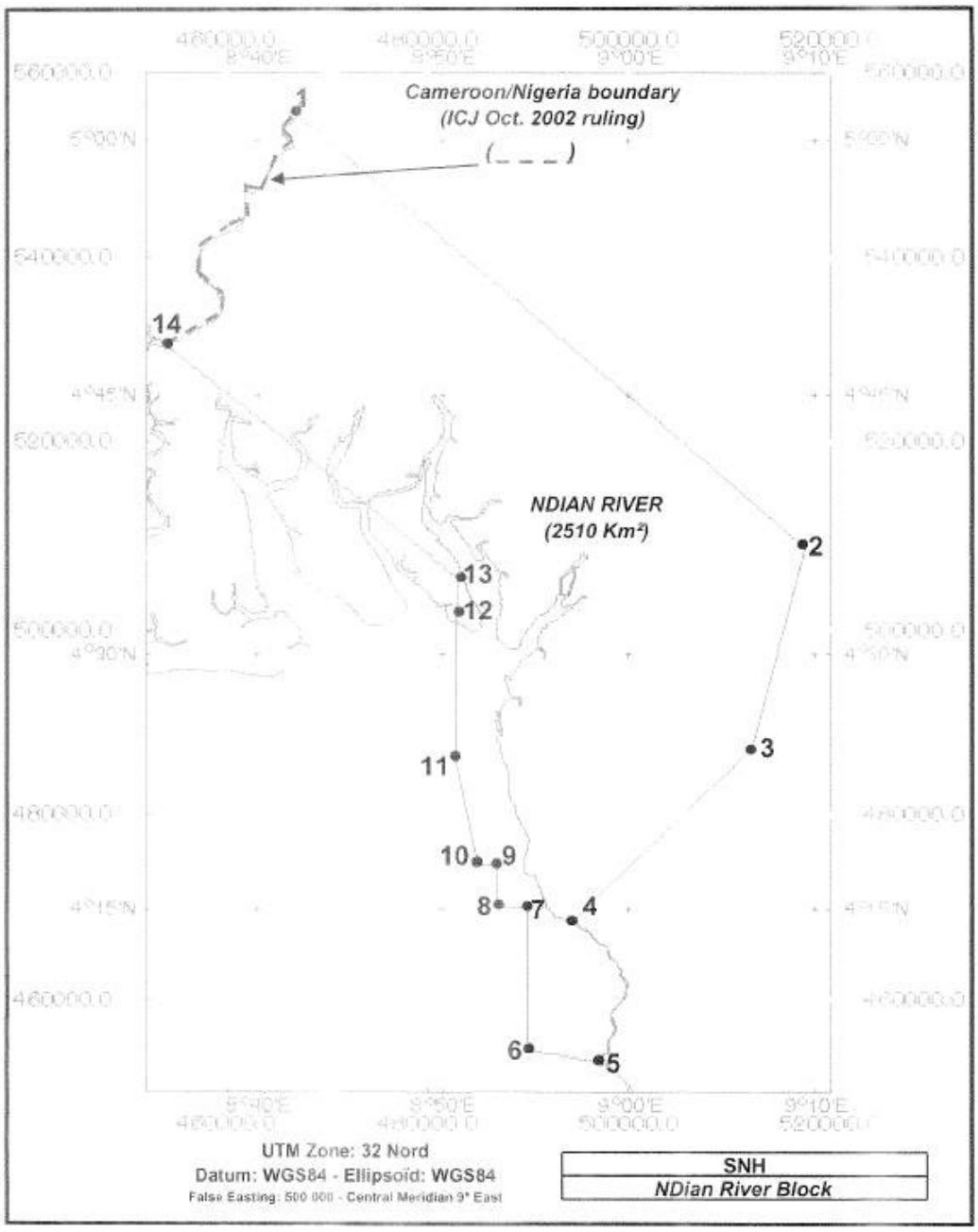
/s/ Adolphe Moudiki [SEAL]
Adolphe MOUDIKI

For the **CONTRACTOR,**

KOSMOS ENERGY CAMEROON HC
The Chairman and Chief Executive Officer

/s/ James C. Musselman
James C. Musselman

ANNEX A
TO THE NDIAN RIVER PRODUCTION SHARING CONTRACT



GEOGRAPHIC AND UTM COORDINATES
THE CONTRACT AREA

Points	X (in meters)	Y (in meters) Latitude	Longitude
1	466750,00	552056,00 4 59’ 39.9” N	8 42’ 0.2” E
2	517500,00	508700,00 4 36’8.1” N	9 9’ 28.0” E
3	512233,58	487175,99 4 24’27.1390” N	9 6’ 36.9502”
4	494386,00	468356,00 4 14’ 14.2” N	8 56’ 57.9” E
5	497803,00	454185,00 4 6’32.7” N	8 58’ 48.7” E
6	490000,00	454500,00 4 6’ 42.9” N	8 54’ 35.6” E
7	490000,00	470000,00 4 15’7.8” N	8 54’ 35.6” E
8	487000,00	470000,00 4 15’7.7” N	8 52’ 58.3” E
9	487000,00	474662,00 4 17’39.6” N	8 52’ 58.2” E
10	485081,00	474662,00 4 17’39.6” N	8 51’ 56.0” E
11	482800,00	485746,00 4 23’ 40.5” N	8 50’ 41.9” E
12	482800,00	499500,00 4 31’ 8.5” N	8 50’ 41.8” E

13	483000,36	505487,45 4 34’ 23.5” N	8 50’ 48.3” E
14	457163,21	532360,84 4 48’ 58.3634” N	8 36’ 49.2644

Our References:

UTM Zone	*32N*
Datum	*WGS 1984*
Ellipsoïd	*WGS 1984*
Central Meridian	*9 degrees East*

Ndjana Appolinaire, inscrit en additif au tableau d'avancement de grades au titre de l'année budgétaire 2004, est pour compter du 1 er juillet 2004, promu au grade de lieutenant.

Art. 2. - L'intéressé prendra rang après le lieutenant Nzouango Nzouango Henri.

Art. 3.- Le ministre délégué à la présidence chargé de la Défense et le ministre de 1'Economie et des Finances sont chargés, chacun en ce qui le concerne, de l'application du présent décret qui sera enregistré puis publié au *Journal Officiel* en français et en anglais.

Yaoundé, le 29 juin 2005.
Le president de la République,
Paul Biya.

Décret portant institution d'un permis de recherches valable pour hydrocarbures liquides et gazeux

Par décret nº 2005-249
en date du 30 juin 2005 :

Article premier.- (1) Sous réserve des dispositions législatives et réglementaires en vigueur, il est attribué un permis de recherches valable pour hydrocarbures

name was added to the grade promotion list for the 2004 financial year, is with effect from 1 July 2004, promoted to the rank of Flying Officer.

2. His name shall follow that of Lieutenant Nzouango Nzouango Henri.

3. The Minister Delegate at the Presidency in charge of Defence and the Minister of the Economy and Finance are responsible, each in his own sphere, for the implementation of this decree which shall be registered and published in the *Official Gazette* in English and French.

Yaounde, 29 June 2005
Paul Biya,
President of the Republic.

Decree No. 2005-249 of 30 June 2005 to grant a mining exploration permit valid for liquid and gaseous hydrocarbons

By Decree No. 2005-249
of 30 June 2005:

1. (1) Subject to the provisions of the laws and regulations in force, an exploration permit for liquid and gaseous hydrocarbons known as KOMBE-NSEPE is granted

liquides et gazeux appelé Kombe-Nsepe à l'association constitutée des sociétés Société nationale des hydrocarbures BP 955 Yaoundé et Perenco Oil & Gas Cameroon Ltd BP 18 555 Douala, chacune y détenant un intérêt indivis selon les dispositions du contrat d'association susévoqué.

L'opérateur désigné dans cette association est la société Perenco Oil & Gas Cameroon Ltd.

(2) Toute transaction visant à la modification des intérêts des parties dans le permis Kombe-Nsepe est soumise à l'accord préalable du ministre chargé des Mines, conformément aux dispositions législatives et réglementaires en vigueur.

Art.2.- Le permis Kombe-Nsepe inscrit sous le numéro 86 dans le registre spécial de la direction des mines et de la géologie, est constitué d'un seul bloc issu de la consolidation des permis Kombe et Nsepe aprés déduction des superficies relatives à la concession Mvia. Ses coordonnées UTM et géographiques sont les suivantes.

to the partnership comprising the National Hydrocarbons Corporation, P.O. Box 955 Yaounde, and Perenco Oil and Gas Cameroon Ltd, P.O. Box 555 Douala, each having an undivided interest in accordance with the provisions of abovementioned partnership contract.

The operator designated in this partnership shall be Perenco Oil and Gas Cameroon Ltd.

(2) Any transaction aimed at modifying the interests of the parties in the KOMBE-NSEPE permit shall be submitted for prior approval by the Minister in charge of mines, in accordance with the laws and regulations in force.

2. The KOMBE-NSEPE permit, entered under No. 86 in the Special Register kept by the Department in charge of mines and geology, covers a single block stemming from the consolidation of the KOMBE and NSEPE permits less the areas relating to the MVIA concession. It shall comprise the following UTM and geographical coordinates:

	COORDONNES UTM ECLIPSOÏDE DE CLARKE 1880		COORDONNEES GEOGRAPHIQUES	
POINTS	**X**	**Y**	**LONGITUDE**	**LATITUDE**
P1	602 218	356 876	3º13’43,010”	9º55’12,007”
A partir du point P1, les limites du permis KOMBE-NSEPE suivent le tracé de la côte jusqu’au point P2				
P2	571 250	395 000	3º34’25,487”	9º38’29,473”
A partir du point P2, les limites du permis KOMBE-NSEPE suivent le tracé de la côte jusqu’au point P3				
P3	560 500	421 365	3º48’44,433”	9º32’41,561”
P3’	559 000	424 490	3º50’26,24”	9º31’52,991”
P4	595 501	441 983	3º59’54,993’’	9º51’36,994”
P5	603 258	454 581	4º06’45,001”	9º55’48,993”
P6	618 223	423 432	3º49’49,992”	10º03’53,003”
P7	618 244	405 929	3°40’19,984”	10°03’52,994”
P8	618 830	405 930	3°40’19,994”	10º04’11,987”
P9	618 850	393 000	3°33’18,911”	10º04’12,142”
P10	603 800	393 000	3°33’19,443”	9°56’04,391”
P11	602 400	379 000	3°25’43,539”	9°55’18,574”
P12	618 122	379 000	3º25’43,008”	10º03’48,036”
P13	618 122	377 679	3°24’59,988”	10°03’47,989”
P14	611 105	358 941	3º14’49,988”	9°59,59,996”
P15	609 654	358 940	3º14’50,002”	9°59’12,986”
P16	608 761	356 882	3º13’43,007”	9º58’43,990”
P17	602 218	356 876	3º13’43,010”	9º55’12,007”

	UTM COORDINATES 1880 CLARKE ECLIPSE		GEOGRAPHIC COORDINATES	
SUMMITS	**X**	**Y**	**LONGITUDE**	**LATITUDE**
P1	602 218	356 876	3º13’43,010”	9º55’12,007
From summit P1, the limits of the KOMBE-NSEPE permit shall follow the coastline up to summit P2				
P2	571 250	395 000	3º34’25,487”	9º38’29473”
From summit P2, the limits of the KOMBE-NSEPE permit shall follow the coastline up to summit P3				
P3	560 500	421 365	3º48’44,433”	9º32’41,561”
P3’	559 000	424 490	3º50’26,247”	9º31’52,991”
P4	595 501	441 983	3º59’54,993’’	9º51’36,994”
P5	603 258	454 581	4°06’45001”	9º55’48,993”
P6	618 223	423 432	3º49’49992”	10º03’53,003”
P7	618 224	405 929	3°40’19984”	10°03’52,994”
P8	618 830	405 930	3°40’19994”	10º04’11,987”
P9	618 850	393 000	3°33’18911”	10º04’12,142”
P10	603 800	393 000	3°33’19443”	9°56’04,391”
P11	602 400	379 000	3°25’43539”	9°55’18,574”
P12	618 122	379 000	3º25’43008”	10º03’48,036”
P13	618 122	377 679	3°24’59988”	10°03’47,989”
P14	611 105	358 941	3º14’49988”	9°59’59,996”
P15	609 654	358 940	3º14’50,002”	9°5912,986”
P16	608 761	356 882	3º13’43,007”	9º5843,990”
P17	602 218	356 876	3º13’43,010”	9º5512,007”

La superficie du permis de Kombe-Nsepe est réputée égale à 3026 Km2.

Art. 3. Le permis de recherches Kombe-Nsepe (PH 86) est valable pour une période initiale de quatre (4) ans renouvelable une (1) fois pour une période de deux (2) ans.

Art. 4. (1) L'obligation minimale des travaux pour une période de validité du permis Kombe-Nsepe est fixée ainsi qu'il suit:

- acquisition, traitement et interprétation de 100 Km de nouvelles données sismiques 2D;
- forage ferme d'un puits d'exploration à la profondeur finale de 2 600 m ou jusqu'au sommet du crétacé ;
- forage d'un puits optionnel d'exploration en cas d'identification de prospects viables a l'issue des études intégrées des nouvelles données acquises;
- realisation d'une étude d'impact environnementale.

(2) L'engagement financier minimum pour réaliser les travaux ci-dessus est fixé à cinq millions (5.000.000) de dollars USA.
Il est entendu que l'accomplissement des obligations des travaux est primordial. Par conséquent, si les obligations minimales de travaux sont honorées, les conditions relatives aux dépenses minimales sont considérées comme ayant été remplies. L'excédent de dépenses et d'obligations

The area of the KOMBE-NSEPE permit shall be deemed equal to 3 026 (three thousand and twenty-six) km2.

3. The KOMBE-NSEPE (PH 86) exploration permit shall be valid for an initial period of 4 (four) years, renewable once for a two-year period.

4. (1) The minimum obligation of works for the period of validity of the KOMBE-NSEPE permit shall be fixed as follows:

- acquisition, processing and interpretation of 100 km of new 2D seismic data;
- drilling of a firm assessment well to a final depth of 2 600 m or up to the cretaceous summit;
- optional drilling of a prospect hole where a viable prospect is detected, following integrated studies of newly acquired data;
- conduct of an environmental impact assessment.

(2) The minimum financial commitment for the accomplishment of the abovementioned works amounts to 5 000 000 (five million) US dollars.
It is understood and agreed that fulfillment of the work is paramount. Accordingly, where the minimum work obligations have, been fulfilled, the conditions relating to minimum expenditure shall be considered met. Any further expenditures and work obligations above

des travaux par rapport au minimum requis feront l'objet d'un report pour compenser les dépenses et les travaux requis pour les périodes ultérieures.

En cas de non accomplissement des obligations de travaux au cours de la premiére période d'exploration de quatre (4) ans, Perenco Oil & Gas Cameroon Ltd paiera à la République du Cameroun tout montant de l'obligation de dépenses restant après déduction de tous les coûts encourus dans l'exécution des opérations d'exploration. La République du Cameroun se réserve le droit, le cas échant, d'exercer tout moyen légal en vue de récupérer ces sommes.

Art. 5.- (1) Les rapports de toutes études ainsi que les données acquises seront envoyés au ministère chargé des Mines et à la Société nationale des hydrocarbures.

(2) Sous réserve du droit pour la société Perenco Oil & Gas Cameroon Ltd de faire usage de toutes les données acquises ainsi que des rapports des études, ces données ainsi que lesdits rapports resteront propriété exclusive de la République du Cameroun.

Art. 6.- La société Perenco Oil & Gas Cameroon Ltd n'entreprendra pas de travaux d'exploitation des hydrocarbures sur le permis Kombe-Nsepe sans avoir au préalable obtenu les titres miniers y afférents.

the required minimum shall be carried forward to compensate expenditure and works required subsequently.

Where the work obligations are not fulfilled during the first four-year period of exploration, Perenco Oil and Gas Cameroon Ltd shall pay to the Republic of Cameroon the full balance of the expenditure obligation less all exploration costs incurred. The Republic of Cameroon shall have the right, where necessary, to use any legal means to recover the said amounts.

5. (1) All study reports as well as a acquired data shall be sent to the Ministry in charge of mines and the National Hydrocarbons Corporation.

(2) Subject to the right of Perenco Oil and Gas Cameroon Ltd to use all acquired data and study reports, the said data and reports shall be the exclusive property of the Republic of Cameroon.

6. Perenco Oil and Gas Cameroon Ltd may not carry out hydrocarbons exploitation works without having obtained the relevant mining titles.

Art. 7.- La société Perenco Oil & Gas Cameroon Ltd s'engage dans le cadre du permis Kombe-Nsepe à dépenser chaque année deux cent mille (200.000) USA en phase d'exploration et quatre cent mille (400.000) dollars USA en phase d'exploitation pour la formation et/ou le perfectionnement des cadres et techniciens de la Société nationale des hydrocarbures et du ministère chargé des Mines.

Art. 8.- Sont abrogèes toutes dispositions antérieures contraires notamment celles, du décret n° 98-66 du 27 avril 1998 portant institution du permis Kombé et celles du décret n° 2001-034 du 15 février 2001 portant institution du permis Nsepe.

Art 9.- Le présent décret sera enregistré et publié suivant la procédure d'urgence, puis inséré au *Journal Officiel* en français et en anglais.

Yaoundé, le 30 juin 2005.
Le président de la République,
Paul Biya.

7. Perenco Oil and Gas Cameroon Ltd undertakes to, within the framework of the KOMBE-NSEPE permit, to spend 200 000 (two hundred thousand) US dollars each year during the exploratory phase and 400 000 (four hundred thousand) US dollars during the exploitation phase for the training and/or further training of cadres and technicians of the National Hydrocarbons Corporations and the Ministry in charge of mines.

8. All previous provisions, repugnant hereto, in particular, those of Decree No. 98-66 of 27 April 1998 to initiate the KOMBE permit and those of Decree No, 2001-34 of 15 February to initiate the NSEPE permit are hereby repealed.

9. This decree shall be registered, published according to the procedure of urgency and inserted in the *Official Gazette* in English and French.

Yaounde, 30 June 2005.
Paul Biya,
President of the Republic.

Exhibit 10.10

REPUBLIC OF CAMEROON **Peace - Work - Fatherland**

CONTRACT OF ASSOCIATION

Between

THE REPUBLIC OF CAMEROON

And

CMS NOMECO CAMEROON LTD

And

GLOBEX CAMEROON, LLC

And

SOCIETE NATIONALE DES HYDROCARBURES

CONTRACT OF ASSOCIATION BETWEEN
THE REPUBLIC OF CAMEROON AND
CMS NOMECO CAMEROON LTD AND
GLOBEX CAMEROON, LLC, AND
SOCIETE NATIONALE DES HYDROCARBURES

INDEX

PREAMBLE

This Contract of Association is made and entered into:

by and between

The Republic of Cameroon, hereby represented by the Minister of State in charge of Trade and Industrial Development,

and

CONTRACTOR, constituted by :

- CMS NOMECO CAMEROON LTD (hereby referred to as "NOMECO"), a Company incorporated under the laws of the Cayman Islands, B.P. 6650, Yaounde, represented by its Vice-President, Mr Robert C. OLSON,

- GLOBEX CAMEROON, LLC (hereby referred to as "GLOBEX"), a Company incorporated under the laws of the Cayman Islands, c/o GLOBEX, Memorial City Plaza II, 820 Gessner, Suite 1680, Houston, Texas 77024, represented by its President, Mr John Z. TOMICH,

- SOCIETE NATIONALE DES HYDROCARBURES (hereby referred to as "SNH"), B.P. 955, Yaounde, represented by its Executive General Manager, M. Adolphe MOUDIKI.

Whereas, the Parties have entered into Conventions of Establishment dated respectively 17 May 1996 between the Republic of Cameroon and SNH on the one hand, 11 December 1997 between the Republic of Cameroon and CMS NOMECO and GLOBEX, on the other hand, the latter being hereafter referred to as the "Convention".

Whereas, for the implementation of said Convention, the Parties desire to set the conditions under which they intend to conduct the Petroleum Operations.

Therefore, the Parties agree as follows:

ARTICLE 1 : DEFINITIONS.

The words and terms used in this Contract shall have the following meaning unless specified otherwise :

Affiliated Company

A company or other legal entity:

- which controls one or more entities that constitute the Contractor; or
- which is controlled by one or more entities constituting the Contractor; or
- which is controlled by an entity which itself controls any entity constituting the Contractor.

Control means direct or indirect ownership of more than fifty (50) percent of the share capital of the controlled entity, conferring on the controlling entity the majority of the voting rights attached to such share capital.

Annexes

Annex A	:	Accounting Procedure
Annex B	:	Area of Association
Annex C	:	Terms applicable to M'VIA field
Annex D	:	Estimation of reserves of M'VIA Field

Area of Association

All the Mining Titles from a given sedimentary basin covered by the Convention

Associated Gas

Natural Gas which is produced in association with Liquid Hydrocarbons.

Calendar Year

A period of twelve (12) consecutive months commencing with January 1 according to the Gregorian calendar.

Commercial Discovery

A Discovery is deemed to be commercial when the Contractor decides to develop it.

Contract

The Contract of Association and its Annexes made and entered into by and between the Republic of Cameroon and **CMS NOMECO CAMEROON LTD and GLOBEX CAMEROON, LLC** and

SOCIETE NATIONALE DES HYDROCARBURES as well as any additional annex, renewal, extension, substitution or amendment which may be mutually agreed.

Contractor

CMS NOMECO CAMEROON LTD and GLOBEX CAMEROON, LLC and **SOCIETE NATIONALE DES HYDROCARBURES** as well as their respective assignees and/or successors in interest.

Convention

The Convention of Establishment signed on 11 December 1997 between the Republic of Cameroon on the one hand, and Contractor, constituted by NOMECO and GLOBEX, and its annexes forming part thereof, as well as any renewal, extension, substitution or amendment to this Convention of Establishment which may be mutually agreed.

Convertible Currency

Any currency which is freely convertible in all the following countries: USA, Canada, Japan, Germany, France, Great Britain, Italy and Switzerland.

Cumulative Technical Costs

The total cumulative Technical Costs.

Cumulative Turnover

The total cumulative Hydrocarbon Turnover.

Delivery Point

The FOB connecting point within the Republic of Cameroon between the loading installations and the vessel as defined in a development plan or any other transfer point mutually agreed by the Parties.

Discovery

A discovery of Hydrocarbons not previously evidenced by drilling, recoverable at the surface in a flow measurable by conventional petroleum industry testing methods.

Discovery Area

That area within an Exploration Permit comprising the geological feature as outlined by the relevant geological or geophysical data in which a Discovery exists or is made.

Douala/Kribi-Campo Basin

The entire mining territory made up of the sedimentary zones located East of the Cameroon volcanic axis and, more precisely, to the Southeast of a line connecting point A of coordinates (UTM) X = 550 000 m and Y = 500 000 m to point B, which is the intersection of the meridian (UTM) X = 500 000 m with the Cameroon Equatorial Guinea maritime border.

Effective Date

The date of entering into effect of the Convention as defined in Article 3 hereafter.

Exploration Operations

All activities carried out for the purpose to make or to evaluate a Discovery.

Exploration Permit

An exclusive Exploration Permit granted pursuant to the Convention to Contractor as referred to in Law 64/LF/3 of 6 April 1964.

Fiscal Year

A twelve month period from July 1st to June 30th of the following year.

Force Majeure

An unforeseen event arising from circumstances beyond the control of a Party invoking Force Majeure. The intention of the Parties is that the term "Force Majeure" receives the interpretation which complies the most with the principles and customs of international law and standard practices of the international petroleum industry.

Hydrocarbon Turnover

Proceeds recorded in accordance with the Accounting Procedure attached to the Contract during a given Fiscal Year, from the sale of Hydrocarbons accruing to Contractor and to the Republic of Cameroon and originating from a Mining Concession in the Douala/Kribi-Campo Basin. The selling price of Liquid Hydrocarbons being the Posted Price as defined in this Article and the selling price of Natural Gas being based on the provisions of Article 21 of the Convention of Establishment.

Hydrocarbons

Liquid Hydrocarbons, Natural Gas, asphalt, ozocerite, bitumen and any other solid hydrocarbons occuring in natural state.

Joint Operations

All Petroleum Operations and activities of the Parties within the scope of this Contract which are performed or executed in or for the Area of Association.

Joint Production

All the Hydrocarbons produced and recovered by the Parties within the framework of this Contract.

LIBOR

London Inter-Bank Offered Rate ("LIBOR") which shall be the rate per annum at which three (3) month deposits of United States Dollars shall be offered to prime banks in the London Inter-Bank market for such period, quoted by National Westminster Bank PLC-London Branch, London,

England, at 11:00 a.m. London time on the last business day of the month preceding each month in which the calculation is made.

Liquid Hydrocarbons

Any Hydrocarbons which at atmospheric pressure and a temperature of 60 degrees Fahrenheit are in a liquid state or which are extracted by any processing method from Natural Gas including but not limited to distillate and condensate.

Mining Concession

An exclusive Mining Concession granted pursuant to the Convention to Contractor as referred to in Law n° 64/LF/3 of 6 April 1964.

Mining Title

An Exploration Permit, or a Mining Concession, granted pursuant to this Convention to Contractor as referred to in Law n° 64/LF/3 of 6 April 1964.

Natural Gas

Both Associated and Non-Associated Gas and all its constituent elements.

Negative Royalty

The amount due by the Republic of Cameroon to Contractor to ensure the Contractor actually receives its share of Rente Miniere as guaranteed in the Convention.

Non-Associated Gas

Natural Gas other than Associated Gas.

Non Operator

A Party who is not Operator.

Operating Committee

A committee of the Parties, as defined in Article 6 of this Contract.

Operator

The Party designated as such in accordance with Article 7 hereof

Participation in the Production

The percentage according to which the Parties divide the hydrocarbon production obtained within the scope of Joint Operations.

Participation in the Expenses

The percentage at which the Parties share the obligations resulting from this Contract and notably the expenses.

Party (Parties)

The Republic of Cameroon and each of the entities constituting the Contractor.

Petroleum Operations

Exploration Operations and Production Operations and any other activities related thereto.

Posted Price

The Posted Price for Liquid Hydrucarboru shall be set F.O.B. Delivery Point, and must be in line with prices for arms length export contracts concluded on Liquid Hydrocarbons of similar quality, the necessary corrections being made to take into account the characteristics of the different transactions.

The Posted Price for Liquid Hydrocarbons shall be the subject of negotiations between the Parties meeting in a joint commission composed of one representative of each Party, and assisted, in case of need by a reasonable number of experts of their choice to serve on an advisory capacity only. The said Posted Price shall be fixed quarterly by the joint commission on a date mutually agreed upon by the Parties; said date shall, to the extent possible, be within the quarterly production period under consideration but may in no event be later than the last day of the month following the expiration date of such period. If the Posted Price cannot be agreed by the Parties by such date, then the average differential taking into consideration the characteristics of the different transactions between the Posted Price of Liquid Hydrocarbons set for the previous Quarter and the average price of dated Brent Platts Market Wire for the thirty days preceding such date will be used for the following Quarter, until the Parties can mutually agree to fix the Posted Price. Notwithstanding the above, if all of the sales made in the subject Quarter are arms length sales to third Parties, the posted Price shall be the weighted average price realized from such sales after deduction of actual lifting and marketing charges.

The Posted Price of Liquid Hydrocarbons thus fixed shall be the “Posted Price” referred to in paragraph 2 of Article 24 of Law No. 78/24 of 29 December 1978.

Production Operations

All activities carried out for the purpose to exploit a Conunercial Discovery, including development, exploitation, processing, stabilization. storage, transportation of Hydrocarbons, related substances and products which are derived therefrom by separation or treatment and any other operations consistent with generally accepted international petroleum industry standards and practices as well as all operations in connection therewith up to and including the loading or delivery to the Delivery Point but excluding refining and distribution of finished products.

Quarter

A period of three (3) consecutive calendar months commencing with the first day of January, April July and October, respectively, of each Calendar Year.

Rente Miniere

The difference recorded during a given Fiscal Year between the Hydrocarbon Turnover from the Area of Associaiton on the one hand and the Technical Costs attributable to the said Area of Association on the other hand.

Gross Negligence

A conscious intent to repeatedly do or omit doing an act with the realization of the probability of adverse effects from such conduct and a disregard of the probable consequences of such conduct.

Subcontractor

Third parties undertaking or providing services or goods for Petroleum Operations for the account of Contractor.

Technical Committee

Any committee designated by the Operating Committee to study technical, financial and all other matters related to Joint Operations.

Technical Costs

The sum, during a given Fiscal Year, of exploitation costs, amortizations of exploration and development costs and any other costs properly amortized or charged under the Accounting Procedure of the Contract not captured by the aforementioned costs calculated in accordance with the rules and rates specified in Annex I of the Convention, and any corresponding financial charges as recorded under the Accounting Procedure of the Contract, attributable to all Mining Titles within the Area of Association (excluding the proportional mining royalty, company tax, proportional tax, contribution to FOSHY and any other duties, charges, fees, taxes, bonuses, tariffs or royalty of any nature whatsoever payable to the Republic of Cameroon or to any related entity).

Unaffiliated Company

A company or entity other than the Parties which does not fall within the definition of Affiliated Company.

Any reference to the singular or plural or gender shall be taken in context with its use hereunder.

ARTICLE 2 : PURPOSE

The purpose of this Contract is to set the conditions under which the Parties intend to conduct their Petroleum Operations in the Area of Association in which the Parties have or, shall have rights. The Convention shall apply to all Petroleum Operations under this Contract.

ARTICLE 3 : DURATION

This Contract enters into effect on the date the Convention enters into effect and shall, subject always to the Parties continuing obligations, continue to remain in effect so long as said Convention remains in force. Final settlement among the Parties in settlement of all accounts by payment to each other of any balance shown, for the removal or disposition of material, equipment and personal property in connection with the Joint Operations shall be accounted for under this Contract while the Convention is in force.

This Contract may be modified only by an amendment mutually agreed to by the Parties.

ARTICLE 5 : PRODUCTION SHARING - PARTICIPATION IN THE EXPENDITURES - MINING ROYALTY AND FISCAL REGIME

la. The Participation in the Production in the Area of Association is as follows:

Republic of Cameroon	:	60%
Contractor	:	40%

lb. The Participation in the Expenditures is as follows:

Republic of Cameroon	:	50%
Contractor	:	50%

2a. The amount of the proportional mining royalty or Negative Royalty due, as the case may be, will be calculated on the production from the totality of the Mining Concessions within the Area of Association, taking into account the provisions of Article 5. 2b) hereafter.

2b. For the purpose of the division of Rente Miniere between the Parties, taxes and proportional mining royalty calculation, each entity constituting Contractor shall elect one of the two options hereafter. Such election shall be done once and remain irrevocable; however, in the case of assignment to a successor not being an Affiliated Company, the new Party may elect one of the two options.

Option A

For each Fiscal Year, Contractor shall be entitled to and shall receive, after payment of the proportional mining royalty, company tax as provided in Article 24 of Law No. 78/24 of 29 December 1978, contribution to FOSHY and any tax, duty, bonus, tariff, fee, royalty of any nature or denomination whatsoever a share of the Rente Miniere equal to 26 % of the Rente Miniere of the Area of Association.

If for the Fiscal Year under consideration, the value of the share of Rente Miniere guaranteed to Contractor is not attained or is exceeded, the final rate of the proportional mining royalty that Contractor must pay, or the Negative Royalty that Contractor must receive, as the case may be, shall be consequently fixed and, unless the Parties agree at the appropriate time on any other arrangement leading to the same result, Contractor shall assign to the Republic of Cameroon or the Republic of Cameroon shall assign to Contractor, as the case may be during the current Fiscal Year, Liquid Hydrocarbons in quantities and under conditions of assignment such that Contractor actually receives the share of Rente Miniere guaranteed above.

The above Contractor’s share of Rente Miniere is guaranteed after payment of proportional mining royalty and company tax, the contribution to FOSHY as provided in Article 29 of the Convention and any tax, duty, fee, bonus, tariff and royalty of any nature or denomination whatsoever.

Notwithstanding the company tax and proportional tax rates stipulated by the General Tax Code, the company tax is equal to 57.5 %.

Option B

For each Fiscal Year Contractor shall be entitled to and shall receive after payment of the proportional mining royalty, tax (other than company tax and proportional tax as provided in this Article 5), the contribution to FOSHY as provided in Article 29 of the Convention and after any other tax, duty, bonus, tariff, fee, royalty of any nature or denomination whatsoever, a share of Rente Miniere equal to **50.630 %** of Rente Miniere of the Area of Association.

If for the Fiscal Year under consideration, the value of the share of Rente Miniere guaranteed to Contractor is not attained or is exceeded, the final rate of the proportional mining royalty that Contractor must pay, or the Negative Royalty that Contractor must receive, as the case may be, shall be consequently fixed and, unless the Parties agree at the appropriate time on any other arrangement leading to the same result, Contractor shall assign to the Republic of Cameroon or the Republic of Cameroon shall assign to Contractor, as the case may be, during the current Fiscal Year, Liquid Hydrocarbons in quantities and under conditions of assignment such that Contractor actually receives the share of Rente Miniere guaranteed above.

The above Contractor's share of Rente Miniere is guaranteed after payment of proportional mining royalty, the contribution to FOSHY as provided in Article 29 of the Convention, any tax, duty, fee, bonus, tariff, royalty of any nature or denomination whatsoever but before company tax and proportional tax stipulated in this Option B.

Notwithstanding the company tax and proportional tax rates stipulated by the General Tax Code, the combined tax rate resulting from company tax and proportional tax is equal to **48.6475 %.**

Under either Option A or B, each entity constituting Contractor shall be subject to and separately liable for their respective taxes and proportional mining royalty. In case of positive or negative Rente Miniere, each entity constituting Contractor shall be entitled and shall receive a share of Rente Miniere according to its participating interest following the rules of the elected option. Each entity constituting Contractor shall separately file tax returns and make tax payments in accordance with relevant provisions of the General Tax Code.

For the first Fiscal Year of guarantee of the share of Rente Miniere, the Technical Costs of that Fiscal Year shall include all the previous charges and amortizations allowed under the Accounting Procedure and the Convention.

Each entity constituting Contractor shall receive, not later than ninety (90) days from the date of filing returns for the relevant company tax and proportional tax and, returns from the Treasury Accountant or other appropriate authority of the Republic of Cameroon, official receipts evidencing payment of company tax and proportional tax, as the case may be.

3.a. The tax system applicable to Contractor enumerated in this Contract is defined and guaranteed by the Convention.

3.b. The amortization rates applicable for the computation of taxable income shall be those specified in Annex I to the Convention.

4. Each of the Parties which are subject to the United States Internal Revenue Code of 1986 ("Code"), as amended, agrees to elect under section 761(a) of said Code to exclude operations under this Contract from the application of Subchapter K, Chapter 1, Subtitle A of the Code.

Operator is authorized and directed to execute on behalf of each Party subject to said Code such evidence of this election as may be required by the United States Secretary of the Treasury or the Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Treasury Regulations Section 1.761. No Party shall give any notices or take any other action inconsistent with the election made hereby.

5. Special Fiscal and provisions applicable for marginal fields are set forth in Annex C of this Contract.

ARTICLE 6 : OPERATING COMMITTEE

1. Composition and Procedure

a. The management and control of Joint Operations shall be ensured by an Operating Committee composed of representatives of each Party, and assisted in case of need and in an advisory capacity by experts of their choice. Each Party shall by notice to all Parties appoint one (1) representative and one (1) alternate to serve on the Operating Committee. The Operator's representative shall be the chairman of the Operating Committee. The alternate appointed by a Party shall act only in the event the representative appointed by such Party is not available. Such representative, or in his absence, his alternate, shall have full power and authority to represent and bind such Party in all matters arising under this Contract, and all acts done by him or his alternate pursuant to the authority hereby conferred shall be deemed to be the acts of the Party which appointed him. Each Party may change its representative and alternate at any time by notifying the other Parties to that effect.

b. The Operating Committee shall meet at least once every six (6) months. The meetings shall take place in any location chosen by Operator.

c. The agenda shall be established by Operator who has the obligation to include therein all issues raised by the Non-Operators. Any Party may submit a matter for consideration to the Operator or request a meeting of the Operating Committee by delivering such request to the Operator. If a meeting is requested, Operator shall promptly give fifteen (15) days written notice to the Operating Committee. The fifteen (15) day notice may be waived with the unanimous consent of all the Parties. The notice shall include the agenda, including any matter duly requested by a Non- Operator, proposed meeting date and venue selected by Operator, and other appropriate information requiring consideration and determination. If an alternative meeting date and/or venue is requested by a Non-Operator, the Parties shall agree on a date and/or venue satisfactory to all Parties. No decision on any matter shall be taken at any meeting of the Operating Committee unless such matter has been included on the proposed agenda or the representatives of the Parties unanimously agree that a matter of which no prior notice has been given shall be dealt with at the meeting in question.

d. The minutes from each meeting of the Operating Committee shall be drawn up by Operator and provided to the Parties within thirty (30) days after the end of the meeting and approved by them within sixty (60) days after the end of the meeting.

e. Any matter arising under this Contract may be submitted to the Operating Committee for consideration and vote without holding a meeting provided that such matter is submitted in writing to all Parties. In such event each Party shall vote by giving written notice of its vote to all the Parties within fifteen (15) days after its receipt of the proposal, except in cases where the proposal involves drilling operations where a drilling rig intended to be used in such operation is on location or is enroute thereto and in Operator's opinion an immediate decision is required, in which case, a vote must be cast by telex or personal delivery within forty-eight (48) hours after receipt of the proposal. Any failure to reply within the two (2) times specified above shall be considered a positive vote. Any matter submitted which receives the affirmative vote provided for in this Article shall be deemed the decision of the Parties and shall be binding on the Parties in the same manner as if the vote were cast at a meeting. The Operator shall keep a written record of each such matter submitted and shall promptly notify the Parties of the result of each vote upon the matter when such result is known.

2. Duties and Powers

a. The Operating Committee decides on all important matters regarding the Joint Operations.

b. The Operating Committee shall have full powers to decide on the Joint Operations; in particular, and without being limited by the following list, its powers shall include the following:

- It shall examine, revise and approve for the following year draft work programs and corresponding budgets as well as any draft to modify the latter. These drafts or their modification shall become executory from the date of their approval. In acccordance with the provisions of Article 8 hereafter, it shall examine provisional programs and budgets for the two subsequent years.

- It shall be informed by Operator about Joint Operations which have been carried out and the results therefrom.

- It shall establish the Optimum Production Capacity per field in each Mining Concession as provided for under Article 13 hereafter.

c. Except as otherwise agreed, a Technical Committee meeting shall precede each meeting of the Operating Committee.

d. All decisions of the Operating Committee are by unanimity except for the following:

i. Prior to the issuance of the first Mining Concession to Contractor in the Area of Association, the Republic of Cameroon shall not have a veto right for any proposal brought before the Operating Committee provided that the proposal is not considered contrary to standard procedures or operations within the international petroleum industry;

ii. All decisions relating to applications .or renewal or renunciation of Mining Titles shall be made solely by Contractor.

ARTICLE 7 : THE OPERATOR

1. NOMECO is hereby designated as Operator. If NOMECO resigns as Operator, then the Operating Committee shall designate a new Operator from among the entities constituting Contractor.

2. Operator assumes, under the authority of the Operating Committee, the execution of the Joint Operations.

3. In particular, the Operator shall:

- Submit to the Operating Committee the work programs and budgets and the changes that may be necessary in view of a change of circumstances;

- Submit to the Operating Committee its general ideas relating to the Joint Operations and the long term plan it contemplates for the development of Discoveries made under this Contract within the Area of Association;

- Conduct the Joint Operations in accordance with the current standards within the international petroleum industry, that is with the care, precautions and reasonable diligence required of a prudent operator under similar conditions. It shall act in good faith in the execution of its functions and shall not be held responsible, except in cases of Gross Negligence;

- Send to the Operating Committee any information and reports it may reasonably request. The documents used for the drafting of the said reports shall be kept by Operator and communicated to the Non-Operators upon their request insofar as possible;

- Allow the representatives of the Non-Operators to go to the sites of Petroleum Operations at their sole risk and expense in accordance with paragraph 6 hereunder and without undue interference with the Joint Operations. It is not the intent of Operator to charge the Non-Operator for expenses normally charged to the Participation Account under generally accepted practices within the international petroleum industry as related to Non-Operators interventions to the sites of operations. Reasonable necessary costs of inspections which are required by the Republic of Cameroon under laws and regulations shall be borne by the Operator and charged to the Participation Account in accordance with the Accounting Procedure;

- Settle all the expenses relating to the Joint Operations within the framework of approved budgets and in accordance with the terms provided in the Accounting Procedure;

- Keep the accounts of the Joint Operations pursuant to the terms defined in the Accounting Procedure;

- Send regularly to Non-Operators the Cash Calls and invoices as provided in the Accounting Procedure;

- Promptly inform the Non-Operators of the presence of any Hydrocarbons shows;

- Furnish the Non-Operators with a detailed report on ongoing Petroleum Operations including any drilling or deepening of wells showing the reservoirs and the characteristics of the formations penetrated and with logs of the drillings or copies of the same.

Operator may call on any Sub-contractor(s) to carry out the operations. The contracts related thereto will be provided to Non-Operators upon request, subject to provisions of Article 16 hereafter. However, for contracts having a value over 250 000 US Dollars, Operator shall only utilize Sub-contractors which have been approved by the Parties such approval to not be unreasonably withheld.

4. For the purpose of administrative and/or technical assistance, the Operator may conclude contracts with its Affiliated Companies. Copies of such contracts shall be made available by the Operator to Non-Operators. Costs shall be charged in accordance with the Accounting Procedure.

5. Operator shall enter into and maintain in force insurance policies covering the Joint Operations as required by laws and regulations or as authorized by the Operating Committee. The charges for such insurance shall be for the Participation Account. Any benefit derived therefrom shall be for the Participation Account.

All the insurance policies thus entered into by Operator shall mention the waiver on the part of the insurers with respect to any recourse against the Non-Operators. Copies of such insurance policies shall be made available by the Operator to Non-Operators.

Operator shall inform the Non-Operators of the insurance policies entered into under this Contract for Joint Operations and shall inform the Non-Operators of the cancellation or expiration of this insurance.

If the insurers cancel an insurance policy or if they do not wish to continue it, Operator shall inform the Non-Operators as soon as possible. Operator shall require Subcontractors to enter into and maintain in force all the insurance policies required by applicable laws and regulations and shall require all Subcontractors to obtain from their insurers a waiver of any recourse against Operator and the Non-Operators.

No provisions hereof shall interfere with the right of any Party to obtain any insurance policy for its own account relating to the activities referred to under this Contract. However, any Party which acquires its own insurance policy shall provide a certificate of insurance to Operator.

6. Subject to paragraph 3 of this Article, each Party shall bear its share in proportion to its Participation in the Expenditures in any losses and disbursements, relating to or resulting from any justified claim, any payment of damages, indemnity or any executory judicial decision as well as any other expenses, including fees and expenses of legal advisors, that may arise from the Joint Operations and not covered by insurance.

7. Any losses, damages or other financial consequences resulting directly or indirectly from an error or mistake in judgment committed by Operator shall be entered into the Participation Account and borne by each Party according to its Participation in the Expenditures, so long as the said mistake or error in judgment was not committed by an act of Gross Negligence.

ARTICLE 8 : WORK PROGRAMS AND BUDGETS

1. Operator shall submit to the Operating Committee, before October 1st of each year, a work program as well as an estimate of expenditures for the following year. After examination, review and supplements if there are any, the final work program shall be adopted by the Operating Committee in accordance to Article 6 hereof and at the latest on December 1st or at any other date agreed mutually by the Parties.

The work programs transmitted to the Operating Committee should include a technical description of each type of envisaged operation, as well as the quarterly work calendar. The level of detail of the budget for predraft work program, and the final work program will be the AFE (Authorization for Expenditure) level, within generally accepted petroleum industry standards and practices.

For planning purposes only, it shall also submit anticipated programs for the two subsequent years, including an estimate of Exploration Costs.

It is admitted that the details of an annual work program can require modifications during the execution for opportunity reasons due to operational constrains. In this care the Operator may make necessary modification after approval of the Operating Committee.

2. No expenses or liabilities may be incurred by Operator unless they have been provided for in a budget approved by the Operating Committee.

For the purpose of simplifying the conduct of Joint Operations, the Operator shall be exempt from obtaining the Non-Operators prior agreement:

- To incur extra expenses arising from an unforeseen increase in cost relating to intangible fixed assets provided that their amount does not exceed ten (10) percent of the budgeted cost of the article concerned and in no case exceeding 200,000 US Dollars per item.

- To incur any new expenses for equipment (fixed or movable) not foreseen in the cumulative approved budget heading provided that the amount does not exceed ten (10) percent of the budget heading, it being specified that, for small budgetary expenses, the increase may be greater than ten (10) percent, without exceeding 80,000 US Dollars per item.

- To incorporate (without giving the enumeration thereof or a detailed justification under the caption “small sundry expenses”), the estimated expenses relating to the acquisition or the production of goods, without exceeding 80,000 US Dollars per item.

In case of extreme urgency, Operator may immediately incur expenditures it deems necessary for the protection of personnel or property, subject to a notification to the Non-Operators as soon as possible.

ARTICLE 9 : EXPENDITURES

1. Subject to the provisions of Article 10 of this Contract, the Parties shall contribute towards all expenditures for Petroleum Operations including overhead, in proportion to their respective Participation in the Expenditures.

2.a) In order to be able to timely settle the expenses incurred within the scope of exploration and production Joint Operations, as well as the financing of stocks for Joint Operations, Operator shall send the Non-Operators before the 15th of the month a detailed month by month statement of the anticipated payments of the Monthly Cash Calls for the following Quarter in line with the forecast of payments, and of the financial contribution required from each Party in proportion to their Participation in the Expenditures.

2.b) In order to be able to timely settle the expenses incurred within the scope of development Joint Operations, Operator shall send to the Non-Operators, before the 15th of each month, a detailed statement of the anticipated payments for each of the three following months, and the cash calls for each of these three months in line with the forecast of payments, and of the financial contribution required from each Party in proportion to their Participation in the Expenditures.

2.c) These payments shall be assessed on the basis of the budgets, approved work programs, and estimated costs price for the Joint Operations expected to be carried out. Such payments shall not include amortization charges for the joint equipment and assets nor the consumption of materials taken from joint inventories.

Monthly Cash Calls shall be due in a Convertible Currency, at the latest on the 1st of the month under consideration. The Republic of Cameroon shall have the election to pay the Monthly Cash Calls in any Convertible Currency of its choice. The Republic of Cameroon, shall fifteen (15) days prior to the date of payment, give Contractor notice of the selected Convertible Currency. Conversion from U.S. Dollars into the currency selected by the Republic of Cameroon will be made two (2) working days prior to the date of payment using the rate quoted by Société Générale, Paris, France, at 11:00 a.m. Paris time on that day. Any amount not fully paid by a Party on this date shall be adjusted to reflect late payment interest. For loans, if any, payment shall be due five (5) days before the loan payment is due.

The Operator shall update his forecast cash flow taking into account the modifications made to the budgets and work programs and the changes, if any, in the costs of the Joint Operations. Cash Calls shall be readjusted pursuant to the provisions of the Accounting Procedure.

Each Non-Operator shall pay its special proportionate Cash Calls as soon as possible upon receipt of notice but in all cases within fifteen (15) days after receipt of such notice.

Any late payment of any amount owed by or to Operator by virtue of the provisions of this Paragraph c) shall bear late payment interest from its due date until the date of payment at the LIBOR rate in effect on such date, plus two percent (2 %).

Said interest shall not be taken into account for the calculation of Rente Miniere but shall only be taken into account in the determination of taxable income for the Fiscal Year during which such interest shall have been paid or received. The payment of said interest shall be limited by the

share of Joint Production allocated by the Republic of Cameroon for the reimbursement of the advances referred to in Article 10 hereof.

Should the Operator be required to pay any large sums of money on behalf of the Joint Operations which were unforeseen at the time of providing each Non-Operator with the monthly estimate of its requirements, the Operator may make a written request of each Non-Operator for special Cash Calls covering the Non-Operator's share of such payments.

3. The Accounting Procedure annexed to this Contract establishes the rules of financial and accountancy procedure. These rules define, inter alia, the terms and conditions applying to the reimbursement of overhead. This Accounting Procedure also sets out the terms under which a Non-Operator shall have the right to audit or cause to be audited the accounts of the Joint Operations.

ARTICLE 10 : PARTICULAR FINANCIAL CONDITIONS

1. Concerning exploration expenses, Contractor shall grant to the Republic of Cameroon advances for an amount which is equivalent to the Participation in the Expenditures to be borne by the Republic of Cameroon under the terms of this Contract, unless the latter decides to finance its part.

2. Concerning development and exploitation expenses made in the Area of Association, unless the Republic of Cameroon decides to finance its part, Contractor shall grant advances to the Republic of Cameroon, for an amount equivalent to its Participation in the Expenditures. Contractor shall finance these advances by loans from banks and credit establishments, loans contracted from its Affiliated Companies or internally generated funds, such method of financing to be at the sole election of Contractor. The Parties agree to bear the charges of these loans and give requested guarantees according to their Participation in the Expenditures.

3. The advances granted by Contractor to the Republic of Cameroon pursuant to paragraphs 1 and 2 of this Article, shall be made according to the following conditions:

   a. The reimbursement of advances granted to the Republic of Cameroon by Contractor for exploration expenses are due on the date of the first metric ton of commercial production. Any amount not reimbursed on said date shall bear interest in accordance with the provisions of sub-paragraph b) hereinbelow.

   b. With respect to development and exploitation expenses, advances granted by Contractor and financed through loans contracted from its Affiliated Companies or through internally generated funds shall be subject to the following conditions:

      i. In the event of a loan contracted by any entity constituting Contractor, from an Affiliated Company on behalf of the Republic of Cameroon, the Republic of Cameroon shall have the right to review the conditions of said loan, in order to determine if it desires the loan from the entity constituting Contractor.

      ii In the event of advances financed by internally generated funds by entity constituting Contractor on behalf of the Republic of Cameroon , the Republic of Cameroon shall have the right to review the conditions of said advances in order to determine if it desires the advances from the entity constituting Contractor.

      iii. The applicable interest rate shall be the LIBOR rate in force on the date of the advance or loan plus two percent (2 %). Other conditions of the loan should be based on market conditions for similar transactions.

      iv. Interests on loans or advances, whether contracted from Affiliated Companies or through internally generated funds, as the case may be, shall be included in their totality within the Technical Costs.

      v. In the event the Republic of Cameroon chooses not to participate in the loans or advances as described hereinabove, the entity constituting Contractor shall no longer have the obligation to fund the Republic of Cameroon's Participation in the Expenditures. In this case, the Republic of Cameroon shall be obligated to provide its portion according to its Participation in the Expenditures. In case of any failure by the

Republic of Cameroon to provide its portion according to its Participation in the Expenditures, Contractor shall be entitled but not required to finance the Republic of Cameroon's portion. In case the entity constituting Contractor does finance the Republic of Cameroon's portion, it shall be entitled to recover all costs of said financing in accordance with the terms of this Contract.

c. The advances granted by Contractor to the Republic of Cameroon under this Contract shall be reimbursed and, if applicable, the interest relating thereto shall be paid out of the Joint Production from the Mining Concessions. This reimbursement shall cease when there is no Joint Production from the Area of Association. In the event Joint Production ceases, the portion of the Republic of Cameroon's share of production from any source assigned for reimbursement as provided in paragraph 4 hereafter, carried forward, shall accrue to Contractor to the extent of the amounts of advances and loans, if any, due CONTRACTOR.

4a. For purposes of reimbursing advances as well as for servicing joint loans, if any, for Joint Operations, the Republic of Cameroon shall assign a part of its share in the Joint Production equivalent to 35 % of the turnover from the joint operation.

4b. 1. For the purpose of reimbursement of the advances granted by Contractor to the Republic of Cameroon under this Contract and, if applicable, the interest related thereto, the Republic of Cameroon shall have the choice of either:

i. assigning to Contractor a part of its share in the Joint Production (which shall be valued at the Posted Price) within the limitations as stipulated above. Contractor shall thus market production and keep the proceeds therefrom;

or

ii. directly pay in a Convertible Currency (such Convertible Currency being at the sole election of the Republic of Cameroon) to Contractor the proceeds from the sales of a part of its share in the Joint Production within the limitations as stipulated above. The Republic of Cameroon shall, fifteen (15) days prior to the date of payment, give Contractor notice of the selected Convertible Currency. Conversion from U.S. Dollars into the currency selected by the Republic of Cameroon will be made two (2) working days prior to the date of payment using the rate quoted by Société Générale, Paris, France, at 11:00 a.m. Paris time on that day. Any amount not fully paid by a Party on this date shall be adjusted to reflect late payment interest. For loans, if any, payment shall be due five (5) days before the loan payment is due.

The Republic of Cameroon shall notify Contractor of its choice of method of reimbursement for the following calendar year by October 1st of each year failing which it shall be deemed to have elected to directly pay Contractor in cash.

2. It is understood that where, for a given Fiscal Year, the Republic of Cameroon's share of the Joint Production allotted for the cumulative reimbursement of the advances granted by Contractor exceeds the actual amount to be reimbursed pursuant to Article 10, that portion of the Republic of Cameroon's share not used for reimbursement to Contractor shall be carried forward to subsequent Fiscal Years until Contractor receives complete reimbursement of said advances. The right to carry forward that portion of the share not used shall apply regardless of whether the reimbursement of advances is in cash or in kind. This reimbursement shall cease when there is no Joint Production from the Area of Association.

The reimbursement limitation, as referred to in sub-paragraph b. I (i) and (ii) above shall not apply to Negative Royalty (quarterly provisional payment or final annual settlement) which might be due pursuant to the provisions of Article 14 of the Convention.

In case the application of Paragraph 4a) above will not allow the fulfillment of the conditions of Article 16.2 of the Convention, and unless there is agreement of the Republic of Cameroon and Contractor when the time comes, the Republic of Cameroon shall transfer to Contractor during the year under consideration, Liquid Hydrocarbons or cash in quantities or amounts such that Contractor actually receives its guaranteed share of Rente Miniere as provided in the Convention.

c. In case, according to the conditions of paragraph b) hereabove, the Republic of Cameroon assigns to Contractor its share in the Joint Production, the reimbursement thus made by the Republic of Cameroon will be considered having been made at the value on the due date of the invoice corresponding to the Hydrocarbons lifting.

d. For the purpose of this Article 10, the proceeds collected by Contractor shall be applied for reimbursement in the following order:

- payment of interest.
- payment of Exploitation Costs as defined in the Accounting Procedure;
- reimbursement of the advances granted by Contractor;
- servicing of joint loans, if any.

e. The price at which Contractor may market the part of the share of the Republic of Cameroon in the Joint Production, according to the conditions provided for in paragraph b) hereabove, shall be a price to which the Parties agree in advance. If the Parties fail to agree, the price will be the Posted Price at the time of the lifting.

f. The Republic of Cameroon may at any time reimburse in advance, the advances granted to it by Contractor.

A detailed statement of the advances granted by Contractor and the reimbursements made by the Republic of Cameroon for each calendar Quarter shall be sent in the forty five (45) days following the expiration of the first three Quarters of the Year and within the ninety (90) days following the expiration the fourth Quarter.

The Republic of Cameroon will audit on site the accounting supporting these statements, in accordance with the Accounting Procedure.

5. The amounts not reimbursed to Contractor as result of the reimbursement limitation shall bear interest from their due date until the date on which they are fully paid at the LIBOR rate as in effect on such due date plus two percent (2%). Such interests shall be compounded annually until the date of payment, subject to the reimbursement limitation provided for in this Contract.

The rate to be applied to the aggregate outstanding amount shall be the rate in effect at the time of each compounding operation. In case of partial payment, the amount paid shall be applied first to the payment of interests accrued as of the date of payment.

Interest shall be calculated on the basis of a 360 day year.

Interests so received by Contractor shall not be taken into account for the calculation of Rente Miniere but shall only be taken into account in the determination of taxable income, for the Fiscal Year during which such interests shall have been received.

ARTICLE 11 : TRANFERS REGIME

Notwithstanding all contrary provisions, Contractor shall be free to receive directly and to keep abroad its share of the Hydrocarbons Turnover. It is indicated that this freedom implies to have bank accounts abroad and to debit them to pay for the costs related to Petroleum Operations and payable in a convertible currency (such as the payment to non-resident service companies and the servicing of loans). However CONTRACTOR is obliged to repatriate in Cameroon the amounts necessary for the payment of their local expenses in CFA currency (such as salaries of Cameroonian employees, .payments to resident service companies and taxes which are not payable in U.S Dollars).

ARTICLE 12 : OWNERSHIP OF PROPERTY - FIXED ASSETS

1. To the extent the Operating Committee deems it desirable, any Party has the option to use its own buildings, materials, supplies and equipment which are capable of being used for Joint Operations. In such case, the costs pertaining thereto shall be charged to the joint account in accordance with the provisions of the Accounting Procedure. Any losses or damages to such buildings, materials, supplies and equipment as a result of their use for Joint Operations shall be charged to the Participation Account.

2. Fixed assets purchased with Participation Account funds shall be considered the undivided property of the Parties who shall enter them in their respective accounting systems in proportion to their Participation in the Expenditures. It is specified that the fixed assets financed by advances of Contractor to the Republic of Cameroon shall become the property of the Republic of Cameroon only to the extent of the full reimbursement of these advances.

ARTICLE 13 : PRODUCTION AND LIFTING

1. Subject to the provisions of Article 10 above and to paragraph 11 of this Article, each Party shall have the right and obligation every year to take in kind, and at its own expense, separately dispose of the quantities of Liquid Hydrocarbons corresponding to its participation in the Optimum Production Capacity, of each field established for the year in question.

Such right of each Party shall be called "Lifting Right" in this Article. Provisions of this Article shall not apply to Natural Gas.

2a. Before May 1st of year A, Operator shall forward to each Party the estimates of Optimum Production Capacities of each field for each of the three following calendar years: A + 1, A + 2, A + 3.

b. Optimum Production Capacity of a field for a given year shall mean the production capacity which the Operating Committee agrees to be the highest production capacity of each field during the year concerned, taking into consideration the program adopted by the Operating Committee, and taking into account the nature of the field, its production capacity, the means of production, of processing, and of transporting to the delivery Point, and the loading facilities expected to be available during the year in accordance with current international petroleum industry practices. If by June 1st of year A the Parties are unable to agree on Optimum Production Capacity, the matter shall forthwith be submitted to an independent expert for determination on the basis of the factors mentioned above, in accordance with the provisions of Article 18 of this Contract. The selected expert shall render his decision prior to August 1st of year A.

c. The Optimum Production Capacity of each field shall be firm and on a quarterly basis for the year A+1, and provisional for the years A + 2 and A + 3.

The so agreed upon Optimum Production Capacities shall be immediately notified by Operator to each of the Parties.

3a. Before August 1st of each year, the Parties, after mutual consultation, shall notify in writing to each other and to Operator their Lifting Requirements of Liquid Hydrocarbons from each field for each of the three following calendar years.

For the year A + 1, the Lifting Requirements from each field shall be on a quarterly basis, taking into consideration the Optimum Production Capacity as fixed on a quarterly basis under the provisions of Paragraph 2 b) hereinabove for the year in question. The Lifting Requirements will be evenly spread, as close as possible, over the year, unless otherwise agreed by the Parties.

b. In order to fix their Lifting Requirements for the year A + 1, the Parties agree that if the Lifting Requirements of a Party from a field for the year A+1 is lower than its Lifting Right ("underlifter"), a Party or several Parties, provided that their initial Lifting Requirements are equal to their Lifting Right, may purchase at the fair market value from the underlifter and lift ("overlifter") all or part of the quantities of Liquid Hydrocarbons corresponding to the difference between the Lifting Right and the Lifting Requirements of the underlifter from the mentioned field for the year A+1. Fair market value for the purpose of this provision will be determined by published spot crude prices of similar quality and location on the five (5) days around loading. For this purpose, before September 1st, the underlifter shall communicate to the other Parties,

the quarterly quantities of Liquid Hydrocarbons from each field which will not be lifted and which will thus be put at their disposal during the year A+1. The quantities consisting of a Party's initial Lifting Requirements, increased where so indicated by overlifts applicable to it, shall be considered to be such Party's "Lifting Requirements".

c. Before September 15 of year A, any Party wishing to overlift all or part of the quantities of Liquid Hydrocarbons which are not lifted, shall notify the underlifter of its decision to purchase these quantities.

d. The Lifting Requirements of each Party shall show, if applicable, the total quantities of Liquid Hydrocarbons for all Parties to be overlifted during this year as well as the distribution thereof on a quarterly basis in the course of year A + 1.

The quarterly Lifting Requirements of each Party so notified to Operator shall, subject to Paragraph 8 below, be firm by Quarter for the year A + 1, and provisional for the years A + 2 and A + 3. These firm Lifting Requirements for year A + 1 may not be amended unless:

- Unanimous agreement of the Parties.
- In case of any variation of the Optimum Production Capacity of a field, as agreed by the Operating Committee for the year A + 1.
- In case of modification of the Participation in the Production.
- In case the owner of an underlifted quantity of Liquid Hydrocarbons for which no other Party has exercised a purchase right in a relevant Quarter give Operator a 90-day notice prior to the commencement of such Quarter of its intention nevertheless to take all or part of such underlifted quantity.

It is understood that for a given field, the total of the Lifting Requirements of all Parties in a given year, cannot be higher than the total of the Lifting Right of all Parties (i.e. more than the field's Optimum Production Capacity of this field as determined pursuant to the provisions of Paragraph 2 hereinabove). The Parties further agree that the setting of Lifting Requirements of each Party shall not increase or decrease the Lifting Right of any Party in any succeeding year, it being understood that the quantity, if any, by which a Party's Lifting Right in any year exceeds its Lifting Requirements during such year shall (except to the extent that liftings are adjusted pursuant to paragraph 8 hereof) at the end of such year remain unproduced and shall be subject solely to the future Lifting Right of the Parties. For the year A + 1, the Operating Committee shall fix before October 1st the production on a quarterly basis of each field which will be equal to the total of the firm Lifting Requirements of all of the Parties, as notified to Operator.

4a. Should the actual production availability of a field for any period of year A + 1 differ from the Optimum Production Capacity fixed for this period, Operator shall immediately notify the Parties of the so ascertained difference; the Operating Committee shall in this event in accordance with sub-paragraph 2b) above decide upon a new Optimum Production Capacity for that period of year A + 1.

b. If the actual production availability of an oilfield for any period of the year A + 1 is less than the relevant total Lifting Requirements of the Parties for this period, all firm Lifting Requirements of the Parties shall be reduced in proportion to their respective Lifting Requirements to the extent of the reduction of the Optimum Production Capacity of the field for the relevant period, unless otherwise agreed.

c. If the actual production availability of an oilfield for any period for the year A + 1 is greater than the relevant Optimum Production Capacity determined for this period, the excess quantity of production resulting therefrom shall be apportioned among the Parties on the basis of their respective Lifting Right for the field in question; it being understood that, if a Party requires less than its Lifting Right, the other Parties may purchase all or part of available underlifted quantity of Liquid Hydrocarbons according to applicable provisions of paragraph 3 hereinabove.

The Lifting Requirements of a Party relative to the excess production of a given field shall then be added to the initial firm Lifting Requirements of this Party and constitute the new firm Lifting Requirements of the Party for the year A + 1.

5. Except under application of the provisions of Paragraph 8 hereafter, each Party shall take delivery of the Liquid Hydrocarbons quantities corresponding to its Lifting Requirements at the Delivery Point (or Points) as may be mutually agreed.

6. Unless otherwise agreed, each Party shall lift the required Liquid Hydrocarbons quantities corresponding to its Lifting Requirements at an approximately equal rate over each quarter. It is understood, however, that all Liquid Hydrocarbons stored for the account of a Party in any jointly owned storage facilities shall be lifted by said Party at such time and in such quantity that there shall not remain at any time in such storage any quantity hereof in excess of the storage capacity to which this Party may benefit. This storage capacity is equal to the ratio of its Lifting Requirements to the sum of total Lifting Requirements of all Parties during the aforesaid quarter.

In no case, moreover, may any Party lift Liquid Hydrocarbons quantities in excess of its Lifting Right except in the circumstances provided under Paragraph 3b) above.

7. Promptly after the granting of a Mining Concession and prior to commencement of production, the Parties shall negotiate and agree upon the terms and conditions of lifting procedures, including such matters as listing programs, loading conditions, measuring and accounting of the Liquid Hydrocarbons quantities corresponding to the Party's Lifting Requirements. Those lifting procedures will be stipulated in a separate agreement to be

attached to this Contract as an annex to be called “Technical Loading Conditions”.

8. At the end of each calendar Quarter of year A + 1, Contractor will report the actual liftings during the Quarter for each of the Parties. Each Party may ask Operator to carry some of the Liquid Hydrocarbons it lifted at the end of such Quarter over to the succeeding Quarter or on the other hand to add onto the expiring Quarter Liquid Hydrocarbons it lifted in the succeeding quarter so that the Lifting Requirements and lifting be balanced.

However, the quantity which may be involved in such an adjustment may not, unless otherwise agreed between the Parties, exceed the lesser of one half of the storage capacity at the field or the largest cargo loaded at the terminal during the twelve month period which ends on the last day of the expiring Quarter. The maximum period allowed for making such adjustments shall be determined at a later date on the basis of the relationship of the daily production rate to the storage capacity.

9. If, due to insufficient liftings during any Quarter of year A + 1, and notwithstanding the tolerance at the end of each Quarter during that year, as defined in Paragraph 8, the actual Liquid Hydrocarbons liftings of a Party from a field for the aforesaid year are lower than its firm Lifting Requirements from this oilfield, such lower liftings shall not increase or decrease the Lifting Right of a Party in any succeeding Quarter, it being understood that quantity, if any, by which a

Party's Lifting Right in any Quarter exceeds its actual Liquid Hydrocarbons liftings during such year, shall (except to the extent that liftings are adjusted pursuant to Paragraph 8 hereof) remain unproduced and shall be subject solely to the future Lifting Right of the Parties.

10. It is expressly understood that the Parties shall not jointly sell the Liquid Hydrocarbons produced, although each Party may delegate authority to sell its share of production to another Party with its prior consent for such reasonable periods of time as are consistent with the minimum needs of the industry but in no event to exceed one year.

11. At the request of the Republic of Cameroon, and upon terms to be mutually agreed, each entity constituting Contractor may market the production of the Republic of Cameroon. The Republic of Cameroon shall grant to each entity constituting Contractor priority, under conditions equal to those proposed by other buyers, for the purchase of the production which it exports.

ARTICLE 14 : CONFIDENTIAL INFORMATION

1. None of the Parties may communicate to third parties the text of this Contract, nor any extracts of it, nor any other information pertaining to the operations hereunder, before having obtained the agreement of the other Parties, with the exception of the following:

   Any Party may communicate any information regarding this Contract and the operations, to the following:

   a. to any Republic of Cameroon authorities upon their official request, through the Societe Nationale des Hydrocarbures (SNH), except as otherwise provided by laws and regulations;

   b. to Affiliated Companies;

   c. to third parties acting on orders from any governmental or municipal authorities or the Republic of Cameroon authorities or from a service of the judiciary department;

   d. to third parties having the status of advisors to a Party, such as but not limited to legal representatives, accounting commissioners, “auditors”;

   e. to the extent disclosure pursuant to the rules or requirements of any stock exchange upon which the shares of the disclosing Party or its Affiliated Companies is listed and to the extent that any Party shall disclose information in an annual or periodic report to stockholders, provided that any Party making public disclosure under this provision shall use its best endeavors to consult the other Parties regarding the terms thereof;

   f. to the extent required by laws or regulations;

   g. to prospective assignees;

   h. to the extent the information has become public through no fault of one of the Parties.

2. The provisions of this Article shall be applicable to any individual or entity, except disclosures required by items 1.e) and f) of this Article 14, to whom any information regarding this Contract or other information relating to the Petroleum Operations is communicated. Furthermore, they shall continue to be applicable to any Party who ceases to hold an interest by virtue of the provisions of Article 16 of this Contract for a period of five (5) years from the effective date thereof.

3. Any Party may, with prior written approval of all other Parties and on such terms and conditions as all such other Parties may reasonably determine, exchange any such data and information for other similar data and information and shall promptly provide all the other Parties with a conformed copy of the agreement relating to such exchange and all such other data and information, provided that if any Party is also the owner or part owner of such other data or information it shall not be entitled to prevent an exchange which has been approved by the other Parties.

4. Subject to the paragraph 1 of this Article, the Operator shall be responsible for the preparation and release of ail public announcements and statements regarding this Contract or the Joint

Operations provided always that no such public announcement or statement shall be issued or made unless prior thereto all the Parties have been furnished with a copy thereof and the approval of the Operating Committee has been obtained. Where a public announcement or statement becomes necessary or desirable because of danger to or loss of life, damage to property, the environment or of pollution arising from Petroleum Operations, Operator shall be authorised to issue and make such announcement or statement without prior approval of the Operating Committee but shall promptly furnish all the Parties with a copy thereof.

5. Without prejudice to paragraph 1 e) and f) of this Article, if any Party wishes to issue or make any public announcement or statement regarding this Contract or the Joint Operations, it shall not do so unless prior thereto it furnishes all the Parties with a copy such announcement or statement and obtains the approval of the Operating Committee.

ARTICLE 15 : FORCE MAJEURE

No delay or default of Contractor or the Republic of Cameroon in performing any of the obligations under this Contract shall be considered a breach of contract if such delay or default is caused by a case of Force Majeure.

The Force Majeure affecting the Affiliated Company and/or sub-Contractors shall be considered Force Majeure affecting Contractor in so far as it affects Contractor's Petroleum Operations in the Republic of Cameroon. In such case, Contractor shall provide the proof.

If, in the event of Force Majeure, the performance of any of the obligations under this Contract is suspended, the time period the obligation is under suspension extended by the time required to repair any damage caused by the Force Majeure and during such suspension shall be added to any period provided by this Contract for the performance of said obligation and the terms of any Mining Title being affected by Force Majeure and any other term herunder shall be extended by that same period.

ARTICLE 16 : WITHDRAWALS - RELINQUISHMENT - ASSIGNMENTS

1. Withdrawal

a. Each Party has the right to withdraw from this Contract in as far as it relates to the whole or any part of the Area of Association, subject to it having fulfilled its proportionate share of the financial commitments to which it has committed under any work program and budget in any Mining Title subject to notification given to the other Parties four (4) months in advance.

b. The withdrawing Party shall endeavor to minimize the hindrance to the current operations.

As of the effective date of its withdrawal, the withdrawing Party is released from any future obligations and is deprived of any right to explore or take production.

c. Unless otherwise agreed, all the rights and obligations of the withdrawing Party are transferred to the other Parties without compensation. Any possible expenditures relating to the transfer shall be borne by the withdrawing Party.

d. In case a Party withdraws from less than or the total Area of Association, the withdrawing Party shall retain its right to its proportional share of production extracted from all the fields, which have been discovered on the relevant permit, prior to the withdrawal date, provided that the said Party remains obligated towards the relevant production costs.

2. Relinquishment

a. At any time, this Contract may be terminated by Contractor, provided, however, that Contractor has satisfied all commitments including work obligations and financial commitments as provided in Annex III of the Convention.

b. In case of full relinquishment by Contractor, the assets of the Parties under this Contract shall be sold by Operator under the best possible terms in agreement with the other Parties and the available funds shall be distributed prorata to their Participation in the Expenditures on the date of cancellation after deduction of any amounts required to settle any Party’s debts to the Participation Account.

c. If only one or more but less than all of the Parties find that a field discovered through Joint Operations and for which a Mining Concession has been obtained is noncommercial, it can withdraw and the other Parties electing to develop the Discovery shall alone have the benefit therefrom, provided they bear the whole of the corresponding costs. The conditions and value concerning the takeover of the material, equipment and installations pertaining to that field and financed jointly shall be established by agreement between the Parties, the recovery price being their recoupment value.

d. Fixed installations which were the undivided property of the Parties shall revert free of charge to the Republic of Cameroon at the expiration date of the Mining Concession.

3. Assignment

Any assignment shall be made according to the provisions of the Convention.

4. Withdrawal and Assignment by the Republic of Cameroon

The Republic of Cameroon may not, in any case whatsoever, request the application of paragraphs 1, 2 and 3 of this Article. However, the Republic of Cameroon may freely assign all or part of its rights and obligations under this Contract to :

i) an agency or a company entirely owned by the Republic of Cameroon provided such agency or company remains bound by all the terms of this Contract.

ii) Contractor, so leading to the automatic to termination of this Contract, in case of assignment of all rights and obligations.

ARTICLE 17 : DISPUTE RESOLUTION AND APPLICABLE LAW

a. Subject to the provisions of Article 18, any disputes between the Republic of Cameroon and Contractor concerning the interpretation or the application of this Contract, including the implementation of the decision of an expert under Article 18, shall be settled by the arbitration procedure defined herein.

b. The Parties hereby consent to submit to the International Center for Settlement of Investment Disputes (ICSID) any dispute in relation to or arising out of this Contract for settlement by arbitration pursuant to the Convention of the Settlement of Investment Disputes between States and Nationals of other States (ICSID Convention).

The Parties hereby agree that, for the purpose of Article 25(1) of the ICSID Convention, any dispute in relation to or arising out of this Contract is a legal dispute arising directly out of an investment.

c. The Parties shall not be relieved from meeting their obligations arising from this Contract during the arbitration procedure.

However, the commencement of the arbitration procedure shall bar enforcement of the contested measure for the duration of such arbitration.

d. The ruling of the arbitrators shall be final and irrevocable. It shall be binding on the Parties and enforceable according to Article 54 of the ICSID Convention.

The Parties shall henceforth formally and without reservations renounce the right to challenge the said ruling, to obstruct its execution by any means or to appeal against it before any court or jurisdiction whatsoever.

e. Cameroon law, generally accepted principles of international law and standard practices widely used in the international petroleum industry shall be applied with respect to this Contract.

ARTICLE 18 : TECHNICAL EXPERT CLAUSE

Any technical matter in dispute between the Republic of Cameroon and the Contractor including, but not limited to:

- the areal extent of a Discovery or Discoveries and the corresponding Mining Concession as referred to in Article 5 of the Convention;
- the Technical Costs;
- Petroleum Operations;
- Calculation of the Posted Price;
- any other matter of a technical nature that the Parties mutually agree;

may, at the request of either of such Parties by written notice to the other(s), be proposed to be referred for determination by a sole expert to be appointed by agreement between the Parties. If the Parties fail to agree on the submission of the matter and dispute to an expert, the matter and dispute shall be referred to arbitration under Article 17 hereinabove.

If the Republic of Cameroon and the Contractor agree on the referral of the matter to a sole expert but fail to agree on the appointment of the expert within sixty (60) days of their agreement to submit the matter to an expert, either of such Parties may have such expert appointed by the President for the time being of the Institute of Petroleum (London).

If the aforesaid President shall be disqualified to act by reason of professional, personal, or social interest or contract with any of the Parties in dispute, their Affiliated Companies, their officers or employees, the next highest officer for the time being of said Institute of Petroleum (London), who is not disqualified shall act in lieu of said President. No person shall be appointed to act as an expert under this Article unless he shall be qualified by education, experience and training to determine the subject matter.

The mission of the expert shall be to determine which Party has adopted the position with respect to the matter in dispute which is the most consistent with the terms of this Contract, the Convention and good oilfield practices as applied by the international petroleum industry. The expert shall render his decision within sixty (60) days after the date of his appointment, unless the Parties agree otherwise.

The decision of the expert shall be final and binding on both Contractor and the Republic of Cameroon. All costs associated with a determination hereunder and duly justified, including the experts' fees and expenses, and the costs associated with an appointment, if any, made by the President of the Institute of Petroleum (London) shall be borne equally by the Parties.

ARTICLE 19 : IMPLEMENTATION OF THE CONTRACT

The Republic of Cameroon and the entity constituting Contractor undertake to cooperate in all possible ways to achieve the objectives of this Contract.

If the Republic of Cameroon considers that entity constituting Contractor has committed a breach in the performance of any of its obligations under this Contract, it shall so notify Contractor in writing specifying the nature of the breach and said entity constituting Contractor shall have ninety (90) days to remedy the breach or refer the matter to arbitration in accordance with the provisions of Article 17 hereof.

Unless otherwise provided for in this Contract, each entity constituting Contractor shall be jointly and separately liable for the obligations of Contractor under this Contract.

ARTICLE 20 : VIOLATION OF THE CONTRACT

Violation by an entity constituting Contractor of the provisions of this Contract may entail denunciation thereof with respect to such entity by the Republic of Cameroon after notification and 90-day period to remedy in accordance with the provisions of Article 19 hereof.

However, without prejudice to the provisions of Articles 17 and 18 hereof, the following violation by an entity constituting Contractor may entail automatic denunciation of the Contract with respect to such entity if, after having been notified in writing, it does not take remedial action within ninety (90) days following such notification:

a. refusal to furnish to the Republic of Cameroon authorities upon their official request, non confidential information pertaining to Petroleum Informations as provided by Article 14 hereof;

b. refusal to grant advances to the Republic of Cameroon in accordance with the provisions of Article 10 hereof;

c. violation of the provisions of the Convention such as described in Article 27 of said Convention;

Where an entity constituting Contractor is guilty of one of the above mentioned violations, and where it has not commenced to take remedial action within prescribed time limit, such entity shall lose all its rights and interests, except its rights to recover all or part of its investments made in the Area of Association as provided in Article 16 (3) of the Convention, and the Contract shall be denounced with regard to that entity by mere notification in writing.

Termination of the Contract shall not relieve the Parties of contractual obligations that they may have to honor on the date of such termination.

ARTICLE 21 : NOTICES

All notices and other communications required or permitted hereunder or any notices that Parties may desire to give to the other Parties shall be in writing in the English or French language and deemed to have been properly delivered if personally handed to an authorized representative of the Parties for whom intended or sent by registered airmail, telegram, cable, facsimile or telex with all costs prepaid, upon receipt, at or to the address of such Party for whom intended as indicated below, or such other addresses as any Party may from time to time designate by notice in writing to the other Parties :

- **CMS NOMECO CAMEROON LTD**
  B.P. 6650
  YAOUNDE
  THE REPUBLIC OF CAMEROON
  Telephone : (237) 23 53 76
  Telefax : (237) 22 55 66
  Telex
  c/o Maître Pierre Félix Xavier MENYE ONDO
  Notaire

- **GLOBEX CAMEROON, LLC**
  c/o GLOBEX
  Memorial City Plaza II
  820 Gessner, Suite 1680
  Houston, Texas 77024
  Telephone : (713) 463-7710
  Telefax : (713) 463-7722

- **SOCIETE NATIONALE DES HYDROCARBURES (S.N.H.)**
  P.o.Box 955
  Yaounde
  Republic of Cameroon
  Telephone: (237) 20-19-10
  Telefax: (237) 20-46-51
  Telex 8513 KN; 8514 KN

ARTICLE 22 : SIGNATURE

This Contract has been signed in four originals in English and in four originals in French, both languages being equally binding and authoritative.

ARTICLE 23 : FINAL CLAUSE

This Contract shall be printed and registered at the expense of the entities constituting Contractor.

Done in Yaounde, on 11 December 1997

For the Republic of Cameroon
The Minister of State in Charge
of Trade and Industrial Development

[SEAL]

/s/ Malgari BELLO BOUBA

For CMS NOMECO, LTD
The Vice-President,

/s/ Robert C. OLSON
Robert C. OLSON

For GLOBEX CAMEROON, LLC
The President

/s/ John Z. TOMICH
John Z. TOMICH

For SOCIETE NATIONALE DES HYDROCARBURES
The Executive General Manager,

/s/ Adolphe MOUDIKI
Adolphe MOUDIKI

[SEAL]

Exhibit 10.11

REPUBLIC OF CAMEROON **PEACE - WORK - FATHERLAND**

CONVENTION OF ESTABLISHMENT

Between

THE REPUBLIC OF CAMEROON

And

CMS NOMECO CAMEROON LTD
And
GLOBEX CAMEROON, LLC

CONVENTION OF ESTABLISHMENT
BETWEEN
THE REPUBLIC OF CAMEROON AND
CMS NOMECO CAMEROON LTD. AND
GLOBEX CAMEROON, L.L.C.

INDEX

I - PRELIMINARY PROVISIONS

ARTICLE 1 :

This Convention of Establishment is made and entered into by and between The REPUBLIC OF CAMEROON, on the one hand, and CONTRACTOR, constituted by CMS NOMECO CAMEROON LTD, a company incorporated under the laws of the Cayman Islands (herein after "NOMECO") and GLOBEX CAMEROON, LLC, a company incorporated under the laws of the Cayman Islands (herein after "GLOBEX" **),** on the other hand. The purpose of this Convention, complete with its Annexes, is to define the rights and obligations of the Parties, within the framework of the petroleum and investment legislation of the REPUBLIC OF CAMEROON, to the extent said legislation is not contrary to the provisions of this Convention. In case of conflict, this Convention shall prevail.

It applies to the exclusive Mining Titles within the Douala/Kribi-Campo and Rio Del Rey Basins, Deep Water Zones and Other Interior Basins which the REPUBLIC OF CAMEROON will grant to the CONTRACTOR upon its request during the validity period of this Convention.

It is specified that this Convention only covers Petroleum Operations up to the Delivery Point.

ARTICLE 2 :

The words and terms used in this Convention shall have the following meaning unless specified otherwise :

Affiliated Company : A company or other legal entity :

- which controls one or more entities that constitute the CONTRACTOR ; or
- which is controlled by one or more entities constituting the CONTRACTOR ; or
- which is controlled by an entity which itself controls any entity constituting the CONTRACTOR.

Control means direct or indirect ownership of more than fifty (50) percent of the share capital of the controlled entity, confering on the controlling entity the majority of the voting rights attached to such share capital.

Annexes :

- ***Annex I :*** Rules and rates of depreciation that CONTRACTOR is authorized to apply.
- ***Annex II :*** Customs and Fiscal Regimes.
- ***Annex III :*** Work obligations and related financial commitments.
- ***Annex IV :*** Terms applicable to MVIA Field.

Area of Association : All the Mining Titles from a given Sedimentary Basin covered by the Convention.

Associated Gas : Natural Gas which is produced in association with Liquid Hydrocarbons.

Calendar Year : A period of twelve (12) consecutive months commencing with January 1 according to the Gregorian calendar.

Commercial Discovery : A Discovery is deemed to be commercial when the CONTRACTOR decides to develop it.

Contract : The Contract of Association and its Annexes made and entered into by and between the REPUBLIC OF CAMEROON and CONTRACTOR as well as any additional annex, renewal, extension, substitution or amendment which may be mutually agreed.

CONTRACTOR : NOMECO and GLOBEX as well as their respective assignees and/or successors in interest.

Convention : This Convention of Establishment and its annexes forming part thereof, as well as any renewal, extension, substitution or amendment to this Convention of Establishment which may be mutually agreed.

Convertible Currency : Any currency which is freely convertible in all the following countries: USA, Canada, Japan, Germany, France, Great Britain, Italy and Switzerland.

Cumulative Technical Costs : The total cumulative Technical Costs.

Cumulative Turnover : The total cumulative Hydrocarbon Turnover.

Deep Water Zones : The portion of the mining acreage made up of sedimentary zones located offshore Cameroon starting from and extending beyond the bathymetric equivalent to 200 m, up to the limit of the territorial waters under the sovereignty of the STATE.

Delivery Point : The FOB connecting point within the REPUBLIC OF CAMEROON between the loading installations and the vessel as defined in a development plan or any other transfer point mutually agreed by the Parties.

Discovery : A discovery of Hydrocarbons not previously evidenced by drilling, recoverable at the surface in a flow measurable by conventional petroleum industry testing methods.

Discovery Area : That area within an Exploration Permit comprising the geological feature as outlined by the relevant geological or geophysical data in which a Discovery exists or is made.

Douala/Kribi-Campo Basin : The entire mining territory made up of the sedimentary zones located East of the Cameroon volcanic axis and, more precisely, to the Southeast of a line connecting point A of coordinates (UTM) X = 550 000 m and Y = 500 000 m to point B, which is the intersection of the meridian (UTM) X = 500 000 m with the Cameroon Equatorial Guinea maritime border.

Effective Date : The date of entering into effect of the Convention as defined in Article 3 hereafter.

Exploration Operations : All activities carried out for the purpose to make or to evaluate a Discovery.

Exploration Permit : An exclusive Exploration Permit granted pursuant to this Convention to CONTRACTOR as referred to in Law n° 64/LF/3 of 6 April, 1964.

Fiscal Year : A twelve month period from July 1st to June 30th of the following year.

Force Majeure : An unforeseen event arising from circumstances beyond the control of a Party invoking Force Majeure. The intention of the Parties is that the term "Force Majeure" receives the interpretation which complies the most with the principles and customs of international law and standard practices of the international petroleum industry.

FOSHY : Hydrocarbons support fund.

Hydrocarbon Turnover : Proceeds recorded in accordance with the Accounting Procedure attached to the Contract during a given Fiscal Year, from the sale of Hydrocarbons accruing to CONTRACTOR and to the REPUBLIC OF CAMEROON and originating from a Mining Concession in any of the Basins defined in this Convention. The selling price of Liquid Hydrocarbons being the Posted Price as defined in this Article and the selling price of Natural Gas being based on the provisions of Article 21.

Hydrocarbons : Liquid Hydrocarbons, Natural Gas, asphalt, ozocerite, bitumen and any other solid hydrocarbons occuring in natural state.

LIBOR : London Inter-Bank Offered Rate ("LIBOR") which shall be the rate per annum at which three (3) month deposits of United States Dollars shall be offered to prime banks in the London Inter-Bank market for such period, quoted by National Westminster Bank PLC-London Branch, London, England, at 11:00 a.m. London time on the last business day of the month preceding each month in which the calculation is made.

Liquid Hydrocarbons : Any Hydrocarbons which at atmospheric pressure and a temperature of 60 degrees Fahrenheit are in a liquid state or which are extracted by any processing method from Natural Gas including but not limited to distillate and condensate.

Mining Concession : An exclusive Mining Concession granted pursuant to this Convention to CONTRACTOR as referred to in Law n° 64/LF/3 of 6 April, 1964.

Mining Title : An Exploration Permit or a Mining Concession, granted pursuant to this Convention to CONTRACTOR as referred to in Law n ° 64/LF/3 of 6 April, 1964.

Natural Gas : Both Associated and Non-Associated Gas and all its constituent elements.

Negative Royalty : The amount due by the REPUBLIC OF CAMEROON to CONTRACTOR to ensure the CONTRACTOR actually receives its share of Rente Miniere as guaranteed in this Convention.

Non-Associated Gas : Natural Gas other than Associated Gas.

Other Interior Basins : The part of the mining acreage made up of sedimentary zones located in the interior of the national territory, but different from the Douala/Kribi-Campo and Rio Del Rey Basins.

Participation in the Production : The percentage according to which the Parties divide the hydrocarbon production obtained within the scope of Joint Operations.

Party (Parties) : The REPUBLIC OF CAMEROON and each of the entities constituting CONTRACTOR.

Petroleum Operations : Exploration Operations and Production Operations and any other activities related thereto.

Posted Price : The Posted Price for Liquid Hydrocarbons shall be set FOB Delivery Point, and must be in line with prices for arms length export contracts concluded on Liquid Hydrocarbons of similar quality, the necessary corrections being made to take into account the characteristics of the different transactions.

The Posted Price for Liquid Hydrocarbons shall be the subject of negotiations between the Parties meeting in a joint commission composed of one representative of each Party, and assisted, in case of need by a reasonable number of experts of their choice to serve on an advisory capacity only. The said Posted Price shall be fixed quarterly by the joint commission on a date mutually agreed upon by the Parties ; said date shall, to the extent possible, be within the quarterly production period under consideration but may in no event be later than the last day of the month following the expiration date of such period. If the Posted Price cannot be agreed by the Parties by such date, then the average differential taking into consideration the characteristics of the different transactions between the Posted Price of Liquid Hydrocarbons set for the previous Quarter and the average price of dated Brent Platts Market Wire for the thirty days preceding such date will be used for the following Quarter, until the Parties can mutually agree to fix the Posted Price. Notwisthstanding the above, if all of the sales made in the subject quarter are arms length sales to third Parties, the Posted Price shall be the weighted average price realized from such sales after deduction of actual lifting and marketing charges.

The Posted Price of Liquid Hydrocarbons thus fixed shall be the “Posted Price” referred to in paragraph 2 of Article 24 of Law n° 78/24 of 29 December, 1978.

Production Operations : All activities carried out for the purpose to exploit a Commercial Discovery, including development, exploitation, processing, stabilization, storage, transportation of Hydrocarbons, related substances and products which are derived therefrom by separation or treatment and any other operations consistent with generally accepted international petroleum industry standards and practices as well as all operations in connection therewith up to and including the loading or delivery to the Delivery Point but excluding refining and distribution of finished products.

Quarter : A period of three (3) consecutive calendar months commencing with the first day of January, April, July and October, respectively, of each Calendar Year.

Rente Miniere : The difference recorded during a given Fiscal Year and for a given Basin between the Hydrocarbon Turnover from the Area of Association on the one hand and the Technical Costs attributable to the said Area of Association on the other hand.

Rio Del Rey Basin : The part of the mining acreage made up of the sedimentary zones located West of the Cameroon Mountain up to the border with Republic of Nigeria and, more precisely, to the North West of a line connecting point A of coordinates (UTM) X = 550,000 m and Y = 500,000 m to point B, which is the intersection of the Meridian with coordinates (UTM) X = 500,000 m with the maritime border between the REPUBLIC OF CAMEROON and Equatorial Guinea.

SubCONTRACTOR : Third parties undertaking or providing services or goods for Petroleum Operations for the account of CONTRACTOR.

Technical Costs : The sum, during a given Fiscal Year and for a given Basin, of exploitation costs, amortizations of exploration and development costs and any other costs properly amortized or charged under the Accounting. Procedure of the Contract not captured by the aforementioned costs calculated in accordance with the rules and rates specified in Annex I of this Convention, and any corresponding financial charges as recorded under the Accounting Procedure of the Contract, attributable to all Mining Titles within the Area of Association (excluding the proportional mining royalty, company tax, proportional tax, contribution to FOSHY and any other duties, charges, fees, taxes, bonuses, tarriffs or royalty of any nature whatsoever payable to the REPUBLIC OF CAMEROON or to any related entity).

Unaffiliated Company : A company or entity other than the Parties which does not fall within the definition of Affiliated Company.

Any reference to the singular or plural or gender shall be taken in context with its use hereunder.

ARTICLE 3 :

This Convention shall enter into effect from its Effective Date and shall remain effective until twenty five (25) years from the date of commercial production of the first metric ton of Hydrocarbons under the first Mining Concession granted pursuant to this Convention.

Effective Date shall be the date of granting of the Exploration Permit within the Douala/Kribi-Campo Basin to CONTRACTOR as described in Annex III.

At its expiration, and upon CONTRACTOR'S request, this Convention shall expire or be renewed or extended as the case may be on the same terms and conditions, subject to CONTRACTOR being holder of a Mining Title resulting from this Convention. Any Mining Concession granted pursuant to this Convention shall have a term of twenty five (25) years and shall be renewed once, on the same terms and conditions, at CONTRACTOR'S request provided there is ongoing production and CONTRACTOR has fulfilled its obligations under this Convention.

Notwithstanding any provision to the contrary in this Convention, law, regulation or decree, each entity constituting CONTRACTOR may relinquish all or any portion of the area covered by a Mining Title under this Convention at any time at its sole discretion subject only to CONTRACTOR'S obligation to fulfill all its commitments under this Convention.

ARTICLE 4 :

a) The provisions of this Convention shall apply equally and benefit to any assignee to whom any entity constituting CONTRACTOR assigns part or all the rights and obligations conferred upon it hereunder.

The rights and obligations under this Convention and under any Mining Title granted to CONTRACTOR may, at any time, be freely assigned, in whole or in part, by any entity constituting CONTRACTOR to one or more Affiliated Companies or to other entities constituting CONTRACTOR provided that said Affiliated Company or entity is not incorporated under the laws of a country commercially banned with the REPUBLIC OF CAMEROON by virtue of national or international laws and/or regulations. Said assignments shall be notified by CONTRACTOR to the Minister in charge of Mines no later than fifteen (15) days after said transaction. The notification shall be accompanied by proof of affiliation and nationality of the assignee.

However, any protocol, agreement or contract (as well as modifications thereof) referred to under Article 6 of Decree 64/DF/162 of 26 May, 1964, which would have the effect of transferring to third parties other than an Affiliated Company more than thirty three (33) percent of the rights derived from Mining Titles granted to CONTRACTOR, shall be subject to the prior approval of the Minister in charge of Mines. In case of non approval, the Minister shall promptly communicate his motivated objection to CONTRACTOR.

The decision of the Minister must be notified to CONTRACTOR within a maximum period of three (3) months of CONTRACTOR'S request, failing which the approval shall be deemed to have been granted.

b) The special rights granted under Articles 9, 10, 18, 19 and 20 of this Convention shall also apply to those enterprises undertaking in the REPUBLIC OF CAMEROON for the account of CONTRACTOR the operations listed under Annex II B hereof to the extent their activities are for the account of CONTRACTOR.

c) Any assignment, transaction related to any Mining Title under this Convention shall be exempted of all taxes and charges, whether direct or indirect, except registration charges.

II - RIGHTS AND OBLIGATIONS OF CONTRACTOR

ARTICLE 5 :

CONTRACTOR agrees to carry out Petroleum Operations in accordance with the current standards prevailing in the international petroleum industry and the work obligations and expenditures commitments detailed in Annex III (including, if applicable, any work obligations, terms and expenditure commitments as initially agreed in any subsequent Mining Title covered by this Convention).

For each Exploration Permit, the minimum expenditure obligation imposed in the granting decree will, if applicable, be revised by applying the following indexing formula :

$$El = E \times I/Io$$

where :

El = adjusted minimum exploration expenditures obligations for the first or second renewal period, as the case may be ;

E = minimum exploration expenditures obligations stipulated in the Exploration Permit granting decree for the renewal period in question less any carry forward of expenditures from the prior exploration period ;

lo = "U.S. Industrial Goods Wholesale Price Index" as reported in "International Financial Statistics" as published by the International Monetary Fund for the calendar month of the date of effect of said Exploration Permit ;

I = "U.S. Industrial Goods Wholesale Price Index" as reported in "International Financial Statistics" as published by the International Monetary Fund for the calendar month preceding the calendar month in which the period in question commences.

CONTRACTOR shall not be bound to apply for a Mining Concession or exploit a Discovery of Hydrocarbons that it deems not a Commercial Discovery.

Notwithstanding any other law, regulation or decree to the contrary, CONTRACTOR may reserve any non-commercial discovery for future development on its own or in conjunction with other discoveries it may make, provided said discoveries are part of a valid Mining Title held by CONTRACTOR and CONTRACTOR is fulfilling its obligations under said Mining Title. It is understood that the validity period of said Mining Title will not be affected by such reserve.

CONTRACTOR may carry out any evaluation work program in accordance with the Contract and/or decide whether a Discovery is a Commercial Discovery at any time before the expiry of the Exploration Permit, as renewed, it being understood no Mining Concession may be applied for by CONTRACTOR after the expiry of said Exploration Permit.

In case of a Commercial Discovery, CONTRACTOR shall within reasonable economic limits, delimit and place in production the Discovery within the time limit prescribed by Law 82/20 of 26 November, 1982 as amended by Law 89/15 of 28 July 1989 and in accordance with the current standards of the international petroleum industry without prejudice to the provisions of paragraph 3 of Article 16 hereof.

The areal extent of a Discovery or Discoveries and the corresponding Mining Concession shall be mutually agreed by the Parties in accordance with standard practices within the international petroleum industry.

With a view to ensuring an optimum yield and profitability from Hydrocarbons Discoveries and taking into account economic conditions, CONTRACTOR shall undertake to carry out its operations in accordance with sound practices in the international petroleum industry.

ARTICLE 6 :

CONTRACTOR and those enterprises undertaking in the REPUBLIC OF CAMEROON for the account of CONTRACTOR Petroleum Operations, to the extent their activities are for the account of CONTRACTOR, agree :

a) to give priority, all conditions, (such as, but not limited to, price, quality, safety, availability and experience) being equal, to the use of the supplies and services of local enterprises;

b) to favor the employment of Cameroonian workers. In the event of the placing into exploitation of a deposit, CONTRACTOR shall assume responsibility for technical and administrative training of senior Cameroonian staff required for Petroleum Operations through the organization of courses in the REPUBLIC OF CAMEROON or abroad or through the establishment of vocational training centers. To that end, a plan for the training and Cameroonization of senior staff drawn up by CONTRACTOR shall be submitted to the REPUBLIC OF CAMEROON for approval as soon as possible within one year following the grant of any Mining Concession.

c) not to practice any discrimination whatsoever based on race, sex, religion or nationality.

d) as required by Petroleum Operations and as far as compatible with the financing possibilities and the requirements of technology, production and profitability, CONTRACTOR shall establish a policy which will :

- contribute to the construction of housing under normal conditions of hygiene and public health for the staff ;
- assist in the establishment of a medical and educational infrastructure corresponding to the normal needs of workers employed in the operations and of their families ;

e) as required by Petroleum Operations and upon commencement of production, CONTRACTOR shall promote locally the organization of leisure activities such as the development of culture and sports, by aiding in the establishment of sports clubs, sports grounds and cultural associations.

f) to conduct petroleum operations in accordance with existing Cameroon legislation as specified in Article 17 of this Convention and, with the technical and international security norms in the petroleum industry, pertinent to the protection of the environment.

To this end, CONTRACTOR is requested to undertake prior to any activity, an environmental impact study and to regularly monitor any effects of its activities or that of any other party as authorised by it, to ensure that said activities are not dangerous to the local population and do not pollute neither the environment nor the maritime zone.

It is understood, paragraph d) e) and f) herein above are applicable only to the CONTRACTOR.

ARTICLE 7 :

If the REPUBLIC OF CAMEROON requests it, each entity constituting CONTRACTOR agrees to supply by priority, at the Posted Price, a part of its production from any Mining Concession under this Convention to meet the REPUBLIC OF CAMEROON'S national Liquid Hydrocarbons

needs, to the extent that the Annual Production belonging to the REPUBLIC OF CAMEROON does not make it possible to satisfy the national needs for domestic purposes. By "Annual Production belonging to the REPUBLIC OF CAMEROON", there is to be understood the total production accruing to the REPUBLIC OF CAMEROON as associate with the various petroleum companies in the REPUBLIC OF CAMEROON, reduced by the share of this production that it must use for the servicing of advances made by said petroleum companies.

The obligation of each entity constituting CONTRACTOR to transfer a part of its production is limited, for each Calendar Year, to the fraction of the domestic consumption requirements of the REPUBLIC OF CAMEROON pertaining to the year equal to the ratio between CONTRACTOR'S participation in the production and the total production derived from the territory of the REPUBLIC OF CAMEROON for this same calendar year. The production thus transferred shall be delivered to the Delivery Point unless there is agreement to the contrary.

The REPUBLIC OF CAMEROON must make known its needs by giving a minimum prior notice of six (6) months so as to allow CONTRACTOR to make arrangements within the framework of its previous commitments for commercialization of the products of its exploitation. However, the REPUBLIC OF CAMEROON will not be held to this obligation of prior notice in case of Force Majeure which would cause it to require the production of CONTRACTOR within a shorter period of time.

The transfer price of the production so sold to the REPUBLIC OF CAMEROON shall be the Posted Price and shall be paid in a Convertible Currency. Such Convertible Currency shall be at the sole election of the REPUBLIC OF CAMEROON. The REPUBLIC OF CAMEROON shall, fifteen (15) days prior to the date of payment, give CONTRACTOR notice of the selected Convertible Currency.

The transfer price shall be paid within thirty (30) days of delivery of the production. If not paid by such date, interest at LIBOR plus two percent (2%) shall be charged on any amounts due. If the transfer price is not paid within sixty (60) days of such date, CONTRACTOR shall have the right to recover the unpaid amount plus interest by deducting said amount from any proportional mining royalty which may be due by CONTRACTOR to the REPUBLIC OF CAMEROON until all amounts due are fully paid.

The scheduling of deliveries will be provisionally effected during a given calendar year on the basis of available technical data and forecasts; an adjustment will be made during the first six months of the following year on the basis of the data of the calendar year under consideration.

The REPUBLIC OF CAMEROON may choose the most appropriate quality of production for its needs among the qualities available in Cameroon. Only in the case of proven fault of willful mixture of production upstream from the loading terminal by CONTRACTOR for the sole purpose of intentionally evading the intent of this paragraph, CONTRACTOR upon request of the REPUBLIC OF CAMEROON, shall commit to exchange tonnages accruing to the REPUBLIC OF CAMEROON with tonnages of Liquid Hydrocarbons of a different quality available to CONTRACTOR in Cameroon or abroad according to the practice in use in the international petroleum industry. Any additional costs incurred by CONTRACTOR in fullfilling the requirements of this paragraph shall be paid in a Convertible Currency by the REPUBLIC OF CAMEROON within thirty (30) days. Such Convertible Currency shall be at the sole election of the REPUBLIC OF CAMEROON. The REPUBLIC OF CAMEROON shall, fifteen days prior to the date of payment, give CONTRACTOR notice of the selected Convertible Currency. The U.S. Dollar conversion in the currency chosen by the REPUBLIC OF CAMEROON shall be made using the exchange rate quoted by the Société Générale, Paris, France at 11:00 a.m., Paris time, two (2) working days prior to the date of payment.

With the exception of what is provided hereinbove, CONTRACTOR will not be subject to any restriction on the free disposal of its production, which may be freely sold, transferred, transported, consumed, or exported free of any export duties or financial imposts and taxes whatsoever by it or by its buyer. For administrative purposes only, CONTRACTOR agrees to complete necessary documents for export of the production.

There shall be no discrimination among the Hydrocarbons producers in the REPUBLIC OF CAMEROON in regard to the obligations under this Article.

III - OBLIGATIONS OF THE REPUBLIC OF CAMEROON

ARTICLE 8 :

The REPUBLIC OF CAMEROON guarantees :

A) TO CONTRACTOR :

- the stability of the legal and tax regime relating to the exploration, exploitation and transportation of Hydrocarbons under the conditions defined in Article 17 of this Convention ;

- subject to the provisions of Article 7, the freedom to dispose of the extracted Hydrocarbons and the related substances ;

- that for the purpose of calculation of the reimbursement of advances under the Contract and the calculation of Rente Miniere and taxes, all computations will be made using U.S. Dollars as the basis as outlined in the Accounting Procedure of the Contract. Payments of taxes, proportional mining royalty and Negative Royalty shall be made in a Convertible Currency; such Convertible Currency shall be at the sole election of the REPUBLIC OF CAMEROON. The REPUBLIC OF CAMEROON, shall fifteen days prior to the date of payment, give CONTRACTOR notice of the selected Convertible Currency. Conversion from U.S. Dollars into the currency selected by the REPUBLIC OF CAMEROON will be made two (2) working days prior to the date of payment using the rate quoted by Societe Generale, Paris, France, at 11:00 a.m. Paris time on that day ;

- that the total take (i.e. taxes, royalties, fees, duties, imposts, contribution to FOSHY, and any other payments of any nature or denomination whatsoever) in connection with Petroleum Operations due to the REPUBLIC OF CAMEROON or any state, local or municipal authority from CONTRACTOR is provided under this Convention ;

- not to make any modification or amendment to the Contract or this Convention without CONTRACTOR'S prior written consent.

- Exemption from any taxes, duty, fund, contribution, deposit, levy, imposts and royalty of any nature whatsoever in connection with the Petroleum Operations with the exception of :

- Company tax as referred to in Article 24 of Law n° 78/24 of 29 December, 1978 or the company tax and the proportionnal tax, as the case may be, according to the option selected by each entity constituting CONTRACTOR as provided for in Article 16 hereof ;

- Proportional mining royalty as referred to in Articles 13 and 14 hereof ;

- Mining fees and rents as provided by Title II of Law n° 78/24 of 29 December, 1978 (said mining fees and rents shall be deductible for the computation of taxable income) ;

- The contribution to FOSHY referred to in Article 29 hereof (the said contribution is deductible for the computation of taxable income).

- Customs duties and taxes on importation as referred to in Annex II A of this Convention (said customs duties and taxes are deductible for the computation of taxable income).

It is understood that no exemption shall apply on the importation of personal goods or goods and services not in connection with Petroleum Operations.

- Exemption from any duties, taxes, withholding taxes imposts and royalty of any nature whatsoever on dividends distributed by each entity constituting CONTRACTOR to its shareholders and Affiliated Companies.

- The non-application of the provisions of Article 6 A-2 of General Tax Code relating to rental-expenditures for the determination of taxable income.

- Freedom of choice of SubCONTRACTORs and suppliers of goods and services subject to the provisions of Article 6 hereof.

B) TO EACH ENTITY CONSTITUTING CONTRACTOR, ITS ASSOCIATES, SHARHOLDERS, SUPPLIERS, SUBCONTRACTORS, AFFILIATED COMPANIES :

- Exemption from any taxes and imposts on the turnover or the rendering of services relating to activities referred to in Annex II B hereof.

- The benefits of non discrimination in the legislative and regulatory domains in relation to any other enterprise carrying out Petroleum Operations in the Douala/Kribi-Campo, Rio Del Rey, Deep Water Zones and Other Interior Basins in the conditions set forth in this Convention.

- Freedom of choice, access to and movement of manpower without undue delay in the delivery of work permits subject to the provisions of Article 6 of the Labour Code and the provisions relating to public order.

- Subject to the provisions of this Convention, the granting of authorizations to import and, as the case may be to re- export their supplies of raw materials, products, equipment and any other necessary authorization required for Petroleum Operations.

- The right to underwrite abroad up to 80 % of the insurance for Petroleum Operations provided that such insurance is underwritten with an established insurance company, including any captive insurance company of an entity constituting CONTRACTOR or its Affiliated Companies.

  It is understood that each entity constituting CONTRACTOR shall remain obligated to withhold taxes in accordance with the General Tax Code, Finance Laws and this Convention, on payments to employees, SubC ONTRACTORs, or other third parties for activities undertaken for the account of CONTRACTOR.

  Any adjustment and related penalties, fines and charges relating to the non fulfilment of this obligation by an entity constituting CONTRACTOR shall not be a fiscally deductible charge.

c) TO AFFILIATED COMPANIES AND TO THE HEAD OFFICE OF EACH ENTITY CONSTITUTING CONTRACTOR :

- Exemption of all withholding and proportional taxes for payments of principal and interests, or other financial charges by each entity constituting CONTRACTOR to any of its Affiliated Companies or its head office, as the case may be. The same shall apply on any payment related to Petroleum Operations carried out by each entity constituting CONTRACTOR and between the Parties.

- Exemption from any taxes, all witholding at the source, all funds, all contributions, all deposits, duties, imposts, royalty of any nature or denomination whatsoever in connection with the Petroleum Operations in the Douala/Kribi-Campo, Rio Del Rey and Other Interior Basins.

  Exemption from the payment of the special 15 % tax instituted by Law No. 79/1 of 29 June 1979 (‘TSR”) and any other taxes on payments by each entity constituting CONTRACTOR for any services, assistance, rentals of equipment and material provided that, in respect of the exemption from TSR said Affilitated Companies or head office of each entity constituting CONTRACTOR :

  - do not have a permanent establishment in Cameroon (i.e. is not considered a resident for tax purposes) ;

  - are providing services or goods at cost for Petroleum Operations for the account of CONTRACTOR (including overhead referred to in Chapter III, paragraph 2.3 of the Accounting Procedure in the Contract) ;

  - as to any Mining Concession, will lose the above exemption from the date of commercial production of the first metric ton of Hydrocarbons, such exemption shall not apply to activities corresponding to Exploitation Costs, it being understood this exemption will remain in effect as to any Exploration Permit.

However, it is understood that these exemptions for Affiliated Companies and for the head office of CONTRACTOR do not preclude CONTRACTOR to deduct the totality of those expenditures for the determination of its taxable income.

ARTICLE 9 :

Notwithstanding any provision, law or regulation to the contrary, the REPUBLIC OF CAMEROON agrees to provide in favor of each entity constituting CONTRACTOR, their Affiliated Companies, their shareholders, their associates, their SubCONTRACTORS, their lenders, and firms and entities responsible for marketing the production as well as their regularly employed personnel, the following guarantees :

a) subject to being able to meet obligations for Francs CFA payment due within thirty (30) days for local operating expenditures, freedom of conversion and transfer of funds intended for settlements with any of their suppliers, lenders and other creditors whether inside or outside the REPUBLIC OF CAMEROON ;

b) the right to contract abroad for the loans, including loans provided by Affiliated Companies, necessary for the performance of their activities in Cameroon; such loans shall be in line with market conditions for similar transactions ;

c) the free repatriation of invested capital and the free transfer of their profits ;

d) the right to receive abroad and retain proceeds of sale offshore ;

e) The right to receive abroad and freely dispose in offshore banks any funds derived of the liquidation of investment ;

f) freedom of transfer of sums owed by these persons and entitles, as well as the freedom to receive sums properly due to them under any entitlement whatsoever ;

g) in the event that during the term of this Convention, any mining titleholder within the Douala/Kribi-Campo, Rio Del Rey and Other Interior Basins benefits from one or more conditions more favorable than those provided for under this Article, the benefit of that condition or of those conditions shall be applied by right to CONTRACTOR as well as to the natural persons and corporate entities referred to above ;

h) exemption of all taxes, including withholding taxes, and charges, whether direct or indirect, for payments of any kind made pursuant to this Article between each entity constituting CONTRACTOR and any of their Affiliated Companies including transfer of profits to the head office.

CONTRACTOR and the persons and corporate entities referred to under the first paragraph of this Article agree to complete necessary documents to comply with the formalities relating to the exchange system in force as in effect on the date of the signature of this Convention, in the REPUBLIC OF CAMEROON without prejudice to the guarantees provided in this Article.

The REPUBLIC OF CAMEROON shall notify of its approval of such documentation submitted by CONTRACTOR and the persons and corporate entities referred to under the first paragraph of this Article in complying with the formalities relating to the exchange system within thirty (30) days of submission.

ARTICLE 10 :

Taking into account the provisions of Article 4 hereabove, the REPUBLIC OF CAMEROON agrees not to establish any restriction or modification to the free exercise of the provisions of the Articles of Incorporation or By-laws of any entity constituting CONTRACTOR, to the free choice of associates, stockholders or members, to the rights attached to the shares of stock, to the free choice of individuals or corporations in charge of the management or control of any entity constituting CONTRACTOR, to the freedom of decisions of any entity constituting CONTRACTOR concerning its structure and functioning (especially increase and reduction of capital, distribution or capitalization of profits or reserves, disposition of corporate assets and any settlement), to the system applicable to the relations between any entity constituting CONTRACTOR, its stockholders and its Affiliated Companies, to the freedom of decisions undertaken for the technical, administrative, commercial, or financial management of any entity constituting CONTRACTOR and in connection with the exploitation of its Discoveries. Notwithstanding any provision, law or regulation to the contrary, there shall be no obligation on any of the entities constituting CONTRACTOR to incorporate a legal entity under the laws of Cameroon.

ARTICLE 11 :

In the event of a Discovery by CONTRACTOR of one or more deposits which it deems to be unprofitable to develop, either the REPUBLIC OF CAMEROON or CONTRACTOR may submit a proposal to develop it under conditions mutually agreed upon at the time. Such conditions will be negotiated under the provisions of Law n° 95/13 of 08 August, 1995 related to the production of liquid hydrocarbons in marginal fields in the mining property of the State.

IV- LEGAL AND FISCAL PROVISIONS

ARTICLE 12 :

In accordance with the provisions of Law n° 64-LF-3 of 6 April, 1964, in the event of a Discovery during the period of validity of an Exploration Permit CONTRACTOR shall have the right to obtain the corresponding Mining Concession, provided that it has applied for same prior to the expiration of the Exploration Permit. Provided CONTRACTOR has satisfied the minimum commitments under the Exploration Permit for the current period, the term of the Exploration Permit shall be extended at CONTRACTOR'S request for up to six (6) months to enable the completion of drilling and/or testing and/or the interpretation of the results thereof of any well actually drilling and/or testing and/or being interpreted at the end of any term of the Exploration Permit and the CONTRACTOR'S right to obtain the corresponding Mining Concession shall be preserved.

Furthermore, for the granting of offshore Mining Concessions, CONTRACTOR shall be exempted from the procedure for public notice and inquiry provided for in Article 15 of the aforementioned Law and from the boundary marking provided for in Article 82 of Decree n° 64-DF-163 of 26 May, 1964.

The Production Operations shall be carried out under the conditions established by the petroleum legislation as listed in Article 17 hereof.

ARTICLE 13 :

The rate of proportional mining royalty for Liquid Hydrocarbons shall be fixed according to the following procedure:

1. Before June 30th of each year, the rate of the proportional mining royalty applicable, on a provisional basis, during the following Fiscal Year for all the Mining Concessions derived from Exploration Permits located within the Area of Association, shall be set by the REPUBLIC OF CAMEROON at a rate such that CONTRACTOR receives the percentage of Rente Miniere guaranteed to CONTRACTOR, within the conditions set forth in Article 16 hereof.

   This rate shall be set on the basis of the economic forecasts presented by the Parties for the following Fiscal Year and after consultation between the Parties in order to define jointly and in a good faith a reasonable rate.

   If, however, the Parties fail to agree on a reasonable rate at the latest by June 30th or by the end of the Quarter thereafter, the rate shall be set within fifteen (15) days of such date by applying the following criteria :

   - forecasts for the Optimum Production Capacity as defined in Article XI of the Contract and forecast of Technical Costs as agreed during the last Operating Committee meeting (as referred to in the Contract) for the following Fiscal Year ;

   - the average differential between the Posted Price of Liquid Hydrocarbons set for the previous Quarter and the average price of dated Brent Platts Market Wire for the month ending on such date.

2. Before October 1st of each year, the final rate for the proportional mining royalty, due for the past Fiscal Year on all Mining Concessions derived from Exploration Permits located within the Area of Association, shall be set at a rate such that CONTRACTOR receives the percentage of Rente Miniere guaranteed to CONTRACTOR within the conditions set forth in Article 16 hereof.

3. In implementation of the provisions of paragraphs 1 and 2 of this Article, the expression “proportional mining royalty” also refers, as the case may be, to Negative Royalty.

When considering the manner of settlement of Negative Royalty, the REPUBLIC OF CAMEROON reserves the right to pay in either kind or cash. Within the month following the granting of the Mining Concession, the REPUBLIC OF CAMEROON shall notify CONTRACTOR of the method of payment it has selected. If this notification is not given, it shall be deemed to have elected to pay in cash. The REPUBLIC OF CAMEROON may at any time modify such option, subject to six (6) months prior notice being given to CONTRACTOR.

ARTICLE 14 :

1. Pursuant to Article 26 of Law n° 64-LF-4 of 6 April, 1964, the following rules shall be applicable for payment of the proportional mining royalty, or Negative Royalty as the case may be. The REPUBLIC OF CAMEROON shall notify CONTRACTOR within the month following the grant of a Mining Concession if it desires to receive part or all of the royalty in kind. In the absence of such notice, it shall be deemed to have chosen to receive the royalty in cash; it may at any time change its choice by giving six (6) months prior notice.

The royalty payment in cash shall be made each quarter by installments calculated according to the following formula :

$$A = 0.95 \times Q \times T \times V$$

where : A = the installment ;
Q = the quantities produced and saved during the past Quarter ;
T = the royalty rate applicable in accordance with Article 13-1 hereof ;
V = the value of the Hydrocarbons at the Delivery Point.

In the case of Liquid Hydrocarbons, the value V shall be the Posted Price. In case of Natural Gas, the value V shall be established pursuant to Article 21 hereof.

A final settlement Shall occur on October 1st of each year for royalty due for the past Fiscal Year ending on June 30.

The payment of the proportional mining royalty or Negative Royalty, as the case may be, in kind shall be made by one or more deliveries arranged by agreement of the Parties and made, unless otherwise agreed, at the Delivery Point.

In order for final statements of account to be drawn up, Operator (as defined in the Contract) acting on behalf of CONTRACTOR must before the 15th of each month send to the Minister in charge of Mines a signed declaration of production for the preceding month which is certified to be true and correct.

If by the 15th of any month, the Minister in charge of Mines has not received said declaration of production, he shall give written notice of same to CONTRACTOR. CONTRACTOR shall promptly furnish said final statement within two business days (defined as Monday through Friday) or a penalty of ten (10) percent shall be applied to said production for which the declaration has not been submitted for royalty calculation.

If after having received such notice, said declaration of production has not been submitted before the 20th of the month following the Quarter under consideration, there shall be an arbitrary assessment. In this case, CONTRACTOR shall be penalized by a surcharge of twenty five (25) percent.

If applicable, the proportional mining royalty in cash must be paid quarterly to the Cashier’s Office of the Treasury at the latest by the 30th of the month following the Quarter under consideration.

It is specified that the proportional mining royalty is not a Technical Cost but is a fiscally deductible charge. Related interest received or paid by CONTRACTOR, as the case may be, shall be considered, respectively, as income or as a fiscally deductible charge, outside Rente Miniere.

2. For each Fiscal Year under consideration, the determination of the quarterly instalments of Negative Royalty, of the amount of the final settlement as well as of the due dates of said amounts (the 30th day of the month immediately following the expiration of the relevant Quarter for each instalment and October 1st for the final settlement and the corresponding payment) shall be governed by the same rules as those provided for hereinabove for the proportional mining royalty due by CONTRACTOR.

a) if the proportional mining royalty or Negative Royalty, as the case may be, is not fully paid (quarterly installments) by the due date, the creditor Party shall have the absolute right to lift, in the course of the following Quarters, a quantity of Liquid Hydrocarbons taken from the lifting entitlement of the debtor Party, for a value equivalent to the outstanding unpaid amounts plus interest calculated pursuant to paragraph 3.f) hereof. Said right shall continue to be exercised until complete payment of the amount due. The Liquid Hydrocarbons thus lifted shall be provisionally valued at the last known Posted Price after deduction of lifting and marketing costs.

b) the lifting right of the creditor Party shall be exercised as follows :

if a quarterly installment on account of the royalty due by or to CONTRACTOR for the Quarter has not been fully paid within thirty (30) days following the due date (i.e., if there remains an unpaid amount at the end of the second month of the Quarter N + 1), the creditor Party shall receive as compensation in the course of the Quarter N + 2, an additional right to lift Liquid Hydrocarbons from the lifting entitlement of the debtor Party for the latter Quarter. The quantity of said compensatory lifting (QC) shall be provisionally calculated as follows :

$$QC = \frac{\text{Unpaid amount of installment A}}{Pn}$$

Pn being the Posted Price applicable for the Quarter N after deduction of the lifting and marketing charges. If the Posted Price applicable for the Quarter is not known on the date of the lifting, the latest known Posted Price shall be provisionally applied in order to calculate the compensatory lifting.

The Liquid Hydrocarbons lifting schedule for the Quarter N+2, established during the Quarter N+1, shall take into account this compensatory lifting so as to have it take place as early in the Quarter N+2 as possible, with due consideration being given to constraints imposed by production, storage and logistics facilities.

For the purpose of the foregoing provisions, the value of Liquid Hydrocarbons lifted shall be included in the debtor Party's Hydrocarbon Turnover for the computation of the Rente Miniere of the Fiscal Year during which the liftings have occurred.

3. Before October 1st, following the end of the Fiscal Year, the final settlement of the proportional mining royalty or, as the case may be, of the Negative Royalty, for such Fiscal Year, shall be made as follows :

a) the final rate of the royalty shall be determined and then used to calculate the final amount of the annual royalty and the final quarterly installments **A'l, A'2, A'3 and A'4 ;**

b) the difference **S** between the final amount of the annual royalty and the sum of the final quarterly instalments shall be determined ;

c) the amounts of the provisional quarterly instalments paid **(A"n)** shall be adjusted to reflect, where necessary, the amount of late payment interests accrued between the due dates and the dates of actual payment as follows :

- for quarterly payments made in kind (including compensatory liftings), the value of the quantities so lifted shall be determined by application of the Posted Price of the Quarter during which the lifting took place, after deduction of the late payment interests accrued between the due date and the date of lifting, in accordance with the terms and conditions of paragraph f) hereunder;

- for quarterly payments made in cash, the amount of each corresponding provisional instalment shall be calculated, each being equal to the respective amount of the installment paid, after deduction of the late payment interests accrued between the due date and the date of payment, in accordance with the terms and conditions of paragraph f) hereunder.

d) for each Quarter n, calculation shall be made of the amount of settlement Rn equal to the difference A'n-A"n, increased by interest, calculated on the difference A'n-A"n for the period between the due date of the instalment and October 1st. This interest shall be computed in accordance with the terms and conditions of paragraph f) hereunder ;

e) the annual settlement amount (M) shall be calculated as follows :

$$M = S + R1 + R2 + R3 + R4$$

where :

Rn is the amount of settlement for Quarter n. The due date of said annual settlement amount (M) shall be October 1st.

If this amount is not paid on said due date, it will immediately bear interest until it is actually paid. The said interest shall be calculated in accordance with the terms and conditions of paragraph f) hereunder.

If this amount is not paid at the latest 30 days after its due date, the creditor Party shall have the right to carry out compensatory liftings of Liquid Hydrocarbons according to the same procedure as the procedure applicable to quarterly instalments set forth in paragraph 2 hereabove. The calculation of the value of the quantities so lifted (after deduction of late payment interests) shall be subsequently adjusted, by application of the Posted Price of the Quarter during which the lifting took place, as soon as such Posted Price is known.

The differential between the value of the quantities so lifted, adjusted as indicated above and the amount (M) shall be paid in cash by the debtor Party to the creditor Party within thirty (30) days following notification to the debtor Party of the amount of said differential.

f) For the purpose of this paragraph 3, the interests referred to in c), d) and e) above shall be calculated, when necessary, at the LIBOR on the last business day of the month preceding each month in which the calculation is made plus two percent (2 %).

Interest shall be calculated on the basis of a 360 days year.

Said interests shall not be taken into account for calculation of Rente Miniere but shall only be taken into account in the determination of taxable income for the Fiscal Year during which such interest shall have been paid or received.

ARTICLE 15 :

The profits of each entity constituting CONTRACTOR derived from its Petroleum Operations shall be subject solely to the company tax referred in Article 24 of Law n° 78/24 of 29 December 1978 (57.5 %) or to a company tax and proportional tax referred to in Article 16 of this Convention at a combined rate of 48.6475 %, it being specified that for the determination of taxable income, the Posted Price for Liquid Hydrocarbons as defined in this Convention shall be applied.

1. The rules governing the application of the company tax and, as the case may be, the company tax and the proportional tax are those which are fixed by this Convention and by the General Tax Code such as it is in force on the date of the signature of this Convention, and especially its Articles 5-1 and 5-2 subject to the following exceptions :

   a) The limitations established by Article 6-B of the General Tax Code relating to the deduction of interest paid to members and shareholders who are, in law or in fact, responsible for the management of the company, are not applicable to entities constituting CONTRACTOR for the determination of their taxable profit.

   b) The depreciation rules and rates specified in Annex I shall be applied.

   c) The limitations fixed by Article 6.A1 f.1 of the General Tax Code shall not be applicable to the entities constituting CONTRACTOR.

   d) Any losses incurred in each Fiscal Year shall be carried forward through the three subsequent fiscal years. It is understood the time limit for recovery of losses shall not begin until commencement of commercial production.

   For the computation of taxable income any amortization can be carried forward indefinitely at the sole election of each entity constituting CONTRACTOR.

   e) The rules requiring a minimum fixed company tax shall not be applicable to each entity constituting CONTRACTOR.

2. It is understood the royalty provided in Article 13 and the tax stipulated by paragraph 1 of the present Article stand respective for the royalty and the set of direct taxes referred to in Article 37 of Law n° 64/LF/4 of 6 April, 1964. It follows that the entities constituting CONTRACTOR and the revenues that it withdraws from the activity which is the subject of the Convention shall benefit from the exemptions provided for in the said Article 37.

3. It is agreed all Technical Costs of each entity constituting CONTRACTOR are deductible for the computation of company tax. Any costs incurred by each entity constituting CONTRACTOR not included in the definition of Technical Costs but deductible following the General Tax Code and the special rules of this Convention are deductible for the calculation of actual company tax outside Rente Miniere.

ARTICLE 16 :

1. The amortizations referred to in this Article shall be calculated according to the rules and rates specified in Annex I of this Convention.

2. For the purpose of the division of Rente Miniere between the Parties, taxes and proportional mining royalty calculation, each entity constituting CONTRACTOR shall elect one of the two options hereafter. Such election shall be made once and remain irrevocable; however, in the case of assignment to a successor not being an Affiliated Company, the new Party may elect one of the two options.

OPTION A : For each Fiscal Year, CONTRACTOR shall be entitled to and shall receive, after payment of the proportional mining royalty, company tax as provided in Article 24 of Law No. 78/24 of 29 December, 1978, contribution to FOSHY and any tax, duty, bonus, tariff, fee, royalty of whatever kind, a share of the Rente Miniere equal to :

* For Rio Del Rey Basin	:	22%,
* For Douala/Kribi-Campo Basin	:	26%,
* For Interior Basins and Deep Water Zones	:	30%.

If for the Fiscal Year under consideration, the value of the share of Rente Miniere guaranteed to CONTRACTOR is not attained or is exceeded, the final rate of the proportional mining royalty that CONTRACTOR must pay, or the Negative Royalty that CONTRACTOR must receive, as the case may be, shall be consequently fixed and, unless the Parties agree at the appropriate time on any other arrangement leading to the same result, CONTRACTOR shall assign to the REPUBLIC OF CAMEROON or the REPUBLIC OF CAMEROON shall assign to CONTRACTOR, as the case may be during the current Fiscal Year, Liquid Hydrocarbons in quantities and under conditions of assignment such that CONTRACTOR actually receives the share of Rente Miniere guaranteed above.

The above CONTRACTOR's share of Rente Miniere is guaranteed after payment of proportional mining royalty and company tax, contribution to FOSHY and any tax, duty, fee, bonus, tarriff and royalty of any nature or denomination whatsoever.

Notwithstanding the company tax and proportional tax rates stipulated by the General Tax Code, the company tax rate is equal to : 57.5 %.

OPTION B : For each Fiscal Year CONTRACTOR shall be entitled to and shall receive after payment of the proportional mining royalty tax (other than company tax and proportional tax as provided in this Article 16), contribution to FOSHY and after any other tax, duty, bonus, tarriff, fee, royalty of whatever kind a share of Rente Miniere equal to :

* For Rio Del Rey Basin	:	42.84 %,
* For Douala/Kribi-Campo Basin	:	50.63 %,
* For Interior Basins and Deep Water Zones	:	58.42 %

If for the Fiscal Year under consideration, the value of the share of Rente Miniere guaranteed to CONTRACTOR is not attained or is exceeded, the final rate of the proportional mining royalty that CONTRACTOR must pay, or the Negative Royalty that CONTRACTOR must receive, as the case may be, shall be consequently fixed and, unless the Parties agree at the appropriate time on any other arrangement leading to the same result, CONTRACTOR shall assign to the REPUBLIC OF CAMEROON or the REPUBLIC OF CAMEROON shall assign to CONTRACTOR, as the case may be during the current Fiscal Year, Liquid Hydrocarbons in quantities and under conditions of assignment such that CONTRACTOR actually receives the share of Rente Miniere guaranteed above.

The above CONTRACTOR's share of Rente Miniere is guaranteed after payment of proportional mining royalty, any tax, duty, fee, bonus, tarriff, royalty of whatever kind but before company tax and proportional.

Notwithstanding the company tax and proportional tax rates stipulated by the General Tax Code, the combined tax,rate resulting from company tax and proportional tax is equal to : 48.6475 %.

Under either Option A or B, each entity constituting CONTRACTOR shall be subject to and separately liable for their respective taxes and proportional mining royalty. In case of positive or negative Rente Miniere each entity constituting CONTRACTOR shall be entitled and shall receive a share of Rente Miniere according to its participating interest following the rules of the selected option. In case of Negative Royalty, it is understood that the amount of Company tax used in the computation of the negative proportional mining royalty or Negative Royalty, as the case may be, will be zero.

For the purpose of selecting one of the options under this Article, NOMECO hereby selects Option B and GLOBEX hereby selects Option B.

Each entity constituting CONTRACTOR shall separately file tax returns and make tax payments in accordance with relevant provisions of the General Tax Code. Each entity constituting CONTRACTOR shall receive, not later than ninety days from the date of filing of the relevant company tax and proportional tax returns, from the Treasury Accountant or other appropriate authority of the REPUBLIC OF CAMEROON, official receipts evidencing payment of company tax or company tax and proportional tax, as the case may be.

For the first year of guarantee of the share of Rente Miniere, the Technical Costs of that year include all the previous charges and amortizations allowed under the Accounting Procedure to the Contract (even if they are deferred for the company tax computation). It is understood, for the computation of actual company tax, the rules of Article 15 hereof (including the rules regarding the carryforward of losses) shall apply.

3. In case one or more Discoveries in a Mining Concession cannot be developed under the conditions stipulated in this Article, the parties to the Contract will get together to find a solution acceptable to them. Lacking such an agreement, if the REPUBLIC OF CAMEROON nevertheless wishes to proceed with the development of the Discovery, it may do so alone or with any other partner subject to reimbursing CONTRACTOR for all its expenditures related to said Discovery paid by CONTRACTOR not previously reimbursed or recovered through depreciation or any other amount mutually agreed.

4. CONTRACTOR shall have the absolute right to dispose freely in the REPUBLIC OF CAMEROON and abroad of the proceeds accruing to it pursuant to this Convention.

5. CONTRACTOR shall pay a single production bonus to the REPUBLIC OF CAMEROON when each of the following production rates is reached :

- 900,000 U.S. Dollars after ninety (90) consecutive days of production of Liquid Hydrocarbons at the rate of 20,000 barrels a day.
- 1,350,000 U.S. Dollars additional after ninety (90) consecutive days of production of Liquid Hydrocarbons at the rate of 50,000 barrels a day.
- 1,350,000 U.S. Dollars additional after ninety (90) consecutive days of production of Liquid Hydrocarbons at the rate of 100,000 barrels a day or more.

Payment shall be made by CONTRACTOR in Francs CFA thirty (30) days after the respective production levels have been achieved. If payment is not made within said time period, interest will be charged at the LIBOR rate in effect on the date on which said interest starts to accrue, plus two percent (2%).

6. Special fiscal and other provisions applicable to the MVIA Marginal Field as defined in Law n° 95/13 of 8 August, 1995 are set forth in Annex IV of this Convention.

ARTICLE 17 :

The legal and fiscal system to which CONTRACTOR is subject for its Petroleum Operations in the REPUBLIC OF CAMEROON is defined by the following, to the extent not contrary to the provisions of this Convention :

- Law n° 64/LF/3 of 6 April, 1964 to establish the Mining Code ;
- Law n° 64/LF/4 of 6 April, 1964, to establish a Mining Taxation Code ;
- Law n° 78-14 of 29 December, 1978, completing as concerns Hydrocarbons, Law n° 64/LF/3 of April 6,1964, to establish the Mining Code ;
- Law n° 78-24 of 29 December, 1978, to establish a Mining Taxation Code ;
- Law n° 82-20 of 26 November, 1982, to lay down special obligations for oil companies ;
- Law n° 89-15 of 28 July, 1989, to amend and supplement certain provisions of Law n° 82-20 of November 26, 1982, to lay down special obligations for oil companies ;
- Law n° 90/18 of 10 August, 1990, to authorise the Government to conclude Establishment Conventions with oil companies that are holders of Mining Exploration Permits in sedimentary basins other than the Rio Del Rey Basin ;
- Law n° 91/18 of 12 December 1991 to lay down particular incentives for the promotion of exploration and production of hydrocarbons in the Douala Basin ;

- Law n° 95/13 of 8 August, 1995 to lay down special measures for the promotion of activities related to the production of liquid hydrocarbons in marginal fields in the mining property of the State ;

- Law n°95/14 of 8 August, 1995 relating to the keeping of the accounts of Oil Companies in U.S. Dollars ;

- Law n° 96/12 of 5 August, 1996, to institute the legal framework relating to the management of the environment ;

- The General Tax Code as in effect on 31 December, 1995 ;

- All Finance Laws of the REPUBLIC OF CAMEROON as in effect on 31 December, 1995 ;

- Ordinance n° 90/007 of 8 November, 1990, to institute the Investment Code of Cameroon ;

- Decree n° 64/DF/162 of 26 May, 1964, to establish the conditions for exploration, for the working of deposits exploitation, and the transport of Liquid and Gaseous Hydrocarbons ;

- Decree n° 64/DF/163 of 26 May, 1964, to establish Mines Regulations ;

- Decree n° 94/021 of 10 February, 1994 to amend and supplement certain provisions of Decree n° 68/DF/460 of 3 December, 1968 ;

- Any provisions of general law, ordinance, decree, order applicable in the REPUBLIC OF CAMEROON in effect on the date of the signature of this Convention to the extent not contrary to the provisions of this Convention.

No modifications made during the term of this Convention to the legal and fiscal systems defined hereabove, nor any legislative, regulatory, or administrative provisions which are in conflict with the provisions of this Convention shall apply to CONTRACTOR without its prior written consent.

ARTICLE 18 :

When CONTRACTOR considers that any measure of which it has been notified, conflicts with the provisions of this Convention or materially affects the benefits to be derived from it, it has the right to request that the application thereof be cancelled insofar as it is concerned.

To this end it must send a request setting forth the reasons upon which it bases its opinion to the Minister in charge of Mines within a period of two months starting from the notification of the measure. Within a period of two (2) months starting from the receipt of the request of CONTRACTOR, the Minister in charge of Mines may :

- either reject the request of CONTRACTOR, which may then have recourse to the arbitration procedure defined in Title VII below ;

- or grant said request and see to it that the provision is no longer applicable to the CONTRACTOR or to the titleholders and associates concerned.

If there is no reply within the time period specified above, the request will be considered granted. At CONTRACTOR'S request, the Minister in charge of Mines shall give necessary evidence thereof to CONTRACTOR in writing.

ARTICLE 19 :

The introduction of the procedure provided for in Article 18 hereabove results in the suspension of the measure in question up to the time of decision, or absent a decision, up to the end of the period provided for in the said Article. In the case of subsequent referral to arbitration procedure, the suspension will continue within the conditions stipulated under Title VII hereof.

ARTICLE 20 :

In the event that the REPUBLIC OF CAMEROON and any company enter into a Convention of Establishment for Petroleum Operations in the Douala/Kribi-Campo, Rio Del Rey Basins, Deep Water Zones and other Interior Basins, the terms and conditions of which CONTRACTOR considers more advantageous for the said company than the: ones in this Convention, the terms and conditions of this Convention shall be modified in order not to discriminate against CONTRACTOR with respect to the new company and to confer on CONTRACTOR the benefit of equivalent terms and conditions.

V - PROVISIONS RELATIVE TO NATURAL GAS

ARTICLE 21 :

1. CONTRACTOR shall have the right to use any Natural Gas for Petroleum Operations, including, but not limited to, reinjection for pressure maintenance, power generation and recycling.

2. Associated Natural Gas which is not used pursuant to the provisions of paragraph 1 above, and the processing and utilization of which in the opinion of CONTRACTOR is not economical, shall be returned to the subsurface structure, or may be flared with the consent of the Republic of Cameroon, which consent shall not be withheld or delayed. when flaring is consistent with good international petroleum industry practice. In the event that CONTRACTOR chooses to process and sell Associated Natural Gas, CONTRACTOR shall notify the REPUBLIC OF CAMEROON and upon such notification, the REPUBLIC OF CAMEROON and CONTRACTOR shall, as soon as practicable thereafter, meet with a view to reaching an agreement on the processing and sale of such gas. In the event Contrator chooses not to process and sell Associated Natural Gas, the REPUBLIC OF CAMEROON may elect to offtake at the outlet flange of the gas-oil separator and use such Associated Natural Gas which is not required for Petroleum Operations. Until such time the REPUBLIC OF CAMEROON is able to take delivery of such Associated Natural Gas, such Associated Natural Gas may be flared. There shall be no charge to the REPUBLIC OF CAMEROON for such Associated Natural Gas, provided that all costs related to the gathering of such Associated Natural Gas and to the processing shall be for the account of the REPUBLIC OF CAMEROON.

3. Notwithstanding anything to the contrary under any law or regulation, when Non- Associated Natural Gas is discovered and CONTRACTOR has applied for the granting of a Mining Concession in respect of said Discovery, the Parties shall as soon as possible after completion by CONTRACTOR of an appraisal programme, or sooner if so agreed, meet with a view to reaching an agreement on the appraisal, if applicable, development, production, processing and sale of such gas. A Mining Concession for Non-Associated Natural Gas applied for by the CONTRACTOR shall be promptly granted by the REPUBLIC OF CAMEROON but CONTRACTOR shall not have the obligation to develop the Discovery as long as said agreement has not been reached. If CONTRACTOR has not commenced development of the Gas Discovery within six (6) years of grant of the Mining Concession, CONTRACTOR shall relinquish said Mining Concession.

4. In the event that the development, production, processing, utilization, disposition or sale of Associated or Non-Associated Natural Gas is determined by the Parties to be economically feasible in accordance with this Article, all costs and expenses directly attributable to the development and production of the same from the reservoir to the 'Delivery Point, and the revenues derived therefrom, shall, unless otherwise agreed between the Parties, be included in the Hydrocarbons Turnover and Technical Costs respectively, for all purposes of this Convention, subject to the Accounting Procedure contained in Annex "A" to the Contract.

   The value to be attributed to Natural Gas shall :

   i) For arm's length sales to third parties, be equal to the net realized price obtained for such Natural Gas at the Delivery Point.

   ii) For sales other than at arm's length to third parties, be determined by agreement between the REPUBLIC OF CAMEROON and CONTRACTOR, provided, however, that such price or value shall reflect the following: the quantity and quality of the Natural Gas ; the purpose for which the Natural Gas is to be used; and the international market price of competing or alternative fuels or feedstocks.

   iii) Arm's length third party sales shall not include sales to Affiliated Companies or to the REPUBLIC OF CAMEROON.

VI - IMPLEMENTATION OF THE CONVENTION

ARTICLE 22 :

The REPUBLIC OF CAMEROON and the entities constituting CONTRACTOR undertake to co–operate in all possible ways to achieve the objectives of this Convention.

If the REPUBLIC OF CAMEROON considers that any entity constituting CONTRACTOR has committed a breach in the performance of any of its obligations under this Convention, it shall so notify each entity constituting CONTRACTOR in writing specifying the nature of the breach and said entity constituting CONTRACTOR shall have ninety (90) days to remedy the breach or refer the matter to arbitration in accordance with the provisions of Articles 23 to 25 hereof.

Unless otherwise provided for in this Convention, each entity constituting CONTRACTOR shall be jointly and severally liable for the obligations of CONTRACTOR under this Convention.

VII - DISPUTE RESOLUTION AND APPLICABLE LAW

ARTICLE 23 :

Subject to the provisions of Article 26 hereof, any disputes between the REPUBLIC OF CAMEROON and CONTRACTOR concerning the interpretation or the application of this Convention, including the implementation of the decision of an expert under Article 26 hereof, shall be settled by the arbitration procedure defined herein.

The Parties hereby consent to submit to the International Center for Settlement of Investment Disputes (ICSID) any dispute in relation to or arising out of this Convention for settlement by arbitration pursuant to the Convention of the Settlement of Investment Disputes between States and Nationals of other States (ICSID Convention).

The Parties hereby agree that, for the purpose of Article 25(1) of the ICSID Convention, any dispute in relation to or arising out of this Convention is a legal dispute arising directly out of an investment.

ARTICLE 24 :

The ruling of the arbitrators shall be final and irrevocable. It shall be binding on the Parties and enforceable according to Article 54 of the ICSID Convention.

The Parties shall henceforth formally and without reservations renounce the right to challenge the said ruling, to obstruct its execution by any means or to appeal against it before any court or jurisdiction whatsoever.

ARTICLE 25 :

The Parties shall not be relieved from meeting their obligations arising from this Convention during the arbitration procedure.

However, the commencement of the arbitration procedure shall be enforcement of the contested measure for the duration of such arbitration.

ARTICLE 26 :

Any technical matter in dispute between the REPUBLIC OF CAMEROON and the CONTRACTOR including, but not limited to :

- the areal extent of a Discovery or Discoveries and the corresponding Mining Concession as referred to in Article 5 hereof ;

- the Technical Costs ;
- Petroleum Operations ;
- Calculation of the Posted Price ;
- any other matter of a technical nature that the Parties mutually agree ;

may, at the request of either of such Parties by written notice to the other(s), be proposed to be referred for determination by a sole expert to be appointed by agreement between the Parties. If the Parties fail to agree on the submission of the matter in dispute to an expert, the matter in dispute shall be referred to arbitration under Articles 23, 24, and 25 hereof.

If the REPUBLIC OF CAMEROON and the CONTRACTOR agree on the referral of the matter to a sole expert but fail to agree on the appointment of the expert within sixty (60) days of their agreement to submit the matter to an expert, either of such Parties may have such expert appointed by the President for the time being of the Institute of Petroleum (London).

If the aforesaid President shall be disqualified to act by reason of professional, personal, or social interest or contract with any of the Parties in dispute, their Affiliated Companies, their officers or employees, the next highest officer for the time being of said Institute of Petroleum (London), who is not disqualified shall act in lieu of said President. No person shall be appointed to act as an expert under this Article unless he shall be qualified by education, experience and training to determine the subject matter.

The mission of the expert shall be to determine which Party has adopted the position with respect to the matter in dispute which is the most consistent with the terms of this Convention and good oilfield practices as applied by the international petroleum industry. The expert shall render his decision within sixty (60) days after the date of his appointment, unless the Parties agree otherwise.

The decision of the expert shall be final and binding on both CONTRACTOR and the REPUBLIC OF CAMEROON. All costs associated with a determination hereunder and duly justified, including the experts fees and expenses, and the costs associated with an appointment, if any, made by the President of the Institute of Petroleum (London) shall be borne equally by the Parties.

VIII - VIOLATION OF THE CONVENTION

ARTICLE 27 :

Violation by any entity constituting CONTRACTOR of the provisions of this Convention may entail denunciation thereof with respect to such entity by the REPUBLIC OF CAMEROON after notification and a ninety (90) day period to remedy in accordance with the provisions of Article 22 above.

However, without prejudice to the provisions of Articles 23, 24, 25, 26 and 30 the following violation by an entity constituting CONTRACTOR may entail automatic denunciation of the Convention with respect to such entity, after having been notified in writing, it does not take remedial action within ninety (90) days following such notification :

a) refusal to furnish information on the discovery of Hydrocarbons to the REPUBLIC OF CAMEROON within prescribed time limits ;

b) refusal to furnish the department in charge of taxation with the returns provided for in the General Tax Code within prescribed time limits ;

c) refusal to pay within prescribed time limits bonuses and royalties under the conditions laid down in Article 14 and 16 (5) hereof ;

d) refusal to forward, within the prescribed time limits, to the Minister in charge of Mines, the production declaration provided for in Article 14 (1) hereof ;

e) failure to deliver the REPUBLIC OF CAMEROON's share of production ;

f) the interruption or slowing down of exploitation activities without valid reason or, in the absence of valid reason, without prior written consent of the REPUBLIC OF CAMEROON.

Where an entity constituting CONTRACTOR is guilty of one of the above mentioned violations, and where he has not commenced to take remedial action within the prescribed time limit, such entity shall lose all its rights and interests, except its rights to recover all or part of its investment made in the Douala/Kribi-Campo, Rio Del Rey, Deep:Water Zones and Other Interior Basins as provided for in Article 16 (3) hereof, and the Convention shall be denounced with regard to that entity by mere notification in writing.

Termination of the Convention shall not relieve the Parties of legal and contractual obligations that they may have to honor on the date of such termination.

ARTICLE 28:

Cameroon law, generally accepted principles of international law and standard practices widely used in the international petroleum industry shall be applied

with respect to this Convention.

IX - HYDROCARBONS SUPPORT FUND

ARTICLE 29 :

CONTRACTOR shall contribute annually in proportion to its Participation in the Production, as defined in the Contract, to the Hydrocarbons Support Fund (Fonds de soutien pour les Hydrocarbures, herein referred to as “FOSHY”) established by the REPUBLIC OF CAMEROON for the purpose ,of enhancing petroleum exploration in the REPUBLIC OF CAMEROON. The contribution to this fund shall be equal to the equivalent in a Convertible Currency of 0.20 U.S. Dollar per barrel of Liquid Hydrocarbons produced and saved by the CONTRACTOR. Such contribution shall not be included in the Technical Costs but shall be considered a fiscally deductible charge.

The Hydrocarbons Support Fund shall be administrered by the REPUBLIC OF CAMEROON in accordance with applicable regulations.

X - MISCELLANEOUS PROVISIONS

ARTICLE 30 :

No delay or default of CONTRACTOR or the REPUBLIC OF CAMEROON in performing any of the obligations under this Convention shall be considered a breach of contract if such delay or default is caused by a case of Force Majeure.

Force Majeure affecting Affiliated Companies and/or Sub-Contractors shall be considered Force Majeure affecting CONTRACTOR in so far as it affects Contractor's Petroleum Operations in the REPUBLIC OF CAMEROON. In such case, CONTRACTOR shall provide the proof.

lf, in the event of Force Majeure, the performance of any of the obligations under this Convention is suspended, the time period the obligation is under suspension extended by the time required to repair any damage caused by the Force Majeure event and during such suspension shall be added to any period provided by this Convention for the performance of said obligation and the term of any Mining Title being affected by Force Majeure and any other term hereunder shall be extended by that same period.

ARTICLE 31 :

This Convention has been concluded between CONTRACTOR and the REPUBLIC OF CAMEROON in accordance with Law No. 90/18 of 10 August, 1990.

ARTICLE 32 :

All notices and other communications required hereunder or any notices that Parties may desire to give to other Parties shall be in writing in the English or French language and deemed to have been properly delivered if personally handed to an authorized representative of the Party for whom intended or sent by registered airmail, telegram, cable, facsimile or telex with all costs prepaid, upon receipt, at or to the address of such Party for whom intended as indicated below, or such other addresses as any Party may from time to time designate by notice in writing to the other Parties:

The REPUBLIC OF CAMEROON
c/o The Minister in charge of Mines
Yaounde
Republic of Cameroon
Telex 8504 KN,
Fax : (237) 22 61 77

Copy to : SOCIETE NATIONALE DES HYDROCARBURES (S.N.H.)
P.O. Box 955
Yaounde
REPUBLIC OF CAMEROON
Telex 8514 KN,
Fax : (237) 20 46 51

CMS NOMECO CAMEROON LTD
P.O. Box 6650
Yaounde
Tel. : (237) 23 53 76
Telex :
Fax : (237) 22 55 66
c/o Maitre Pierre F. X. MENYE ONDO
Notaire

GLOBEX CAMEROON, LLC
c/o GLOBEX
Memorial City Plaza II
820 Gessner
Suite 1680
Houston, Texas 77024
Tel. : (713) 463 7710
Telex :
Telefax : (713) 463-7722

ARTICLE 33 :

This Convention has been signed in four originals in English and in four originals in French, both languages being equally binding and authoritative.

ARTICLE 34 :

This Convention shall be printed and registered at the expense of the CONTRACTOR.

DONE IN YAOUNDE, ON, 11 DEC. 1997

THE REPUBLIC OF CAMEROON,
The Minister of State in Charge
of Trade and Industrial Development,

/s/ AUTHORIZED SIGNATORY

FOR
CMS NOMECO CAMEROON LTD,
ROBERT C. OLSON
Vice President Exploration,

/s/ Robert C. Olson

FOR
GLOBEX CAMEROON, LLC
JOHN Z. TOMICH
President

/s/ John Z. Tomich

ANNEX I : RULES AND RATES OF DEPRECIATION THAT CONTRACTOR IS AUTHORIZED TO APPLY

These rates may be adjusted by agreement between the Parties if the actual utilization time of the equipment is less than that corresponding to the rates established hereinbelow. These adjustments shall be made especially in case of accidental losses, more rapid wear and tear of the equipment, or exploitation shorter than that used to establish the rates hereinbelow.

NATURE OF FIXED ASSETS TO BE DEPRECIATED	ANNUAL RATE OF DEPRECIATION
Structures :	
Buildings and hard material structures for shops, offices, stores, garages, laboratories, training premises, dwellings, social services and sports facilities, canteens, hospitalization, meeting rooms	*5%*
Metal frame buildings	6%
Huts and all detachable or portable work-site buildings	*20%*
Light semi-stationary structures without foundations	*20%*
Interior fittings of workshops	*10%*
Office machinery	*20%*
Office and home furniture	*15%*
Telephone	*10%*
Loading and Storage Installations :	
Storage installations	*10%*
Excepting pipe storage grounds	*20%*
Loading pier	*3%*
Loading installations, floating pipes	*20%*
Vehicles :	
Civil engineering machinery	*30%*
Automobiles and their trailers	*25%*
With the exception of: fire trucks, workshop trucks, cement trucks,	*20%*
Water and Air Transportation :	
Small boats	*20%*
Tugboats, push boats, tank barges, barges	*10%*
Helicopters, airplanes	*20%*

Other Fixed Assets :	
Distribution of water and compressed air	*10%*
Distribution of electricity	*10%*
Power Transportation Lines :	
Towers	*4%*
Other component units	*8%*
Transformers :	
Buildings and stationary equipment	*5%*
Movable equipment	*10%*
Stationary or Movable Machines :	
Compressors	*10%*
Miscellaneous motors and pumps	*15%*
Machine-tools	*10 to 15%*
Small tools	*30%*
Fixed laboratory equipment	*10%*
Portable laboratory equipment, topography equipment	*20%*
Camping equipment	*50%*
Underground Works and Drilling :	
Unproductive wells, including the access paths	*50%*
Productive wells, including the access paths	*20 to 100%*

Nevertheless, the rate of amortization of drilling (including access paths), carried out on all the Exploration Permits of the Douala/Kribi-Campo, Rio Del Rey, Deep Water Zones and Other Interior Basins, shall be as follows:

- *productive wells (including access paths),: 20 to 100 %, (the amortization rate of each productive well must be proposed by the CONTRACTOR in terms of the probable duration or production of the given well) ;*
- *non-productive wells (including access paths), within an Exploration Permit, either in the limits or out- side a Mining Concession carved out from said Exploration Permit and which has given rise to a production : 50 % ;*
- *non-productive wells (including access paths), within an Exploration Permit which has not yet given rise to a production : 33 1/3 %.*

Transportation Equipment :	
Internal pipelines	*20%*
External pipelines	*7.5%*

Drilling Equipment :	
Drilling rigs	*20%*
Drilling string	*33%*
Drilling machinery	*33%*
Diesel motors	*20%*
Derrick machinery, drive-transmissions	*33%*
Intangible Fixed Assets :	
Geological and geophysical exploration expenditures, including access paths	*20%*
Offshore Equipment :	*15%*
Drilling barge	
Fixed platform	*15%*
Movable platform	*15%*
Underwater wellhead and supports	*20%*
Marine gathering lines	*20%*
Principal lines	*10%*
Offshore storage	*20%*
Mooring and loading buoys	*25%*
Underwater loading lines	*20%*
Platform equipment	*15%*

Amortization shall start in the Fiscal Year in which the relevant expenditure are incurred.

In a given year, in case CONTRACTOR cannot deduct all of its expenses and investment according to the above, the balance not deducted shall be carried forward and deducted in the calculation of taxable profit for the following years until fully deducted, subject to the provisions of Article 15.1.d hereof.

ANNEX II : CUSTOMS AND FISCAL REGIMES

A - CUSTOMS REGIME

CONTRACTOR, its assignees, Affiliated Companies and SubCONTRACTORs shall be subject to the customs system defined in the UDEAC Customs Code and its implementary texts, subject to the following :

I. **Imports :**

1) The following will enter free of all duties and taxes: products, machinery, tools and equipment for oil prospecting and exploration as Annexed to Act 13/65/UDEAC-35 of 14 December, 1965.

This exemption concerns shipments sent directly to CONTRACTOR, its Affiliated Companies and its SubCONTRACTORs.

2) Beginning from the date of commencement of commercial production as to each Mining Concession for a period of five (5) years, there is granted a. reduced total rate of five percent for the duties and taxes collected on the importation of equipment and materials, machinery and tools, together with chemical products directly required for Hydrocarbon production, including storage, treatment, transport, forwarding and processing, be they imported directly by CONTRACTOR, by its Affiliated Companies or by its SubCONTRACTORs.

In addition, the benefit of the reduced total rate stipulated in this paragraph may be extended beyond the five (5) year period, on a case by case basis, upon application by CONTRACTOR setting forth the reasons for such application, filed with the Minister in charge of Mines. The applications filed by CONTRACTOR shall be given favorable consideration.

The benefit of the reduced rate will be granted by the Minister of Finance upon submission of :

- *a general import program ;*
- *specific requests to benefit under the reduced rate system.*

3) The following will be admitted on a normal or special temporary basis, as the case may be:

materials and equipment, machinery and tools needed directly for the activities of CONTRACTOR, its assignees, Affiliated Companies and Sub-CONTRACTORs when the said equipment and materials, machinery and tools are intended for re-export after use.

4) All imports which do not come under any of the systems defined above will be subject to the generally applicable law.

II. **Upon Exportation :**

CONTRACTOR, its assignees, Affiliated Companies and Sub-CONTRACTORs will be exempted from all export duties and taxes on Hydrocarbons exported as well as on materials and equipment for which they no longer have any use in the REPUBLIC OF CAMEROON.

III. Special Provisions :

All imports and exports effected within the framework of the Convention shall be subject to formalities and documents required by the customs services without prejudice to the benefits and guarantees provided under this Convention.

B - GOODS AND SERVICES EXEMPT FROM ANY TAX ON TURNOVER OR RENDERING OF SERVICES IF THEY ARE APPLIED TO THE ACTIVITIES OF CONTRACTOR ITS AFFILIATED COMPANIES, ITS ASSOCIATES, ITS TRANSFEREES. OR ITS SUBCONTRACTORS

This exemption covers, the purchase, sale and renting/hiring of equipment, supplies, goods and/or services as well as the rendering of services of any kind, including studies, whether performed locally or abroad, listed hereunder, or in connection with the Petroleum Operations :

1. *The exploration, geological or geophysical prospecting and the detection, by any means, of Liquid or gaseous Hydrocarbons.*

2. *The exploration of hydrocarbons and deliniation of Discoveries by boring, drilling, or by any other means, the determination of the importance of the reserves as well as the associated operations which are directly related thereto.*

3. *The development, the start-up of production, the exploitation of discovered fields, as well as the associated operations which are directly related thereto.*

4. *The construction and the exploitation of the means of storage and removal of the extracted products.*

5. *The commercialization of the raw products which have been extracted.*

6. *The construction of the access roads, of buildings and warehouses or installations needed for or in connection with Petroleum Operations.*

7 *The transportation of the personnel and the equipment, the recovery/harnessing of water sources, the storage, the repairing and upkeep of the equipment, the security of installations and persons when these operations are assured or carried out within the perimeter of the Mining Titles.*

8. *The transportation of the following equipment :*

- *heavy prospecting equipment and explosives ;*
- *heavy drilling* and *boring equipment ;*
- *mud products* and *heavy equipment for pumping ;*
- *storage, and* transportation *by pipeline of the extracted products.*

ANNEX III :

WORK OBLIGATIONS
AND RELATED COMMITMENTS

The initial Exploration Permit covered by this Convention shall cover the indivisible blocks OLHP-1 and 6, located in the Douala/Kribi-Campo Basin.

The initial permit is deemed to have an area 2,033 square kilometers. It shall have an initial term of four (4) years and may be renewed once, for a period of four (4) years. CONTRACTOR shall not be required to relinquish any of the surface area of the initial permit at renewal.

The minimum work commitment for this initial Exploration Permit including the appraisal work on the MVIA Discovery, is fixed for the first four year period as follows :

- *Reprocessing of 1000 km of existing 2D seismic ;*
- *Acquisition, processing and interpretation of Aero Gravity and Magnetic data on the onshore of the Douala Basin ;*
- *Re-entry of MVIA-1 well or re-drill with an appropriate production test ;*
- *Acquisition, processing and interpretation of 200 km of 2D seismic data ;*
- *Drilling of 1 exploration well.*

The minimum expenditures in exploration, appraisal and prospection work is fixed at 4.5 million US Dollars for the initial four (4) years.

CONTRACTOR shall dedicate a budget of 200,000 US Dollars each year during the exploitation phase for the training of Cameroon staff and technicians, and 100,000 US Dollars each year if there is only exploration, other than those working directly for the CONTRACTOR.

It is understood that the fulfillment of work obligations is paramount ; therefore, if the minimum work commitments are satisfied, the minimum expenditure requirements shall be deemed to have been satisfied. Excess expenditure and work commitments beyond that required for the minimum, shall be carried forward to offset the expenditure and work requirements in subsequent periods.

In the event the work commitment obligations are not fulfilled within the initial four (4) year exploration period, CONTRACTOR shall pay to the REPUBLIC OF CAMEROON any unfulfilled amount of the expenditure commitment after deducting any costs paid by CONTRACTOR in conducting Joint Operations.

In the event CONTRACTOR elects to enter into the second, third or fourth periods and the expenditure commitment is not fulfilled within the respective periods as applicable, CONTRACTOR shall pay to the REPUBLIC OF CAMEROON any unfulfilled amount of expenditure commitment after deducting any costs paid by CONTRACTOR in conducting Joint Operations and any excess carry forward of expenditures.

This Annex III shall be amended as applicable to cover the work program, terms and expenditures commitment for any addtitional Mining Title covered by this Convention as may be mutually agreed.

ANNEX IV :

PRODUCTION SHARING AGREEMENT PROVISIONS
APPLICABLE TO MVIA MARGINAL FIELD
IN THE DOUALA BASIN, CAMEROON
IN ACCORDANCE WITH THE LAW N ° 95/13 OF 8 AUGUST, 1995

Defintions :

In addition to terms defined in this Convention, the terms below have the following meaning :

"Cost Oil" : *means that portion of the value of the total oil produced annually which is dedicated to the recovery of past cost incurred for exploration, appraisal, development, operations, financial and other costs as further specified in the Accounting Procedure of the Association Agreement.*

"Profit Oil ": *means that portion of the value of the total oil produced annually remaining after substraction of Cost Oil and which is shared between the REPUBLIC OF CAMEROON and CONTRACTOR.*

"Cost Recovery Period" (CRP) : *means the time elapsed between the date of first Commercial Production from the Marginal Field and the date of achieving full recovery of all the capital costs (including appraisal, development) financial costs and operating costs associated to said marginal field to said date of full recovery (the latter cost being paid in priority to capital reimbursement).*

"Cost Recovery Share" (CRS) : *means the maximum value of Cost Oil allowed annually for cost recovery until the end of the Cost Recovery Period (hereby set at 85. % of total oil produced annually). Any excess recoverable costs are carried over to the following year.*

"Commercial Production" : *means production obtained from a Field for which a Mining Title valid for exploitation has been granted to the CONTRACTOR by the REPUBLIC OF CAMEROON.*

Provisions :

- *The revenue sharing, cost sharing, tax and Mining Royalty provisions of the Convention and the Association Agreement do not apply and are substituted by provisions herein below :*

- *Cost Recovery Share (CRS) : 85 % of total Field annual production. Until the end of the CRP, the Field revenues shall be effectively shared 85 % to CONTRACTOR and 15 % to THE REPUBLIC of CAMEROON. The REPUBLIC of CAMEROON share during this period shall be its entire take excluding FOSHY which shall be paid during said period by the CONTRACTOR.*

- *Income Tax Rate : 38.5 % applicable to CONTRACTOR Profit Oil share after the Cost Recovery Period.*

- *The Depreciation Rate limits allowed under the Convention shall not apply. Annual cost recovery of capital expenditures (after recovery of operating costs) shall be limited only by the Cost Recovery Share.*

- *Any past Government investments agreed to be recoverable (U.S. 7.5 millions) shall be recovered last after all CONTRACTOR's investment and operating costs to date have been recovered. Said past REPUBIC OF CAMEROON's investments shall not bear interest.*

- *Training contribution shall be as specified in the Convention.*

- *FOSHY shall be $ 0.20 per barrel applicable on CONTRACTOR Oil Share for the entire life period of the field.*

- *Oil entitlement after Cost Recovery Period is 50 % for the REPUBLIC OF CAMEROON and 50 % for the CONTRACTOR. Costs after Cost Recovery Period are shared 50/50 between the REPUBUC OF CAMEROON and CONTRACTOR.*

- *The Parties hereto recognize that the economics of a Marginal Field can have wide variations, depending on currently unknown future costs, production, etc. and the length of the CRP is critical to fair economic return to the Parties. It is envisioned that a CRP of three years will be adequate. The Parties shall meet annually to determine the status of cost recovery. If the Field history and projected economics indicate that a longer CRP is necessary, the Republic of Cameroon shall increase it accordingly.*

  If the duration of the CRP is less than three years, Profit Oil *sharing during the subsequent years shall be REPUBLIC OF CAMEROON 50 %/Contractor 50 % before tax (69.25 %/30.75 % after tax).*

  If the CRP is greater than three years, the REPUBLIC OF CAMEROON shall balance the corresponding adverse economic impact on the Contractor by increasing the, CONTRACTOR Profit Oil share for the subsequent years. For such purpose, the Parties will meet in good faith and determine an equitable increase of said CONTRACTOR Profit Oil share to maintain CONTRACTOR'S economic position considering accepted industry economic parameters. As a guideline, the following will be used to adjust the CONTRACTOR'S share of Profit Oil applicable after a CRP of longer than three years :

  - *A hypothetical internal rate of return (IRR) will be calculated based on the projected life of the field and* a *cost recovery assumed to be complete by the end of the third year, using 30.75 % CONTRACTOR Profit Oil share.*

  - *An estimate will be made of the projected CRP duration.*

  - *The CONTRACTOR's Profit Oil share will be increased by the amount necessary to preserve the IRR calculated above.*

    This will offset the decrease in IRR which would have *resulted from the later and smaller amount of CONTRACTOR Profit Oil (had it not been increased) as a result of the longer estimated CRP.*

To the extent they do not conflict with the above provisions, the remaining provisions of the Convention of Establishment and the Contract of Association shall apply.

Exhibit 10.12

DEED OF ASSIGNMENT

THIS ASSIGNMENT (the "Assignment") is made on the 16th day of November 2005 by and between PERENCO OIL AND GAS (CAMEROON) LTD. whose principal place of business is at BP 1225, Douala, Cameroon (hereinafter referred to as "PERENCO") and KOSMOS ENERGY CAMEROON HC, whose principal place of business is at [8401 North Central Expressway, Suite 280, Dallas, Texas 75230] (hereinafter referred to as "KOSMOS").

WITNESSETH THAT :

(A) By a Decree 2005/249 dated 30 June 2005 PERENCO and Société Nationale des Hydrocarbures ("SNH") were granted the Kombe-Nsepe Permit, Cameroon (the "Permit"); and

(B) PERENCO and SNH are parties to a Convention d'Etablissement and a Contrat d'Association dated 11 December 1997 (the two collectively the "Contract") previously governing the Kombe and Nsepe Permits and which continue to govern the Permit; and

(C) PERENCO wishes to transfer and assign to KOSMOS a thirty five per cent (35%) undivided participating interest in, under and pursuant to the Permit and, to the extent it relates to the Permit, the Contract.

NOW THEREFORE in consideration of the premises and mutual covenants made herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows :

1. PERENCO hereby transfers and assigns to KOSMOS a thirty five per cent (35%) undivided participating interest in, under and pursuant to the Permit and, to the extent it relates to the Permit, the Contract.

2. This Assignment is made subject to, and KOSMOS agrees to be bound by, all of the terms, provisions and conditions of the Permit and, to the extent it relates to the Permit, the Contract and all amendments thereto and all laws, rules and regulations of Cameroon insofar as they apply or relate to the Permit and the Contract or the area covered thereby.

WITNESS OUR HANDS this 16th day of November 2005.

ATTEST:

Witness

Signed by : /s/ PERENCO OIL AND GAS (CAMEROON) LTD.
Name :

Title :

For and on behalf of
PERENCO OIL AND GAS
(CAMEROON) LTD.

ATTEST:

Witness

Signed by : /s/ KOSMOS ENERGY CAMEROON HC

Name :

Title :

For and on behalf of
KOSMOS ENERGY CAMEROON HC

Exhibit 10.13

AGREEMENT ON THE MANAGEMENT OF PETROLEUM OPERATIONS (JOA)
COVERING THE KOMBE-NSEPE PERMIT

BETWEEN

SOCIETE NATIONALE DES HYDROCARBURES

AND

PERENCO OIL AND GAS (CAMEROON) LTD.

AND

KOSMOS ENERGY CAMEROON HC

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AGREEMENT ON THE MANAGEMENT OF PETROLEUM OPERATIONS (JOA)

CONCERNING THE KOMBE-NSEPE PERMIT, DOUALA BASIN, CAMEROON

AMONG:

PERENCO OIL AND GAS (CAMEROON) LTD., a company incorporated in the Cayman Islands (hereinafter referred to as **Perenco**)**;** and

KOSMOS ENERGY CAMEROON HC, a company incorporated in the Cayman Islands (hereinafter referred to as **Kosmos**); and

SOCIETE NATIONALE DES HYDROCARBURES, a State company incorporated in the Republic of Cameroon (hereinafter referred to as **SNH**).

The companies named above may sometimes individually be referred to as a **Party** and collectively as the **Parties**).

WHEREAS:

A. By a Decree 2005/249 dated 30 June 2005 Perenco and SNH were granted the Kombe-Nsepe Permit, Cameroon (the **Permit**); such Permit comprises a consolidation of the majority of the Kombe and Nsepe Permits previously held by Perenco and SNH;

B. Perenco and SNH and the Republic of Cameroon are parties to a Convention d'Establissement and a Contrat d'Association dated 11 December 1997 (the two collectively the **Contract**) previously governing the Kombe and Nsepe Permits and which continue to govern the Permit;

C. Perenco and SNH are parties to a November 1998 Agreement on the Management of Petroleum Operations (JOA) covering the prior Kombe Permit (the **1998 JOA**) which will be superseded by this agreement;

D. Perenco and Kosmos are party to an exploration agreement dated 5 October 2005 by which Perenco transferred to Kosmos, by way of a farm-out, a portion of its interest in the Permit and by which Perenco and Kosmos agreed to co-operate concerning the Permit and defined their respective rights and obligations relative to the Permit and the activities and operations to be undertaken in connection therewith; and

E. The Parties wish to assure the good management of the Petroleum Operations and thus define their respective rights and obligations under the Contract.

IT IS AGREED AS FOLLOWS:

1. DEFINITIONS

As used in this Agreement (hereinafter referred to as the **JOA**), the following words and terms shall have the meaning ascribed to them below:

Accounting Procedure means the rules, provisions and conditions set forth and contained in Schedule A to this Agreement. It is the same Accounting Procedure as that in Annex A of the Contract of Association.

Petroleum Legislation means the applicable petroleum legislation of the Republic of Cameroon, its amendments and regulations made under it, as specified in the Convention of Establishment.

AFE means an authorisation for expenditure pursuant to Clause 6.6 signed by the Parties.

Affiliate means a company, partnership or other legal entity which controls, or is controlled by, or which is controlled by an entity which controls, a Party. Control means the ownership directly or indirectly of fifty percent or more of the voting rights in a company, partnership or other legal entity. **Controls** and **controlled by** and other derivatives shall be construed accordingly.

Agreed Interest Rate means interest equal to LIBOR plus two percent (Libor +2%), compounded on a monthly basis.

Agreement means this agreement, together with the Schedules attached to this agreement, and any extension, renewal or amendment hereof agreed to in writing by the Parties.

Appraisal Well means any well (other than an Exploration Well or a Development Well) whose purpose at the time of commencement of drilling such well is to appraise the extent or the volume of Hydrocarbon reserves contained in the existing Discovery.

Barrel means a quantity consisting of forty two United States gallons, corrected to a temperature of sixty (60) degrees Fahrenheit under one atmosphere of pressure.

Business Day means a day in which the banks are open in the Republic of Cameroon.

Calendar Quarter means a period of three (3) consecutive calendar months, starting respectively the first day of January, April, July and October of each year.

Calendar Year means a period of twelve (12) months commencing with 1 January and ending on the following 31 December according to the Gregorian Calendar.

Cash Premium means the payment made pursuant to Clauses 7.5(b) by a Non-Consenting Party to reinstate its rights to participate in an Exclusive Operation.

Commercial Discovery means any discovery of Hydrocarbons which any of the Parties decide to develop.

Completion means the combination of operations intended to put a well into production. **Complete** and other derivatives shall be construed accordingly.

Consenting Party means a Party who agrees to participate in and pay its share of the cost of an Exclusive Operation.

Contract means collectively the Convention of Establishment and the Contract of Association concluded and signed on 11 December 1997 between the Republic of Cameroon and the Parties, and any extension, renewal or amendment thereof agreed to in writing by the Parties or any production sharing agreement that may be entered into by the Parties and the State and which is expressly stated to replace the Convention of Establishment and Contract of Association.

Contract Area means the surface area of the Permit as described in Schedule B to this Agreement.

Date of First Production of Commercial Liquid Hydrocarbons means the date on which the first barrel of Liquid Hydrocarbon is stored in a storage unit for commercialisation.

Day means a calendar day unless otherwise specifically provided.

Default Notice shall mean the notification of default of payment addressed to the Parties in accordance with the provisions of Clause 8.1

Defaulting Party means any Party that fails to pay when due its Participating Interest share of Joint Account expenses, including cash advances and interest, shall be in default under this Agreement.

Deepening means an operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the deepest Zone proposed in the associated AFE, whichever is the deeper. **Deepen** and other derivatives shall be construed accordingly.

Development Plan means a plan for the development of Hydrocarbons from an Exploitation Area or Concession.

Development Well means any well drilled for the production of Hydrocarbons pursuant to a Development Plan.

Discounted Net Cost means that portion of each Party's anticipated before tax cost of ceasing operations in accordance with applicable law which remains after deduction of salvage value. Such portion should be calculated at the anticipated time of ceasing operations and discounted at the Discount Rate to 31 December of the Calendar Year in question.

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

Discount Rate means LIBOR Rate on the last Business Day of the month preceding each month in which the calculation is to be applied.

Discovery means the placement into evidence by drilling of an accumulation of Hydrocarbons whose existence until that moment was not proved.

Effective Date means 30 June 2005, the date of granting of the Permit.

Entitlement means a quantity of Hydrocarbons on which a Party has the right and obligation to take delivery pursuant to the Contract and this Agreement.

Exclusive Operation means all operations and/or activities carried out pursuant to this Agreement, the costs of which are chargeable to the account of less than all the Parties.

Exclusive Well means a well drilled pursuant to an Exclusive Operation.

Exploitation Area or Concession means that part of the Contract Area which is established for development of a Commercial Discovery pursuant to the Contract.

Exploitation Period means the duration of validity of one Concession.

Exploration Period means the duration of validity of one Exploration Permit.

Exploration Well means any well whose purpose at the time of commencement of drilling is to place into evidence an accumulation of Hydrocarbons whose existence was at that time unproven by drilling.

G&G Data means only geological, geophysical and geochemical data and other similar information that is not obtained through a wellbore.

Gross Negligence means the deliberate intention to act or failure to act by any person or entity which was intended to cause, or which was in reckless disregard of, or wanton indifference to, harmful consequences such person or entity knew, or should have known, such act or failure would have on the safety or property of another person or entity.

Hydrocarbons means all substances including liquid and gaseous hydrocarbons which are subject to and covered by the Contract.

Joint Account means the accounts maintained by Operator in accordance with the provisions of this Agreement and of the Accounting Procedure for Joint Operations.

Joint Operations means those operations and activities carried out by Operator pursuant to this Agreement, the costs of which are chargeable to all Parties in accordance with their Participating Interest.

Joint Property means all wells, facilities, equipment, materials, information, funds and the property held for use in Joint Operations.

LIBOR as used herein means the London Interbank Offered Rate applicable to three months' deposits in US dollars offered to the principal banks of the Interbank market of London for this period, quoted by the "National Westminster Bank PLC — London Branch", London, England, at 11:00 hours London time, on the last Business Day of the month preceding each month in which the calculation is to be applied.

Minimum Work Obligations means the minimum program of Petroleum Operations and corresponding expenditures, such as specified in the Contract.

Non-Consenting Party means a Party who elects not to participate in an Exclusive Operation.

Non-Operator(s) means the Party or Parties to this Agreement other than Operator.

Operations Committee means the Committee constituted in accordance with Article 6 of the Contract of Association.

Operations Management Board means the organisation composed of representatives of each Party holding a Participating Interest for the supervision and general administration of the Joint Operations.

Operator means a Party to this Agreement designated as such in accordance with the Contract.

Participating Interest means the undivided percentage interest of each Party in the rights and obligations derived from the Contract and this Agreement.

Party means one of the parties to this Agreement and its permitted successors and assigns.

Permit means the Kombe-Nsepe Permit, Cameroon, granted to Perenco and SNH by a Decree 2005/249 dated 30 June 2005.

Plugging Back means a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone. **Plug Back** and other derivatives shall be construed accordingly.

Recompletion means an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore. **Recomplete** and other derivatives shall be construed accordingly.

Reworking means an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but are not limited to, well stimulation operations, but exclude any routine repair or maintenance work, or drilling, Sidetracking, Deepening, Completing, Recompleting or Plugging Back of a well. **Rework** and other derivatives shall be construed accordingly.

Security means a standby letter of credit issued by a bank or an on demand bond issued by a security corporation, such bank or corporation having a credit rating indicating it has sufficient worth to pay its obligations in all reasonably foreseeable circumstances, or, failing the provision of either of those, cash contributed to a secure fund administered by independent trustees and invested in appropriate short term medium term US Treasury Bonds.

Senior Supervisory Personnel means with respect to a Party, any individual who functions as such Party's designated manager or supervisor of an onshore or offshore installation or facility used for operations and activities of such Party, (but excluding all managers or supervisors who are responsible for or in charge of onsite drilling, construction or production and related operations, or any other field operations), and any individual who functions for such Party or one of its Affiliates at a management level equivalent to or superior to the tier identified above, or any officer or director of such Party or one of its Affiliates.

Sidetracking means the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or to drill around junk in the hole or to overcome other mechanical difficulties. **Sidetrack** and other derivatives shall be construed accordingly.

State means the Republic of Cameroon and any competent subdivision or agency thereof.

Testing means an operation intended to evaluate the capacity of a Zone to produce Hydrocarbons. **Test** and other derivatives shall be construed accordingly.

Work Program and Budget means a plan of work for Joint Operations and budget therefore as described and approved in accordance with Clause 6.

Zone means a reservoir containing or thought to contain a common accumulation of Hydrocarbons separately producible from any other accumulation of Hydrocarbons.

NOTE: In the event a Definition contained in the Agreement in a particular context clearly conflicts with the definition of the same term in the Contract, the Contract shall prevail. Any defined term used in this Agreement but not included in the definitions above shall have the meaning ascribed to them in the Contract.

2. EFFECTIVE DATE AND TERM

This Agreement shall have effect from 5 October 2005 and shall continue in effect until the Contract terminates and all materials, equipment and personal property used in connection with the Joint Operations have been removed and disposed of and final settlement has been made among the Parties.

Notwithstanding the preceding sentence:

(a) Clause 10 shall remain in effect until all wells have been properly abandoned; and

(b) Clause 4.5 and Clause 18 shall remain in effect until all obligations, claims, arbitrations and lawsuits have been settled or otherwise resolved.

3. SCOPE

3.1 Scope

(a) The purpose of this Agreement is to establish the respective rights and obligations of the Parties with regard to operations under the Contract, including without limitation the joint exploration, appraisal, development and production of Hydrocarbon reserves from the Contract Area.

(b) Without limiting the generality of Clause 3.1 (a), the following activities are outside of the scope of this Agreement and are not addressed herein:

(i) Construction, operation, maintenance, repair and removal of facilities downstream from the point of delivery of the Parties' shares of Hydrocarbons under the offtake agreement provided for in Clause 9.2;

(ii) Transportation of Hydrocarbons beyond the point of delivery of the Parties' shares of Hydrocarbons under the offtake agreement provided for in Clause 9.2;

(iii) Marketing and sales of Hydrocarbons, except as expressly provided in Clauses 7.5, 7.9 (e) and 8.4 and in Clause 9.

(iv) Acquisition of rights to explore for, appraise, develop or produce Hydrocarbons outside of the Contract Area (other than as a consequence of unitization with an adjoining contract area under the terms of the Contract); and

(v) Exploration, appraisal, development or production of minerals other than Hydrocarbons, whether inside or outside of the Contract Area.

3.2 Participating Interest

(a) The Participating Interests of the Parties as of the Effective Date are:

	%
Perenco (Operator)	40.0
Kosmos	35.0
SNH	25.0

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

3.3 **Ownership, Obligations and Liabilities**

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

(b) Unless otherwise provided in this Agreement, the obligations of the Parties under the Contract and all liabilities and expenses incurred by Operator in connection with Joint Operations shall be charged to the Joint Account and all credits to the Joint Account shall be shared by the Parties, as among themselves, in accordance with their respective Participating Interests.

(c) Each Party shall pay when due, in accordance with the Accounting Procedure, its Participating Interest share of Joint Account expenses, including cash advances and interest, accrued pursuant to this Agreement. The Parties agree that time is of the essence for payments owing under this Agreement. A Party's payment of any charge under this Agreement shall be without prejudice to its right to later contest the charge.

4. OPERATOR

4.1 **Designation of Operator**

Perenco is designated as Operator in this Agreement, and agrees to act as such.

4.2 **Rights and Duties of Operator**

(a) Subject to the terms and conditions of this Agreement, Operator shall have all of the rights, functions and duties of Operator under the Contract and shall have exclusive charge of and shall conduct all Joint Operations. Operator may employ independent contractors and/or agents (which may include Affiliates of Operator) in such Joint Operations.

(b) In the conduct of Joint Operations Operator shall:

(i) perform Joint Operations in accordance with the provisions of the Contract, this Agreement and the instructions of the Operating

Committee and Operations Management Board not in conflict with this Agreement;

(ii) conduct all Joint Operations in a diligent, safe and efficient manner in accordance with good and prudent oil field practices and conservation principles generally followed by the International petroleum industry under similar circumstances;

(iii) subject to Clause 4.6 and the Accounting Procedure, neither gain a profit nor suffer a loss as a result of being the Operator in its conduct of Joint Operations, provided that Operator may rely upon Operations Management Board approval of specific accounting practices not in conflict with the Accounting Procedure;

(iv) perform the duties for the Operations Management Board set out in Clause 5, and prepare and submit to the Operations Management Board the proposed Work Programs, Budgets and AFEs as provided in Clause 6;

(v) acquire all permits, consents, approvals, surface or other rights that may be required for or in connection with the conduct of Joint Operations;

(vi) upon receipt of reasonable advance notice, permit the representatives of any of the Parties to have at all reasonable times and at their own risk and expense reasonable access to the Joint Operations with the right to observe all such Joint Operations and to inspect all Joint Property and to conduct financial audits as provided in the Accounting Procedure;

(vii) maintain the Contract in full force and effect. Operator shall promptly pay and discharge all liabilities and expenses incurred in connection with Joint Operations and use its reasonable efforts to keep and maintain the Joint Property from all liens. charges and encumbrances arising out of Joint Operations;

(viii) pay to the State from the Joint Account, within the periods and in the manner prescribed by the Contract and all applicable laws and regulations, all periodic payments, taxes, fees and other payments pertaining to Joint Operations, but excluding any taxes measured by the incomes of the Parties;

(ix) carry out the obligations of Operator pursuant to the Contract, including, but not limited to, preparing and furnishing such reports, records and information as may be required pursuant to the Contract;

(x) have in accordance with the decisions of the Operations Management Board, the exclusive right and obligation to represent the Parties in all dealings with the State with respect to matters arising under the Contract and Joint Operations. Operator shall notify the other Parties as soon as possible of such meetings. Non-Operators shall have the right to attend such meetings but only the capacity of observers. Nothing contained in this Agreement shall restrict any Party from holding discussions with the State with respect to any issue peculiar to its particular business interests arising under the Contract of this

Agreement, but in such event such Party shall promptly advise the Parties, if possible, before and in any event promptly after such discussions, provided that such Party shall not be required to divulge to the Parties any matters discussed to the extent the same involve proprietary information on matters not affecting the Parties;

(xi) take all necessary and proper measures for the protection of life, health, the environment and property in the case of an emergency; provided, however, that Operator shall immediately notify the Parties of the details of such emergency and measures; and

(xii) include, to the extent practical, in its contracts with independent contractors and to the extent lawful, provisions which:

(A) establish that such contractors can only enforce their contracts against Operator;

(B) permit Operator, on behalf of itself and Non-Operators, to enforce contractual indemnities against, and recover losses and damages suffered by them (insofar as recovered under their contracts) from such contractors; and

(C) require such contractors to take insurance required by Clause 4.7 (f).

4.3 **Employees of Operator**

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

4.4 **Information Supplied by Operator**

(a) Operator shall provide Non-Operators the following data and reports as they are currently produced or compiled from the Joint Operations:

(i) copies of all logs or surveys;

(ii) daily drilling progress reports;

(iii) copies of all Tests and core analysis reports;

(iv) copies of the plugging reports;

(v) copies of the final geological and geophysical maps and reports;

(vi) engineering studies, development schedules and annual progress reports on development projects;

(vii) field and well performance reports, including reservoir studies and reserve estimates;

(viii) copies of all reports relating to Joint Operations furnished by Operator to the State, except magnetic tapes which shall be stored by Operator

and made available for inspection and/or copying at the sole expense of the Non-Operator requesting same;

(ix) other reports as frequently as is justified by the activities or as instructed by the Operations Management Board; and

(x) subject to Clause 15.3, such additional information for Non-Operators as they or any of them may request, provided that the requesting Party or Parties pay the costs of preparation of such information and that the preparation of such information will not unduly burden Operator's administrative and technical personnel. Only Non- Operators who pay such costs shall receive such additional information.

(b) Operator shall give Non-Operators access at all reasonable times to all other data acquired in the conduct of Joint Operations. Any Non-Operator may make copies of such other data at its sole expense.

4.5 **Claims and Lawsuits**

(a) Operator shall promptly notify the Parties of any and all material claims or suits and such other claims and suits as the Operations Management Board may direct which arise out of Joint Operations or relate in any way to Joint Operations. Operator shall represent the Parties and defend or oppose the claim or suit. Operator may in its sole discretion compromise or settle any such claim or suit or any related series of claims or suits for an amount not to exceed the equivalent of fifty thousand US dollars, exclusive of legal fees. Operator shall obtain the approval and direction of the Operations Management Board on amounts in excess of the above stated amount. Each Non-Operator shall have the right to be represented by its own counsel at its own expense in the settlement, compromise or defence of such claims or suits.

(b) Any Non-Operator shall promptly notify the other Parties of any claim made against such Non-Operator by a third party which arises out of or may affect the Joint Operations, and such Non-Operator shall defend or settle the same in accordance with any directions given by the Operations Management Board. Those costs, expenses and damages incurred pursuant to such defence or settlement which are attributable to Joint Operations shall be for the Joint Account.

(c) Notwithstanding Clause 4.5 (a) and Clause 4.5 (b), each Party shall have the right to participate in any such suit, prosecution, defence or settlement conducted in accordance with. Clause 4.5 (a) and Clause 4.5 (b) at its sole cost and expense; provided always that no Party may settle its Participating Interest share of any claim without first satisfying the Operations Management Board that it can do so without prejudicing the interests of the Joint Operations.

4.6 **Limitation on Liability of Operator**

(a) Except as set out in this Clause 4.6, NEITHER THE PARTY DESIGNATED AS OPERATOR NOR ANY OTHER INDEMNITEE (AS DEFINED BELOW) SHALL BEAR (EXCEPT AS A PARTY TO THE EXTENT OF ITS PARTICIPATING INTEREST SHARE) ANY DAMAGE, LOSS, COST,

EXPENSE OR LIABILITY RESULTING FROM PERFORMING (OR FAILING TO PERFORM) THE DUTIES AND FUNCTIONS OF THE OPERATOR, AND THE INDEMNITEES ARE HEREBY RELEASED FROM LIABILITY TO NON- OPERATORS FOR ANY AND ALL DAMAGES, LOSSES, COSTS, EXPENSES AND LIABILITIES ARISING OUT OF, INCIDENT TO OR RESULTING FROM SUCH PERFORMANCE OR FAILURE TO PERFORM, EVEN THOUGH CAUSED IN WHOLE OR IN PART BY A PRE-EXISTING DEFECT, THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT), GROSS NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL FAULT OF OPERATOR (OR ANY SUCH INDEMNITEE).

(b) Except as set out in this Clause 4.6, THE PARTIES SHALL IN PROPORTION TO THEIR PARTICIPATING INTERESTS DEFEND AND INDEMNIFY OPERATOR AND ITS AFFILIATES, AND THE OFFICERS AND DIRECTORS OF BOTH (COLLECTIVELY THE **INDEMNITEES),** FROM ANY AND ALL DAMAGES, LOSSES, COSTS, EXPENSES (INCLUDING REASONABLE LEGAL COSTS, EXPENSES AND ATTORNEYS' FEES) AND LIABILITIES INCIDENT TO CLAIMS, DEMANDS OR CAUSES OF ACTION BROUGHT BY OR ON BEHALF OF ANY PERSON OR ENTITY, WHICH CLAIMS, DEMANDS OR CAUSES OF ACTION ARISE OUT OF, ARE INCIDENT TO OR RESULT FROM JOINT OPERATIONS, EVEN THOUGH CAUSED IN WHOLE OR IN PART BY A PRE-EXISTING DEFECT, THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT), GROSS NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL FAULT OF OPERATOR (OR ANY SUCH INDEMNITEE).

(c) Nothing in this Clause 4.6 shall be deemed to relieve the Party designated as Operator from its Participating Interest share of any damage, loss, cost, expense or liability arising out of, incident to or resulting from Joint Operations.

(d) Notwithstanding Clauses 4.6 (a) and 4.6 (b), if any Senior Supervisory Personnel of Operator or its Affiliates engage in Gross Negligence that proximately causes the Parties to incur damage, loss, cost, expense or liability for claims, demands or causes of action referred to in Clauses 4.6 (a) or 4.6 (b), then, in addition to its Participating Interest share, Operator shall bear only the actual damage, loss, cost, expense and liability to repair, replace and/or remove Joint Property so damaged or lost, if any. NOTWITHSTANDING THE FOREGOING, UNDER NO CIRCUMSTANCES SHALL ANY INDEMNITEE (EXCEPT AS A PARTY TO THE EXTENT OF ITS PARTICIPATING INTEREST) BEAR ANY DAMAGES, LOSS, COST, EXPENSE OR LIABILITY FOR ENVIRONMENTAL, CONSEQUENTIAL, PUNITIVE OR ANY OTHER SIMILAR INDIRECT DAMAGES OR LOSSES, INCLUDING BUT NOT LIMITED TO THOSE ARISING FROM BUSINESS INTERRUPTION, RESERVOIR OR FORMATION AMAGE, NABILITY TO PRODUCE HYDROCARBONS, LOSS OF PROFITS, POLLUTION CONTROL AND ENVIRONMENTAL AMELIORATION OR REHABILITATION.

4.7 **Insurance Obtained by Operator**

(a) Operator shall procure and maintain or cause to be procured and maintained for the Joint Account all insurance in the types and amounts required by the Contract and applicable laws, rules and regulations and any other insurance

at competitive rates as may be approved by the Operations Management Board.

(b) Operator shall obtain such further insurance, at competitive rates, as the Operations Management Board may from time to time require.

(c) Any Party may elect not to participate in the insurance to be procured under Clause 4.7 (b) provided such Party:

(i) gives prompt notice to that effect to Operator;

(ii) does nothing which may interfere with Operator's negotiations for such insurance for the other Parties; and

(iii) obtains and maintains such insurance (in respect of which an annual certificate of adequate coverage from a reputable insurance broker shall be sufficient evidence) or other evidence of financial responsibility which covers its Participating Interest share of the risks that would be covered by the insurance procured under Clause 4.7 (b), and which the Operations Management Board may determine to be acceptable. No such determination of acceptability shall in any way absolve a non-participating Party from its obligation to meet each cash call including any cash call in respect of damages and losses and/or the costs of remedying the same in accordance with the terms of this Agreement. If such Party obtains other insurance, such insurance shall contain a waiver of subrogation in favour of all the other Parties, the Operator and their insurers but only in respect of their interests under this Agreement.

(d) The cost of insurance in which all the Parties are participating shall be for the Joint Account and the cost of insurance in which less than all the Parties are participating shall be charged to the Parties participating in proportion to their respective Participating Interests.

(e) Operator shall, in respect of all insurance obtained pursuant to this Clause 4.7:

(i) promptly inform the participating Parties when such insurance is obtained and supply them with certificates of insurance or copies of the relevant policies when the same are issued;

(ii) arrange for the participating Parties, according to their respective Participating Interests, to be named as co-insureds on the relevant policies with waivers of subrogation in favour of all the Parties; and

(iii) duly file all claims and take all necessary and proper steps to collect any proceeds and credit any proceeds to the participating Parties in proportion to their respective Participating Interests.

(f) Operator shall use its reasonable efforts to require all contractors performing work in respect of Joint Operations to obtain and maintain any and all insurance in the types and amounts required by any applicable laws, rules and regulations or any decision of the Operations Management Board and shall use its reasonable efforts to require all such contractors to name the Parties as additional insureds on such contractors' insurance policies or to

obtain from their insurers waivers of all rights of recourse against Operator, Non-Operators and their insurers.

4.8 **Commingling of Funds**

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

4.9 **Resignation of Operator**

Subject to Clause 4.11, Operator may resign as Operator at any time by so notifying the other Parties at least one hundred and twenty Days prior to the effective date of such resignation. The effective date of such resignation shall be the earlier of the expiration of one hundred and twenty (120) Days or upon such earlier date upon which a successor Operator designated by the Parties is capable of assuming the obligations of the Operator in accordance with all provisions of this Agreement.

4.10 **Removal of Operator**

(a) Subject to Clause 4.11, Operator shall be removed upon receipt of notice from any Non-Operator if:

(i) an order is made by a court or an effective resolution is passed for the reorganisation under any bankruptcy law, dissolution, liquidation, or winding up of Operator;

(ii) Operator dissolves, liquidates, is wound up, or otherwise terminates its existence;

(iii) Operator becomes insolvent, bankrupt or makes an assignment for the benefit of creditors; or

(iv) a receiver is appointed for a substantial part of Operator's assets.

(b) Subject to Clause 4.11, Operator may be removed by the decision of all the Non-Operators if Operator has committed a material breach of this Agreement and has either failed to commence to cure that breach within thirty (30) Days of receipt of a notice from Non-Operators detailing the alleged breach or failed to diligently pursue the cure to completion.

(c) If Operator together with any Affiliate of Operator is or becomes the holder of a Participating Interest of twenty percent (20%) or less, then Operator shall be required to promptly notify the other Parties. The Operations Management Board shall then vote within sixty (60) Days of such notification on whether or not a successor Operator should be named pursuant to Clause 4.11.

(d) If there is a direct or indirect change in control of Operator (other than a transfer of control to an Affiliate of Operator), Operator shall be required to promptly notify the other Parties. The Operations Management Board shall vote within sixty (60) Days of such notification on whether or not a successor Operator should be named pursuant to Clause 4.11. For purposes of this Clause 4.10 (d), control means the ownership directly or indirectly of fifty percent (50%) or more of the voting rights in Operator.

4.11 **Appointment of Successor**

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

(a) The Operations Management Board shall meet as soon as possible to appoint a successor Operator pursuant to the voting procedure of Clause 5.9. However, no Party may be appointed successor Operator against its will.

(b) If the Operator disputes commission of or failure to rectify a material breach alleged pursuant to Clause 4.10(b) and proceedings are initiated pursuant to Clause 18, no successor Operator may be appointed pending the conclusion or abandonment of such proceedings, subject to the terms of Clause 8.3 with respect to Operator's breach of its payment obligations.

(c) If an Operator is removed, other than in the case of Clauses 4.10 (c) or 4.10 (d), neither Operator nor any Affiliate of Operator shall have the right to vote for itself on the appointment of a successor Operator, nor be considered as a candidate for the successor Operator.

(d) A resigning or removed Operator shall be compensated out of the Joint Account for its reasonable expenses directly related to its resignation or removal, except in the case of Clause 4.10 (b).

(e) The resigning or removed Operator and the successor Operator shall arrange for the taking of an inventory of all Joint Property and Hydrocarbons, and an audit of the books and records of the removed Operator. Such inventory and audit shall be completed, if possible, no later than the effective date of the change of Operator and shall be subject to the approval of the Operations Management Board. The liabilities and expenses of such inventory and audit shall be charged to the Joint Account.

(f) The resignation or removal of Operator and its replacement by the successor Operator shall not become effective prior to receipt of any necessary State approvals.

(g) Upon the effective date of the resignation or removal, the successor Operator shall succeed all duties, rights and authority prescribed for Operator. The former Operator shall transfer to the successor Operator custody of all Joint Property, books of account, records and other documents maintained by Operator pertaining to the Contract Area and to Joint Operations. Upon delivery of the above-described property and data, the former Operator shall be released and discharged from all obligations and liabilities as Operator accruing after such date.

4.12 **Operator With Regard to Exploration Permits**

Without prejudice to the other provisions of Clause 4, if at any time Perenco transfers any part of its Participating interest and such transfer:

(a) is not to an Affiliate of Perenco;

(b) is while Perenco is Operator; and

(c) results in Perenco's and its Affiliates' aggregate Participating Interest being less than Kosmos' Participating Interest,

then Perenco will:

(i) support the appointment of Kosmos as Operator during the Exploration Period but only for the duration thereof, Perenco to retain (or be re-appointed to) the position of Operator for any development and production phases related to the Contract Area; and

(ii) use reasonable endeavours to procure that the transferee of its Participating Interest will comply with such appointment.

5. OPERATIONS MANAGEMENT BOARD

5.1 Establishment of Operations Management Board

Each Party will designate one representative and one alternative representative to serve on the Operations Management Board. Each Party shall give notice in writing to the other Parties of the name and address of its representative and alternate representative to serve on the Operations Management Board. Each Party shall have the right to change its representative and alternate at any time by giving proper notice to such effect to the other Parties. In addition to the representative and alternate representative, each Party may also bring to any Operations Management Board meetings such technical and other advisors as it may deem appropriate.

5.2 Powers and Duties of Operations Management Board

The Operations Management Board shall have power and duty to authorise and supervise Joint Operations that are necessary or desirable to fulfil the Contract and properly explore and exploit the Contract Area in accordance with this Agreement, in a manner appropriate in the circumstances and in accord with then current practices in the international petroleum industry.

5.3 Authority to Vote

The representative of each Party, or in his absence his alternate representative, shall be authorised to represent and bind such Party with respect to any matter which is within the powers of the Operations Management Board and is properly brought before the Operations Management Board. Each such representative shall have a vote equal to the Participating Interest of the Party such person represents. Each alternate representative shall be entitled to attend all Operations Management Board meetings but shall have no vote at such meetings except in the absence of the representative for whom he is the alternative.

5.4 Subcommittees

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

5.5 Notice of Meeting

(a) Operator may call a meeting of the Operations Management Board by giving notice to the Parties at least twenty Days in advance of such meeting.

(b) Any Non-Operator may request a meeting of the Operations Management Board by giving proper notice to all the other Parties. Upon receiving such request, Operator shall call such meeting for a date not less than twenty (20) Days nor more than twenty five (25) Days after receipt of the request.

(c) The notice periods above may only be waived with the unanimous consent of all the Parties.

5.6 **Contents of Meeting Notice**

(a) Each notice of a meeting of the Operations Management Board as provided by Operator shall contain:

(i) the date, time and location of the meeting; and

(ii) an agenda of the matters and proposals to be considered and/or voted upon.

(b) A Party, by notice to the other Parties given not less than seven (7) Days prior to a meeting, may add additional matters to the agenda for a meeting.

(c) On the request of a Party, and with the unanimous consent of all Parties, the Operations Management Board may consider at a meeting a proposal not contained in such meeting agenda.

5.7 **Location of Meetings**

The Operator will propose the place of each meeting of the Operations Management Board. Except for exigent circumstances communicated by one (1) or more Non- Operators, such location shall be accepted.

5.8 **Operator's Duties for Meetings**

(a) With respect to meetings of the Operations Management Board and any Subcommittee, Operator's duties shall include, but not be limited to:

(i) timely preparation and distribution of the agenda;

(ii) organisation and conduct of the meeting; and

(iii) preparation of a written record or minutes of each meeting.

(b) Operator shall have the right to appoint the chairman of the Operations Management Board and all subcommittees.

5.9 **Voting Procedure**

Except as otherwise expressly provided in this Agreement, all decisions, approvals and other actions of the Operations Management Board on all proposals coming before it under this Agreement shall be decided by the affirmative vote of two (2) or more Parties, which are not Affiliates, then having collectively more than seventy six percent (76%) of the Participating Interests.

5.10 **Record of Votes**

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

5.11 **Minutes**

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

5.12 **Voting by Notice**

(a) In lieu of a meeting, any Party may submit any proposal for a decision of the Operations Management Board for a vote by notice. The proposing Party or Parties shall notify Operator who shall give each representative notice describing the proposal so submitted. Each Party shall communicate its vote by notice to Operator and the other Parties within one of the following appropriate time periods after receipt of Operator's notice:

(i) twenty four (24) hours in the case of operations which involve the use of a drilling rig that is standing by in the Contract Area;

(ii) ten (10) Days in the case of all other proposals.

(b) Except in the case of Clause 5.12(a)(i), any Non-Operator may by notice delivered to all Parties within three (3) Days of receipt of Operator's notice request that the proposal be decided at a meeting rather than by notice. In such an event, that proposal shall be decided at a meeting duly called for that purpose.

(c) Except as provided in Clause 10, any Party failing to communicate its vote in a timely manner shall be deemed to have voted against such proposal.

(d) If a meeting is not requested, then at the expiration of the appropriate time period, Operator shall give each Party a confirmation notice stating the tabulation and results of the vote.

5.13 **Effect of Vote**

All decisions taken by the Operations Management Board pursuant to this Clause 5, shall be conclusive and binding on all the Parties, except that:

(a) If pursuant to this Clause 5, a Joint Operation, other than an operation to fulfil the Minimum Work Obligations, has been properly proposed to the Operations Management Board and the Operations Management Board has not approved such proposal in a timely manner, then any Party shall have the right for the appropriate period specified below to propose in accordance with

Clause 7, an Exclusive Operation involving operations essentially the same as those proposed for such Joint Operation.

(i) For proposals involving the use of a drilling rig that is standing by in the Contract Area,such right shall be exercisable for twenty four hours after the time specified in Clause 5.12(a)(i) has expired or after receipt of Operator's notice given pursuant to Clauses 5.13(d), as applicable.

(ii) For proposals to develop a Discovery, such right shall be exercisable for ten Days after the date the Operations Management Board was required to consider such proposal pursuant to Clauses 5.6 or 5.12.

(iii) For all other proposals, such right shall be exercisable for five (5) Days after the date the Operations Management Board was required to consider such proposal pursuant to Clauses 5.6 or 5.12.

(b) If a Party voted against any proposal which was approved by the Operations Management Board and which could be conducted as an Exclusive Operation pursuant to Clause 7, other than any proposal relating to Minimum Work Obligations, then such Party shall have the right not to participate in the operation contemplated by such approval. Any such Party wishing to exercise its right of non-consent must give notice of non-consent to all other Parties within five (5) Days (or within twenty four (24) hours if the drilling rig to be used in such operation is standing by in the Contract Area) following Operations Management Board approval of such proposal. The Parties that were not entitled to give or did not give notice of non-consent shall be Consenting Parties as to the operation contemplated by the Operations Management Board approval, and shall conduct such operation as an Exclusive Operation under Clause 7. Any Party that gave notice of non- consent shall be a Non-Consenting Party as to such Exclusive Operation.

(c) If the Consenting Parties to an Excusive Operation under Clauses 5.13(a) or 5.13(b) concur, then the Operations Management Board may, at any time, pursuant to this Clause 5, reconsider and approve, decide or take action on any proposal that the Operations Management Board declined to approve earlier, or modify or revoke an earlier approval, decision or action.

(d) Once a Joint Operation for the drilling, Deepening, Testing, Sidetracking, Plugging Back, Completing, Recompleting, Reworking or plugging of a well, has been approved and commenced, such operation shall not be discontinued without the consent of the Operations Management Board; provided, however, that such operation may be discontinued, if:

(i) an impenetrable substance or other condition in the hole is encountered which in the reasonable judgment of Operator causes the continuation of such operation to be impractical; or

(ii) other circumstances occur which in the reasonable judgment of Operator cause the continuation of such operation to be unwarranted and after notice the Operations Management Board within the period required under Clause 5.12 (a)(i) approves discontinuing such operation.

On the occurrence of either of the above, Operator shall promptly notify the Parties that such operation is being discontinued pursuant to the foregoing,

and any Party shall have the right to propose in accordance with Clause 7 an Exclusive Operation to continue such operation.

6. WORK PROGRAMS AND BUDGETS

6.1 Exploration and Appraisal

(a) Within thirty (30) Days after the Effective Date of this Agreement, Operator shall deliver to the Parties a proposed Work Program and Budget detailing the Joint Operations to be performed in the Contract Area for the remainder of the current Calendar Year and, if appropriate, for the following Calendar Year. Within thirty (30) Days of such delivery, the Operations Management Board shall meet to consider and to endeavour to agree on a Work Program and Budget.

(b) On or before the first day of November of each Calendar Year, Operator shall deliver to the Parties a proposed Work Program and Budget detailing the Joint Operations to be performed in the Contract Area for the following Calendar Year. Within forty five (45) Days of such delivery, the Operations Management Board shall meet to consider and to endeavour to agree on a Work Program and Budget.

(c) If a Discovery is made, Operator shall deliver any notice of Discovery required under the Contract and shall as soon as possible submit to the Parties a report containing available details concerning the Discovery and Operator's recommendation as to whether the Discovery merits appraisal. If the Operations Management Board determines that the Discovery merits appraisal, Operator within ninety Days, shall deliver to the Parties a proposed Work Program and Budget for the appraisal of the Discovery. Within thirty (30) Days of such delivery, or earlier if necessary to meet any applicable deadline under the Contract, the Operations Management Board shall meet to consider, modify and then either approve or reject the appraisal Work Program and Budget. If the appraisal Work Program and Budget is approved by the Operations Management Board, Operator shall take such steps as may be required under the Contract to security approval of the appraisal Work Program and Budget by the State. In the event the State requires changes in the appraisal Work Program and Budget, the matter shall be resubmitted to the Operations Management Board for further consideration.

(d) The Work Program and Budget agreed pursuant to this Clause 6.1 shall include the Minimum Work Obligations, or at least that part of such Minimum Work Obligations required to be carried out during the Calendar Year in question under the terms of the Contract. If within the time periods prescribed in this Clause 6.1 the Operations Management Board is unable to agree on such Work Program and Budget, then the proposal capable of satisfying the Minimum Work Obligations for the Calendar Year in question that receives the largest Participating Interest vote (even if less than the applicable percentage under Clause 5.9) shall be deemed adopted as part of the annual Work Program and Budget. If competing proposals receive equal votes, then Operator shall choose between those competing proposals. Any portion of a Work Program and Budget adopted pursuant to this Clause 6.1 (d) instead of Clause 5.9 shall include only such operations for the Joint Account as are necessary to maintain the Contract in full force and effect, including such operations as are necessary to fulfil the Minimum Work Obligations required for the given Calendar Year.

(e) Any approved Work Program and Budget may be revised by the Operations Management Board from time to time. To the extent such revisions are approved by the Operations Management Board, the Work Program and Budget shall be amended accordingly. The Operator shall prepare and submit a corresponding work program and budget amendment to the State if required by the terms of the Contract.

(f) Subject to Clause 6.7, approval of any such Work Program and Budget, which includes:

(i) an Exploration Well, whether by Drilling or Sidetracking, shall (except where Minimum Work Obligations require Testing of a well) include approval for only expenditures necessary for the drilling, Deepening or Sidetracking of such well, as applicable. When an Exploration Well has reached its authorised depth, all logs, cores and other approved Tests have been conducted and the results furnished to the Parties, Operator shall submit to the Parties in accordance with Clause 5.12(a)(i) an election to participate in an attempt to Complete such well. Operator shall include in such submission Operator's recommendation on such Completion attempt and an AFE for such Completion costs.

(ii) an Appraisal Well, whether by drilling, Deepening or Sidetracking shall (except where Minimum Work Obligations require Testing of a well) include approval for only expenditures necessary for the drilling, Deepening or Sidetracking of such well, as applicable. When an Appraisal Well has reached its authorised depth, all logs, cores and other approved Tests have been conducted and the results furnished to the Parties, Operator shall submit to the Parties in accordance with Clause 5.12(a)(i) an election to participate in an attempt to Complete such well. Operator shall include in such submission Operator's recommendation on such Completion attempt and an AFE for such Completion costs.

(g) Any Party desiring to propose a Completion attempt, or an alternative Completion attempt, must do so within the time period provided in Clause 5.12(a)(i) by notifying all other Parties. Any such proposal shall include an AFE for such Completion costs.

(h) If the Parties agree that Kosmos will perform certain geological and geophysical work in relation to specific exploration related Joint Operations, Kosmos may, subject to any conditions or limitations agreed by the Parties, dedicate its technical resources to perform such work and accordingly issue a properly prepared and substantiated invoice to the Operator, which invoice will be paid by the Operator from the Joint Account.

6.2 **Development**

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

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

(ii) an estimated date for the commencement of production;

(iii) a delineation of the proposed Exploitation Area; and

(iv) any other information requested by the Operations Management Board.

(b) After receipt of the Development Plan and prior to any applicable deadline under the Contract, the Operations Management Board shall meet to consider, modify and then either approve or reject the Development Plan and the first annual Work Program and Budget for the development submitted by Operator. If the Development Plan is approved by the Operations Management Board, Operator shall, as soon as possible, deliver any notice of Commercial Discovery required under the Contract and take such other steps as may be required under the Contract to secure approval of the Development Plan by the State. In the event the State requires changes in the Development Plan, the matter shall be resubmitted to the Operations Management Board for further consideration.

(c) If the Development Plan is approved, such work shall be incorporated into and form part of annual Work Programs and Budgets, and Operator shall, on or before the first Day of November of each Calendar Year submit a Work Program and Budget for the Concession Area, for the following Calendar Year.Within forty five Days after such submittal, the Operations Management Board shall endeavour to agree to such Work Program and Budget, including any necessary or appropriate revisions to the Work Program and Budget for the approved Development Plan.

6.3 **Production**

On or before the first Day of November of each Calendar Year, Operator shall deliver to the Parties a proposed production Work Program and Budget detailing the Joint Operations to be performed in the Concession Area and the projected production schedule for the following Calendar Year. Within forty five (45) Days of such delivery, the Operations Management Board shall agree upon a production Work Program and Budget.

6.4 **Itemisation of Expenditures**

(a) During the preparation of the proposed Work Programs and Budgets and Development Plans contemplated in this Clause 6, Operator shall consult with the Operations Management Board or the appropriate subcommittees regarding the contents of such Work Programs and Budgets and Development Plans.

(b) Each Work Program and Budget and Development Plan submitted by Operator shall contain an itemised estimate of the costs of Joint Operations and all other expenditures to be made for the Joint Account during the Calendar Year in question and shall, *inter alia:*

(i) identify each work category in sufficient detail to afford the ready identification of the nature, scope and duration of the activity in question;

(ii) include such reasonably information regarding Operator's allocation procedures and estimated manpower costs as the Operations Management Board may determine;

(iii) contain an estimate of funds to be expended by Calendar Quarter;

(iv) during the Exploration Period, provide a forecast of annual expenditures and activities through the end of the Exploration Period.

6.5 **Contract Awards**

Operator shall award each contract for approved Joint Operations on the following basis (the amounts stated are in thousands of US dollars):

	Procedure A	Procedure B	Procedure C
Exploration and Appraisal Operations	$0 to $500	$500 to $1,500	>$1,500
Development Operations	$0 to $1,000	$1,000 to $4,000	>$4,000
Production Operations	$0 to $500	$500 to $2,500	>$2,500

Procedure A

Operator shall award the contract to the best qualified contractor as determined by cost and ability to perform the contract without the obligation to tender and without informing or seeking the approval of the Operations Management Board, except that before entering into contracts with Affiliates of the Operator exceeding one hundred thousand US dollars (100,000 USD), Operator shall obtain the approval of the Operations Management Board.

Procedure B

Operator shall:

(a) provide the Parties with a list of the entities whom Operator proposes to invite to tender for the said contract;

(b) add to such list any entity whom a Party requests to be added within fourteen (14) Days of receipt of such list;

(c) complete the tendering process within a reasonable period of time;

(d) inform the Parties of the entities to whom the contract has been awarded, provided that before awarding contracts to Affiliates of the Operator which exceed two hundred fifty thousand US dollars (250,000 USD), Operator shall obtain the approval of the Operations Management Board;

(e) circulate to the Parties a competitive bid analysis stating the reasons for the choice made; and

(f) Upon the request of a Party, provide such Party with a copy of the final version of the contract awarded.

Procedure C

Operator shall:

(a) provide the Parties with a list of the entities whom Operator proposes to invite to tender for the said contract;

(b) add to such list any entity whom a Party requests to be added within fourteen (14) Days of receipt of such list;

(c) prepare and dispatch the tender documents to the entities on the list as aforesaid and to Non-Operators;

(d) after the expiration of the period allowed for tendering, consider and analyse the details of all bids received;

(e) prepare and circulate to the Parties a competitive bid analysis, stating Operator's recommendation as to the entity to whom the contract should be awarded, the reasons therefore, and the technical, commercial and contractual terms to be agreed upon;

(f) obtain the approval of the Operations Management Board to the recommended bid; and

(g) upon the request of a Party, provide such Party with a copy of the final version of the contract.

6.6 **Authorisation for Expenditure (AFE) Procedure**

(a) Prior to incurring any commitment or expenditure for the Joint Account, which is estimated to be:

(i) in excess of two hundred fifty thousand US dollars (250,000 USD) in an exploration or appraisal Work Program and Budget;

(ii) in excess of five hundred thousand US dollars (500,000 USD) in a development Work Program and Budget; and

(iii) in excess of two hundred fifty thousand US dollars (250,000 USD) in a production Work Program and Budget,

Operator shall send to each Non-Operator an AFE as described in Clause 6.6(c). Notwithstanding the above, Operator shall not be obliged to furnish an AFE to the Parties with respect to any Minimum Work Obligations, workovers of wells and general and administrative costs that are listed as separate line items in an approved Work Program and Budget.

(b) Prior to making any expenditures or incurring any commitments for work subject to the AFE procedure in Clause 6.6(a), Operator shall obtain the approval of the Operations Management Board to an AFE. If the Operations Management Board approves an AFE for the operation within the applicable time period under Clause 5.12, Operator shall be authorised to conduct the operation under the terms of this Agreement. If the Operations Management Board fails to approve an AFE for the operation within the applicable time period, the operation shall be deemed rejected. Operator shall promptly

notify the Parties if the operation has been rejected, and, subject to Clause 7, any Party may thereafter propose to conduct the operation as an Exclusive Operation under Clause 7. When an operations is rejected under this Clause 6.6(b) or an operation is approved for differing amounts than those provided for in the applicable line items of the approved Work Program and Budget, the Work Program and Budget shall be deemed to be revised accordingly.

(c) Each AFE proposed by the Operator shall:

(i) identify the operation by specific reference to the applicable line items in the Work Program and Budget;

(ii) describe the work in detail;

(iii) contain Operator's best estimate of the total funds required to carry out such work;

(iv) outline the proposed work schedule;

(v) provide a timetable of expenditures, if known; and

(vi) be accompanied by such other supporting information as is necessary for an informed decision.

6.7 **Overexpenditures of Work Programs and Budgets**

(a) For expenditures on any line item of an approved Work Program and Budget, Operator shall be entitled to incur without further approval of the Operating Committee an overexpenditure for such line item up to ten percent (10%) of the authorised amount for such line item; provided that the cumulative total of all over expenditures for a Calendar Year shall not exceed five percent (5%) of the total Work Program and Budget in question.

(b) At such time that Operator is certain that the limits of Clause 6.7(a) will be exceeded, Operator shall furnish a supplemental AFE for the estimated overexpenditures to the Operations Management Board for its approval and shall provide the Parties with full details of such overexpenditures. Operator shall promptly give notice of the amounts of overexpenditure when actually incurred.

(c) The restrictions contained in this Article 6 shall be without prejudice to Operator's rights to make expenditures as set out in Clauses 4.2(b)(ii) and 13.5.

7. EXCLUSIVE OPERATIONS

7.1 **Limitation on applicability**

(a) No operations may be conducted in furtherance of the Contract except as Joint Operations under Article 5 or as Exclusive Operations under this Clause 7. No Exclusive Operation shall be conducted which conflicts with a Joint Operation.

(b) Operations which are required to fulfil the Minimum Work Obligations must be proposed and conducted as Joint Operations under Clause 5, and may not be proposed or conducted as Exclusive Operations under this Clause 7. Except for Exclusive Operations relating to Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompletions or Reworking of a well originally drilled to fulfil the Minimum Work Obligations, no Exclusive Operations may be proposed or conducted until the Minimum Work Obligations are fulfilled.

(c) No Party may propose or conduct an Exclusive Operation under this Clause 7, unless and until such Party has properly exercised its right to propose an Exclusive Operation pursuant to Clause 5.13, or is entitled to conduct an Exclusive Operation pursuant to Clause 10.

(d) Any operation that may be proposed and conducted as a Joint Operation, other than operations pursuant to an approved Development Plan, may be proposed and conducted as an Exclusive Operation, subject to the terms of this Clause 7.

7.2 **Procedure to Propose Exclusive Operations**

(a) Subject to Clause 7.1, if any Party proposes to conduct an Exclusive Operation, such Party shall give notice of the proposed operation to all Parties, other than Non-Consenting Parties who have relinquished their rights to participate in such operation pursuant to Clauses 7.4(b) or 7.4(f) and have no option to reinstate such rights under Clause 7.4(c). Such notice shall specify that such operation is proposed as an Exclusive Operation, the work to be performed, the location, the objectives, and estimated cost of such operation.

(b) Any Party entitled to receive such notice shall have the right to participate in the proposed operation.

(i) For proposals to Deepen, Test, Complete, Sidetrack, Plug Back, Recomplete or Rework involving the use of a drilling rig that is standing by in the Contract Area, any such Party wishing to exercise such right must so notify Operator within twenty four (24) hours after receipt of the notice proposing the Exclusive Operation.

(ii) For proposals to develop a Discovery, any Party wishing to exercise such right must so notify the Party proposing to develop within twenty (20) Days after receipt of the notice proposing the Exclusive Operation.

(iii) For all other proposals, any such Party wishing to exercise such right must so notify Operator within ten Days after receipt of the notice proposing the Exclusive Operation.

(c) Failure of a Party to whom a proposal notice is delivered to properly reply within the period specified above shall constitute an election by that Party not to participate in the proposed operation.

(d) If all Parties properly exercise their rights to participate, then the proposed operation shall be conducted as Joint Operation. The Operator shall commence such Joint Operation as promptly as practicable and conduct it with due diligence.

(e) If less than all Parties entitled to receive such proposal notice properly exercise their rights to participate then:

(i) immediately after the expiration of the applicable notice period set out in Clause 7.2(b), the Operator shall notify all Parties of the names of the Consenting Parties and the recommendation of the proposing Party as to whether the Consenting Parties should proceed with the Exclusive Operation.

(ii) Concurrently, Operator shall request the Consenting Parties to specify the Participating Interest each Consenting Party is willing to bear in the Exclusive Operation.

(iii) Within twenty four (24) hours after receipt of such notice, each Consenting Party shall respond to the Operator stating that it is willing to bear a Participating Interest in such Exclusive Operation equal to:

(A) only its Participating Interest as stated in Clause 3.2(a);

(B) a fraction, the numerator of which is such Consenting Party's Participating Interest as stated in Clause 3.2(a) and the denominator of which is the aggregate of the Participating Interests of the Consenting Parties as stated in Clause 3.2(a); or

(C) The total of its Participating Interest as contemplated by Clause 7.2(e)(iii)(B) plus all or any part of the difference between one hundred percent and the total of the Participating Interests subscribed by the other Consenting Parties.

(iv) Any Consenting Party failing to advise Operator within the response period set out above shall be deemed to have elected to bear the Participating Interest set out in Clause 7.2(e)(iii)(B) as to the Exclusive Operation.

(v) If within the response period set out above, the Consenting Parties subscribe less than one hundred percent of the Participating Interest in the Exclusive Operation, the Party proposing such Exclusive Operation shall be deemed to have withdrawn its proposal for the Exclusive Operation, unless within twenty four hours of the expiry of the response period set out in Clause 7.2(e)(iii), the proposing Party notifies the other Consenting Parties that the proposing Party shall bear the unsubscribed Participating Interest.

(vi) If one hundred percent (100%) subscription to the proposed Exclusive Operation is obtained, Operator shall promptly notify the Consenting Parties of their Participating Interests in the Exclusive Operation.

(vii) As soon as any Exclusive Operation is fully subscribed pursuant to Clause 7.2(e)(vi) Operator (subject to Clause 7.11(f)), shall commence such Exclusive Operation as promptly as practicable and conduct it with due diligence in accordance with this Agreement.

(viii) If such Exclusive Operation has not been commenced within one hundred eighty (180) Days (excluding any extension specifically

agreed by all Parties or allowed by the force majeure provisions of Clause 16) after the date of the notice given by Operator under Clause 7.2(e)(vi), the right to conduct such Exclusive Operation shall terminate. If any Party still desires to conduct such Exclusive Operation, notice proposing such operation must be resubmitted to the Parties in accordance with Clause 5, as if no proposal to conduct an Exclusive Operation had been previously made.

7.3 **Responsibility for Exclusive Operations**

(a) The Consenting Parties shall bear in accordance with the Participating Interests agreed under Clause 7.2(e) the entire cost and liability of conducting an Exclusive Operation and shall indemnify the Non-Consenting Parties from any and all costs and liabilities incurred incident to such Exclusive Operation (including but not limited to all costs, expenses or liabilities for environmental, consequential, punitive or any other similar indirect damages or losses arising from business interruption, reservoir or formation damage, inability to produce petroleum, loss of profits, pollution control and environmental amelioration or rehabilitation) and shall keep the Contract Area free and clear of all liens and encumbrances of every kind created by or arising from such Exclusive Operation.

(b) Notwithstanding Clause 7.3(a), each Party shall continue to bear its Participating Interest share of the cost and liability incident to the operations in which its participated, including but not limited to plugging and abandoning and restoring the surface location, but only to the extent those costs were not increased by the Exclusive Operation.

7.4 **Consequences of Exclusive Operations**

(a) With regard to any Exclusive Operation, for so long as a Non-Consenting Party has the option to reinstate the rights it relinquished under Clause 7.4(b), such Non-Consenting Party shall be entitled to have access concurrently with the Consenting Parties, to all data and other information relating to such Exclusive Operation, other than G&G Data obtained in an Exclusive Operation. If a Non-Consenting Party desires to receive and acquire the right to use such G&G Data, then such Non-Consenting Party shall have the right to do so by paying to the Consenting Parties its Participating Interest share as set out in Clause 3.2(a) of the cost incurred in obtaining such G&G Data.

(b) Subject to Clause 7.4(c) and Clause 7.6(e), each Non-Consenting Party shall be deemed to have relinquished to the Consenting Parties, and the Consenting Parties shall be deemed to own, in proportion to their respective Participating Interests in any Exclusive Operation:

(i) all of each such Non-Consenting Party's right to participate in further operations in the well or Deepened or Sidetracked portion of a well in which the Exclusive Operation was conducted and any Discovery made or appraised in the course of such Exclusive Operation; and

(ii) all of each such Non-Consenting Party's right pursuant to the Contract to take and dispose of Hydrocarbons produced and saved:

(A) from the well or Deepened or Sidetracked portion of a well in which such Exclusive Operation was conducted; and

(B) from any wells drilled to appraise or develop a Discovery made or appraised in the course of such Exclusive Operation.

(c) a Non-Consenting Party shall have only the following options to reinstate the rights it relinquished pursuant to Clause.7.4(b):

(i) if the Consenting Parties decide to appraise a Discovery made in the course of an Exclusive Operation, the Consenting Parties shall submit to each Non-Consenting Party the approved appraisal program. For thirty (30) Days (or forty eight (48) hours if the drilling rig which is to be used in such appraisal program is standing by in the Contract Area) from receipt of such appraisal program, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Clause 7.4(b) and to participate in such appraisal program. The Non- Consenting Party may exercise such option by notifying Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the expense and liability of such appraisal program, to pay the lump sum amount as set out in Clause 7.5(a) and to pay the Cash Premium as set out in Clause 7.5(b);

(ii) if the Consenting Parties decide to develop a Discovery made or appraised in the course of an Exclusive Operation, the Consenting Parties shall submit to the non-Consenting Parties a Development Plan substantially in the form intended to be submitted to the State under the Contract. For sixty Days from receipt of such Development Plan or such lesser period of time prescribed by the Contract, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Clause 7.4(b) and to participate in such Development Plan. The Non-Consenting Party may exercise such option by notifying the Party proposing to act as Operator for such Development Plan within the period specified above that such Non- Consenting Party agrees to bear its Participating Interest share of the liability and expense of such Development Plan and such future operating and producing costs, to pay the lump sum amount as set out in Clause 7.5(a) and to pay the Cash Premium as set out in Clause 7.5(b);

(iii) if the Consenting Parties decide to Deepen, Test, Complete, Sidetrack, Plug Back, Recomplete or Rework an Exclusive Well and such further operation was not included in the original proposal for such Exclusive Well, the Consenting Parties shall submit to the Non- Consenting Parties the approved AFE for such further operation. For thirty Days (or forty eight (48) hours if the drilling

rig which is to be used in such operation is standing by in the Contract Area) from receipt of such AFE, each Non-Consenting Party shall have the option to reinstate the rights it relinquished pursuant to Clause 7.4(b) and to participate in such operation. The Non-Consenting Party may exercise such option by notifying the Operator within the period specified above that such Non-Consenting Party agrees to bear its Participating Interest share of the liability and expense of such further operation, to pay the lump sum amount as set out in Clause 7.5(a) and to pay the Cash Premium as set out in Clause 7.5(b);

(d) if a Non-Consenting Party does not properly and in a timely manner exercise such option, including paying in a timely manner in accordance with Clause 7.5, all lump sum amounts and Cash Premiums, if any, due to the Consenting Parties, such Non-Consenting Party shall have forfeited the options as set out in Clause 7.4(c) and the right to participate in the proposed program, unless such program, plan or operation is materially modified or expanded (in which case a new notice and option shall be given to such Non- Consenting Party under Clause 7.4(c));

(e) A Non-Consenting Party shall become a Consenting Party with regard to an Exclusive Operation at such time as the Non-Consenting Party give notice pursuant to Clause 7.4(c); provided that such Non-Consenting Party shall in no way be deemed to be entitled to any lump sum amount Cash Premium paid incident to such Exclusive Operation. The Participating Interest of such Non-Consenting Party in such Exclusive Operation shall be its Participating Interest set out in Clause 3.2(a). The Consenting Parties shall contribute to the Participating Interest of the Non-Consenting Party in proportion to the excess Participating Interest that each received under Clause 7.2(e). If all Parties participate in the proposed operation, then such operation shall be conducted as a Joint Operation pursuant to Clause 5.

(f) If after the expiry of the period in which a Non-Consenting Party may exercise its option to participate in a Development Plan the Consenting Parties desire to proceed, the Party chosen by the Consenting Parties proposing to act as Operator for such development, shall give notice to the State under the appropriate provision of the Contract requesting a meeting to advise the State that the Consenting Parties consider the Discovery to be a Commercial Discovery. Following such meeting such Operator for such development shall apply for an Exploitation Area (in accordance with the Contract). Unless the Development Plan is materially modified or expanded prior to the commencement of operations under such plan (in which case a new notice and option shall be given to the Non-Consenting Parties under Clause 7.4(c)), each Non-Consenting Party to such Development shall:

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

(ii) if the Contract does not so allow, be deemed to have:

(A) elected not to apply for an Exploitation Area covering such development;

(B) forfeited all economic interest in such Exploitation Area;

(C) assumed a fiduciary duty to exercise its legal interest in such Exploitation Area for the benefit of the Consenting Parties.

In either case such Non-Consenting Party shall be deemed to have withdrawn from this Agreement to the extent it relates to such Exploitation Area, even if the Development Plan is modified or expanded subsequent to the commencement of operations under such Development Plan and shall be further deemed to have forfeited any right to participate in the construction and ownership of facilities outside such Exploitation Area designed solely for the use of such Exploitation Area.

7.5 **Premium to Participate in Exclusive Operations**

(a) Within thirty Days of the exercise of its option under Clause 7.4(c), each such Non-Consenting Party shall pay in immediately available funds to the Consenting Parties in proportion to their respective Participating Interests in such Exclusive Operations a lump sum amount payable in the currency designated by such Consenting Parties. Such lump sum amount shall be equal to such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in every Exclusive Operations relating to the Discovery, or well, as the case may be, in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Clause 7.4(b), and that were not previously paid by such Non-Consenting Party.

(b) In addition to Clause 7.5(a), if a Cash Premium is due, then within thirty Days of the exercise of its option under Clause 7.4(c) each such Non-Consenting Party shall pay in immediately available funds, in the currency designated by the Consenting Parties who took the risk of such Exclusive Operations, to such Consenting Parties in proportion to their respective Participating Interests a Cash Premium equal to the total of:

(i) five hundred (500%) percent of such Non-Consenting Party's Participating Interest share of all liabilities and expenses, including overhead, that were incurred in any Exclusive Operations relating to the obtaining of the portion of the G&G Data which pertains to the Discovery, and that were not previously paid by such Non-Consenting Party; plus

(ii) one thousand (1000%) percent of such Non-Consenting Party's Participating Interest share of all liabilities and expense, including overhead, that were incurred in any Exclusive Operations relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Exploration Well which made the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Clause 7.4(b), and that were not previously paid by such Non-Consenting Party; plus

(iii) seven hundred (700%) percent of the Non-Consenting Party's Participating Interest share of all liabilities and expense, including overhead, that were incurred in any Exclusive Operations relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Appraisal Well(s) which delineated the Discovery in which the Non-Consenting Party desires to reinstate the rights it relinquished pursuant to Clause 7.4(b), and that were not previously paid by such Non-Consenting Party.

7.6 **Order of Preference of Operations**

(a) Except as otherwise specifically provided in this Agreement, if any Party desires to propose the conduct of an operation that will conflict with an existing proposal for an Exclusive Operation, such Party shall have the right exercisable for five (5) Days, or twenty four (24) hours if the drilling rig to be used is standing by in the Contract Area, from receipt of the proposal for the Exclusive Operation, to deliver to all Parties entitled to participate in the proposed operation such Party's alternative proposal. Such alternative

proposal shall contain the information required under Clause 7.2(a). Each Party receiving such proposals shall elect by delivery of notice to Operator within the appropriate response period set out in Clause 7.2(b) to participate in one of the completing proposals. Any Party not notifying Operator within the response period shall be deemed to have voted against the proposal.

(b) The proposal receiving the largest aggregate Participating Interest vote shall have priority over all other competing proposals. In the case of a tie vote, the Operator shall choose among the proposals receiving the largest aggregate Participating Interest vote. Operator shall deliver notice of such result to all Parties entitled to participate in the operation within five (5) Days of the end of the response period, or twenty four (24) hours if the drilling rig to be used is standing by in the Contract Area.

(c) Each Party shall then have two (2) Days (or twenty four hours if the drilling rig to be used is standing by in the Contract Area) from receipt of such notice to elect by delivery of notice to Operator whether such Party will participate in such Exclusive Operation, or will relinquish its interest pursuant to Clause 7.4(b). Failure by a Party to deliver such notice within such period shall be deemed an election not to participate in the prevailing proposal.

(d) Notwithstanding the provisions of Clause 7.4(b), if for reasons other than the encountering of granite or other practically impenetrable substance or any other condition in the hole rendering further operations impracticable, a well drilled as an Exclusive Operation fails to reach the deepest objective Zone described in the notice proposing such well, Operator shall give notice of such failure to each Non-Consenting Party who submitted or voted for an alternative proposal under this Clause 7.6 to drill such well to a shallower Zone than the deepest objective Zone proposed in the notice under which such well was drilled. Each such Non-Consenting Party shall have the option exercisable for forty eight (48) hours from receipt of such notice to participate for its Participating Interest share in the initial proposed Completion of such well. Each such Non-Consenting Party may exercise such option by notifying the Operator that it wishes to participate in such Completion and by paying its share of the cost of drilling such well to its deepest depth drilled in the Zone in which it is Completed. All liabilities and expenses for drilling and Testing the Exclusive Well below that depth shall be for the sole account of the Consenting Parties. If any such Non-Consenting Party does not properly elect to participate in the first Completion proposed for such well, the relinquishment provisions of Clause 7.4(b) shall continue to apply to such Non-Consenting Party's interest.

7.7 **Stand-by Costs**

(a) When an operation has been performed, all tests have been conducted and the results of such tests furnished to the Parties, stand by costs incurred pending response to any Party's notice proposing an Exclusive Operation for Deepening, Testing, Sidetracking, Completing, Plugging Back, Recompleting, Reworking or other further operation in such well (including the period required under Clause 7.6 to resolve competing proposals) shall be charged and borne as part of the operation just completed. Stand by costs incurred subsequent to all Parties responding, or expiration of the response time permitted, whichever first occurs, shall be charged to and borne by the Parties proposing the Exclusive Operation in proportion to their Participating

Interests, regardless of whether such Exclusive Operation is actually conducted.

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

7.8 **Use of Property**

(a) The Parties participating in any Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting or Reworking of any well drilled under this Agreement shall be permitted to use, free of cost, all casing, tubing and other equipment in the well that is not needed for operations by the owners of the wellbore, but the ownership of all such equipment shall remain unchanged. On abandonment of a well in which operations with differing participation have been conducted, the Parties abandoning the well shall account for all equipment in the well to the Parties owning such equipment by tendering to them their respective Participating Interest shares of the value of such equipment less the cost of salvage.

(b) Any Party (whether owning interests in the platform or not) shall be permitted to use spare (as defined by the Operations Management Board) slots in a platform constructed pursuant to this Agreement for purposes of drilling Exploration Wells and/or Appraisal Wells and running tests in the Contract Area. No Party except an owner of a platform may drill Development Wells or run production from a well (except production resulting from initial well tests) from the platform without the prior written consent of all platform owners. If all owners of the platform participate in the drilling of a well, then no fee shall be payable under this Clause 7.8(b). Otherwise, each time a well is drilled from a platform, the Consenting Parties in the well shall pay to the owners of the platform until all wells drilled by such Parties have been plugged and abandoned a monthly fee equal to:

(i) that portion of the total cost of the platform (including, but not limited to, costs of material, fabrication, transportation and installation), divided by the number of months of useful life established for the platform under the tax law of the host country, that one well slot bears to the total number of slots on the platform; plus

(ii) that proportionate part of the monthly cost of operating, maintaining and financing the platform that the well drilled under this Clause 7.8(b) bears to the total number of wells served by such platform. Consenting Parties who have paid to drill a well from a platform under this Clause 7.8(b) shall be entitled to Deepen or Sidetrack that well for no additional charge if done prior to moving the drilling rig off of location.

(c) Spare capacity in equipment that is constructed pursuant to this Agreement and used for processing or transporting oil and gas after it has passed through primary separators and dehydrators (including without limitation treatment facilities, gas processing plants and pipelines) shall be available for use by any Party for Hydrocarbon production from the Contract Area on the terms set forth below. All Parties desiring to use such equipment shall nominate capacity in such equipment on a monthly basis by notice to Operator at least ten (10) Days prior to the beginning of each month. Operator may nominate capacity for the owners of the equipment if they so elect. If at any time the capacity nominated exceeds the total capacity of the equipment, the capacity of the equipment shall be allocated in the following priority:

(i) first, to the owners of the equipment up to their respective Participating Interest shares of total capacity;

(ii) second, to owners of the equipment desiring to use capacity in excess of their Participating Interest shares, in proportion to the Participating Interest of each such Party; and

(iii) third, to Parties not owning interests in the equipment, in proportion to their Participating Interests in the Agreement.

Owners of the equipment shall be entitled to use up to their Participating Interest share of total capacity without payment of a fee under this Clause 7.8(c). Otherwise, each Party using equipment pursuant to this Clause 7.8(c) shall pay to the owners of the equipment monthly throughout the period of use an arm's-length fee based upon third party charges for similar services in the vicinity of the Contract Area. If no arm's-length rates for such services are available, then the Party desiring to use equipment pursuant to this Clause 7.8(c) shall pay to the owners of the equipment a monthly fee equal to:

(i) that portion of the total cost of the equipment, divided by the number of months of useful life established for such equipment under the tax law of the host country, that the capacity made available to such Party on a fee basis under this Clause 7.8(c) bears to the total capacity of the equipment; plus

(ii) that portion of the monthly cost of maintaining, operating and financing the equipment that the capacity made available to such Party on a fee basis under this Clause 7.8(c) bears to the total capacity of the equipment.

(d) Payment for the use of a platform under Clause 7.8(b) or the use of equipment under Clause 7.8(c) shall not result in an acquisition of any additional interest in the equipment or platform by the paying Parties. However, such payments shall be included in the costs which the paying Parties are entitled to recoup under Clause 7.5.

(e) Parties electing to use spare capacity on platforms or in equipment pursuant to Clause 7.8(b) or Clause 7.8(c) shall indemnify the owners of the equipment or platform against any and all costs and liabilities incurred as a result of such use (including but not limited to all costs, expenses or liabilities for environmental, consequential, punitive or other similar indirect damages or

losses, whether arising from business interruption, reservoir or formation damage, inability to product petroleum, loss of profits, pollution control, environmental amelioration or rehabilitation or otherwise), but excluding costs and liabilities for which the Operator is solely responsible under Clause 4.6.

7.9 **Miscellaneous**

(a) Each Exclusive Operation shall be carried out by the Consenting Parties acting as the Operations Management Board, subject to the provisions of this Agreement applied *mutatis mutandis* to such Exclusive Operation and subject to the terms and conditions of the Contract.

(b) The computation of liabilities and expenses incurred in Exclusive Operations, including the liabilities and expenses of Operator for conducting such operations, shall be made in accordance with the principles set out in the Accounting Procedure. However, for uniformity, all liabilities and expenses of Consenting and Non-Consenting Parties in the case of an Exclusive Operation shall be denominated in US dollars.

(c) Operator shall maintain separate books, financial records and accounts for Exclusive Operations which shall be subject to the same rights of audit and examination as the Joint Account and related records, all as provided in the Accounting Procedure. Said rights of audit and examination shall extend to each of the Consenting Parties and each of the Non-Consenting Parties so long as the latter are, or may be, entitled to elect to participate in such operations.

(d) Operator, if it is conducting an Exclusive Operation for the Consenting Parties, regardless of whether it is participating in that Exclusive Operation, shall be entitled to request cash advances and shall not be required to use its own funds to pay any cost and expense and shall not be obliged to commence or continue Exclusive Operations until cash advances requested have been made, and the Accounting Procedure shall apply to Operator in respect of any Exclusive Operations conducted by it.

(e) Should the submission of a Development Plan be approved in accordance with Clause 5.9, or should any Party propose a development in accordance with Clause 7, with either proposal not calling for the conduct of additional appraisal drilling, and should any Party wish to drill an additional Appraisal Well prior to development, then the Party proposing the Appraisal Well as an Exclusive Operation shall be entitled to proceed first, but without the right (subject to the following sentence) to future reimbursement pursuant to Clause 7.5. if such an Appraisal Well is produced, the Consenting Party or Parties shall own and have the right to take in kind and separately dispose of all of the Non-Consenting Parties' Entitlement from such Appraisal Well until the value thereof, determined in accordance with Clause 7.5(f), equals one hundred (100%) percent of such Non-Consenting Parties' Participating Interest shares of all liabilities and expenses including overhead, that were incurred in any Exclusive Operations relating to the Appraisal Well. If, as the result of drilling such Appraisal Well as an Exclusive Operation, the Party proposing to apply for an Exploitation Area decides to not develop the reservoir, then each Non-Consenting Party who voted in favour of such Development Plan prior to the drilling of such Appraisal Well shall pay to the Consenting Party the amount such Non-Consenting Party would have paid had such Appraisal Well been drilled as a Joint Operation.

(f) If the Operator is a Non-Consenting Party to an Exclusive Operation to develop a Discovery, then subject to obtaining any necessary State approvals the Operator may resign, but in any event shall resign on the request of the Consenting Parties, as Operator for the Exploitation Area for such Discovery and the Consenting Parties shall select a Party to serve as Operator.

8. DEFAULT

8.1 Default and Notice

Operator, or any non-defaulting Party in the case Operator is the Defaulting Party, shall promptly give notice of such default to the Defaulting Party and each of the non- defaulting Parties (the **Default Notice).** The amount not paid by the Defaulting Party shall bear interest from the date due until paid in full at the Agreed interest Rate.

8.2 Operations Management Board Meetings and Data

Beginning five Business Days from the date of the Default Notice, and thereafter while the Defaulting Party remains in default, the Defaulting Party shall not be entitled to attend Operations Management Board or subcommittee meetings or to vote on any matter coming before the Operations Management Board or any subcommittee until all of its defaults have been remedied (including payment of accrued interest). Unless agreed otherwise by the non-defaulting Parties, the voting interest of each non-defaulting Party during this period shall be its percentage of the total Participating Interests of the non-defaulting Parties. Any matters requiring a unanimous vote of the Parties shall not require the vote of the Defaulting Party. In addition, beginning five (5) Business Days from the date of the Default Notice, and thereafter while the Defaulting Party remains in default, the Defaulting Party shall not have access to any data or information relating to Joint Operations. During this period, the non-defaulting Parties shall be entitled to trade data without such Defaulting Party's consent, and the Defaulting Party shall have no right to any data received in such a trade unless and until its default is remedied in full. The Defaulting Party shall be deemed to have elected not to participate in any Joint Operations of Exclusive Operations that are voted upon at least five (5) Business Days after the date of the Default Notice but before all of its defaults have been remedied to the extent such an election would be permitted by Clause 5.13(b) of this Agreement. The Defaulting Party shall be deemed to have approved, and shall join with the non-defaulting Parties in taking, any other actions voted on during that period.

8.3 Management of Defaulted Accounts

(a) The Party providing the Default Notice pursuant to Clause 8.1 shall include in the Default Notice to each non-defaulting Party a statement of the sum of money that the non-defaulting Party is to pay as its portion (such portion being in the ratio that each non-defaulting Party's Participating Interest bears to the Participating Interests of all non-defaulting Parties) of the amount in default (excluding interest), subject to the terms of this Clause 8.3. If the Defaulting Party remedies its default in full within five Business Days from the date of the Default Notice, the notifying Party shall promptly notify each non- defaulting Party by telephone and facsimile, and the non-defaulting Parties shall be relieved of their obligation to pay a share of the amounts in default. Otherwise, each non-defaulting Party shall pay Operator, within five Business Days after receipt of the Default Notice, its share of the amount which the Defaulting Party failed to pay. If any non-defaulting Party fails to pay its share

of the amount in default as aforesaid, such Party shall thereupon be a Defaulting Party subject to the provisions of this Clause 8. The non-defaulting Parties which pay the amount owed by any Defaulting Party shall be entitled to receive their respective shares of the principal and interest payable by such Defaulting Party pursuant to this Clause 8.

(b) If Operator is a Defaulting Party, then all payments otherwise payable to Operator for Joint Account costs pursuant to this Agreement shall be made to the notifying Party instead until the default is cured or a successor Operator appointed. The notifying Party shall maintain such funds in a segregated account separate from its own funds and shall apply such funds to third party claims due and payable from the Joint Account of which it has notice, to the extent Operator would be authorised to make such payments under the terms of this Agreement. The notifying Party shall be entitled to bill or cash call the other Parties in accordance with the Accounting Procedure for proper third party charges that become due and payable during such period to the extent sufficient funds are not available. When Operator has cured its default or a successor Operator is appointed, the notifying Party shall turn over all remaining funds in the account to Operator and shall provide Operator and the other Parties with a detailed accounting of the funds received and expended during this period. The notifying Party shall not be liable for any damages, losses, costs, expenses or liabilities arising as a result of its actions under this Clause 8.3(b) except to the extent Operator would be liable under Clause 4.6.

8.4 **Remedies**

(a) During the continuance of a default, the Defaulting Party shall not have a right to its Entitlement, which shall vest in and be the property of the non-defaulting Parties. Operator (or the notifying Party if Operator is a Defaulting Party) shall be authorised to sell such Entitlement in an arm's-length sale on terms that are commercially reasonably under the circumstances and, after deducting all costs, charges and expenses incurred in connection with such sale, pay the net proceeds to the non-defaulting Parties in proportion to the amounts they are owed by the Defaulting Party hereunder (and apply such net proceeds toward the establishment of a reserve fund under Clause 8.4(c), if applicable) until all such amounts are recovered and such reserve fund is established. Any surplus remaining shall be paid to the Defaulting Party, and any deficiency shall remain a debt due from the Defaulting Party to the non- defaulting Parties. When making sales under this Clause 8.4(a), the non- defaulting Parties shall have no obligation to share any existing market or obtain a price equal to the price at which their own production is sold.

(b) If Operator disposes of any Joint Property or any other credit or adjustment is made to the Joint Account while a Party is in default, Operator (or the notifying Party if Operator is a Defaulting Party) shall be entitled to apply the Defaulting Party's Participating Interest share of the proceeds of such disposal, credit or adjustment against all amounts owing by the Defaulting Party to the non-defaulting Parties hereunder (and toward the establishment of a reserve fund under Clause 8.4(c), if applicable). Any surplus remaining shall be paid to the Defaulting Party and any deficiency shall remain a debt due from the Defaulting Party to the non-defaulting Parties.

(c) The non-defaulting Parties shall be entitled to apply proceeds received under Clauses 8.4(a) and 8.4(b) toward the creation of a reserve fund in an amount equal to the Defaulting Party's Participating Interest share of:

(i) the estimated cost to abandon any wells and other property in which the Defaulting Party participated;

(ii) the estimated cost of severance benefits for local employees upon cessation of operations; and

(iii) any other identifiable costs that the non-defaulting Parties anticipate will be incurred in connection with the cessation of operations.

(d) If a Defaulting Party fails to remedy its default by the sixtieth Day following the date of the Default Notice, then, without prejudice to any other rights available to the non-defaulting Parties to recover amounts owing to them under this Agreement, each non-defaulting Party shall have the option, exercisable at anytime thereafter until the Defaulting Party has completely cured its defaults, to require that the Defaulting Party completely withdraw from this Agreement and the Contract. Such option shall be exercised by notice to the Defaulting Party and each non-defaulting Party. If such option is exercised, the Defaulting Party shall be deemed to have transferred, pursuant to Clause 13.6, effective on the date of the non-defaulting Party's notice, all of its right, title and beneficial interest in and under this Agreement and the Contract to the non-defaulting Parties. The Defaulting Party shall, without delay following any request from the non-defaulting Parties, do any and all acts required to be done by applicable law or regulation in order to render such transfer legally valid, including, without limitation, obtaining all State consents and approvals, and shall execute any and all documents and take such other actions as may be necessary in order to effect a prompt and valid transfer of the interests described above. The Defaulting Party shall be obligated to promptly remove any liens and encumbrances which may exist on such transferred interests. For purposes of this Clause 8.4(d), each Party constitutes and appoints each other Party its true and lawful attorney to execute such instruments and make such filings and applications as may be necessary to make such transfer legally effective and to obtain any necessary consents of the State. Actions under this power of attorney may be taken by any Party individually without the joinder of the others. This power of attorney is irrevocable for the term of this Agreement and is coupled with an interest. If requested, each Party shall execute a form prescribed by the Operations Management Board setting forth this power of attorney in more detail. In the event all State approvals are not timely obtained, the Defaulting Party shall hold its Participating Interest in trust for the non-defaulting Parties who are entitled to receive the Defaulting Party's Participating Interest. Notwithstanding the terms of Clause 13, in the absence of an agreement among the non-defaulting Parties to the contrary, any transfer to the non- defaulting Parties following a withdrawal pursuant to this Clause 8.4(d) shall be in proportion to the Participating Interests of the non-defaulting Parties. The acceptance by a non-defaulting Party or any portion of a Defaulting Party's Participating Interest shall not limit any rights or remedies that the non-defaulting Party has to recover all amounts (including interest) owing under this Agreement by the Defaulting Party.

8.5 **Survival**

The obligations of the Defaulting Party and the rights of the non-defaulting Parties shall survive the surrender of the Contract, abandonment of Joint Operations and termination of this Agreement.

8.6 **No Right of Set Off**

Each Party acknowledges and accepts that a fundamental principle of this Agreement is that each Party pays its Participating Interest share of all amounts due under this Agreement as and when required. Accordingly, any Party which becomes a Defaulting Party undertakes that, in respect of either any exercise by the non- defaulting Parties of any rights under or the application of any of the provisions of this Article 8, such Party hereby waives any right to raise by way of set off or invoke as a defence, whether in law or equity, any failure by any other Party to pay amounts due and owing under this Agreement or any alleged claim that such Party may have against Operator or any Non-Operator, whether such claim arises under this Agreement or otherwise. Each Party further agrees that the nature and amount of the remedies granted to the non-defaulting Parties hereunder are reasonable and appropriate in the circumstances.

9. DISPOSITION OF PRODUCTION

9.1 **Right and Obligation to Take in Kind**

Except as otherwise provided in Clauses 9 or Clause 8, each Party shall have the right and obligation to own, take in kind and separately dispose of the share of total production available to it from any Exploitation Area pursuant to the Contract and this Agreement in such quantities and in accordance with such procedures as may be set forth in the offtake agreement referred to in Clause 9.2 or in the special arrangements for natural gas referred to in Clause 9.3. The Parties shall endeavour to obtain State's agreement to the principles set forth in this Clause 9.

9.2 **Offtake Agreement for Crude Oil**

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

(a) The delivery point, at which title and risk of loss of Participating Interest shares of crude oil shall pass to the Parties interested (or as the Parties may otherwise agree);

(b) Operator's regular periodic advice to the Parties of estimates of total available production for succeeding periods, quantities of each grade of crude oil and each Party's share for as far ahead as is necessary for Operator and the Parties to plan offtake arrangements. Such advice shall also cover for each grade of crude oil total available production and deliveries for the preceding period, inventory and overlifts (a Party's lifting in excess of its current Entitlement) and underlifts (a Party's lifting less than its current Entitlement);

(c) Nomination by the Parties to Operator of acceptance of their shares of total available production for the succeeding period. Such nominations shall in any one period be for each Party's entire share of available production during that period subject to operational tolerances and agreed minimum economic cargo sizes or as the Parties may otherwise agree;

(d) Elimination of overlifts and underlifts;

(e) If offshore loading or a shore terminal for vessel loading is involved, risks regarding acceptability of tankers, demurrage and (if applicable) availability of berths;

(f) Distribution to the Parties of available grades, gravities and qualities of Hydrocarbons to ensure, to the extent Parties take delivery of their Entitlements as they accrue, that each Party shall receive in each period Entitlements of grades, gravities and qualities of Hydrocarbons for each Exploitation Area in which it participates similar to the grades, gravities and qualities of Hydrocarbons received by each other Party from that Exploitation Area in that period;

(g) To the extent that distribution of Entitlements on such basis is impracticable due to availability of facilities and minimum cargo sizes, a method of making periodic adjustments; and

(h) The option and the right of the other Parties to sell an Entitlement which a Party fails to nominate for acceptance pursuant to Clause 9.2(c) above or of which a Party fails to take delivery, in accordance with applicable agreed procedures, provided that such failure either constitutes a breach of Operator's or Parties' obligations under the terms of the Contract, or is likely to result in the curtailment or shut-in of production. Such sales shall be made only to the limited extent necessary to avoid disruption in Joint Operations. Operator shall give all Parties as much notice as is practicable of such situation and that a sale option has arisen. Any sale shall be of the unnominated or undelivered Entitlement as the case may be and for reasonable periods of time as are consistent with the minimum needs of the industry and in no event to exceed twelve (12) months. The right of sale shall be revocable at will subject to any prior contractual commitments. Payment terms for production sold under this option shall be established in the offtake agreement. If an offtake agreement has not been entered into by the date of first delivery of crude oil, the Parties shall be bound by the principles set forth in this Clause 9.2 until an offtake agreement has been entered into.

9.3 Separate Agreement for Natural Gas

The Parties recognise that if natural gas is discovered it may be necessary for the Parties to enter into special arrangements for the disposal of the natural gas, which are consistent with the Development Plan and subject to the terms of the Contract.

10. ABANDONMENT

10.1 Abandonment of Wells Drilled as Joint Operations

(a) A decision to plug and abandon any well which has been drilled as a Joint Operation shall require the approval of the Operations Management Board.

(b) Should any Party fail to reply within the period prescribed in Clauses 5.12(a)(i) or 5.12(a)(ii), whichever is applicable, after delivery of notice of the Operator's proposal to plug and abandon such well, such Party shall be deemed to have consented to the proposed abandonment.

(c) If the Operations Management Board approves a decision to plug and abandon an Exploration Well or an Appraisal Well, any Party voting against such decision may propose, within the time periods allowed by Clause 5.13(a), to conduct an alternate Exclusive Operation in the wellbore. If no Exclusive Operation is timely proposed, or if an Exclusive Operation is timely proposed but is not commenced within the applicable time periods under Clause 7.2, such well shall be plugged and abandoned.

(d) Any well plugged and abandoned under this Agreement shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the Parties who participated in the cost of drilling such well.

(e) Notwithstanding anything to the contrary in this Clause 10.1 or elsewhere in this Agreement:

(i) if the Operations Management Board approves a decision to plug and abandon a well from which Hydrocarbons have been produced and sold, any Party voting against the decision may propose, within five (5) Days after the time specified in Clauses 5.6 or 5.12 has expired, to take over the entire well as an Exclusive Operation. Any Party originally participating in the well shall be entitled to participate in the operation of the well as an Exclusive Operation by response notice within ten Days after receipt of the notice proposing the Exclusive Operation. The Consenting Parties shall be entitled to continue producing only from the Zone open to production at the time they assumed responsibility for the well and shall not be entitled to drill a substitute well in the event that the well taken over becomes impaired of fails;

(ii) each Non-Consenting Party shall be deemed to have relinquished free of cost to the Consenting Parties in proportion to their Participating Interests all of its interest in the wellbore of a produced well and related equipment in accordance with Clause 7.4(b). The Consenting Parties shall thereafter bear all cost and liability of plugging and abandoning such well in accordance with applicable regulations, to the extent the Parties are or become obligated to contribute to such costs and liabilities, and shall indemnify the Non-Consenting Parties against all such costs and liabilities; and

(iii) subject to Clause 7.9(f), Operator shall continue to operate a produced well for the account of the Consenting Parties at the rates and charges contemplated by this Agreement, plus any additional cost and charges which may arise as the result of the separate allocation of interest in such well.

10.2 **Abandonment of Exclusive Operations**

This Clause 10 shall apply *mutatis mutandis* to the abandonment of an Exclusive Well or any well in which an Exclusive Operation has been conducted (in which event all Parties having the right to conduct further operations in such well shall be notified

and have the opportunity to conduct Exclusive Operations in the well in accordance with the provisions of this Clause 10).

10.3 **Abandonment Security**

If under the terms of the Contract or applicable law, the Parties are or become obliged to pay or contribute to the cost of ceasing operations, then the following provisions shall apply:

(a) During preparation of a Development Plan, the Parties shall negotiate and agree a security agreement, which shall be completed and executed by all Parties participating in such Development Plan prior to application for an Exploitation Area. The security agreement shall incorporate the following principles:

(i) Security shall be provided by each such Party for each Calendar Year commencing with the Calendar Year in which the Discounted Net Value equals less than one hundred percent of the Discounted Net Cost.

(ii) The amount of Security required to be provided by each such Party in any Calendar Year (including security previously provided which will still be current throughout such Calendar Year) shall be equal to the amount by which one hundred percent of the Discounted Net Cost exceeds the Discounted Net Value.

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

11. SURRENDER, EXTENSIONS AND RENEWALS

11.1 **Surrender**

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

(b) A surrender of all or any part of the Contract Area which is not required by the Contract shall require the unanimous consent of the Parties.

11.2 **Extension of the Term**

(a) A proposal by any Party to enter into or extend the term of any Exploration or Exploitation Period or any phase of the Contract, or a proposal to extend the term of the Contract, shall be brought before the Operations Management Board pursuant to Clause 5.

(b) Any Party shall have the right to enter into or extend the term of any Exploration or Exploitation Period or any phase of the Contract or to extend the term of the Contract, regardless of the level of support in the Operations Management Board. If any Party or Parties take such action, any Party not wishing to extend shall have a right to withdraw, subject to the requirements of Clause 13.

12. TRANSFER OF INTEREST OR RIGHTS

12.1 **Obligations**

(a) Subject always to the requirements of the Contract, the transfer of all or part of a Party's Participating Interest, excepting transfers pursuant to Clause 8 or Clause 13, shall be effective only if it satisfies the terms and conditions of this Clause 12.

(b) Except in the case of a Party transferring all of its Participating Interest, no transfer shall be made by any Party which results in the transferor or the transferee holding a Participating Interest of less than five percent or holding any interest other than a Participating Interest in the Contract, the Contract Area and this Agreement.

(c) The transferring Party shall, notwithstanding the transfer, be liable to the other Parties for any obligations, financial or otherwise, which have vested, matured or accrued under the provision of the Contract or this Agreement prior to such transfer. Such obligations shall include, without limitation, any proposed expenditure approved by the Operations Management Board prior to the transferring Party notifying the other Parties of its proposed transfer.

(d) The transferee shall have no rights in and under the Contract, the Contract Area or this Agreement unless and until it obtains any necessary State approval and expressly undertakes in an instrument satisfactory to the other Parties to perform the obligations of the transferor under the Contract and this Agreement in respect of the Participating Interest being transferred and furnishes any guarantees required by the State or the Contract.

(e) A transferee other than an Affiliate shall have no rights in and under the Contract, the Contract Area or this Agreement unless each Party has consented in writing to such transfer, which consent shall be denied only if such transferee fails to establish to the reasonable satisfaction of each Party its capability to perform its obligations under the Contract and this Agreement.

(f) Nothing contained in this Clause 12 shall prevent a Party from mortgaging, pledging, charging or otherwise encumbering all or part of its interest in the Contract Area and in and under this Agreement for the purpose of security relating to finance provided that:

(i) such Party shall remain liable for all obligations relating to such interest;

(ii) the encumbrance shall be subject to any necessary approval of the State and be expressly subordinated to the rights of the other Parties under this Agreement; and

(iii) such Party shall ensure that any such mortgage, pledge, charge or encumbrance shall be expressed to be without prejudice to the provisions of this Agreement.

(g) Any transfer of all or a portion of a Party's Participating Interest whether directly or indirectly by assignment, merger, consolidation, sale of stock, or other conveyance, other than with or to an Affiliate, shall be subject to the following procedure:

(i) In the event that a Party wishes to transfer any part or all of its Participating Interest, it shall send all other Parties written notification of its intention and invite them to submit offers therefore. The other Parties shall have thirty Days from the Date of such notification to deliver a counter-notification with a binding offer in accordance with Clause 12.1(g)(iii). If the prospective transferor Party accepts the offer, the prospective transferor and the offering Party shall have the next sixty (60) Days in which to negotiate in good faith and execute the terms and conditions of a mutually acceptable transfer agreement. If the prospective transferor does not find any Party's offer acceptable, or if sixty (60) Days elapse and it is evident to the prospective transferor that a fully negotiated agreement with an offering Party is not imminent, the prospective transferor shall be entitled for a period of one hundred eighty (180) Days, plus such reasonable additional period as may be necessary to secure State approvals, to transfer its Participating Interest to a third party subject to the obligations set forth in this Clause 12, so long as terms and conditions of the transfer to a third party are more favourable to the prospective transferor than the best terms and conditions offered by any Party;

(ii) If more than one Party counter-notifies the prospective transferor that it intends to acquire the Participating Interest which is the subject of the proposed transfer, then each such Party shall acquire a proportion of the Participating Interest to be transferred equal to the ratio of its own Participating Interest to the total Participating Interests of all the counter-notifying Parties, unless they otherwise agree;

(iii) All Parties giving such counter-notice shall meet to formulate a joint offer. Each such Party shall make known to the other Parties the highest price or value which it is willing to offer to the prospective transferor. The proposal with the highest price or value shall be offered to the prospective transferor as the joint proposal of the Parties still willing to participate in such offer under the provisions of Clauses 12.1(g)(i) and (ii);

(iv) In the event that a Party's proposed transfer of part or all of its Participating Interest involves consideration other than cash, then the Participating Interest (or part thereof) shall be allocated a reasonable and justifiable cash value by the prospective transferor in any

notification to the other Parties. Such other Parties may satisfy the requirements of this Clause 12.1(g) by agreeing to pay such cash value in lieu of the consideration payable in the third-party offer.

12.2 **Rights**

(a) Each Party shall have the right, subject to the provisions of Clause 12.1. to freely transfer its Participating Interest.

(b) If the transfer of all or a portion of a Party's Participating Interest whether directly or indirectly by assignment, merger, consolidation, sale of stock, or other conveyance is part of a wider transaction (package deal) involving such assets, such transfer shall not be subject to Clause 12.1(g).

13. WITHDRAWAL FROM AGREEMENT

13.1 **Right of Withdrawal**

(a) Subject to the provisions of this Clause 13, any Party may withdraw from this Agreement and the Contract by giving notice to all other Parties stating its decision to withdraw. Such notice shall be unconditional and irrevocable when given, except as may be provided in Clause 13.7.

(b) The effective date of withdrawal for a withdrawing Party shall be the end of the calendar month following the calendar month in which the notice of withdrawal is given, provided that if all Parties elect to withdraw, the effective date of withdrawal for each Party shall be the date determined by Clause 13.9.

13.2 **Partial or Complete Withdrawal**

(a) Within thirty Days of receipt of each withdrawing Party's notification, each of the other Parties may also give notice that it desires to withdraw from this Agreement and the Contract. Should all Parties give notice of withdrawal, the Parties shall proceed to abandon the Contract Area and terminate the Contract and this Agreement. If less than all of the Parties give such notice of withdrawal, then the withdrawing Parties shall take all steps to withdraw from the Contract and this Agreement on the earliest possible date and execute and deliver all necessary instruments and documents to assign their Participating Interest to the Parties which are not withdrawing, without any compensation whatsoever, in accordance with the provisions of Clause 13.6.

(b) Any Party withdrawing under Clause 11.2 or under this Clause 13 shall, at its option:

(i) withdraw from the entirety of the Contract Area; or

(ii) withdraw only from all exploration activities under the Contract, but not from any Exploitation Area, Commercial Discovery, or Discovery whether appraised or not, made prior to such withdrawal. Such withdrawing Party shall retain its rights in the Joint Property, but only insofar as they relate to any Exploitation Area, Commercial Discovery or Discovery, and shall abandon all other rights in the Joint Property.

13.3 **Rights of a Withdrawing Party**

A withdrawing Party shall have the right to receive its Entitlement of Hydrocarbons produced through the effective date of its withdrawal. The withdrawing Party shall be entitled to receive all information to which such Party is otherwise entitled under this Agreement until the effective date of its withdrawal. After giving its notification of withdrawal, a Party shall not be entitled to vote on any matters coming before the Operating Committee, other than matters for which such Party has financial responsibility.

13.4 **Obligations and Liabilities of a Withdrawing Party**

(a) A withdrawing Party shall, following its notification of withdrawal, remain liable only for its share of the following:

(i) Costs of Joint Operations, and Exclusive Operations in which it has agreed to participate, that were approved by the Operating Committee or Consenting Parties as part of a Work Program and Budget or AFE prior to such Party's notification of withdrawal, regardless of when they are actually incurred;

(ii) Any Minimum Work Obligations for the current period, or phase of the Contract, and for any subsequent period of phase which has been approved pursuant to Clause 11.2 and with respect to which such Party has failed to timely withdraw under Clause 13.4 (b);

(iii) Emergency expenditures as described in Clauses 4.2(b)(ii) and 13.5;

(iv) All other obligations and liabilities of the Parties or Consenting Parties, as applicable, with respect to acts or omissions under this Agreement prior to the effective date of such Party's withdrawal for which such Party would have been liable, had it not withdrawn from this Agreement; and

(v) In the case of a partially withdrawing Party, any costs and liabilities with respect to Exploitation Areas, Commercial Discoveries and Discoveries from which it has not withdrawn. The obligations and liabilities for which a withdrawing Party remains liable shall specifically include its share of any costs of plugging and abandoning wells or portions of wells in which it participated (or was required to bear a share of the costs pursuant to Clause 13.4(a)(i)), to the extent such costs of plugging and abandoning are payable by the Parties under the Contract. Any liens, charges and other encumbrances which the withdrawing Party placed on such Party's Participating Interest prior to its withdrawal shall be fully satisfied or released, at the withdrawing Party's expense, prior to its withdrawal. A Party's withdrawal shall not relieve it from liability to the non-withdrawing Parties with respect to any obligations or liabilities attributable to the withdrawing Party under this Clause 13 merely because they are not identified or identifiable at the time of withdrawal.

(b) Notwithstanding the foregoing, a Party shall not be liable for any operations or expenditures it voted against (other than operations and expenditures described in Clauses 13.4(a)(ii) or 13.4(a)(iii)) if it sends notification of its withdrawal within five Days (or within twenty four hours if the drilling rig to be

used in such operation is standing by on the Contract Area) of the Operations Management Board vote approving such operation or expenditure. Likewise, a Party voting against voluntarily entering into or extending of an Exploration Period or Exploitation Period or any phase of the Contract or voluntarily extending the Contract shall not be liable for the Minimum Work Obligations associated therewith provided that it sends notification of its withdrawal within thirty Days of such vote pursuant to Clause 11.2.

13.5 **Emergency**

If a well goes out of control or a fire, blow out, sabotage or other emergency occurs prior to the effective date of a Party's withdrawal, the withdrawing Party shall remain liable for its Participating Interest share of the costs of such emergency, regardless of when they are actually incurred,

13.6 **Assignment**

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

13.7 **Approvals**

A withdrawing Party shall promptly join in such actions as may be necessary or desirable to obtain any State approvals required in connection with the withdrawal and assignments. The non-withdrawing Parties shall use reasonable efforts to assist the withdrawing Party in obtaining such approvals. Any penalties or expenses incurred by the Parties in connection with such withdrawal shall be borne by the withdrawing Party. If the State does not approve a Party's withdrawal and assignment to the other Parties, then the withdrawing Party shall at its option either:

(a) retract its notice of withdrawal by notice to the other Parties and remain a Party as if such notice of withdrawal had never been sent; or

(b) hold its Participating Interest in trust for the sole and exclusive benefit of the non-withdrawing Parties with the right to be reimbursed by the non-withdrawing Parties for any subsequent costs and liabilities incurred by it for which it would not have been liable, had it successfully withdrawn.

13.8 **Security**

(a) A Party withdrawing from this Agreement and the Contract pursuant to this Clause 13 shall provide Security satisfactory to the other Parties to satisfy any obligations or liabilities which were approved or accrued prior to notice of withdrawal, but which become due after its withdrawal, including, without limitation, Security to cover the costs of an abandonment, if applicable.

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

13.9 **Withdrawal or Abandonment by all Parties**

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

14. RELATIONSHIP OF PARTIES AND TAX

14.1 **Relationship of Parties**

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

14.2 **Tax**

Each Party shall be responsible for reporting and discharging its own tax measured by the profit or income of the Party and the satisfaction of such Party's share of all contract obligations under the Contract and under this Agreement. Each Party shall protect, defend and indemnify each other Party from any and all loss, cost or liability arising from the indemnifying Party's failure to report and discharge such taxes or satisfy such obligations. The Parties intend that all income and all tax benefits (including, but not limited to, deductions, depreciation, credits and capitalisation) with respect to the expenditures made by the Parties hereunder will be allocated by the State tax authorities to the Parties based on the share of each tax item actually received or borne by each Party. If such allocation is not accomplished due to the application of the laws and regulations of the State or other State action, the Parties shall attempt to adopt mutually agreeable arrangements that will allow the Parties to achieve the financial results intended. Operator shall provide each Party, in a timely manner and at such Party's sole expense, with such information with respect to Joint Operations as such Party may reasonably request for preparation of its tax returns or responding to any audit or other tax proceeding.

14.3 **United States Tax Election**

(a) If, for United States federal income tax purposes, this Agreement and the operations under this Agreement are regarded as a partnership (and if the Parties have not agreed to form a tax partnership), each US Party (as defined below) elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A" of the United States Internal Revenue Code of 1986, as amended (the **Code**), as permitted and authorised by Section 761(a) of the Code and the regulations promulgated under the Code. Operator (or other Party designated by a majority of US Parties) is authorised and directed to execute and file for each US Party such evidence of this election as may be required by the Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by United States Treasury Regulations Sections 1.761-2 and

1.6031-1(d)(2), and shall provide a copy thereof to each US Party. Should there be any requirement that any US Party give further evidence of this election, each US Party shall execute such documents and furnish such other evidence as may be required by the Internal Revenue Service or as may be necessary to evidence this election.

(b) No Party shall give any notice or take any other action inconsistent with the election made above, If any income tax laws of any state or other political subdivision of the United States or any future income tax laws of the United States or any such political subdivision contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A" of the Code, under which an election similar to that provided by Section 761(a) of the Code is permitted, each US Party shall make such election as may be permitted or required by such laws. In making the foregoing election, each US Party states that the income derived by it from operations under this Agreement can be adequately determined without the computation of partnership taxable income.

(c) For the purposes of this Article 14, **US Party** shall mean any Party which is subject to the income tax laws of the United States in respect of operations under this Agreement.

(d) No activity shall be conducted under this Agreement that would cause any Party that is not a US Party to be deemed to be engaged in a trade or business within the United States under applicable tax laws and regulations.

(e) A Party which is not a US Party shall not be required to do any act or execute any instrument which might subject it to the taxation jurisdiction of the United States.

15. CONFIDENTIAL INFORMATION — PROPRIETARY TECHNOLOGY

15.1 Confidential Information

(a) Subject to the provisions of the Contract, the Parties agree that all information and data acquired or obtained by any Party in respect of Joint Operations shall be considered confidential and shall be kept confidential and not be disclosed during the term of the Contract to any person or entity not a Party to this Agreement, except:

(i) to an Affiliate, provided such Affiliate maintains confidentiality as provided in this Clause 15;

(ii) to a governmental agency or other entity when required by the Contract;

(iii) to the extent such data and information is required to be furnished in compliance with any applicable laws or regulations, or pursuant to any legal proceedings or because of any order of any court binding upon a Party;

(iv) to prospective or actual contractors, consultants and attorneys employed by any Party where disclosure of such data or information is essential to such contractor's, consultant's or attorney's work;

(v) to a bona fide prospective transferee of a Party's Participating Interest (including an entity with whom a Party or its Affiliates are conducting bona fide negotiations directed toward a merger, consolidation or the sale of a majority of its or an Affiliate's shares);

(vi) to a bank or other financial institution to the extent appropriate to a Party arranging for funding;

(vii) to the extent such data and information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over such Party, or its Affiliates; provided that if any Party desires to disclose information in an annual or periodic report to its or its Affiliates' shareholders and to the public and such disclosure is not required pursuant to any rules or requirements of any government or stock exchange, then such Party shall comply with Clause 19.3;

(viii) to its respective employees for the purposes of Joint Operations, subject to each Party taking customary precautions to ensure such data and information is kept confidential;

(ix) any data or information which, through no fault of a Party, becomes a part of the public domain.

(b) Disclosure as pursuant to Clauses 15.1 (a)(iv), (v) and (vi) shall not be made unless prior to such disclosure the disclosing Party has obtained a written undertaking from the recipient party to keep the data and information strictly confidential for at least three (3) years and not to use or disclose the data and information except for the express purpose for which disclosure is to be made.

15.2 Continuing Obligations

Any Party ceasing to own a Participating Interest during the term of this Agreement shall nonetheless remain bound by the obligations of confidentiality in Clause 15.1 and any disputes shall be resolved in accordance with Clause 18.

15.3 Proprietary Technology

Nothing in this Agreement shall require a Party to divulge proprietary technology to the other Parties; provided that where the cost of development of proprietary technology has been charged to the Joint Account, such proprietary technology shall be disclosed to all Parties bearing a portion of such cost and may be used by any such Party or its Affiliates in other operations.

15.4 **Trades**

Notwithstanding the foregoing provisions of this Clause 15, Operator may, with approval of the Operations Management Board, make well trades and data trades for the benefit of the Parties, with any data so obtained to be furnished to all Parties who participated in the cost of the data that was traded. Operator shall cause any third party to such trade to enter into an undertaking to keep the traded data confidential.

16. FORCE MAJEURE

16.1 Obligations

If as a result of Force Majeure any Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation to pay any amounts due or to furnish security, then the obligations of the Party giving such notice, so far as and to the extent that the obligations are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused and for such reasonable period thereafter as may be necessary for the Party to put itself in the same position that it occupied prior to the Force Majeure, but for no longer period. The Party claiming Force Majeure shall notify the other Parties of the Force Majeure within a reasonable time after the occurrence of the facts relied on and shall keep all Parties informed of all significant developments. Such notice shall give reasonably full particulars of the Force Majeure, and also estimate the period of time which the Party will probably require to remedy the Force Majeure. The affected Party shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in an economic manner, but shall not be obligated to settle any labour dispute except on terms acceptable to it and all such disputes shall be handled within the sole discretion of the affected Party.

16.2 Definition of Force Majeure

For the purposes of this Agreement, **Force Majeure** means any act of God, perils of navigation, storm, flood, earthquake, lightning, explosion, fire, hostilities, war (declared or undeclared), blockade, insurrection, civil commotion, acts of public enemy, quarantine restriction, epidemics, accident, riot, strike or labour disturbance, any act or failure to act of a Governmental agency or local body (provided such act or failure to act is the proximate cause of non-performance or delay in performance of any obligation under this Agreement or the exercise of any right dependent thereon) or any other cause beyond the control of any affected Party.

17. NOTICES

Except as otherwise specifically provided, all notices authorised or required between the Parties by any of the provisions of this Agreement, shall be in writing, in English and delivered in person or by courier service or by any electronic means of transmitting written communications which provides written confirmation of complete transmission, and addressed to such Parties as designated below. Oral communication does not constitute notice for purposes of this Agreement, and telephone numbers for the Parties are listed below as a matter of convenience only. The originating notice given under any provision of this Agreement shall be deemed delivered only when received by the Party to whom such notice is directed, and the time for such Party to deliver any notice in response to such originating notice shall run from the date the originating notice is received. The second or any responsive notice shall be deemed delivered when received. **Received** for the purposes of this Clause 17 shall mean actual delivery of the notice to the address of the Party to be notified specified in accordance with this Clause 17. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices be directed to another person at another address, by giving written notice thereof to all other Parties.

PERENCO OIL AND GAS CAMEROON LTD.
PO Box 1225
Douala, Cameroon
Attention: General Manager
Telephone: +237 342 3291
Facsimile: +237 342 4359

With copy to:

PERENCO S. A.
Lyford Manor
Lyford Cay
West Bay Street
Nassau
Bahamas
Attention: Group Legal Director
Telephone: +1 242 362 7200
Facsimile: +1 242 362 7210

KOSMOS ENERGY CAMEROON HC
8401 North Central Expressway
Suite 280
Dallas, Texas 75225
USA
Attention: W. Greg Dunlevy
Telephone: 214 363 0700
Facsimile: +1 214 363 9024

SOCIETE NATIOIONALE DES HYDROCARBURES
B. P. 955
Yaounde, Cameroon
Attention: The Executive General Manager
Telecopy: 011 237 204651
Telephone: 011 237 203253

18. APPLICABLE LAW AND DISPUTE RESOLUTION

18.1 Applicable Law

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

18.2 Dispute Resolution

(a) Any dispute, controversy or claim arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement, including without limitation any dispute as to the construction validity, interpretation, enforceability or breach of this Agreement, shall be exclusively and finally settled by arbitration in accordance with this Clause 18.2. Any Party may submit such a dispute, controversy or claim to arbitration by notice to the other Parties.

(b) The arbitration shall be heard and determined by three (3) arbitrators. Each side shall appoint an arbitrator of its choice within thirty (30) Days of the

submission of a notice of arbitration. The Party-appointed arbitrators shall in turn appoint a presiding arbitrator of the tribunal within thirty (30) Days following the appointment of both Party-appointed arbitrators. If the Party- appointed arbitrators cannot reach agreement on a presiding arbitrator of the tribunal and/or one Party refuses to appoint its Party-appointed arbitrator within said thirty (30) Day period, the appointing authority for the implementation of such procedure shall be the arbitral institution, in charge of the arbitration proceeding, who shall appoint an independent arbitrator who does not have any financial interest in the dispute, controversy or claim.

(c) Unless otherwise expressly agreed in writing by the Parties to the arbitration proceedings:

(i) the arbitration proceedings shall be held in London, England;

(ii) the arbitration proceedings shall be conducted in the English language and the arbitrator (s) shall be fluent in the English language;

(iii) the arbitrator (s) shall be and remain at all times wholly independent and impartial;

(iv) the arbitration proceedings shall be conducted under the Convention of the Settlement of Investment Disputes between States and Nationals for other States (ICSID Convention) as amended from time to time;

(v) If the ICSID Convention does not apply to the dispute referred to it under the present Article 18.2, the dispute shall be settled by arbitration in accordance with the arbitration rules of the UNCITRAL.

(vi) any procedural issues not determined under the arbitration rules selected pursuant to Clause 18.2 (c)(iv) shall be determined by the arbitration act and any other applicable laws of the place of arbitration, other than laws which would refer the matter to another jurisdiction;

(vii) the costs of the arbitration proceedings (including attorneys' fees and costs) shall be borne in the manner determined by the arbitrator (s);

(viii) the decision of the sole arbitrator or a majority of the arbitrators, as the case may be, shall be reduced to writing; final and binding without the right of appeal; the sole and exclusive remedy regarding any claims, counterclaims, issues or accountings presented to the arbitrator (s); made and promptly paid in US dollars free of any deduction or offset; and any costs or fees incident to enforcing the award shall, to the maximum extent permitted by law, be charged against the Party resisting such enforcement;

(ix) consequential, punitive or other similar damages shall not be allowed except those payable to third parties for which liability is allocated among the Parties by the arbitral award;

(x) the award shall include interest from the date of any breach or violation of this Agreement, as determined by the arbitral award, and from the date of the award until paid in full, at the Agreed Interest Rate;

(xi) judgment upon the award may be entered in any court having jurisdiction of the award and an order of enforcement, as the case may be;

(xii) whenever the Parties are of more than one nationality, the single arbitrator or the presiding arbitrator, as the case may be, shall not be of the same nationality as any of the Parties or their ultimate parent entities;

(xiii) for purposes of allowing the arbitration provided in this Article 18, the enforcement and execution of any arbitration decision and award, and the issuance of any attachment or other interim remedy, any governmental body or agency, including if applicable a State oil company, which becomes a Party to this Agreement agrees to waive all sovereign immunity by whatever name or title with respect to disputes, controversies or claims arising out of or in relation to or in connection with this Agreement or the operations carried out under this Agreement;

(xiv) the arbitration shall proceed in the absence of a Party who, after due notice, fails to answer or appear. An award shall not be made solely on the default of a Party, but the arbitrator (s) shall require the Party who is present to submit such evidence as the arbitrator (s) may determine is reasonably required to make an award;

(xv) if an arbitrator should die, withdraw or otherwise become incapable of serving, or refuse to serve, a successor arbitrator shall be selected and appointed in the same manner as the original arbitrator.

19. GENERAL PROVISIONS

19.1 Warranties as to no Payments, Gifts and Loans

Each of the Parties warrants that neither it nor its affiliates has made or will make, with respect to the matters provided for hereunder, any offer, payment, promise to pay or authorisation of the payment of any money, or any offer, gift, promise to give or authorisation of the giving of anything of value, directly or indirectly, to or for the use or benefit of any official or employee of the Government or to or for the use or benefit of any political party, official, or candidate unless such offer, payment, gift, promise or authorisation is authorised by the written laws or regulations of Cameroon. Each of the Parties further warrants that neither it nor its affiliates has made or will make any such offer, payment, gift or promise or authorisation to or for the use or benefit of any other person if the Party knows, has a firm belief, or is aware that there is a high probability that the other person would use such offer, payment, gift, promise or authorisation for any of the purposes described in the preceding sentence. The foregoing warranties do not apply to any facilitating or expediting payment to secure the performance of routine government action. Routine government action, for purposes of this Clause 19.1, shall not include, among other things, government action regarding the terms, award or continuation of the Contract. Each Party shall respond promptly, and in reasonable detail, to any notice from any other Party or its auditors pertaining to the above stated warranty and representation and shall furnish’documentary support for such response upon request from such other Party.

19.2 **Conflicts of Interest**

(a) Operator undertakes that it shall avoid any conflict of interest between its own interests (including the interests of Affiliates) and the interests of the other Parties in dealing with suppliers, customers and all other organisations or individuals doing or seeking to do business with the Parties in connection with activities contemplated under this Agreement.

(b) The provisions of the preceding paragraph shall not apply to:

(i) Operator's performance which is in accordance with the local preference laws or policies of the State; or

(ii) Operator's acquisition of products or services from an Affiliate, or the sale thereof to an Affiliate, made in accordance with the terms of this Agreement.

19.3 **Public Announcements**

(a) Operator shall be responsible for the preparation and release of all public announcements and statements regarding this Agreement or the Joint Operations; provided that, no public announcement or statement shall be issued or made unless prior to its release all the Parties have been furnished with a copy of such statement or announcement and the approval of at least two non-affiliated Parties holding fifty percent (50%) or more, of the Participating Interests has been obtained. Where a public announcement or statement becomes necessary or desirable because of danger to or loss of life, damage to property or pollution as a result of activities arising under this Agreement, Operator is authorised to issue and make such announcement or statement without prior approval of the Parties, but shall promptly furnish all the Parties with a copy of such announcement or statement.

(b) If a Party wishes to issue or make any public announcement or statement regarding this Agreement or the Joint Operations, it shall not do so unless prior to its release, such Party furnishes all the Parties with a copy of such announcement or statement, and obtains the approval of at least two (2) Parties, which are non Affiliates, holding fifty percent (50%) or more of the Participating interests; provided that, notwithstanding any failure to obtain such approval, no Party shall be prohibited from issuing or making any such public announcement or statement if it is necessary to do so in order to comply with the applicable laws, rules or regulations of any State, legal proceedings or stock exchange having jurisdiction over such Party or its Affiliates as set forth in Clauses 15,1(a)(iii) and (vii).

19.4 **Successors and Assigns**

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

19.5 **Waiver**

No waiver by any Party of any one or more defaults by another Party in the performance of this Agreement shall operate or be construed as a waiver of any future default or defaults by the same Party, whether of a like or of a different character. Except as expressly provided in this Agreement no Party shall be deemed

to have waived, released or modified any of its rights under this Agreement unless such Party has expressly stated, in writing, that it does waive, release or modify such right.

19.6 **Severance of Invalid Provisions**

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

19.7 **Modifications**

Except as is provided in Clauses 11.2(b) and 19.6, there shall be no modification of this Agreement except by written consent of all Parties.

19.8 **Headings**

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

19.9 **Singular and Plural**

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

19.10 **Gender**

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

19.11 **Counterpart Execution**

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

19.12 **Entirety**

This Agreement is the entire agreement of the Parties with respect to the subject matter contained herein and supersedes all prior understandings and negotiations of the Parties.

19.13 **Controlling Text**

This Agreement is executed in both French and English. In the event of conflict between the two versions, the English shall be the controlling text.

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

For and on behalf of
PERENCO OIL AND GAS (CAMEROON) LTD
by:

[SEAL]
/s/ G. Martin
Name : G. MARTIN

Date: 7/03/2008

For and on behalf of
KOSMOS ENERGY CAMEROON HC
by:

/s/ William Hayes
Name : WILLIAM HAYES

Date : 21/III/08

For and on behalf of
SOCIETE NATIONALE DES HYDROCARBURES
by:

Name :

Date :

Exhibit 10.14

PETROLEUM AGREEMENT
REGARDING

THE EXPLORATION FOR AND EXPLOITATION OF
HYDROCARBONS

BETWEEN

OFFICE NATIONAL DES HYDROCARBURES ET DES MINES
"ONHYM"

ACTING ON BEHALF OF THE STATE
AND

KOSMOS ENERGY OFFSHORE MOROCCO HC
"KOSMOS"

IN THE AREA OF INTEREST NAMED
BOUJDOUR OFFSHORE

THIS PETROLEUM AGREEMENT IS CONCLUDED

BETWEEN

The OFFICE NATIONAL DES HYDROCARURES ET DES MINES, a public Moroccan public entity instituted by law n°33-01, promulgated by dahir n° 1-03-203 on the date of 16 Ramadan 1424 (11 November 2003) and implemented by decree n°2-04-372 on the date of the 16 Kaada 1425 (29 December 2004), whose headquarters are at 5, Avenue Moulay Hassan — BP 99, Rabat, Morocco, hereinafter referred to as " **ONHYM**", acting on behalf of the Kingdom of Morocco, hereinafter called "the **STATE**", herein represented by its General Director, **Amina BENKHADRA**;

AND

KOSMOS ENERGY OFFSHORE MOROCCO HC, a company incorporated under the laws of the Cayman Islands, whose registered office is at Appleby Corporate Services (Cayman) Limited, P. O. Box 1350GT, Clifton House, Fort Street, George Town, Gurand Cayman, Cayman Islands, hereinafter referred to as "**KOSMOS**", herein represented by its President, **Mr. James MUSSELMAN**;

KOSMOS and ONHYM are hereinafter collectively referred to as the "Parties" or individually as a "Party".

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- PREAMBLE -

Whereas, the law n° 21-90 enacted by the dahir n° 1-191-118 of 27 Ramadan 1412 (1 April 1992) as modified and supplemented by law n° 27-99 enacted by the dahir n° 1-99-340 of 9 Kaada 1420 (15 February 2000), hereinafter referred to as the "Hydrocarbon Law" regulates the exploration for and the exploitation of hydrocarbon deposits in Morocco, implemented by the decree n° 2-93-786 of 18 Joumada I 1414 (3 November 1993) as modified and supplemented by decree n° 2-99-210 of 9 Hija 1420 (16 March 2000) hereinafter referred to as the "Decree", the Hydrocarbon Law and the Decree are hereinafter referred to as the "Hydrocarbon Code";

Whereas, section 5 of the decree n°2-04-372 of 16 Kaada 1425 (29 December 2004) implementing the law n° 33-01 instituting the OFFICE NATIONAL DES HYDROCARBURES ET DES MINES "**ONHYM**", which empowers **ONHYM** to carry out on behalf of the State the functions listed in Section 71 of the Hydrocarbon Law;

Taking into account the shared desire of the Parties to carry out and perform the exploration for and the exploitation of hydrocarbon deposits in the Exploration Permits referred to as "Boujdour Offshore I", "Boujdour Offshore II", "Boujdour Offshore III", "Boujdour Offshore IV", "Boujdour Offshore V", "Boujdour Offshore VI", "Boujdour Offshore VII", "Boujdour OffshoreVIII ", "Boujdour Offshore IX", "Boujdour Offshore X", "Boujdour Offshore XI", "Boujdour Offshore XII", "Boujdour Offshore XIII", "Boujdour Offshore XIV", "Boujdour Offshore XV", "Boujdour Offshore XVI", "Boujdour Offshore XVII", "Boujdour Offshore XVIII", "Boujdour Offshore XIX", "Boujdour Offshore XX", "Boujdour Offshore XXI", "Boujdour Offshore XXII", and "Boujdour Offshore XXIII", constituting the Area of Interest as specified in Article 3 and in Appendix II of this Agreement.

NOW THE FOLLOWING HAS BEEN AGREED:

ARTICLE 1 - SCOPE OF THE PETROLEUM AGREEMENT

1.1 The purpose of this Agreement in which the Appendixes are incorporated is to set out the rights obligations of the parties within the Area of Interest comprised of the Exploration Permits and any Exploitation Concession(s).

1.2 Definitions of the words, terms and phrases used in this Agreement are set forth in Appendix I attached hereto.

ARTICLE 2 - TERM AND EXPIRY OF THE PETROLEUM AGREEMENT

2.1 This Agreement shall enter into effect in accordance with the provisions detailed in Article 25 of this Agreement and shall terminate in the following circumstances:

2.1.1 if there is no discovery of Hydrocarbons during the period of validity of the Exploration Permits to which this Agreement relates;

2.1.2 upon expiry of the period of validity of the last producing Exploitation Concession obtained pursuant to Article 5 of this Agreement or upon the total depletion of the Hydrocarbon deposit if this occurs prior to the expiry of such Exploitation Concession period;

2.1.3 if **KOSMOS** elects to abandon its total Participating Interest in the Exploration Permits and in the Exploitation Concession(s) in accordance with the provisions of Article 3.6 of this Agreement;

2.1.4 upon the termination of all of the Exploration Permits and/or all the Exploitation Concession(s) in accordance with the Hydrocarbon Code.

ARTICLE 3 - EXPLORATION PERMITS

3.1

3.1.1 In accordance with the Hydrocarbon Code, **ONHYM** and **KOSMOS** have jointly filed with the appropriate department of the Ministry in charge of Energy the applications for the following Exploration Permits referred to as "Boujdour Offshore I" "Boujdour Offshore II" "Boujdour Offshore III" "Boujdour Offshore IV" "Boujdour Offshore V" "Boujdour Offshore VI" "Boujdour Offshore VII" "Boujdour Offshore VIII" "Boujdour Offshore IX" "Boujdour Offshore X" "Boujdour Offshore XI" "Boujdour Offshore XII" "Boujdour Offshore XIII" "Boujdour Offshore XIV" "Boujdour Offshore XV" "Boujdour Offshore XVI" "Boujdour Offshore XVII" "Boujdour Offshore XVIII" "Boujdour Offshore XIX" "Boujdour Offshore XX" "Boujdour Offshore XXI" "Boujdour Offshore XXII", and "Boujdour Offshore XXIII", which together comprise the Area of Interest.

3.1.2 In accordance with the second paragraph of section 4 of the Hydrocarbon Law, the Participating Interests of the Parties in the Exploration Permits which will be granted to them by the Minister in charge of Energy are:

ONHYM	25.00%
KOSMOS	75.00%

3.2 The Exploration Permits concern an initial approximate area of 43 988 km ^{2} as delineated by their Lambert co-ordinates as detailed in Appendix II attached hereto.

3.3 The Exploration Permits shall have an overall duration of eight (8) years comprising an Initial Period of eighteen (18) months followed by two (2) successive Extension Periods of three (3) years, and three years and six months(3 years and 6 months) , except if the Parties apply for the exceptional extension pursuant to section 24 of the Hydrocarbon Law.

3.4 If during the last six (6) months of the First Extension Period or the first phase of the Second Extension Period of the Exploration Permits, **KOSMOS** justifies the necessity to extend the duration of the above mentioned period or phase, in order to complete the Minimum Exploration Work Program which has already been commenced, then no later than two (2) months prior to the expiry of the First Extension Period or first phase of the Second Extension Period, **KOSMOS** shall notify **ONHYM** of its request for an extension, which shall not be for a period of more than twelve (12) months and provided that the total duration of the Exploration Permits shall not exceed eight (8) years.

3.5 Applications for continuance of the Exploration Permits as well as for the reduction in surface area shall be made in accordance with sections 22 and 24 of the Hydrocarbon Law and sections 10, 14, 15 and 16 of the Decree.

3.6 The partial or total abandonment of the Exploration Permits as well as the partial or total transfer of **KOSMOS'** Participating Interest shall be effected in accordance with the Hydrocarbon Code and Article 22 of this Agreement.

3.7 The Parties agree that in the event that a Natural Gas Discovery is made during the validity period, but the commerciality of such discovery cannot be declared due to the non-conclusion of one or more sales contract(s) of this Natural Gas, the Parties shall file at the end of the validity period with the appropriate department of the Ministry in charge of Energy applications for one or more exploration permits covering the area(s) where the discovery(ies) is located. The exploration permit application(s) shall set out the minimum exploration work program which shall consist of evaluation and feasibility study(ies) of the said Natural Gas discovery(ies). The Parties, in accordance with Article 4 of the Hydrocarbon Law, shall sign a Petroleum Agreement in respect of the said exploration permit or exploration permits the provisions of which, with the exception of the minimum exploration work program, shall be in accordance with this Petroleum Agreement.

ARTICLE 4 - EXPLORATION WORKS

4.1 DEFINITION OF THE EXPLORATION WORKS

4.1.1 Exploration Works shall mean all exploration and appraisal operations which seek to establish the existence of Hydrocarbons in commercially exploitable quantities, conducted in, or related to the Area of Interest in the context of both the Exploration Permits and the Exploitation Concession(s), whether these operations are carried out inside or outside of Morocco.

4.1.2 Exploration Works include but are not limited to the following:

i) hydrographic, geodesic, meteorological and topographic studies and surveys, (if these operations are necessary for the Exploration Works) and, in the case of appraisal works, operations to determine the limits and the productive capacity of a Hydrocarbon deposit in order to assist in making a decision whether or not to develop such Hydrocarbon deposit;

ii) geological and geophysical studies and surveys;

iii) studies and surveys aimed at determining the locations of exploration and appraisal wells. However, a well drilled to determine the extent of a deposit in order to give a more accurate definition of the aforesaid deposit's boundary, in the context of a deposit development program, or any seismic carried out in order to determine a development well location, performed following the grant of an Exploitation Concession resulting from the Area of Interest shall not be classified as part of the Exploration Works;

iv) drilling operations regarding exploration and appraisal wells;

v) tests and studies for the appraisal of reservoirs.

4.2 During the term of validity of the Exploration Permits **KOSMOS** undertakes to perform at the least the following Minimum Exploration Work Program and, subject to the conditions and the schedule detailed below, to devote sufficient funding thereto in accordance with the conditions and the schedule set out below:

4.2.1 **KOSMOS** undertakes during the Initial Period of eighteen (18) months from the Effective Date to acquire 15 230 km of seismic spec at an estimated cost of $.US 1.500.000, perform geological and geophysical works at an estimated cost of $.US 500.000 and to organize a roadshow in order to farmout at least fifty percent (50%) of its Participating Interest in the Exploration Permits. The Total Minimum Expenditure Obligation is two million US. Dollars ($.US 2,000,000).

4.2.2 If **KOSMOS** elects pursuant to section 15 of the Decree, to enter into the First Extension Period of three (3) years duration, **KOSMOS** shall during such period drill one (1) Exploration Well within the Area of Interest as the Minimum Exploration Work Program. The corresponding Minimum Expenditure Obligation is twelve million U.S. Dollars ($U.S.12,000,000).

4.2.3 If **KOSMOS** elects, pursuant to section 15 of the Decree, to enter into the Second Extension Period of three years and six months duration divided n two phases of two (2) years duration and eighteen months duration respectively ,

(a) **KOSMOS** shall during the fist phase of two years duration to drill one (1) Exploration Well or Appraisal Well within the Area of Interest as the Minimum Exploration Work Program. The corresponding Minimum Expenditure Obligation is twelve million U.S. Dollars ($ U.S. 12,000,000).

(b) If **KOSMOS** elects to enter into the second phase of eighteen (18) months duration , **KOSMOS** undertakes during such phase to drill one (1) Exploration Well or Appraisal Well within the Area of Interest, as the Minimum Exploration Work Program. The corresponding Minimum Expenditure Obligation is twelve million U.S. Dollars ($ U.S. 12,000,000).

4.2.4 The Parties agree that all expenses incurred in the performance of Exploration Works shall be borne entirely by **KOSMOS** with no reimbursement by **ONHYM.** All such expenses shall be considered as costs of exploration incurred by **KOSMOS**, as detailed in sections 47 and 48 of the Hydrocarbon Law.

4.2.5 All Exploration Works performed and expenses incurred by **KOSMOS** in respect thereto after the Effective Date of this Agreement shall be taken into account, in their entirety, in the evaluation of the fulfilment of the Minimum Exploration Work Program and the Minimum Expenditure Obligation. Performance of the Minimum Exploration Work Program shall be deemed to constitute the fulfilment of the Minimum Expenditure Obligation.

Furthermore, if and insofar as any Exploration Work in the Minimum Exploration Work Program detailed in Articles 4.2.2 and 4.2.3 above has already been carried out by **KOSMOS** prior to the commencement of any of the Extension Periods, such Exploration Work may be credited for the purposes of Articles 4.2.2 and 4.2.3 above.

If and insofar as **KOSMOS** has already carried out the Exploration Work as set out in Articles 4.2.2 and 4.2.3 above prior to the commencement of any of the Extension Periods and if **KOSMOS** decides to enter into the following Extension Period, **KOSMOS** and **ONHYM** will file an application for the First, and or Second Extension Period together with a copy of the minimum exploration work program which will be comprised of the geological and geophysical works to be conducted within the Area of Interest.

In addition, agreed Exploration Works carried out prior to the Effective Date of the Exploration Permits will be credited towards the Minimum Exploration Work Program and the Minimum Expenditure Obligation.

4.2.6 **KOSMOS** shall provide to **ONHYM** a bank guarantee acceptable to **ONHYM** and provided by a Moroccan bank or a

foreign bank that has an agency in Morocco (the "Guarantee"). This Guarantee will be irrevocable after the date of its entry into force. The value of the Guarantee will be equal to fifty percent (50%) of the Minimum Expenditure Obligation.

Furthermore, as soon as **KOSMOS** informs **ONHYM** of its decision to carry out the Exploration Works for a period set out in Articles 4.2.2 and 4.2.3 above, **KOSMOS** will provide **ONHYM** with an irrevocable bank guarantee in the same terms as set out in Article 4.2.6 above, and in accordance with the provisions of the Association Contract.

The Parties agree that the amount of the Guarantee put in place will be reduced upon fulfilment of the Minimum Exploration Work Program for the then current period, to a residual value of five hundred thousand US dollars (US$ 500,000).

Notification of the release of Guarantee in respect of the residual amount shall be provided by **ONHYM** to the bank, once **KOSMOS** has provided to **ONHYM** all data and documentation relating to the Exploration Works carried out within the Area of Interest.

4.2.7 If **KOSMOS** has not completed the Minimum Exploration Work Program within the period for which it had undertaken to perform such works except in the case of delays due to a Force Majeure event, it will pay an amount equal to the Minimum Expenditure Obligation, for the relevant period, less the actual amount of the Exploration Works expenses already incurred or committed to by **KOSMOS**, in respect of that part of the Minimum Exploration Work Program which it has performed and, upon payment thereof, **KOSMOS** shall be deemed to have satisfied its obligations in respect of the Minimum Exploration Work Program. In the event that **KOSMOS** has already expended an amount greater than the obligations in respect of the Minimum Expenditure Obligation, **KOSMOS** shall be deemed to have satisfied its Minimum Exploration Work Program. **ONHYM** shall have the right to audit the costs relating to Exploration Works incurred during

the Initial Period and any Extension Periods, in accordance with the procedures set out in the Association Contract.

4.3 The income from the Hydrocarbons produced by **KOSMOS** during Testing, as defined in the Association Contract, performed prior to the application for the relevant Exploitation Concession being filed by the Parties, shall, following recovery by **KOSMOS** of the costs incurred in the performance of the Operations relating to such Testing, be shared by the Parties pro rata to their respective Participating Interests as defined in Article 5.2 below.

ARTICLE 5 - HYDROCARBON EXPLOITATION

5.1 In accordance with the provisions of section 27 of the Hydrocarbon Law, the discovery of a commercially exploitable Hydrocarbon deposit shall give **ONHYM** and **KOSMOS** the right to obtain, at their request, an Exploitation Concession covering all of the area of said deposit. The maximum term of the Exploitation Concession shall be for twenty-five (25) years. However, one single exceptional extension, not to exceed ten (10) years, may be granted upon application by **ONHYM** and/or **KOSMOS**, as the case may be if a reasonable and cost-effective exploitation of the deposit is so justified in the opinion of the Parties electing to extend.

5.2 At the Effective Date, the indivisible Participating Interests of the Parties in any Exploitation Concession shall be as follows:

ONHYM	**25.00%**
KOSMOS	**75.00%**

5.3 In the event that a Party elects not to apply for an Exploitation Concession, the sole risk procedures provided under Article 7 of the Association Contract shall apply.

5.4 Expenses incurred after the effective date of the Exploitation Concession for the Development and Exploitation Works shall be funded by the Parties in proportion to their respective Participating Interests as fixed in Article 5.2 above.

5.5 In the event that a discovery is declared a commercial discovery, as defined in section 28 of the Hydrocarbon Law, all costs relating to the preparation of the Development Plan shall be considered as forming part of the Development and Exploitation Works and shall be funded by the Parties in proportion to their respective Participating Interests as fixed in Article 5.2 above.

5.6 **ONHYM** and **KOSMOS** each being the sole owner at the Crude Oil Delivery Point of their respective Participating Interest share in the Crude Oil produced from each Exploitation Concession, shall each have the right to lift, use, freely market and export their share of the Available Crude Oil, subject to the terms of Articles 5.6 and 5.7 below.

5.6.1 Not later than 90 days before commencement of production from the Exploitation Concession, the Parties shall sign an agreement (the "Lifting Agreement") the terms of which shall govern and facilitate the separate lifting of Crude Oil by the Parties. The Lifting Agreement shall detail, inter alia, terms relating to each Party's share in the Crude Oil, the timetable for lifting nominations by the Parties, under/overlift provisions, cargo procedures, vessel acceptance procedures and failure to lift provisions.

5.6.2 Pursuant to section 41 of the Hydrocarbon Law, **KOSMOS** shall contribute to the needs of the domestic market under the conditions set out in Article 5.6.3 below.

If the State so decides, then **ONHYM** shall have the right to purchase, at the Crude Oil Delivery Point, a proportion of the quantity of Crude Oil to which **KOSMOS** is entitled. Subject to Article 5.6.3, **ONHYM** shall give **KOSMOS** not less than six (6) calendar months written notice, stating the quantity of Crude Oil it intends to lift.

5.6.3 The amount of Crude Oil that **KOSMOS** shall be required to offer to the domestic market shall be either twenty percent (20%) of the Crude Oil to which **KOSMOS** is entitled or the proportion of the domestic market deficit that **KOSMOS's** share of the Crude Oil production under this Agreement bears to the aggregate production of Crude Oil from all the Petroleum Agreements in Morocco, whichever is the smaller. The domestic market deficit will take into account **ONHYM's** share of production.

5.6.4 The price to be paid to **KOSMOS** for such sales of Crude Oil under Articles 5.6.2 and 5.6.3 shall be the Market Price, which shall be paid in accordance with the provisions of a agreement to be executed relating to the sale of Crude Oil. Such provisions will be in accordance with those normally found in Crude Oil sales agreements for FOB transactions on normal international trade terms.

5.6.5 Failure by **ONHYM** to make payment in accordance with the terms of the Crude Oil sales agreement shall, in addition to the default provisions of the Crude Oil sales agreement, result in the suspension of deliveries by **KOSMOS** to **ONHYM**, under Article 5.6.2 until such time as all outstanding payments for Crude Oil sales have been settled in accordance with the terms of the Crude Oil sales agreement.

5.7 If Natural Gas (either associated or non-associated) is discovered in potentially commercial quantities, then **KOSMOS** and **ONHYM** shall study the domestic and foreign markets for such gas.

ARTICLE 6 - MARKET PRICE

6.1 The Parties accept that the Market Price used to calculate the in cash royalty that is payable under Article 11 and the corporate tax will be calculated under section 46 of the Hydrocarbon Law.

6.2 The Market Price for Crude Oil provided in Article 6.1 above shall be a fair market price which would be achieved by **KOSMOS** at the Crude Oil Delivery Point for FOB sales on normal international market terms, in a freely convertible currency, not involving barter or other payments, for a cargo of Crude Oil from the Exploitation Concession for the relevant loading date range in question, taking into account sales of Crude Oil from the Exploitation Concession and sales of similar grades of crude oil, due allowance being made for quality, location and date range and taking into account all relevant factors.

6.3 If the **STATE** and **KOSMOS** fail to agree on Market Price for any Crude Oil for any calendar month by at least fifteen (15) days after the end of that calendar month, either the **STATE** or **KOSMOS** may, providing notice has been provided to the other Party, promptly submit the matter to a single arbitrator designated by the International Chamber of Commerce (I.C.C.) to determine the price per Barrel which, in the arbitrator's opinion, best represents for the pertinent calendar month the Market Price of that Crude Oil. The arbitrator's decision shall be issued within thirty (30) days from the date of his appointment and shall be final and binding on the Parties.

6.4 The Market Price for Natural Gas shall be the actual price obtained by the Parties pursuant to a long term Natural Gas sale agreement.

ARTICLE 7 - APPLICABLE LAW

7.1 Exploration Works and Development and Exploitation Works in the Area of Interest shall be performed in accordance with the provisions of this Agreement until its expiry and in accordance with the Hydrocarbon Code, and the laws and regulations of Morocco which are in effect at the date of its signing.

7.2 This Agreement shall be governed and interpreted in accordance with Moroccan laws. Without prejudice to the foregoing, the principles and customs of the international petroleum industry shall, when circumstances require, be applied in the interpretation of this Agreement.

ARTICLE 8 - CONTROL AND ASSISTANCE

8.1 The Parties are subject to the provisions concerning the control by the administrative authorities of their activities relating to Exploration Works and to Development and Exploitation Works, as set out in the Hydrocarbon Code.

8.2 **ONHYM** shall provide the appropriate assistance to the Operator to enable it to obtain any necessary authorisations and approvals required for the performance of Exploration Works under the Exploration Permits.

8.3 **ONHYM** shall give all necessary assistance to KOSMOS for the application for an Exploitation Concession, to obtain any authorisations or approvals required for the construction of facilities and pipelines to exploit the Hydrocarbon discovery within the Exploitation Concession, as well as those required for the construction of such facilities necessary for Development Works located outside the boundaries of the Exploitation Concession but within the jurisdiction of Morocco.

ARTICLE 9 - PROFESSIONAL TRAINING

9.1 **KOSMOS** shall contribute to the training of **ONHYM**'S staff and technicians an amount of one hundred fifty thousand US dollars (US $150,000) for each twelve (12) month period during the term of the Exploration Permits and the term of the first Exploitation Concession deriving from the Exploration Permits. **KOSMOS** shall contribute a further thirty thousand US dollars (US $30,000) for each twelve (12) month period for each additional Exploitation Concession up to a maximum aggregate amount of two hundred and fifty thousand dollars (US $250,000).

9.2 The training programs and any associated costs shall be established by agreement between **ONHYM** and **KOSMOS**.

9.3 All training expenses incurred by **KOSMOS** during the term of the Exploration Permits and the Exploitation Concession(s) held jointly with **ONHYM** in the context of this Agreement shall be considered as exploration or exploitation costs, as the case may be, in the Area of Interest, for the purposes of section 47 of the Hydrocarbon Law.

ARTICLE 10 - HEALTH AND SAFETY AND THE ENVIRONMENT

10.1 The Parties shall conduct all of the Exploration Works and the Development and Exploitation Works according to the rules of health and safety and the protection of the environment, in accordance with section 38 of the Hydrocarbon Law and sections 32 and 33 of the Decree.

10.2 Except for any possible damage which may have been caused by operations exclusively conducted by **KOSMOS** during the terms of a reconnaissance licence, **ONHYM** shall guarantee and hold harmless **KOSMOS** from and against all claims for loss or damage arising as a consequence of the operations conducted within the Area of Interest prior to the Effective Date of this Agreement

ARTICLE 11 – ANNUAL ROYALTY

11.1 Annual royalty rate

Each of the Parties shall pay to the State an annual royalty on the value of its Participating Interest in the Net Share of Hydrocarbons Production according to the following basis:

CRUDE OIL

- For Crude Oil from an Exploitation Concession with a water depth less than or equal to 200 metres:

  the production of the first 300,000 tons originating from each Exploitation Concession is exempted from the royalty payment;

  production above the first 300,000 tons originating from each Exploitation Concession is subject to an annual royalty charge of 10%.

- For Crude Oil from an Exploitation Concession with a water depth greater than 200 meters:

  the production of the first 500,000 tons originating from each Exploitation Concession is exempted from the royalty payment;

  production above the first 500,000 tons originating from each Exploitation Concession is subject to an annual royalty charge of 7%.

NATURAL GAS

- For Natural Gas from an Exploitation Concession with a water depth less than or equal to 200 metres:

  the production of the first 300 million m(3) originating from each Exploitation Concession is exempted from the royalty payment;

production above the first 300 millions m^3 originating from each Exploitation Concession is subject to an annual royalty charge of 5%.

- For Natural Gas from an Exploitation Concession with a water depth greater than 200 metres:

  the production of the first 500 million m^3 originating from each Exploitation Concession is exempted from the royalty payment;

  production above the first 500 million m^3 originating from each Exploitation Concession the rate is subject to an annual royalty charge of 3.5%.

11.2 Methods of payment of the annual royalty

The **STATE** reserves the right to be paid in kind or in cash. Any decision by the **STATE** to modify its choice of payment method must be communicated to each of the Parties in writing at least six (6) calendar months prior to the effective date of such a change.

11.2.1 The Crude Oil and/or Natural Gas prices which shall be used to determine the amount of the advances of the annual royalty as specified in Article 11.2.2 below, if payable in cash, shall be based on the Market Price applicable during the calendar month to which such advances relate as defined in Article 6 herein.

11.2.2 If the **STATE** elects to be paid in cash, then on or before 31 July and 31 January of each calendar year, each of the Parties shall pay the **STATE** advances on the annual royalty for that amount of Net Hydrocarbon Production produced during the immediately preceding semesters ending 30 June and 31 December of the calendar year in question, provided that Hydrocarbons were produced in the Exploitation Concession during the applicable semester. The amount of the semestrial advance shall be estimated by each of the Parties on the basis of the production and by using the Market Price referred to in Article 11.2.1 of this Agreement.

11.2.3 Within 90 days following the end of each calendar year, each of the Parties shall submit to the **STATE** the final annual royalty declaration and shall then settle the difference between the actual amounts due and the sum of the estimated semestrial payments made for the calendar year in question. If the sum of the estimated semestrial payments is greater than the final amount due, the difference shall be deferred as a credit against the annual royalty for the next calendar year

ARTICLE 12 – CORPORATE TAX

12.1 In accordance with sections 42, 45, 46, 47, 48 and 49 of the Hydrocarbon Law, each of the Parties shall calculate and pay to the **STATE**, without prejudice to the provisions of Article 12.2, corporate tax in accordance with the provisions of Law No. 24-86, as amended and supplemented. Each of the Parties shall be solely liable for the declaration and the payment of corporate tax owed by it, such liability being several.

12.2 Each of the Parties shall benefit from total exemption from corporate tax for a consecutive ten (10)-year period for each Exploitation Concession starting from the date of commencement of regular production from each such Exploitation Concession.

12.3 For the purposes of section 47 (B) of the Hydrocarbon Law, the term to be fixed by this Petroleum Agreement over which capital expenditure may be deducted for tax purposes is, at the option of the Parties, and for any particular tax year between two (2) and ten (10) years. Amortisation may be postponed at the option of each Party until the first day of the month in which the assets are used, in accordance with section 7 of law No. 24-86.

ARTICLE 13 – OTHER TAX PROVISIONS

13.1 When applicable, in accordance with the provisions of sections 53, 59, 60, and 62 of the Hydrocarbon Law, each of the Parties shall benefit from the measures concerning duty on capital contributions, from the tax on income from shares, capital rights and similar revenues, from business activity tax *(impots des patentes),* from urban tax and from non-developed urban areas tax.

13.2 In accordance with the provisions of section 61 of the Hydrocarbon Law, each of the Parties, their contractors and subcontractors shall benefit from the exemption from value added tax on goods and services purchased on the domestic market or imported from abroad.

13.3 **KOSMOS** shall pay to the **STATE**, institution fees *(droits d'institution)* and fees for the extension of the Exploration Permits in accordance with the rates and procedures provided by the Hydrocarbon Code.

13.4 Each of the Parties in proportion to its Participating Interest in any Exploitation Concessions, shall pay an annual surface rental at a rate of one thousand Dirhams (1,000 DH) per square kilometre on each of the Exploitation Concessions.

ARTICLE 14 – CUSTOMS AND EXCHANGE CONTROL

14.1 Each of the Parties, its contractors and subcontractors shall benefit from the custom regime specified in chapter VII of the Hydrocarbon Law.

14.2 Each of the Parties shall benefit from the exchange control regime specified in chapter VII of the Hydrocarbon Law

ARTICLE 15 – BONUSES

15.1 **KOSMOS** undertakes to pay the **STATE**, for each discovery declared a Commercial Discovery by the Parties pursuant to Article 5.8.4 of the Association Contract, a discovery bonus of an amount of one million United States Dollars (US$ 1,000,000) in accordance with the following terms:

- five hundred thousand United States Dollars (US$ 500,000) is to be paid within thirty (30) days of the declaration of a Commercial Discovery; and
- the remaining amount of five hundred thousand United States Dollars (US$ 500,000) is to be paid:
  - for a Commercial Discovery of Crude Oil, within thirty (30) days of the conclusion of the first sale contract of production from such Commercial Discovery;
  - for a Commercial Discovery of Natural Gas, within thirty (30) days of the first delivery to the purchaser of production from such Commercial Discovery.

15.2 In addition, **KOSMOS** shall pay the **STATE** the corresponding bonuses payable within thirty (30) days of the end of the month in which the following cumulative levels of its share of production from all Exploitation Concessions are first reached and maintained for thirty (30) consecutive days:

Fifty thousand (50,000) BOE per day: a payment of one million United States Dollars (US$ 1,000,000);

One hundred thousand (100,000) BOE per day: a payment of two million United States Dollars (US$ 2,000,000);

Two hundred thousand (200,000) BOE per day: a payment of three million United States Dollars (US$ 3,000,000).

Three hundred thousand (300,000) BOE per day: a payment of four million United States Dollars (US$ 4,000,000).

For the purposes of this Article 15, the quantities of Hydrocarbons used within the perimeter of the Exploitation Concession for the purposes of the direct or assisted exploitation of the deposit shall not be taken into consideration for the calculation of the above bonuses.

For the purposes of this Agreement, BOE, means 5800 standard cubic feet of Natural Gas per standard barrel at fifteen (15) degrees Celsius and one thousand and thirteen point two five (1013.25) mbar.

15.3 Any bonus paid in accordance with Articles 15.1 and 15.2 by **KOSMOS** when a Commercial Discovery has been declared and during the term of any Exploitation Concession held jointly with **ONHYM** under this Agreement shall be considered as exploration and/or exploitation costs deductible for the purposes of section 47 of the Hydrocarbon Law.

ARTICLE 16 – ASSOCIATION CONTRACT

16.1 Simultaneously with the signing of this Petroleum Agreement, the Parties as applicants for the Exploration Permits shall sign an Association Contract in order to:

16.1.1 set out the appropriate procedures to enable the Parties to jointly and successfully perform the Exploration Works and the Development and Exploitation Works relating to the Area of Interest as specified in this Petroleum Agreement;

16.1.2 set out the necessary procedures to secure the sound conduct of Joint Operations and Sole Risk Operations as the case may be, and to manage the relationships between the Parties;

16.1.3 define and set out the rights, benefits, obligations and liabilities of each Party in accordance with their Participating Interests under the Association Contract and as defined thereunder.

ARTICLE 17 – THE OPERATOR

17.1 The Operator shall be the Party designated as such in the Association Contract for the conduct of operations relating to the Exploration Permits and any Exploitation Concessions until such time as its operatorship terminates in accordance with the provisions specified in the Association Contract.

17.2 The description of the Operator's role, its status, rights and obligations shall be detailed in the Association Contract and governed thereunder.

ARTICLE 18 - CONFIDENTIALITY

18.1 Subject to the provisions of this Agreement, each of the Parties agrees that all information and data acquired or obtained by any Party in respect of Joint Operations shall be considered confidential and each of the Parties shall keep confidential and not disclose any information or data acquired or obtained in respect of Joint Operations during the term of the Agreement to any person or entity not a party to this Agreement, except:

i) to an Affiliate, provided such Affiliate maintains confidentiality as provided in this Article 18;

ii) to a governmental agency or other entity as required by this Agreement;

iii) to the extent that such information and data is required to be provided in accordance with any applicable laws or regulations, or pursuant to any legal proceedings or as a result of an order of any binding upon a Party;

iv) to any contractor, business, consultant or attorney whether prospective or actual, employed by any Party where disclosure of such information or data is essential to the performance of such contractor, business, consultant or attorney's work;

v) to a prospective bona fide transferee of a Party's Participating Interest (including an entity with whom a Party or its Affiliates are conducting bona fide negotiations directed toward a merger, consolidation or sale of a majority of its or an Affiliate's shares);

vi) to a bank or other financial institution to the extent necessary for a Party to arrange for funding;

vii) to the extent such data and information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over such Party, or its Affiliates;

viii) to its respective employees for the purposes of Joint Operations, subject to each Party taking usual precautions to ensure that such data and information remains confidential;

ix) any data or information which, through no fault of a Party, becomes a part of the public domain; and

x) any data or information which the Parties have agreed to release into the public domain.

Any disclosure as pursuant to Article 18.1 (i), (iv), (v), and (vi) shall not be made unless, prior to such disclosure, the disclosing Party has obtained a written undertaking from the recipient to keep the data and information strictly confidential for at least three (3) years after the termination of this Agreement.

18.2 **Continuing Obligations**

Any Party ceasing to be a Party to this Agreement shall nonetheless remain bound by the confidentiality obligations set out in Article 18.1 and any dispute shall be resolved in accordance with Article 20.

18.3 **Data trades**

Notwithstanding the foregoing provisions of this Article 18, **KOSMOS** may make data trades including in respect of data on the wells, for the benefit of the Parties, any data obtained in this way being provided to all Parties who participated in the cost of the data that was traded. **KOSMOS** shall ensure that any third party to such trade shall enter into an undertaking to keep the traded data confidential.

18.4 **Public Announcements**

If any Party wishes to issue or make any public announcement or statement regarding this Agreement and/or the Association Contract it is imperative that it shall not do so unless, prior thereto, it provides all the Parties with a copy of such announcement or statement and obtains the written approval of all Parties. The approval by **ONHYM** of such a public announcement or statement shall constitute approval by the **STATE.** Notwithstanding any failure to obtain such approval by all Parties, after three (3) business days from the date at which such announcement received by the Parties such Party may issue or make any such

Public announcement or statement if it is imperative to do so in order to comply with any applicable law, the regulations of a recognised stock exchange, the Securities Exchange Commission of the United States of America or any regulatory body governing such Party.

Any dispute which may arise as a result of any Party failing to comply with its confidentiality obligations regarding public announcements shall be resolved in accordance with Article 20.

ARTICLE 19 - FORCE MAJEURE

19.1 The non-performance by one of the Parties of any one of its obligations, with the exception of non-payment of any of the due amounts, shall be excused to the extent that any such non-performance results from a Force Majeure event. Force Majeure shall be interpreted as meaning any event which is normally beyond the control of the Party, because that Party is not in a position to either prevent it or overcome it by exercising reasonable diligence and by incurring reasonable expenses as measured by oil industry standards.

19.2 The Party that deems itself unable to fulfill its obligations by reason of Force Majeure event, shall advise the other Parties thereof in writing as soon as possible. The Parties shall consider what steps should be taken to ensure a return to a position in which the provisions of this Agreement can be carried out.

19.3 During any time period in which operations cannot be performed due to a Force Majeure event, the works set out in the Minimum Exploration Work Program or production activities, as the case may be, shall be postponed and will only recommence after the period of Force Majeure has ended.

19.4 Once the period of Force Majeure has ended, the validity period of the Exploration Permits and Exploitation Concessions will resume as if no Force Majeure event had occurred, provided however that the term of such validity period shall be extended by a period equal to the period of the Force Majeure.

ARTICLE 20 – ARBITRATION

20.1 If any dispute arises out of or in connection with this Agreement, the Parties shall use all reasonable endeavours to come to an amicable and equitable settlement. If such settlement cannot be reached, the Parties shall refer the matter to arbitration as defined below.

20.2 With the exception of disputes relating to the determination of the Market Price, which shall be settled in accordance with Article 6, all disputes, including the failure to restore an economic stability in accordance with Article 21, arising out of or in connection with this Agreement and which have not been amicably resolved as provided in Article 20.1, shall be definitively settled by arbitration before the International Centre for the Settlement of Investment Disputes (ICSID). If, for whatever reason, the dispute does not fall within the jurisdiction of ICSID, it shall then be submitted to arbitration under the Rules for Arbitration of the International Chamber of Commerce (ICC).

20.3 The arbitration tribunal shall be composed of three (3) arbitrators, one each to be appointed by **KOSMOS** and **ONHYM** respectively and a third arbitrator, who shall chair the arbitration tribunal, appointed by agreement between the first two arbitrators. If there is any difficulty in appointing an arbitrator, such arbitrator shall be appointed by the President of the Administrative Council of ICSID (or, if the arbitration is being conducted under the rules of ICC, by the President of the ICC Arbitration Court) on the application of any Party. The arbitration tribunal shall apply Moroccan law as in force on the date of this Agreement and generally accepted practice in the petroleum industry.

20.4 Any arbitration proceeding shall take place in Paris (France) and shall be conducted in the French language.

20.5 It is agreed that recourse to arbitration shall be made directly by one Party by a notice to ICSID (or ICC) copied to the other Parties and that there is no need for any administrative or judicial procedure. The Parties expressly agree that the arbitration judgement shall be final and binding and that it may be recognised or enforced by any court of competent jurisdiction, in accordance with Article 54 of the ICSID Convention or the ICC Rules, as the case may be.

20.6 The Parties hereby irrevocably and unequivocally undertake to comply with any award rendered by an arbitration tribunal constituted pursuant to this Agreement.

20.7 Each Party shall bear all costs and expenses incurred by it relating to the arbitration but the costs of the arbitration tribunal shall be borne by the Party against which a judgment is awarded.

ARTICLE 21 – ECONOMICS STABILITY OF KOSMOS

21.1 The terms and conditions of this Petroleum Agreement are agreed on the basis of the legislation and regulations in force at the Effective Date and it is on this basis that **KOSMOS** is making its investments in the Kingdom of Morocco. Furthermore, the rights of the Parties to this Agreement shall be preserved notwithstanding the status which may be granted to the southern provinces of the Kingdom of Morocco.

21.2 In the event that a change in the applicable law would affect the economic and financial conditions of KOSMOS with regard to this Agreement existing at the Effective Date, following written notice from the Operator, **ONHYM** shall, within ninety (90) days of the date when such change will take effect, make every effort to preserve or re-establish the economic and financial conditions which existed for **KOSMOS** at the Effective Date and shall, in particular, propose changes to this Agreement and/or negotiate in good faith the proposals which may be subsequently made in this context by **KOSMOS.** Any decision will take account of the effects of any changes since the date of application.

ARTICLE 22 - ASSIGNMENT AND TRANSFER OF RIGHTS AND OBLIGATIONS

22.1 Subject to Article 22.2, the Parties shall have the right to assign all or part of their Participating Interest in any Exploration Permit and/or any Exploitation Concession under this Petroleum Agreement in accordance with the Hydrocarbon Code. **KOSMOS** and **ONHYM** will collaborate in any farmout process undertaken by **KOSMOS. ONHYM** ill participate in the preparation of the roadshow material and will also be involved in the roadshow and in marketing meetings to prospective assigness. Furthermore, KOSMOS will obtain **ONHYM'S** approval of the prospective assignee before any assignment takes place.

22.2 During the term of the Exploration Permits, **ONHYM** will not assign its rights hereunder except for an assignment to **KOSMOS** or if the Moroccan state nominates another entity to hold such rights on the **STATE's** behalf. Any such entity shall be subject to a similar restriction on assignment of the rights it acquires hereunder.

22.3 In the event that there is an assignment between a Party and any of its Affiliates, then such assignment shall be carried out in accordance with the Hydrocarbon Code.

22.4 In the event that there is an assignment to a third party, such assignment shall require the prior approval of the Minister in charge of Energy in accordance with the Hydrocarbon Code.

ARTICLE 23 – NOTICES

All notices which must, or may, be given in accordance with the Hydrocarbon Code and this Agreement, shall be made in writing in English, and in French where such notice is required to be sent to the Minister in charge of Energy or any other ministerial department and shall be delivered in person or by registered post or by courier service or by any electronic means of transmitting written communications which provides confirmation of complete transmission, and shall be addressed to the Parties designated below. Oral communication shall not constitute a valid notice for the purposes of this Agreement. Initial notice given pursuant to any term of this Agreement shall be deemed delivered only when received by the Party to whom such initial notice is addressed, and the time for such Party to deliver any notice in response to such initial notice shall run from the date on which the initial notice is received. A second notice or a notice by way of response shall be deemed delivered when received. "Received" for the purposes of this Article and in respect of written notices delivered pursuant to this Agreement shall mean the actual delivery of the notice to the address of the Party to be notified, specified in accordance with this Article. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices be directed to another person at another address by giving written notice thereof to all other Parties.

These notices shall be addressed to:

To:	Minister in Charge of Energy
Attention:	Le Secretaire General
	B.P. 6208 – Rabat Institut
	Haut Agdal Rabat – MAROC
Fax:	(212) (37) 77 47 32

To:	The OFFICE NATIONAL DES HYDROCARURES ET DES MINES (**ONHYM**) 5, Avenue Moulay Hassan B.P. 99 Rabat MAROC
Attention:	Le Directeur General
Fax:	(212) (37) 28 16 34/26

To:	KOSMOS ENERGY OFFSHORE MOROCCO HC 8401 North Central Expressway; Suite 280 Dallas, Texas USA 75225
Attention:	Craig S. Glick
Fax:	+1-214-363-9024

For the purposes of this Agreement, if any Party changes its notification address as provided above, it shall advise all other Parties in writing within ten (10) days of such a change.

ARTICLE 24 — OTHER PROVISIONS

24.1 All administrative documents and correspondence, to be provided in accordance with the Hydrocarbon Code and this Agreement, shall be in the French language, whilst data and other technical documents may be provided in the French language or the English language.

24.2 If any of the Parties fails to enforce any of the provisions of this Agreement or to exercise its rights and privileges arising by virtue of the Hydrocarbon Code and/or of this Agreement, it may at any time require the enforcement of such provisions, rights and privileges.

24.3 The Parties' respective successors shall be bound by and benefit from this Agreement.

24.4 This Agreement has been drawn up in French and translated into English. It has been signed in these two versions. In the event of a dispute only the French version shall prevail.

24.5 No provision of this Agreement can be amended or modified except by mutual agreement in writing and signed by the Parties. These amendments or modifications shall be approved and shall be effective on the date of signature of a joint order issued by the Minister in charge of Energy and the Minister in charge of Finance, such approval not to be unreasonably withheld. **ONHYM** shall assist **KOSMOS** in procuring such approval.

24.6 The provisions of the Hydrocarbon Code relating to the Effective Date of this Agreement shall be applicable to all cases or situations not specified in this Petroleum Agreement relating to the exploration and exploitation of Hydrocarbons in the Area of Interest.

24.7 In the event of any conflict between the provisions of this Petroleum Agreement and the Hydrocarbon Code, the provisions of the Hydrocarbon Code shall prevail. In the event of conflict between the provisions of this Agreement and the Association Contract, the priovisions of this Agreement shall prevail.

24.8 Subject to agreement on the terms of a suitable work program, **ONHYM** undertakes to participate with **KOSMOS** in an application for the award of any exploration permit for any area adjacent to the Exploration Permits and not already the subject of an existing exploration permit.

24.9 **ONHYM** undertakes to participate in accordance with the provisions of section 30 of the Hydrocarbon Law with **KOSMOS** in an application for the award of any exploitation concession for any area adjacent to the Exploration Permits which is not already the subject of an existing exploitation concession or exploration permit.

ARTICILE 25 – EFFECTIVE DATE

25.1 As provided in section 34 of the Hydrocarbon Law and section 60 of the Decree, this Petroleum Agreement shall be approved by a joint order issued by the Minister in charge of Energy and the Minister in charge of Finance.

25.2 This Petroleum Agreement will enter into effect on the date ("Effective Date") of the signature of the aforesaid joint order and will remain effective until expiry in accordance with the provisions of Article 2 of this Agreement.

IN WITNESS WHEREOF, THIS AGREEMENT IS EXECUTED IN 5 ORIGINAL COPIES IN THE FRENCH LANGUAGE AND 3 COPIES OF TRANSLATIONS INTO THE ENGLISH LANGUAGE.

IN RABAT ON THIS DAY OF 03 MAR 2006

OFFICE NATIONAL DES HYDROCARURES ET DES MINES, ACTING ON BEHALF OF THE KINGDOM OF MOROCCO,

By /s/ Amina BENKHADRA

Name: Amina BENKHADRA

Title: DIRECTOR GENERAL

KOSMOS ENERGY OFFSHORE MOROCCO HC

By /s/ James MUSSELMAN

Name: James MUSSELMAN

Title: PRESIDENT

APPENDIX I – DEFINITIONS

APPENDIX I - DEFINITIONS

The following words, terms and phrases shall have the meaning attributed thereto below when used in this Petroleum Agreement:

a) "Affiliate" shall mean, with regard to any Party, any entity controlling or controlled by said Party, or any entity which controls or is controlled by another entity which controls that Party directly, It is understood that the concept of "control" shall mean ownership, by one entity of more than fifty percent (50%) :

1) of voting shares if the other entity is a company

or

2) control of managerial decisions, if the other entity is not a company. In the case of **ONHYM,** this definition shall include the **STATE** and any entity controlled by the **STATE;**

b) "Area of Interest" means the area of interest referred to as "Boujdour Offshore" and described in Appendix II attached to the Agreement and in Article 3.1.1;

c) "Association Contract" means the document referred to in Article 16.1 of the Agreement;

d) "Available Crude Oil" means for all Exploitation Concessions the Crude Oil produced inside the Area of Interest covered by each Exploitation Concession and not used for the needs of direct or assisted exploitation of the Hydrocarbon deposit and after deduction of the annual royalties paid in kind;

e) "Available Natural Gas" means for all Exploitation Concessions the Natural Gas produced inside the Area of Interest covered by each Exploitation Concession and not used for the needs of direct or assisted exploitation of the Hydrocarbon deposit and after deduction of the annual royalties paid in kind;

f) "Crude Oil" shall mean all Hydrocarbons that are in liquid form in their natural state, or obtained by the condensation or separation of Natural Gas and bitumen

g) "Crude Oil Delivery Point" shall be the delivery point of the Crude Oil at the outlet flange of the storage unit associated with the well operations (or such other delivery point as may be mutually agreed);

h) "Development and Exploitation Works" shall mean any activities relating to, and carried out in, any Exploitation Concession and, in particular, any Development Plan, geological and geophysical works, the drilling of development wells, including the drilling of delineation wells, the production of Hydrocarbons, the installation of collection pipes and the operations necessary for the maintenance of pressure and for primary or secondary recovery;

i) "Effective Date" as defined in Article 25 of this Agreement;

j) "Exploitation Concession" means any Exploitation Concession granted to **KOSMOS** and **ONHYM,** pursuant to the Hydrocarbon Code and this Agreement and which derives from the Exploration Permits;

k) "Exploration Works" shall mean all exploration and appraisal operations seeking to establish the existence of Hydrocarbons in commercially exploitable quantities;

l) "Exploration Permits" means the Exploration Permits granted to **KOSMOS** and **ONHYM** pursuant to the Hydrocarbon Code and this Agreement in the Area of Interest;

m) "Extension Periods" means the First Extension Period, and the Second Extension Period and collectively referred to in Articles 4.2.2 and 4.2.3 of this Agreement;

n) "First Extension Period" means the period referred to in Article 4.2.2 of this Agreement;

o) “Hydrocarbons” means natural Hydrocarbons whether liquid, gaseous or solid other than bituminous shale, and shall include Crude Oil and Natural Gas;

p) “Initial Period” means the eighteen (18) months period commencing on the effective date of the Exploration Permits;

q) “Market Price” has the meaning set out in Article 6 of this Agreement;

r) “Minimum Exploration Work Program” means the operations set out and described in Article 4.2 of this Agreement;

s) “Minimum Expenditure Obligation” means the amounts set out in Article 4.2 of this Agreement for the Initial Period, the First Extension Period and the Second Extension Period, respectively;

t) “Natural Gas” means all gaseous Hydrocarbons obtained from oil or gas wells together with gas is the residue of the process of separation of liquid Hydrocarbons;

u) “Natural Gas Delivery Point” shall mean the outlet flange of the subsea pipeline connecting the field facilities to the shore (or such other delivery point as may be mutually agreed);

v) “Operator” means the party designated as such in the Association Contract;

w) “Participating Interest” means in respect of the Exploration Permits, the interests of the Parties as set out in Article 3.1.2 of this Agreement and in respect of any Exploitation Concession, the interests of the Parties as set out in Article 5.2 of this Agreement;

x) “Petroleum Agreement” or the “Agreement” means the agreement to which this Appendix 1 is attached;

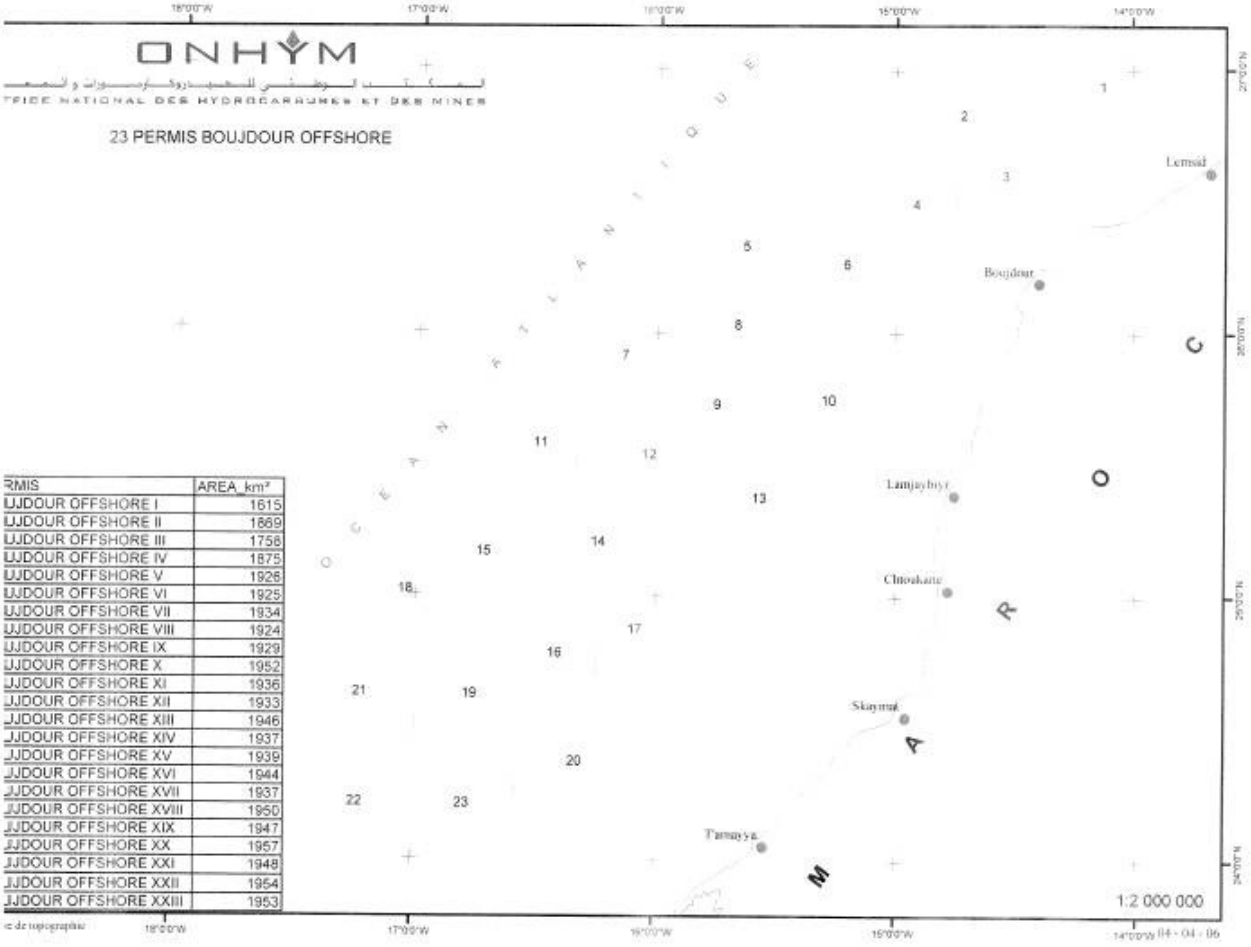
y) “Net Share of Hydrocarbon Production” means for all Exploitation Concessions, the Hydrocarbons produced inside the Area of Interest covered by each Exploitation Concession and not used for the purposes of direct or assisted exploitation of the Hydrocarbons;

z) “Second Extension Period” means the period referred to in Article 4.2.3 of this Agreement;

Any other capitalised terms used in this Agreement which are not otherwise defined herein, shall have the meanings attributed thereto in the Association Contract, the Hydrocarbon Code and the applicable regulations.

APPENDIX II

MAP AND DESCRIPTION OF THE AREA OF INTEREST



PERMIS	AREA_km²
BOUJDOUR OFFSHORE I	1615
BOUJDOUR OFFSHORE II	1869
BOUJDOUR OFFSHORE III	1758
BOUJDOUR OFFSHORE IV	1875
BOUJDOUR OFFSHORE V	1926
BOUJDOUR OFFSHORE VI	1925
BOUJDOUR OFFSHORE VII	1934
BOUJDOUR OFFSHORE VIII	1924
BOUJDOUR OFFSHORE IX	1929
BOUJDOUR OFFSHORE X	1952
BOUJDOUR OFFSHORE XI	1936
BOUJDOUR OFFSHORE XII	1933
BOUJDOUR OFFSHORE XIII	1946
BOUJDOUR OFFSHORE XIV	1937
BOUJDOUR OFFSHORE XV	1939
BOUJDOUR OFFSHORE XVI	1944
BOUJDOUR OFFSHORE XVII	1937
BOUJDOUR OFFSHORE XVIII	1950
BOUJDOUR OFFSHORE XIX	1947
BOUJDOUR OFFSHORE XX	1957
BOUJDOUR OFFSHORE XXI	1948
BOUJDOUR OFFSHORE XXII	1954
BOUJDOUR OFFSHORE XXIII	1953

Exhibit 10.15

ASSOCIATION CONTRACT
REGARDING THE EXPLORATION FOR AND THE EXPLOITATION OF
HYDROCARBONS IN THE AREA OF INTEREST NAMED
BOUJDOUR OFFSHORE

BETWEEN

OFFICE NATIONAL DES HYDROCARBURES ET DES MINES
"ONHYM"

AND

KOSMOS ENERGY OFFSHORE MOROCCO HC
"KOSMOS"

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ASSOCIATION CONTRACT

THIS ASSOCIATION CONTRACT ("Contract") is made this day of 03 MAI 2006 by and between:

1. The **OFFICE NATIONAL DES HYDROCARURES ET DES MINES,** a public Moroccan public entity instituted by law n°33-01, promulgated by the dahir n° 1-03-203 on the date of 16 Ramadan 1424 (11 November 2003) and implemented by decree n°2-04-372 on the date of 16 Kaada 1425 (29 December 2004), whose headquarters are at 5, Avenue Moulay Hassan - BP 99, Rabat, Morocco, hereinafter referred to as "**ONHYM**", represented by its General Director, Amina BENKHADRA; and

2. **KOSMOS ENERGY OFFSHORE MOROCCO HC**, a Cayman Island company incorporated under the laws of the Cayman Islands, whose registered office is at Appleby Corporate Services (Cayman) Limited, P.O. Box 1350GT, Clifton House, Fort Street, George Town, Grand Cayman, Cayman Islands, hereinafter referred to as "**KOSMOS**", herein represented by its President and Director Mr. James MUSSELMAN.

KOSMOS and **ONHYM** will be hereinafter individually referred to as "Party" and collectively referred to as "the Parties".

PREAMBLE

WITNESSETH:

WHEREAS, the law n° 21-90 enacted by the dahir n° 1-91-118 of 27 Ramadan 1412 (1 April, 1992) as modified and supplemented by law n° 27-99 enacted by the dahir n° 1-99-340 of 9 Kaada 1420 (15 February 2000), hereinafter referred to as the "Hydrocarbon Law", regulates the exploration for and the exploitation of hydrocarbon deposits in Morocco, implemented by the decree n° 2-93-786 of 18 Joumada I 1414 (3 November, 1993) as modified and supplemented by decree n° 2-99-210 of 9 Hija 1420 (16 March 2000) hereinafter referred to as the "Decree", the Hydrocarbon Law and the Decree are hereinafter referred to as the "Hydrocarbon Code";

WHEREAS, Section 5 of the decree n° 2-04-372 of 16 Kaada 1425 (29 December 2004) implementing the law n° 33-01 instituting the OFFICE NATIONAL DES HYDROCARBURES ET DES MINES, "**ONHYM**", which empowers **ONHYM** to carry out on behalf of the State, the functions listed in Section 71 of the Hydrocarbon Law;

WHEREAS, by and under the terms and provisions of the Petroleum Agreement signed between **ONHYM** and **KOSMOS** concerning the Area of Interest comprised of the Exploration Permits named Boujdour Offshore as described in Article 3.1.1 and Appendix II of the Petroleum Agreement, hereinafter called the "Petroleum Agreement", the Parties will be granted an exclusive right to conduct Petroleum Operations in the Area of Interest;

WHEREAS, **ONHYM** and **KOSMOS** desire to define their respective rights and obligations with respect to the operations under this Contract;

WHEREAS, **KOSMOS** has agreed to pay on behalf of **ONHYM** its twenty-five percent (25 %) Participating Interest share of costs as a carried interest on Exploration Works without reimbursement from **ONHYM**;

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

ARTICLE 1 - DEFINITIONS

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

1.1 "Accounting Procedure" means the rules, provisions and conditions set forth and contained in Exhibit A to this Contract;

1.2 "Advance" means each payment of cash required to be made pursuant to a Cash Call;

1.3 "AFE" means an authorisation for expenditure pursuant to Article 6.6;

1.4 "Affiliate" shall have the same meaning ascribed in the Petroleum Agreement;

1.5 "Agreed Interest Rate" means interest compounded on a monthly basis, at the rate per annum equal to the one (1) calendar month term, London Interbank Offered Rate (LIBOR rate) for U.S. dollar deposits, as published by the Financial Times of London, or if not published, then, as quoted by Citibank NA London, plus five (5) percentage points, applicable on the first Business Day prior to the due date of payment and thereafter on the first Business Day of each succeeding one (1) calendar month term. If the aforesaid rate is contrary to any applicable usury law, the rate of interest to be charged shall be the maximum rate permitted by such applicable law;

1.6 "Appraisal Well" means any well whose purpose at the time of commencement of drilling such well is the determination of the extent or the volume of Hydrocarbon reserves contained in an existing Discovery;

1.7 "Appraisal Programme" means a work programme following a Discovery of Hydrocarbons in the Area of Interest, to determine the extent or the volume of Hydrocarbon reserves therein. Such work programme may consist of works relating to the Minimum Exploration Work Programme;

1.8 "Area of Interest" means the area referred to as "Boujdour Offshore" and described in Appendix II attached to the Petroleum Agreement, as may be amended from time to time;

1.9 "Barrel" means a quantity consisting of one hundred fifty-nine thousandths of cubic meters (0.159 m3), corrected to a temperature of fifteen (15) degrees Celsius under the absolute pressure of 0.101325 MPa (one hundred and one thousand, three hundred and twenty-five millionths of Megapascal);

1.10 "Business Day" means a day on which the banks in Rabat, Morocco and Houston, Texas, USA are customarily open for business;

1.11 "Calendar Quarter" means a period of three (3) months commencing with January 1 and ending on the following March 31, a period of three (3) months commencing with April 1 and ending on the following June 30, a period of three (3) months commencing with July 1 and ending on the following September 30, or a period of three (3) months commencing with October 1 and ending on the following December 31 according to the Gregorian Calendar;

1.12 "Calendar Year" means a period of twelve (12) months commencing with January 1 and ending on the following December 31 according to the Gregorian Calendar;

1.13 "Cash Call" means any request for payment of funds, including any bank interest as provided in this Contract, under the Accounting Procedure made by the Operator to the Paying Interest Parties as set out in Articles 3.1.2 and 3.1.3 in connection with the Joint Operations or, where the context so requires, to the Sole Risk Party in connection with any Sole Risk Project;

1.14 "Cash Premium" means the payment made pursuant to Article 7.5.2 by a Non-Sole Risk Party to reinstate its rights to participate in a Sole Risk Project;

1.15 "Commercial Discovery" means, in accordance with section 28 of the Hydrocarbon Law, a Discovery of Hydrocarbons which is determined by the Management Committee to be sufficient for the Parties to apply for an Exploitation Concession;

1.16 "Completion" means an operation intended to complete a well as a producer of Hydrocarbons in one or more Zones, including, but not limited to, the setting of production casing, perforating, tubing installation, stimulating the well and production Testing conducted in such operation. "Complete" and other derivatives shall be construed accordingly;

1.17 "Day" means a calendar day unless otherwise specifically provided;

1.18 "Deepening" means an operation whereby a well is drilled to an target Zone below the deepest Zone in which the well was previously drilled, or below the deepest Zone proposed in the associated AFE, whichever is the deeper. "Deepen" and other derivatives shall be construed accordingly;

1.19 "Defaulting Party" shall have the meaning ascribed in Article 8.1;

1.20 "Development Plan" means a plan for the development and production of Hydrocarbons from an Exploitation Area covering all or a portion of the Area of Interest;

1.21 "Development and Exploitation Works" shall have the same meaning set out in Appendix I of the Petroleum Agreement;

1.22 "Development Well" means any well drilled for the production of Hydrocarbons or the injection of Hydrocarbons or other fluids pursuant to a Development Plan;

1.23 "Discovery" means the proving by drilling of an Exploration Well of an accumulation of Hydrocarbons whose existence until that moment was unknown;

1.24 "Effective Date" means the date this Contract comes into effect as stated in Article 2;

1.25 "Entitlement" means a quantity of Hydrocarbons of which a Party has the right and obligation to take delivery pursuant to the Petroleum Agreement, or if

applicable, a Lifting Agreement and the terms of this Contract, after adjustments for overlifts and underlifts;

1.26 "Exploitation Area" means that part of the Area of Interest which is delineated in a Development Plan approved pursuant to this Contract as a Joint Operation or as a Sole Risk Project;

1.27 "Exploitation Concession" means any Exploitation Concession, which derives from the Exploration Permits granted to **KOSMOS** and **ONHYM,** pursuant to the Hydrocarbon Code and the Petroleum Agreement;

1.28 "Exploration Period" means, the Initial Period, the First Extension Period and the Second Extension Period;

1.29 "Exploration Permits" means the Exploration Permits granted to **KOSMOS** and **ONHYM** pursuant to the Hydrocarbon Code and the Petroleum Agreement in the Area of Interest;

1.30 "Exploration Well" means any well drilled during the course of Exploration Work, excluding any Appraisal Well, or any well drilled for the purpose of determining the stratigraphy of an area;

1.31 "Exploration Works" shall have the same meaning set out in Article 4 of the Petroleum Agreement;

1.32 "Extension Periods" shall have the same meaning set out in Article 4 of the Petroleum Agreement;

1.33 "G & G Data" means only geological, geophysical and geochemical data and other similar information that is not obtained through a wellbore;

1.34 "Gross Negligence" means any act or failure to act (whether sole, joint or concurrent) by any person or entity which was intended to cause, or which was in reckless disregard of or wanton indifference to harmful consequences such person or entity knew, or should have known, such act or failure would have on the safety or property of another person or entity, but shall not include any error of judgement or mistake made by such person or entity in the exercise in good faith of any function, authority or discretion conferred on the Party employing such under this Contract;

1.35 "Hydrocarbons" shall have the same meaning set out for such term in the Petroleum Agreement;

1.36 "Joint Account" means the accounts maintained by Operator in accordance with the provisions of this Contract and with the Accounting Procedure for Joint Operations;

1.37 "Joint Operations" means except as provided for in Article 7 hereof, all Exploration Works, Development and Exploitation Works and any related activities referred to in Article 2.2 on or from the Area of Interest approved, or deemed to be approved, as the case may be, by the Management Committee and conducted by the Operator, pursuant to the provisions of this Contract and/or the Petroleum Agreement;

1.38 "Joint Property" means, at any point in time, all wells, facilities, equipment, materials, information, funds and property held for the Joint Account;

1.39 "Lifting Agreement" shall have the same meaning ascribed in Article 5.6.1 of the Petroleum Agreement;

1.40 "Management Committee" means the committee constituted in accordance with Article 5;

1.41 "Market Price" has the meaning ascribed thereto in Article 6 of the Petroleum Agreement;

1.42 "Minimum Exploration Work Programme" shall have the meaning for such term set forth in the Petroleum Agreement;

1.43 "Minimum Expenditure Obligations" shall have the meaning for such term set forth in the Petroleum Agreement;

1.44 "Non-Operator" means the Party or Parties to this Contract other than Operator;

1.45 "Non-Sole Risk Party" means a Party who elects not to participate in a Sole Risk Project;

1.46 "Operator" means a Party to this Contract designated as such in accordance with Article 4 of this Contract;

1.47 "Participating Interest" means the interests of the Parties set forth in Article 3.1.1 of this Contract;

1.48 "Paying Interest" means in respect of the Exploration Permits and the Exploitation Concession, the interests of the Parties set forth in Article 3.1.2 and Article 3.1.3 of this Contract;

1.49 "Party" means any of the entities named in the first paragraph to this Contract and any respective assignees in accordance with the provisions of this Contract;

1.50 "Petroleum Agreement" means the document signed by the Parties in order to specify the rights and obligations of the Parties resulting from the Exploration Permits and any Exploitation Concession which may derive therefrom;

1.51 "Petroleum Operations" means Exploration Works and/or Development and Exploitation Works and operations related thereto;

1.52 "Petroleum Operations Costs" means all expenditures made in carrying out Petroleum Operations hereunder, determined in accordance herewith and with the Accounting Procedure;

1.53 "Plugging Back" means a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone. "Plug Back" and other derivatives shall be construed accordingly;

1.54 "Recompletion" means an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore. "Recomplete" and other derivatives shall be construed accordingly;

1.55 "Reworking" means an operation conducted in the wellbore of a well after it is Completed to secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but are not limited to, well stimulation operations, sand control operations and installation of artificial lift equipment, but exclude any routine repair or maintenance work, or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well. "Rework" and other derivatives shall be construed accordingly;

1.56 "Senior Supervisory Personnel" means any supervisory employee of a Party or one of its Affiliates who functions as such Party's designated manager or supervisor who is responsible for or in charge of onsite drilling, construction or production and related operations or any other field operations, and any employee of such Party or one of its Affiliates who functions at a management level equivalent to or superior to such manager or supervisor, or any officer or director of such Party or one of its Affiliates;

1.57 "Sidetracking" means the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or to drill around junk in the hole or to overcome other mechanical difficulties. "Sidetrack" and other derivatives shall be construed accordingly;

1.58 "Sole Risk Party" means a Party who elects to participate in a Sole Risk Project;

1.59 "Sole Risk Project" means operations conducted under the provisions of Article 7 by less than all the Parties and "Sole Risk Drilling", "Sole Risk Well" and "Sole Risk Development" shall be construed accordingly;

1.60 “State” means the Kingdom of Morocco;

1.61 "Testing" means an operation intended to evaluate the capacity of a Zone to produce Hydrocarbons. "Test" and other derivatives shall be construed accordingly;

1.62 "Work Programme and Budget" means a work programme for Joint Operations and budget therefor as described and approved in accordance with Article 6;

1.63 "Zone" means a stratum of earth containing or thought to contain a common accumulation of Hydrocarbons separately producible from any other common accumulation of Hydrocarbons.

Any other capitalised terms used in this Contract which are not otherwise defined herein, shall have the meanings attributed thereto in the Petroleum Agreement, the Hydrocarbon Code and the applicable regulations.

ARTICLE 2 - EFFECTIVE DATE, TERM AND SCOPE

2.1 Effective Date and Term

This Contract shall be effective simultaneously with the Petroleum Agreement, notwithstanding the date of execution hereof and shall, subject always to the Parties' continuing obligations under Article 3, continue in effect until the Petroleum Agreement terminates or until Joint Operations have been completed, and final settlement has been made among the Parties.

For the avoidance of doubt, portions of this Contract as described in (a), (b) and (c) below shall remain in effect until:

(a) all wells have been properly abandoned in accordance with Article 10;

(b) all obligations, claims, arbitration and lawsuits have been settled or otherwise disposed of in accordance with Article 4.5 and Article 18; and

(c) The time relating to the protection of confidential information has expired in accordance with Article 15.

2.2 Scope

2.2.1 The purpose of this Contract is to establish the respective rights and obligations of the Parties with regard to operations under the Petroleum Agreement, including without limitation:

a) the joint exploration, appraisal, development, production of Hydrocarbons from the Area of Interest;

b) the abandonment of Joint Operations;

c) the field processing, the transportation and the storage of Hydrocarbons produced under the Petroleum Agreement up to the point at which the Parties, separately, will lift, take, market or otherwise dispose of their respective Entitlements;

d) the sharing of costs in connection with such activities; as well as

e) all appropriate activities for any of the foregoing.

In the absence of any requirement under the Petroleum Agreement, this Contract shall not extend to any joint financing arrangement or any joint marketing or joint sales of Hydrocarbons.

ARTICLE 3 - PARTICIPATING INTEREST AND PAYING INTEREST

3.1 Participating Interest and Paying Interest

3.1.1 The Participating Interests of the Parties as of the Effective Date are:

ONHYM	25.00%
KOSMOS	75.00%

3.1.2 For all Joint Operations comprising Exploration Works, the Paying Interests of the Parties as of the Effective Date are:

ONHYM	zero%
KOSMOS	100.00%

3.1.3 In accordance with the provisions of Article 5.5 of the Petroleum Agreement, for all Joint Operations comprising Development and Exploitation Works (including the preparation costs of a Development Plan), the Paying Interests of the Parties as of the Effective Date are:

ONHYM	25.00%
KOSMOS	75.00%

3.1.4 In the event a Party transfers all or part of its Participating Interest pursuant to the provisions of this Contract and the Petroleum Agreement, the Participating Interest and Paying Interest of the Parties concerned shall be adjusted accordingly. The obligations of **KOSMOS** hereunder shall be binding prorata upon all assignees of **KOSMOS**.

3.2 Ownership, Obligations and Liabilities

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

3.2.2 Unless otherwise provided in this Contract, as provided in the Petroleum Agreement, the obligations of the Parties under the Petroleum Agreement and all liabilities and expenses incurred by Operator in connection with Joint Operations shall be charged to the Joint Account and all credits to the Joint Account shall be shared by the Parties, as among themselves, in accordance with their respective Paying Interests.

3.2.3 K**OSMOS** and its eventual assignees each agree in the proportions that each of their Participating Interests bear to the total of the Participating

Interests of **ONHYM**, to be liable for and to pay to the Operator the twenty-five per cent (25 %) Participating Interest share of the costs of Exploration Works on behalf of **ONHYM**, including **ONHYM**'s Participating Interest share of the costs of the funding of any Bank Guarantee.

3.2.4 Each Party shall pay when due, in accordance with the Accounting Procedure, its Paying Interest share of Joint Account expenses, including cash advances and interest, accrued pursuant to this Contract. The Accounting Procedure shall govern the accrual and satisfaction of the respective obligations, liabilities and credits among the Parties. A Party's payment of any charge under this Contract shall be without prejudice to its right to contest any charges later.

3.2.5 Revenues derived from the Hydrocarbons produced during the Testing prior to the application for the relevant Exploitation Concession shall be shared in accordance with Article 4.3 of the Petroleum Agreement. Nevertheless, prior to sharing any revenues with **ONHYM** pursuant to Article 4.3 of the Petroleum Agreement, such revenues shall be allocated among **KOSMOS** and its eventual assignees in accordance with its Paying Interests as set out in Article 3.1.2 and after the application for the relevant Exploitation Concession, shall be allocated to the Parties in accordance with their Paying Interests as set out in Article 3.1.3.

3.3 Bank Guarantee

KOSMOS shall provide **ONHYM** with a bank Guarantee as provided in Article 4.2.7 of the Petroleum Agreement. The form and the detailed terms of the bank Guarantee constitute the matter of Attachment 1 attached to this Contract.

3.4 Training

3.4.1 **KOSMOS** agrees to provide assistance to **ONHYM** for the basic and periodic training of **ONHYM** personnel as provided in Article 9 of the Petroleum Agreement.

3.4.2 In accordance with Article 9 of the Petroleum Agreement, **KOSMOS** shall contribute to the training of **ONHYM'S** staff and technicians an amount of one hundred fifty thousand US dollars (US $150,000) for each twelve (12) month period during the term of validity of the Exploration Permits and of the term of validity of the first Exploitation Concession deriving from the Exploration Permits. **KOSMOS** shall contribute a further thirty thousand US dollars (US $30,000) for each twelve (12) month period for each additional Exploitation Concession up to a

maximum aggregate amount of two hundred and fifty thousand US dollars (US $250,000).

3.4.3 Training expenses incurred (travel, living expenses, registration, insurance, etc.) shall be considered costs of exploration and exploitation, as the case may be, on the Area of Interest for the purposes of section 47 of the Hydrocarbon Law.

3.4.4 Operator agrees to cooperate closely with the personnel of **ONHYM** and to entrust to such personnel duties involving responsibility for which they are trained and to employ preferably personnel of Moroccan nationality whose level of competence is equivalent to that of personnel of non-Moroccan nationality employed by the Operator or its Affiliates for the conduct of the Joint Operations. Subject to Operator's approval, any **ONHYM** personnel seconded to the Operator shall work at the sole direction and under the rules applied to the other employees of the Operator. **ONHYM** shall remove any secondee to the Operator immediately if the Operator requests such removal and shows cause for such request. **ONHYM** employees remain employees of **ONHYM** throughout the period of secondment and return to **ONHYM** at the end of that period.

3.4.5 **ONHYM** shall provide the Operator, when requested, with any reasonable assistance in carrying out Joint Operations, and provide the Operator with copies of all technical data available on the Area of Interest, as well as any assistance to facilitate contacts with the Moroccan administration and authorities.

ARTICLE 4 - OPERATOR

4.1 Designation of Operator

KOSMOS is hereby designated as Operator, and agrees to act as an independent contractor in accordance with the terms and conditions of the Petroleum Agreement and this Contract, which terms and conditions shall also apply to any successor Operator.

4.2 Rights and Duties of Operator

4.2.1 Subject to the terms and conditions of this Contract, Operator shall have all of the rights, functions and duties of Operator under the Petroleum Agreement and shall have exclusive charge to conduct all Joint Operations. The Operator may employ independent contractors and/or agents in such Joint Operations.

4.2.2 In the conduct of Joint Operations Operator shall:

(a) Perform Joint Operations in accordance with the provisions of the Petroleum Agreement, this Contract, the instructions of the Management Committee which are not in conflict with this Contract and all applicable laws and regulations;

(b) Conduct all Joint Operations in a diligent, safe and efficient manner in accordance with good and prudent oil field practices and conservation principles generally followed by the international petroleum industry under similar circumstances;

(c) Subject to Article 4.6 and the Accounting Procedure, neither gain a profit nor suffer a loss as a result of being the Operator in its conduct of Joint Operations;

(d) Perform the duties for the Management Committee set out in Article 5, and prepare, after consulting with the Non Operators and submit to the Management Committee the Work Programme and Budgets and corresponding AFEs as provided in Article 6;

(e) Acquire all permits, consents, approvals, surface or other rights that may be required for or in connection with the conduct of Joint Operations;

(f) Allow the representatives of any of the Parties to have at all reasonable times and at their own risk and expense reasonable access to the Joint Operations with the right to observe all such Joint Operations and to inspect all Joint Property and to conduct financial audits as provided in the Accounting Procedure;

(g) Maintain the Petroleum Agreement in full force and effect. The Operator shall promptly pay and discharge all liabilities and expenses incurred in connection with Joint Operations and do what it possibly can to keep and maintain the Joint Property free from all liens, charges and encumbrances arising out of Joint Operations;

(h) Pay to the State or **ONHYM** from the Joint Account, within the periods and in the manner prescribed by the Petroleum Agreement and all applicable laws and regulations, all annual royalties, bonuses, periodic payments, taxes, fees and other payments pertaining to Joint Operations, but excluding any taxes measured by the incomes of the Parties;

(i) Carry out the obligations of Operator pursuant to the Petroleum Agreement, including, but not limited to, preparing and furnishing such reports, records and information as may be required pursuant to the Petroleum Agreement;

(j) Subject to the overall supervision and control of the Management Committee, have the exclusive right and obligation to represent the Parties in all dealings with the State and **ONHYM** with respect to matters arising under the Petroleum Agreement and Joint Operations. Operator shall notify the other Parties as soon as possible of such meetings. Non-Operators shall have the right to attend such meetings but only in the capacity of observers. Nothing contained in this Contract shall restrict any Party from holding discussions with the State and **ONHYM** with respect to any issue pertaining to its particular business interests arising under the Petroleum Agreement or this Contract, but in such event, such Party shall promptly advise the Parties, if possible, before and in any event promptly after such discussions, provided that such Party shall not be required to divulge to the Parties any matters discussed to the extent the same involve proprietary information on matters not affecting all the Parties;

(k) Take all necessary and proper measures for the protection of life, health, the environment and property in the case of an emergency; provided, however, that Operator shall immediately notify the Parties of the details of such emergency and measures;

(l) Include, to the extent practical, in its contracts with independent contractors and to the extent lawful, provisions which:

i) ensure such contractors can only enforce their contracts against Operator;

ii) permit Operator, on behalf of itself and Non-Operators, to enforce contractual indemnities against, and recover losses and damages suffered by them (insofar as recovered under their contracts) from such contractors;

iii) require such contractors to take insurance required by Article 4.7.6; and

iv) unless the Management Committee agrees otherwise, provide that any contract can be assumed and enforced by a successor Operator upon reasonable notice;

and

(m) Set up and keep up-to-date accounting records of all the Joint Operations, pursuant to the provisions set forth in the Accounting Procedure attached to this Contract.

4.3 Employees of Operator and Contractors

All persons carrying out operations conducted by Operator under this Contract will be either employees or independent contractors of Operator. Subject to the Petroleum Agreement and this Contract, Operator shall determine the number of employees or independent contractors, the selection of such employees or independent contractors, the hours of work and the compensation to be paid all such employees or independent contractors in connection with Joint Operations. Operator shall employ only such employees, agents and contractors as are reasonably necessary to conduct Joint Operations

4.4 Information Supplied by Operator

4.4.1 Operator shall provide Non-Operators the following data and reports as they are currently produced or compiled from the Joint Operations:

(a) Copies of all well logs or surveys;

(b) Daily drilling progress reports;

(c) Copies of all drill stem tests and core analysis reports;

(d) Copies of the plugging reports;

(e) Copies of the final geological and geophysical maps and reports submitted to any State agency having jurisdiction;

(f) Engineering studies, including reservoir studies and reserve estimates undertaken for the benefit of and charged to the Joint Account;

(g) Development schedules and quarterly progress reports on development projects approved by the Management Committee;

(h) Field and well status reports;

(i) Copies of all reports relating to Joint Operations furnished by Operator to the State or **ONHYM**, except magnetic tapes which shall be stored by Operator and made available for inspection and/or copying at the sole expense of the Non-Operator requesting same. It is understood that the State or **ONHYM** will not be subject to the foregoing restriction concerning magnetic tapes;

(j) Access to core samples;

(k) Copies of all reports relating to the Petroleum Agreement furnished by Operator to the State or **ONHYM**;

(l) Other reports, data and interpretation thereof as frequently as is justified by the activities or as instructed by the Management Committee; and

(m) Subject to Article 15, such additional information for Non-Operators as they or any of them may request, provided that the requesting Party or Parties pay the costs of preparation of such information and that the preparation of such information will not unduly burden Operator's administrative and technical personnel. Only Non-Operators who pay such costs shall receive such additional information.

4.4.2 Operator shall give Non-Operators access at all reasonable times to all other data and samples acquired in the conduct of Joint Operations. Any Non-Operator may make copies of such other data at its sole expense.

4.5 Settlement of Claims and Lawsuits

4.5.1 Operator shall promptly notify the Parties of any and all material claims or suits and such other claims and suits as the Management Committee may direct which arise out of Joint Operations or relate in any way to Joint Operations. Operator shall represent the Parties and defend or oppose any claim or suit. Operator may in its sole discretion compromise or settle any such claim or suit or any related series of claims or suits for an amount not to exceed the equivalent of one hundred thousand U.S. dollars (U.S. $100,000) exclusive of reasonable legal fees. Operator shall obtain the approval and direction of the Management Committee on amounts more than the above stated amount. Each Non-Operator shall have the right to be represented by its own counsel at its own expense in the settlement, compromise or defence of such claims or suits.

4.5.2 Any Non-Operator shall promptly notify the other Parties of any claim made against such Non-Operator by a third party relating to or which may affect the Joint Operations, and insofar as such claim relates to or affects the Joint Operations such Non-Operator shall defend or settle the same in accordance with any directions given by the Management Committee and such costs, expenses and damages as are payable pursuant to such defence or settlement shall be for the Joint Account.

4.5.3 Notwithstanding Article 4.5.1 and Article 4.5.2 each Party shall have the right to participate in any such suit, prosecution, defence or settlement conducted in accordance with Article 4.5.1 and Article 4.5.2 at its sole cost and expense; provided always that no Party may settle its Participating Interest share of any claim without first satisfying the Management Committee that it can do so without prejudicing the interests of the Joint Operations.

4.6 Liability of Operator

4.6.1 Except as set out in this Article 4.6, neither the Party designated as Operator nor any other Indemnitee (as defined below) shall bear (except as a Party to the extent of its Participating Interest share) any damage, loss, cost, expense or liability resulting from performing (or failing to perform) the duties and functions of the Operator, and the Indemnitees are hereby released from liability to Non-Operators for any and all damages, losses, costs, expenses and liabilities arising out of, incident to or resulting from such performance or failure to perform, even though caused in whole or in part by a pre-existing defect, the negligence (whether sole, joint, or concurrent), gross negligence, strict liability or other legal fault of Operator (or any such Indemnitee).

4.6.2 Except as set out in this Article 4.6, the Parties shall, in proportion to their Participating Interests, defend and indemnify Operator and its Affiliates, and the officers and directors of both (collectively, the “Indemnitees”) from any and all damages, losses, costs, expenses (including reasonable legal costs, expenses and attorneys’ fees) and liabilities incident to claims, demands or causes of action brought by or on behalf of any person or to or result from Joint Operations, even though caused in whole or in part by a pre-existing defect, the negligence (whether sole, joint or concurrent), gross negligence, strict liability or other legal fault of Operator (or any such Indemnitee).

4.6.3 Nothing herein shall be construed to (a) limit Operator’s right to assert claims under insurance acquired pursuant to Article 4.7 hereof, or (b) relieve the Operator from its Participating Interest share of any damage, loss, cost, expense or liability arising out of, incident to, linked to or resulting from Joint Operations.

4.6.4 Notwithstanding Articles 4.6.1 and 4.6.2, if any Senior Supervisory Personnel of Operator or its Affiliates engage in Gross Negligence that proximately causes the Parties to incur damage, loss, cost, expense or liability for claims, demands or causes of action referred to in Articles 4.6.1 or 4.6.2, then, in addition to its Participating Interest share, Operator shall bear only the actual damage, loss, cost, expense and liability to repair, replace and/or remove Joint Property so damaged or lost, if any.

4.6.5 Notwithstanding the foregoing, under no circumstances shall any Indemnitee (except as a Party to the extent of its Participating Interest)

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bear any cost, expense or liability for environmental, consequential, punitive or any other similar indirect damages or losses, including but not limited to those arising from business interruption, reservoir or formation damage, inability to produce hydrocarbons, loss of profits, pollution control and environmental amelioration or rehabilitation.

4.7 Insurance Obtained by Operator

4.7.1 Operator shall procure and maintain or cause to be procured and maintained for the Joint Account all insurance in the types and amounts required by the Petroleum Agreement and applicable laws, rules and regulations.

4.7.2 Operator shall obtain such further insurance, at competitive rates, as the Management Committee may from time to time require.

4.7.3 Any Party which did not vote in favour of insurance to be procured under Article 4.7.2 may elect not to participate in such insurance provided such Party:

(a) gives prompt written notice to that effect to Operator;

(b) does nothing which may interfere with Operator's negotiations for the procurement of such insurance for the other Parties; and

(c) obtains and maintains such insurance (in respect of which an annual certificate of adequate coverage from a reputable insurance broker shall be sufficient evidence) or other evidence of financial responsibility which fully covers its Participating Interest share of the risks that would be covered by the insurance procured under Article 4.7.2, and which the Management Committee may determine to be acceptable. No such determination of acceptability shall in any way absolve a non-participating Party from its obligation to meet each Cash Call including any Cash Call in respect of damages and losses and/or the costs of remedying the same in accordance with the terms of this Contract. If such Party obtains other insurance, such insurance shall contain a waiver of subrogation in favour of all other Parties, the Operator and their insurers but only in respect of their interests under this Contract.

4.7.4 The cost of insurance in which all Parties are participating shall be for the Joint Account and the cost of insurance in which less than all Parties are participating shall be charged to the Parties participating in proportion to their respective Paying Interests.

4.7.5 Operator shall, in respect of all insurance obtained pursuant to this Article 4.7:

(a) promptly inform the participating Parties when such insurance is obtained and supply them with evidence of such insurance when the same is issued;

(b) arrange for the participating Parties, according to their respective Paying Interest, to be named as co-insureds on the relevant policies with waivers of subrogation in favour of all Parties; and

(c) duly file all claims and take a I necessary and proper steps to collect any proceeds and credit any proceeds to the participating Parties in proportion to their respective Paying Interests.

4.7.6 Operator shall use all reasonable efforts to require all contractors performing work in respect of Joint Operations to obtain and maintain any and all insurance in the types and amounts required by any applicable laws, rules and regulations or any decision of the Management Committee and shall use its reasonable efforts to require all such contractors to name the Parties as additional insureds on contractor's insurance policies or to obtain from their insurers waivers of all rights or recourse against U. Non-Operators and their insurers.

4.7.7 The preceding provisions in no way infringe upon the rights of each of the Parties to contract independently any individual insurance policies with regard to their interest in the Petroleum Agreement and in this Contract provided that said insurance does not infringe upon the insurance contracted by the Operator in conformity with the provisions of Articles 4.7.1 to 4.7.6 of this Contract. The cost of such insurance policies shall be borne only by the Party, which has subscribed them individually.

4.8 Commingling of Funds

Operator may commingle with its own funds the monies which it receives from or for the Joint Account pursuant to this Agreement. Notwithstanding that monies of a Non-Operator have been commingled with Operator's funds, the Operator shall account to the Non-Operators for the monies of a Non-Operator advanced or paid to Operator, whether for the conduct of Joint Operations or as proceeds from the sale of production under this Contract. Such monies shall be applied only to their intended use and shall in no way be deemed to be funds belonging to Operator. Notwithstanding the foregoing, any Party shall have the right to require Operator to segregate from Operator's own funds the monies

which Operator receives from the Parties in connection with operations on each Exploitation Concession.

4.9 Resignation of Operator

Subject to Article 4.11, Operator may resign as Operator at any time by so notifying the other Parties at least one hundred eight (180) Days prior to the effective data of such resignation, or such shorter period as may be determined by the management Committee.

4.10 Removal of Operator

4.10.1 Subject to Article 4.11, Operator shall be removed upon receipt of notice from any Non-Operator if:

(a) An order is made by a court or an effective resolution is passed for the dissolution, liquidation, winding up or reorganisation of Operator;

(b) Operator dissolves, liquidates or terminates its corporate existence;

(c) Operator becomes insolvent, bankrupt, makes an assignment for the benefit of creditors or files for relief under any applicable bankruptcy laws;

(d) A receiver is appointed for a substantial part of Operator's assets; or

(e) Operator is adjudged guilty of Gross Negligence in the performance of its duties under the Petroleum Agreement by a non-appealable decision of a court of competent jurisdiction.

4.10.2 Subject to Article 4.11, Operator may be removed by the decision of the Non-Operators if Operator has committed a material breach of its duties as Operator under this Contract, which Operator has failed to commence to rectify within thirty (30) Days of receipt of a notice from Non- Operators detailing the alleged breach. Any decision of Non-Operators to give notice of breach to Operator or to remove Operator under this Article 4.10.2 shall be made by a unanimous vote of Non-Operators.

4.10.3 If Operator together with any Affiliate of Operator is or becomes the holder of a Participating Interest of less It-an fifteen percent (15%), then Operator shall be required to promptly notify the other Parties. The Management Committee shall then vote within thirty (30) Days of such

notification on whether or not a successor Operator should be named pursuant to Article 4.11.

4.10.4 If there is a direct or indirect change in control of Operator (other than a transfer of control to an Affiliate of Operator), Operator shall be required to promptly notify the other Parties. The Management Committee shall then vote within thirty (30) Days of such notification on whether or **not** a successor Operator should be named pursuant to Article 4.11. For purposes of this Article, "control" means the ownership directly or indirectly of fifty percent (50 %) or more of the shares or voting rights of Operator.

4.11 Appointment of Successor

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

4.11.1 The Management Committee shall meet as soon as possible to appoint a successor Operator pursuant to the voting procedure of Article 5.8. However, no Party may be appointed successor Operator against its will.

4.11.2 If Operator disputes commission of or failure to rectify a material breach alleged pursuant to Article 4.10.2 and proceedings are initiated pursuant to 18, no successor Operator may be appointed pending the conclusion or abandonment of such proceedings, subject to the terms of Article 8.3 with respect to Operator's breach of its payment obligations.

4.11.3 If an Operator is removed, other than in the case of Article 4.10.3 or Article 4.10.4, neither Operator nor any Affiliate of Operator shall have the right to vote for itself on the appointment of a successor Operator, nor be considered as a candidate for the successor Operator.

4.11.4 A resigning or removed Operator shall be compensated out of the Joint Account for its expenses directly related to its resignation or removal, except in the case of Article 4.10.1 (e) and 4.10.2.

4.11.5 The Management Committee shall arrange for the taking of an independent inventory of all Joint Property and Hydrocarbons, and an audit of the books and records of the removed Operator. Such inventory and audit shall be completed, if possible, no later than the effective date of the change of Operator. The liabilities and expenses of such inventory and audit shall be charged to the Joint Account.

4.11.6 The resignation or removal of Operator and its replacement by the successor Operator shall not become effective prior to receipt of any necessary State approvals. However, at and after the time of the resignation or removal of the Operator, the Management Committee may decide that either (i) the Operator shall perform only as directed by the

Management Committee or (ii) the successor Operator shall perform all duties and responsibilities of Operator except to the extent the Petroleum Agreement requires the Operator interact with **ONHYM**.

4.11.7 Upon the effective date of the resignation or removal, the successor Operator shall succeed to all duties, rights and authority prescribed for Operator. The former Operator shall transfer in a timely manner to the successor Operator custody of all Joint Property, books of account, records and other documents held by Operator pertaining to the Area of Interest and to Joint Operations. Upon delivery of the above-described property and data, the former Operator shall be released and discharged from all obligations and liabilities as Operator accruing after such date without prejudice to such obligations and liabilities which accrued prior to such date as Operator.

4.11.8 If a Party is removed from all duties as Operator, it shall immediately take all action necessary to resign as Operator under the Petroleum Agreement. The outgoing Operator shall further use all reasonable endeavours to transfer to the incoming Operator, effective as of the effective date of such transfer, its rights as the Operator under all contracts relating to Joint Operations. Pending such transfer, the outgoing Operator shall hold its rights and obligations under such contracts for the account and to the order of the incoming Operator.

ARTICLE 5 - MANAGEMENT COMMITTEE

5.1 Establishment, Representation and Chairman of the Management Committee

5.1.1 There is hereby established a Management Committee which shall exercise overall supervision and control of all matters pertaining to the Joint Operations, composed of representatives of each Party holding a Participating Interest.

5.1.2 The Management Committee shall consist of a maximum of two representatives appointed by each of the Parties provided always that more than one of the Parties may appoint the same representative who shall represent them separately. Each Party shall have only one voting respresentative. Each Party shall, within thirty (30) Days after the date of execution of this Contract, give notice to all the other Parties of the name of its representative(s), the representative who is designated as the voting representative, and of any alternates. Such representative(s) may be replaced from time to time, by like notice. The one voting representative of a Party or, in the absence of the voting representative,

his alternate, shall be deemed authorised to represent and bind such Party with respect to any matter which is within the powers of the Management Committee.

5.1.3 The Management Committee chairman will be the Party representative of **ONHYM.** Any other Party representative, if agreed unanimously by the Parties, may be Chairman.

5.2 Powers and Duties of Management Committee

The Management Committee shall have power and duty to authorise and supervise Joint Operations that are necessary or desirable to fulfil the obligations under the Petroleum Agreement and explore and exploit the Area of Interest in accordance with this Contract and in a manner appropriate under any circumstances, including, but not limited to:

(i) the consideration and determination of all matters relating to general policies, procedures and methods of operation hereunder;

(ii) subject to Article 18 of the Petroleum Agreement, the approval of Petroleum Agreement or Joint Operations;

(iii) the consideration, revision and approval or nonapproval of all proposed Work Programmes and Budgets prepared and submitted to it under this Contract and the Petroleum Agreement;

(iv) the determination of the timing and location of seismic operations and all wells drilled under Joint Operations and any change in the use or status of a well;

(v) the determination as between the Parties hereto of whether or not a Commercial Discovery has been made;

(vi) the determination, as between the Parties, of the area(s) capable of production to be covered by an Exploitation Concession;

(vii) consideration, revision and approval of all plans by all Parties (e.g. Development, Production) required under the Petroleum Agreement and this Contract;

(viii) the consideration and, if so required, the determination of any other matter relating to the Joint Operations which may be referred

to it by the Parties or any of them (other than any proposal to amend this Contract) or which is otherwise designated under this Contract for reference to it.

5.3 Authority to Vote

5.3.1 The voting representative of a Party, or in his absence his alternate, shall be authorised to represent such Party with respect to any matter which is within the powers of the Management Committee and is properly brought to the Management Committee. The voting representative shall have the ability to bind the Party with a vote equal to the Paying Interest of the Party such person represents. Each other representative and each alternate shall be entitled to attend all Management Committee meetings but shall have no vote at such meetings except in the absence of the voting representative. In addition to the representative(s) and alternates, each Party may also bring to any Management Committee meetings such technical and other advisors, as it may deem appropriate.

5.3.2 Where a conflict of interest exists in relation to a matter which may be determined by vote at the Management Committee, the Party, or its Affiliate, subject to such conflict of interest shall not be entitled to vote on the proposed matter.

5.4 Subcommittees

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

5.5 Location and Notice of Meetings

5.5.1 Meetings of the Management Committee shall be held twice a year at Operator's office in Morocco, or elsewhere, if so decided unanimously by the Management Committee. In the event that a Management Committee meeting is conducted outside Morocco, **KOSMOS** agrees to fund all reasonable expenses relating to travel and accommodation for a maximum of three (3) **ONHYM** representatives.

5.5.2 Operator may call a meeting of the Management Committee by giving notice to the Parties at least fifteen (15) Days in advance of such meeting.

5.5.3 Any Non-Operator may request a meeting of the Management Committee by giving proper notice to all other Parties. Upon receiving such request,

Operator shall call such meeting for a date not less than fifteen (15) Days nor more than twenty (20) Days after receipt of the request.

5.5.4 The notice periods above may only be waived with the unanimous consent of all Parties.

5.6 Contents of Meeting Notice

5.6.1 Each notice of a meeting of the Management Committee as provided by Operator shall contain:

(a) The date, time and location of the meeting; and

(b) An agenda of the matters and proposals to be considered and/or voted upon.

5.6.2 A Party, by notice to the other Parties given not less than seven (7) Days prior to a meeting may add additional matters to the agenda for a meeting.

5.6.3 On the request of a Party, and with the unanimous consent of all Parties, the Management Committee may consider at a meeting a proposal not contained in such meeting's agenda.

5.7 Operator’s Duties for Meetings

5.7.1 With respect to meetings of the Management Committee and any subcommittee, Operator’s duties shall include, but not be limited to:

(a) Timely preparation and distribution of the agenda;

(b) Organisation and conduct of the meeting; and

(c) Preparation of a written record or minutes of each meeting.

5.8 Voting Procedure

5.8.1 A Party shall have a voting interest equal to its Paying Interest.

5.8.2 Except as otherwise expressly provided in this Contract, all decisions, approvals and other actions of the Management Committee on all proposals coming before it under this Contract shall be decided by the affirmative vote of at least two (2) Parties which are not Affiliates then having collectively a greater than sixty-five percent (65%) of the Paying Interests.

5.8.3 Notwithstanding the provisions of Article 5.8.1 all decisions of the Management Committee in respect of the following matters shall be made by the affirmative vote of the Parties having individually or in aggregate a Paying Interest of one hundred (100%) percent:

(a) any surrender of the right to explore for and produce Hydrocarbons from a part of the Area of Interest which is not mandatory pursuant to the terms of the Petroleum Agreement;

(b) to suspend Exploration Works for any reason other than Force Majeure;

(c) performance of any Exploration Work in excess of the Minimum Exploration Work Programme subject to the Sole Risk provisions contained in Article 7;

(d) amending or terminating the Petroleum Agreement in accordance with the Hydrocarbon Code; and

(e) unitisation in accordance with the terms of the Petroleum Agreement with an adjoining area, subject to section 30 of the Hydrocarbon Law;

5.8.4 Notwithstanding the provisions of Article 5.8.2 and 5.8.3 all decisions of the Management Committee in respect of the following matters shall be made by a unanimous vote of the Parties:

(a) the suspension of Joint Operations other than Exploration Works for any reason other than Force Majeure;

(b) the terms, conditions and modification of the Lifting Agreement;

(c) the determination that a Discovery is a Commercial Discovery;

(d) the approval of any Development Plan and application for any Exploitation Concession pursuant to Article 6.2;

(e) the approval of any recommendation to set up a joint operating company other than Operator to operate an Exploitation Concession.

5.8.5 Except as otherwise expressly provided in this Contract, all the Parties shall be bound by each decision of the Management Committee duly made in accordance with the provisions of this Contract.

5.9 Record of Votes

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

5.10 Petroleum Agreement Provisions

5.10.1 In respect of the Minimum Exploration Work Programme and Minimum Expenditure Obligation under the Petroleum Agreement, the Management Committee shall, unless and to the extent that relief from such obligations is sought and obtained by the Parties, determine the manner in which and the time at which such obligations are to be discharged provided that, if the Management Committee has not in relation to any obligation to drill a well made a decision on the location thereof by a date which is six (6) months prior to the expiry of the applicable period for the discharge of the obligation to drill such well, the Operator shall promptly propose to the Parties a location for the well. The Parties shall give full and fair consideration to the proposal for fulfilling such Minimum Exploration Work Programme and shall vote thereon in accordance with Article 5.8.2. If such decision cannot be reached, the decision shall be taken by the simple majority vote of the Paying Interests. If a simple majority of the Paying Interest cannot be reached, then the proposal supported by the greatest aggregate Paying Interest shall be deemed approved by the Parties. If one proposal is not supported by a greatest aggregate Paying Interest, then the proposal supported by the Operator shall be deemed approved.

5.10.2 In respect of any decision regarding continuation of the Petroleum Agreement upon the expiry of the Initial Period followed by any successive Extension Periods respectively or any extension thereof, a vote by any Party against continuation shall be ignored and the matter decided, without prejudice to each Party's right to withdraw pursuant to Article 13 according to the wishes of those of the Parties desiring to continue the Petroleum Agreement. Such Parties shall also determine the areas to be relinquished if such relinquishment is required to continue the Petroleum Agreement.

5.11 Minutes

The secretary shall provide each Party with a copy of the minutes of the Management Committee meeting within fifteen (15) Days after the end of the meeting. Each Party shall have fifteen (15) Days after receipt of such minutes to give notice of its objections to the minutes to the secretary. A failure to give notice, specifying objection to such minutes within said fifteen (15) Day period shall be deemed to be approval of such minutes. In any event, the votes recorded under Article 5.9 shall take precedence over the minutes described above.

5.12 Voting by Notice

5.12 Voting by Notice

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

(a) Twenty-four (24) hours in the case of operations which involve the use of a drilling rig that is standing by in the Area of Interest.

(b) Fourteen (14) Days in the case of all other proposals.

(c) Fourteen (14) Days in the case of a supplemental AFE if submitted for approval.

5.12.2 Except in the case of Article 5.12.1 (a), any Non-Operator may, by notice delivered to all Parties within five (5) Days of receipt of Operator's notice, request that the proposal be decided at a meeting rather than by notice. In such an event, that proposal shall be decided at a meeting duly called for that purpose.

5.12.3 Except as provided in Article 10, any Party failing to communicate its vote in a timely manner shall be deemed to have voted against such proposal.

5.12.4 If a meeting is not requested, then at the expiry of the appropriate time period, Operator shall give each Party a confirmation notice stating the tabulation and results of the vote.

5.13 Effect of Vote

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

5.13.1 If pursuant to this Article, a Joint Operation, other than an operation to fulfil the Minimum Exploration Work Programme, has been properly proposed to the Management Committee and the Management Committee has not approved such proposal in a timely manner, then any Party shall have the right for the appropriate period specified below to propose, in accordance with Article 7, a Sole Risk Project involving operations essentially the same as those proposed for such Joint Operation:

(a) For proposals involving the use of a drilling rig that is standing by in the Area of Interest, such right shall be exercisable for twenty-four (24) hours after the time specified in Article 5.12.1 (a) has expired or after receipt of Operator's notice given pursuant to Article 5.12.4, as applicable.

(b) For proposals to apply for an Exploitation Concession, in order to develop a Commercial Discovery, such right shall be exercisable for ten (10) Days after the date the Management Committee was required to consider such proposal pursuant to Article 5.6 or Article 5.12;

(c) For all other proposals, such right shall be exercisable for five (5) Days after the date the Management Committee was required to consider such proposal pursuant to Article 5.6 or Article 5.12.

5.13.2 Once a Joint Operation for the drilling, Deepening, Testing, Sidetracking, Plugging Back, Completing, Recompleting, Reworking or plugging of a well has been approved and commenced, such operation shall not be discontinued without the consent of the Management Committee; provided, however, that such operation may be discontinued if:

(a) an impenetrable substance or other condition in the hole is encountered which in the reasonable judgement of Operator renders the continuation of such operation to be uneconomic; or

(b) other circumstances occur which in the reasonable judgement of Operator cause the continuation of such operation to be unwarranted and after notice the Management Committee within the period required under Article 5.12.1 (a) or 5.12.1(b) approves discontinuing such operation.

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

ARTICLE 6 - WORK PROGRAMMES AND BUDGETS

6.1 Exploration Works

6.1.1 Within thirty (30) Days after the Effective Date of this Contract, Operator shall deliver to the Parties a proposed Work Programme and Budget detailing the Joint Operations to be performed for the remainder of the current Calendar Year and, if appropriate, for the following Calendar Year. Within thirty (30) Days of such delivery, the Management Committee shall meet to consider and to endeavour to agree a Work Programme and Budget.

6.1.2 Thereafter on or before the thirtieth (30th) Day of September of each Calendar Year, Operator shall deliver to the Parties a proposed Work Programme and Budget detailing the Joint Operations to be performed

for the following Calendar Year. Not later than 30 November of each Calendar Year, the Management Committee shall meet to consider and to endeavour to agree on a Work Programme and Budget. Each Budget shall include any other information requested by the Management Committee or required by the Accounting Procedure.

The Work Programme and Budget agreed pursuant to this Article 6.1 shall include the Minimum Exploration Work Programme, or at least that part of such Minimum Exploration Work Programme required to be carried out during the Calendar Year in question under the terms of the Petroleum Agreement. Minimum Exploration Work Programme shall not be subject to the Sole Risk provisions of Article 7 and **KOSMOS** and its eventual assignees shall bear all costs and expenses thereto in relation to its (their) Paying Interests.

6.1.3 Subject to Article 6.7, approval of any such Work Programme and Budget, which includes an Exploration or an Appraisal Well, whether by drilling, Deepening or Sidetracking, shall include approval for only expenditures necessary for the drilling, Deepening or Sidetracking of such well, as applicable. When an Exploration or an Appraisal Well has reached its authorised depth, all logs, cores and other approved Tests have been conducted and the results furnished to the Parties, Operator shall submit to the Parties in accordance with Article 5.12.1(a) an election to participate in an attempt to Complete such well. Operator shall include in such submission Operator's recommendation on such Completion attempt and an AFE for such Completion costs.

6.1.4 If a Discovery is made, the Operator shall advise the Parties as soon as possible and deliver notice of Discovery required pursuant to section 39 of the Hydrocarbon Law. As soon as practicable, but in no event later than thirty (30) Days after said Discovery, the Operator shall submit to the Parties a report containing available details concerning the Discovery and the Operator's recommendation as to whether the Discovery merits appraisal and/or further studies. Such recommendation shall include a preliminary technical and commercial evaluation of development feasibility. Within thirty (30) Days, the Management Committee will make a determination whether the Discovery merits appraisal. If the Management Committee determines that the Discovery merits appraisal, the Operator shall, as soon as practical, but in no event later than thirty (30) Days after said determination, deliver to the Parties a proposed Work Programme and Budget for the appraisal of the Discovery.

6.1.5 Within thirty (30) Days of such delivery, or earlier if necessary, the Management Committee shall meet to consider, modify and then either approve or reject the appraisal Programme and a revised Work Programme and Budget.

6.2 Development and Exploitation Works

6.2.1 Following the execution of an Appraisal Programme for a Discovery, the Operator shall as soon as practicable submit to the Parties a report containing the results of that Appraisal Programme and the Operator's assessment as to whether the Discovery is potentially a Commercial Discovery. If so instructed by the Management Committee, the Operator shall as soon as practicable, in consultation with the other Parties, prepare an deliver to the Management Committee a preliminary Development Plan.

6.2.2 If, on the basis of the preliminary Development Plan, the Management Committee determines that a Discovery is a Commercial Discovery pursuant to Article 5.8.4(d), the Operator shall make a declaration of commerciality as required under the Hydrocarbon Law to the Minister in charge of Energy. The Operator will as soon as practicable prepare the Development Plan in final form and resubmit to the Management Committee for approval, together with the first annual Work Programme and Budget and provisional Work Programmes and Budgets for the remainder of the development of the Commercial Discovery, which shall contain, inter alia:

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

(b) An estimated date for the commencement of production and of the annual rates of production on a Calendar Year basis through abandonment;

(c) A delineation of the proposed Exploitation Area; and

(d) Any other information requested by the Management Committee or required by the Accounting Procedure.

6.2.3 In the event that a Discovery is declared a Commercial Discovery all costs relating to the preparation of the Development Plan are considered Development and Exploitation Works and will be for the account of all Parties (including **ONHYM**).

6.2.4 In the event that one or more Parties fail to agree to the Development Plan, the said Parties may request that a period of time be granted to enable the Development Plan to be re-examined; the period shall be a maximum of ninety (90) Days starting from the date of the Management Committee meeting held pursuant to this Article or a lesser period as agreed by all the Parties.

6.2.5 In the event the Parties fail to reach a unanimous decision on the Development Plan within the time limits specified above in Article 6.2.4, the Party or Parties which have agreed thereto, shall have the exclusive right to proceed at their own risk and at their own cost and liability, with the application for an Exploitation Concession, subsequent development operations and commencement of production, as well as any other operations in field in question pursuant to Article 7.

6.2.6 If the Development Plan is approved by the Parties and the Exploitation Concession awarded, Operator shall, on or before the thirtieth (30th) Day of September of each Calendar Year submit a Work Programme and Budget for the Exploitation Area, for the following Calendar Year. Not later than 30 November of each Calendar Year, the Management Committee shall endeavour to agree to such Work Programme and Budget, including any necessary or appropriate revisions to the Work Programme and Budget for the approved Development Plan.

6.2.7 Unless otherwise agreed by unanimous vote of the Management Committee, the Operator shall not be obliged nor shall it be entitled to perform any work or incur any expenditure or indebtedness hereunder for the Joint Account until an Exploitation Concession has been awarded to the Parties pursuant to the Petroleum Agreement and the Hydrocarbon Code.

6.3 Production

On or before the thirtieth (30th) Day of September of each Calendar Year, Operator shall deliver to the Parties a proposed production Work Programme and Budget detailing the Joint Operations to be performed in the Exploitation Area and the projected production schedule for the following Calendar Year and include any other information requested by the Management Committee or required by the Accounting Procedure. Not later than 30 November of each Calendar Year, the Management Committee shall agree upon a production Work Programme and Budget.

6.4 Itemisation of Expenditures

6.4.1 During the preparation of the proposed Work Programmes and Budgets and Development Plans contemplated in this Article 6, Operator shall consult with the Management Committee regarding the contents of such Work Programmes and Budgets and Development Plans.

6.4.2 Each Work Programme and Budget and Development Plan submitted by Operator shall contain an itemised estimate of the costs of Joint Operations and all other expenditures to be made for the Joint Account during the Calendar Year in question in accordance with the provisions of the Accounting Procedure.

6.4.3 The Work Programme and Budget shall designate the portion or portions of the Area of Interest in which Joint Operations itemised in such Work Programme and Budget are to be conducted and shall specify the kind and extent of such operations in such detail as the Management Committee may deem suitable.

6.5 Contract Awards

6.5.1 Operator shall award each contract for approved Joint Operations on the following basis (the amounts stated are in U.S. dollars):

	Procedure A	Procedure B	Procedure C
Exploration Works	$0 to $250,000	$250,000 to $1,000,000	>$1,000,000
Development Operations and Exploitation Works	$0 to $300,000	$300,000 to $1,000,000	>$1,000,000

Procedure A

Operator shall award the contract to the best qualified contractor as determined by cost and ability to perform the contract without the obligation to tender and without informing or seeking the approval of the Management Committee, except that before entering into contracts with Affiliates, Operator shall obtain approval of all contracts (i) exceeding U.S. dollars one hundred thousand (U.S. $100,000), and (ii) of any amount after five (5) contracts between Operator and its Affiliates have been entered into specific to a particular Development Plan.

Procedure B

Operator shall:

i) Provide the Parties with a list of the entities, of which at least two shall be obtained from third parties (who shall not be Affiliated parties of the Parties), whom Operator proposes to invite to tender for the said contract;

ii) Add to such list any appropriately qualified entity whom a Party requests to be added within fourteen (14) Days of receipt of such list;

iii) Complete the tendering process within a reasonable period of time;

iv) Inform the Parties of the entities to whom the contract has been awarded, provided that before awarding contracts to Affiliates of the Operator which exceed U.S. dollars one hundred thousand (U.S.$100,000) or which exceed the number permitted by Procedure A above, Operator shall obtain the approval of the Management Committee;

v) Circulate to the Parties a competitive bid analysis stating the reasons for the choice made;

vi) Upon the request of a Party, provide such Party with a copy of the final version of the contract awarded;

vii) The Operator may, at its discretion, by notice to the Non- Operators waive the competitive tender procedure described under this Procedure B unless a Party or Parties holding in aggregate Paying Interests of at least ten percent (10%) otherwise requires within five (5) Working Days of receipt of notice.

Procedure C

Operator shall:

i) Provide the Parties with a list of the entities, of which at least two shall be obtained from third parties (who shall not be Affiliated parties of the Parties), whom Operator proposes to invite to tender for the said contract;

ii) Add to such list any appropriately qualified entity whom a Party requests to be added within fourteen (14) Days of receipt of such list;

iii) Prepare and dispatch the tender documents to the entities on the list as aforesaid to Non-Operators;

iv) After the expiry of the period allowed for tendering, consider and analyse the details of all bids received;

v) Prepare and circulate to the Parties a competitive bid analysis, stating Operator's recommendation as to the entity to whom the contract should be awarded, the reasons therefor, and the technical, commercial and contractual terms to be agreed upon;

vi) Obtain the approval of the Management Committee of the recommended bid;

vii) Upon the request of a Party, provide such Party with a copy of the final version of the contract; and

viii) The Operator may, at its discretion, by notice to the Non-Operators waive the competitive tender procedure unless a Party or Parties holding in aggregate Paying Interests of at least ten percent (10%) otherwise requires within five (5) Working Days of receipt of notice.

6.5.2 The Operator will use reasonable endeavours to ensure that any such contract can be freely assigned to any of the Non-Operators in the event of any change of the Operator under Article 4.

6.6 Authorisation for Expenditure ("AFE") Procedure

6.6.1 Prior to incurring any commitment or expenditure for the Joint Account, Operator shall send to each Non-Operator an AFE. Notwithstanding the above, Operator shall not be obliged to furnish an AFE to the Parties with respect to Articles 3.4 and 4.2.2 (h), general and administrative costs, nor any costs below one hundred thousand U.S. Dollars (U.S.$100,000) other than workovers, that are listed as separate line items in an approved Work Programme and Budget. An AFE shall include the information set out in and be prepared in accordance with the Accounting Procedure. To the extent the Management Committee approves an AFE, the Operator shall be authorised and obliged in accordance with the terms of the Accounting Procedure to proceed with such commitment or expenditure.

6.6.2 Notwithstanding any other provision of this Contract, all AFEs presented for operations within an approved Work Programme and Budget shall be for informational purposes only. Approval of an operation in the Work Programme and Budget shall authorize Operator to conduct the operation (subject to Article 6.7) without further authorization from the Management Committee.

6.7 Over expenditures of Work Programmes and Budgets

6.7.1 For expenditures on any AFE, or where an AFE is not required, and for any line item of an approved Work Programme and Budget, Operator shall be entitled to incur without further approval of the Management Committee an over expenditure for such line item up to ten percent (10%) of the AFE or Work Programme and Budget line item as applicable; provided that the cumulative total of all over expenditures for a Calendar Year shall not exceed five percent (5%) of the total Work Programme and Budget in question.

6.7.2 At such time that Operator is certain that the limits of Article 6.7.1 will be exceeded, Operator shall furnish a supplemental AFE for the estimated over expenditures to the Management Committee for its approval and shall provide the Parties with full details of such over expenditures. Operator shall promptly give notice of the amounts of over expenditures when actually incurred.

6.7.3 The restrictions contained in this Article 6 shall be without prejudice to Operator's rights to make expenditures as set out in Article 4.2.2 (k) and Article 13.5.

6.8 Amendments

Any Party may by notice to the other Parties propose that an approved Work Programme and Budget be amended. To the extent that the Management Committee approves such amendment, such items shall be deemed amended accordingly provided always that such amendment shall not invalidate any authorised commitment or expenditure made by the Operator prior thereto.

6.9 Cost Sharing

6.9.1 With the exception of the provisions of Article 4.2.4 of the Petroleum Agreement, all costs and expenses incurred pursuant to the Petroleum Agreement and this Contract by the Operator in conducting Joint Operations in any Exploitation Concession shall be borne by the Parties in proportion to their respective Participating Interest in said Exploitation Concession.

6.9.2 All costs and expenses incurred by the Operator in conducting Joint Operations shall be determined and regulated in the manner prescribed in the Accounting Procedure. The Operator must keep cost and expense ledgers in accordance with the Accounting Procedure. In the event of a contradiction between this Contract and the Accounting Procedure, the provisions of this Contract shall prevail.

ARTICLE 7 — SOLE RISK

7.1 General Provisions

7.1.1 No Sole Risk Project may be carried out during the Exploration Period, prior to satisfaction of the Minimum Exploration Work Programme as determined under the Petroleum Agreement or if such Sole Risk Project is substantially similar to or conflicts with all or part of any Work Programme and Budget approved by the Management Committee and current at the

commencement of the Sole Risk Project, nor shall **ONHYM** have the right to propose any Sole Risk Project relating to Exploration Works. No Sole Risk Project may be proposed or conducted within an Exploitation Concession by any Party following commencement of Development Works within such Exploitation Concession.

7.1.2 The following operations may be proposed and conducted as a Sole Risk Project subject to the terms of this Artilce 7.

(i) Drilling of Exploration Wells or Appraisal Wells after the Minimum Exploration Work Programme has been fulfilled;
(ii) Deepening or Sidetracking of any Exploration Well or Appraisal Well which has been drilled as a Sole Risk Project;
(iii) Deepening or Sidetracking of any Exploration Well or Appraisal Well which has been drilled as a Joint Operation and has not made a Discovery;
(iv) Testing of any Exploration or Appraisal Well;
(v) Determination of a Commercial Discovery; and/or
(vi) The approval and implementation of a Development Plan.

The procedures relating to Sole Risk Projects relating to 7.1.2 (i) to (vi) inclusive are governed by Article 7.2. No other type of operation may be proposed or conducted as a Sole Risk Project.

7.1.3 In the event that **ONHYM** elects not to participate in the exploitation of a Commercial Discovery, **ONHYM** shall use best endeavours to assist the Participating Parties in an application for the award of the relevant Exploitation Concession and promptly following such award, assign its entire interest in such Exploitation Concession awarded to it to the Participating Parties prorata and at no cost.

ONHYM shall have the right to participate in an amount equal to its maximum Participating Interest of twenty-five (25%) percent in any Sole Risk Project, but shall not have the right to propose any Sole Risk Project.

7.1.4 A Sole Risk Party shall exercise all necessary precautions to ensure that a Sole Risk Project does not unreasonably jeopardise, hinder or-interfere with the Joint Operations.

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

7.2 Procedure to Propose Sole Risk Projects

7.2.1 Subject to Article 7.1, if any Party proposes to conduct a Sole Risk Project, such Party shall give notice of the proposed operation to all Parties, other than Parties who may have relinquished their Participating Interest in that portion of the Area of Interest in which the proposed operation is to be conducted. Such notice shall specify that such operation is proposed as a Sole Risk Project, the work to be performed, the location, and the objectives and estimated cost of such operation.

7.2.2 Any Party entitled to receive such notice shall have the right to participate in the proposed operation.

(a) For proposals to Deepen, Test, Complete, Sidetrack, Plug Back, Recomplete or Rework involving the use of a drilling rig that is standing by in the Area of Interest, any such Party wishing to exercise such right must so notify Operator within twenty-four (24) hours after receipt of the notice proposing the Sole Risk Project.

(b) For proposals to apply for an Exploitation Concession to develop a Discovery, any Party wishing to exercise such right must so notify the Party proposing to develop within twenty (20) Days after receipt of the notice proposing the Sole Risk Project.

(c) For all other proposals, any such Party wishing to exercise such right must so notify Operator within ten (10) Days after receipt of the notice proposing the Sole Risk Project.

7.2.3 Failure of a Party to whom a proposal notice is delivered to properly reply within the period specified above shall constitute an election by that Party not to participate in the proposed operation.

7.2.4 No Party may propose or commence a Sole Risk Project under this Article during a period of time when Joint Operations or Sole Risk Projects are then being conducted with respect to the drilling, Testing, Sidetracking, Plugging Back, Completing, Recompleting, Reworking or Plugging of a well except where such Sole Risk Project is proposed in respect of that well; provided that a Party may conduct such a Sole Risk Project under this Article during such a period of time if the Operator is satisfied that the Sole Risk Project will not materially interfere with Joint Operations.

7.2.5 If all Parties properly exercise their rights to participate, then the proposed operation shall be conducted as a Joint Operation. Operator shall commence such Joint Operation as promptly as practicable and conduct it with due diligence.

7.2.6 If less than all Parties entitled to receive such proposal notice properly exercise their rights to participate, then:

(a) The Party proposing the Sole Risk Project, together with any other Sole Risk Parties, shall have the right, exercisable for the applicable notice period set out in Article 7.2.2 to instruct Operator (subject to Article 7.9.7) to conduct the Sole Risk Project. Operator shall commence such sole risk Project for the account of the Sole Risk Parties as promptly as practicable and conduct it with due diligence in accordance with this Contract.

(b) If the Sole Risk Project is conducted, the Sole Risk Parties shall hear the sole liability and expense of such Sole Risk Project in a fraction, the numerator of which is such Sole Risk Party's Paying Interest as stated in Article 3.1.2 and the denominator of which is the aggregate of the Paying Interests of the Sole Risk Parties as stated in Article 3.1.2, or in such other proportion totalling one hundred percent (100%) of such liability and expense as the Sole Risk Parties may agree.

(c) If such Sole Risk Project has not been commenced within one hundred twenty (120) Days (excluding any extension specifically agreed by all Parties or allowed by the Force Majeure provisions of Article 16), after the date of the instruction given to Operator under Article 7.2.6(a) the right to conduct such Sole Risk Project shall terminate. If any Party still desires to conduct such Sole Risk Project, written notice proposing such operation must be resubmitted to the Parties in accordance with Article 5 as if no proposal to conduct a Sole Risk Project had been previously made.

7.3 Responsibility for Sole Risk Projects

7.3.1 The Sole Risk Parties shall bear, in accordance with the Paying Interests agreed under Article 7.2.6 the entire cost and liability of conducting a Sole Risk Project and shall indemnify and hold the Non-Sole Risk Parties harmless from any and all costs and liabilities incurred incident to such Sole Risk Project (including but not limited to all costs, expenses and liabilities for environmental loss or damage, indirect, criminal or any other similar indirect damages or losses arising from business interruption, reservoir or formation damage, inability to produce Hydrocarbons, loss of profits, pollution control and environmental amelioration or rehabilitation) and shall keep the Area of Interest free and clear of all liens and encumbrances of every kind created by or arising from such Sole Risk Project, except such liens, and encumbrances which burden only such Sole Risk Parties' Paying Interests.

7.3.2 Notwithstanding Article 7.3.1, each Party shall continue to bear its Paying Interest under Articles 3.1.2 share of the cost and liability incident to the operations in which it participated, including but not limited to plugging and abandoning and restoring the surface location, but only to the extent those costs were not increased by the Sole Risk Project.

7.4 Consequences of Sole Risk Projects

7.4.1 With regard to any Sole Risk Project, for so long as a Non-Sole Risk Party has the option to reinstate the rights it relinquished under Article 7.4.2 below, such Non-Sole Risk Party shall be entitled to have access concurrently with the Sole Risk Parties to all data and other information relating to such Sole Risk Project.

7.4.2 With regard to any Sole Risk Project and subject to Articles 7.4.3 and 7.8 below, each Non-Sole Risk Party shall be deemed to have relinquished to the Sole Risk Parties, and the Sole Risk Parties shall be deemed to own in the Sole Risk Project, in proportion to their respective Participating Interests:

(a) All of each such Non-Sole Risk Party's right to participate in further operations on any Discovery made in the course of such Sole Risk Project; and

(b) All of each such Non-Sole Risk Party's right pursuant to the Petroleum Agreement to take and dispose of Hydrocarbons produced and saved:

i) From the well in which such Sole Risk Project was conducted, and

ii) From any wells drilled to appraise or develop a Discovery made or appraised in the course of such Sole Risk Project.

7.4.3 A Non-Sole Risk Party shall have the following and only the following options to reinstate the rights it relinquished pursuant to Article 7.4.2:

(a) If the Sole Risk Parties decide to appraise a Discovery made in the course of a Sole Risk Project, the Sole Risk Parties shall submit to each Non-Sole Risk Party the approved Appraisal Programme. For thirty (30) Days (or forty-eight (48) hours if the drilling rig which is to be used in such Appraisal Programme is standing by in the Area of Interest) from receipt of such Appraisal Programme, each Non- Sole Risk Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4.2 and to participate in such Appraisal Programme. The Non-Sole Risk Party may exercise such option by notifying Operator within the period specified above that such Non-Sole Risk Party agrees to bear its Paying Interest share under Article 3.1.2 of the expense and liability of such Appraisal Programme, to pay the lump sum amount as set out in Article 7.5.1 and to pay the Cash Premium as set out in Article 7.5.2.

(b) If the Sole Risk Parties decide to apply for an Exploitation Concession to develop a Discovery made or appraised in the course of a Sole Risk Project, the Sole Risk Parties shall submit to the Non-Sole Risk Parties a Development Plan substantially in the

form intended to be submitted as an application for an Exploitation Concession to the Ministry of Energy under the Petroleum Agreement and the Hydrocarbon Law. For sixty (60) Days from receipt of such Development Plan or such lesser period of time prescribed by the Petroleum Agreement, each Non-Sole Risk Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4.2 and to participate in such Development Plan. The Non-Sole Risk Party may exercise such option by notifying the Party proposing to act as Operator for such Development Plan within the period specified above that such Non-Sole Risk Party agrees to bear its Paying Interest share under Article 3.1.2 of the liability and expense of such Development Plan and such future operating and producing costs, to pay the lump sum amount as set out in Article 7.5.1 and to pay the Cash Premium as set out in Article 7.5.2.

(c) If the Sole Risk Parties decide to Deepen, Test, Complete, Sidetrack, Plug Back, Recomplete or Rework a Sole Risk Well and such further operation was not included in the original proposal for such Sole Risk Well, the Sole Risk Parties shall submit to the Non-Sole Risk Parties the approved AFE for such further operation. For thirty (30) Days (or forty-eight (48) hours if the drilling rig which is to be used in such operation is standing by in the Area of Interest) from receipt of such AFE, each Non-Sole Risk Party shall have the option to reinstate the rights it relinquished pursuant to Article 7.4.2 and to participate in such operation. The Non-Sole Risk Party may exercise such option by notifying Operator within the period specified above that such Non-Sole Risk Party agrees to bear its Paying Interest share under Article 3.1.2 of the liability and expense of such further operation, to pay the lump sum amount as set out in Article 7.5.1 and to pay the Cash Premium as set out in Article 7.5.2.

7.4.4 If a Non-Sole Risk Party does not properly and in a timely manner exercise such option, including paying in a timely manner in accordance with Article 7.5 all lump sum amounts and Cash Premium due to the Sole Risk Parties, such Non-Sole Risk Party shall have forfeited the options as set out in Article 7.4.3 and the right to participate in the proposed Work Programme and Budget, unless such Work Programme and Budget, plan or operation is materially modified or expanded. In which case, a new notice and option will be given to the Non-Sole Risk Parties.

7.4.5 A Non-Sole Risk Party shall become a Sole Risk Party with regard to a Sole Risk Project at such time as the Non-Sole Risk Party gives proper notice pursuant to Article 7.4.3; provided, however, that such Non-Sole Risk Party shall in no way be deemed to be entitled to any lump sum amount Cash Premium paid incident to such Sole Risk Project. The Participating Interest of such Non-Sole Risk Party in such Sole Risk Project shall be its Participating Interest set out in Article 3. The Sole Risk

Parties shall contribute, in proportion to their respective Paying Interests in such Sole Risk Project, the Participating Interest of the Non-Sole Risk Party. If all Parties participate in the proposed operation, then such operation shall be conducted as a Joint Operation pursuant to Article 5.

7.4.6 If, after the expiry of the period in which a Non-Sole Risk Party may exercise its option to participate in a Development Plan, the Sole Risk Parties desire to proceed, the Party chosen by the Sole Risk Parties proposing to act as Operator for such development shall give notice to **ONHYM** under the appropriate provision of the Petroleum Agreement requesting a meeting to advise **ONHYM** that the Sole Risk Parties consider the Discovery to be a Commercial Discovery. Following such meeting, the Operator for such development shall designate a corresponding Exploitation Area. Unless the Development Plan is materially modified or expanded prior to the commencement of operations under such plan, in which case a new notice and option will be given to the Non-Sole Risk Parties, each Non-Sole Risk Party to such Development Plan shall be deemed to have:

(a) Forfeited all economic interest in such Exploitation Area; and

(b) Assumed a fiduciary duty to exercise its legal interest in such Exploitation Area for the benefit of and on behalf of the Sole Risk

7.5 Premium to Participate in Sole Risk Project

7.5.1 Within thirty (30) Days of the exercise of its option under Article 7.4.3, each such Non-Sole Risk Party shall pay in immediately available funds to the Sole Risk Parties who took the risk of such Sole Risk Projects in proportion to their respective Paying Interests under Article 3.1.2 in such Sole Risk Projects a lump sum amount payable in the currency designated by such Sole Risk Parties. Such lump sum amount shall be equal to such Non-Sole Risk Party's Paying Interest share under Article 3.1.2 of all liabilities and expenses, including overhead, that were incurred in every Sole Risk Project relating to the Discovery or well, as the case may be, in which the Non-Sole Risk Party desires to reinstate the rights it relinquished pursuant to Article 7.4.3, and that were not previously paid by such Non- Sole Risk Party.

7.5.2 In addition to Article 7.5.1, if a Cash Premium is due within thirty (30) Days of the exercise of its option under Article 7.4.3, except as otherwise provided in Article 7.5.2.1, each such Non-Sole Risk Party shall pay in immediately available funds, in the currency designated by the Sole Risk Parties who took the risk of such Sole Risk Projects, to such Sole Risk Parties in proportion to their respective Paying Interests under Article 3.1.2 a Cash Premium equal to the total of:

(a) one thousand percent (1000%) of such Non-Sole Risk Party's Paying Interest share under Article 3.1.2 of all liabilities and expenses, including overhead, that were incurred in any Sole Risk Projects relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking of the Exploration Well which made the Discovery in which the Non-Sole Risk Party desires to reinstate the rights it relinquished pursuant to Article 7.4.2, and that were not previously paid by such Non-Sole Risk Party; plus

(b) six hundred percent (600%) of the Non-Sole Risk Party's Paying Interest share under Article 3.1.2 of all liabilities and expenses that were incurred in any Sole Risk Project relating to the drilling, Deepening, Testing, Completing, Sidetracking, Plugging Back, Recompleting and Reworking for the Appraisal Well which delineated the Discovery in which the Non-Sole Risk Party desires to reinstate the rights it relinquished pursuant to Article 7.4.2, and that were not previously paid by such Non-Sole Risk Party.

7.5.2.1 Notwithstanding the foregoing, each such Sole Risk Party shall have the option in lieu of receiving immediate payment of such amounts as provided in Article 7.5.2 (a) and (b) above, upon notice given to such Non-Sole Risk Party, to require that any Non-Sole Risk Party desiring to reinstate the rights it relinquished pursuant to Article 7.4.3 bear one hundred percent (100%) of the Cash Calls made on such Sole Risk Party in respect of both Joint Operations and Sole Risk Operations until such Non-Sole Risk Party has reimbursed the full amount due from it under Article 7.5.2. Unless otherwise agreed, any balance remaining unreimbursed at the end of, or upon a Party's withdrawal from, the subject Exploitation Area will be reimbursed by cash payment in the manner provided above. The due date for any such payment shall be fifteen (15) Days after notice from Operator of the balance remaining unreimbursed. With respect to Parties who are participants in an on-going Exploitation Area, any balance remaining unreimbursed after twenty-four (24) months from the date of the notice given above by such Sole Risk Party electing to defer immediate payment shall be settled through allocation from the Non-Sole Risk Party to the Sole Risk Party of an additional share of such Non-Sole Risk Party's production Entitlement, such allocation timed to enable the reimbursement to be completed in not more than thirty (30) months from the date of said notice.

7.6 Order of Preference of Operations

7.6.1 Except as otherwise specifically provided in this Agreement, if any Party desires to propose an operation that will conflict with an existing proposal for a Sole Risk Project, such Party shall have the right exercisable for five (5) Days (or twenty-four (24) hours if the drilling rig to be used is standing by in the Area of Interest) from receipt of the proposal for the Sole Risk Project, to deliver to all Parties entitled to participate in the proposed operation such Party's alternative proposal. Such alternative proposal shall contain the information required under Article 7.2.1.

7.6.2 Each Party receiving such proposals shall elect by delivery of notice to Operator within the appropriate response period set out in Article 7.2.2 to participate in only one of the competing proposals. Any Party not notifying Operator within the response period shall be deemed not to have voted.

7.6.3 The proposal receiving the largest aggregate Paying Interest vote under Article 3.1.2 shall have priority over all other competing proposals. In the case of a tie vote, the Operator shall choose among the proposals receiving the largest aggregate Paying Interest vote under Article 3.1.2. Operator shall deliver notice of such result to all Parties entitled to participate in the operation within five (5) Days of the end of the response period (or twenty-four (24) hours if the drilling rig to be used is standing by in the Area of Interest).

7.6.4 Each Party shall then have two (2) Days (or twenty-four (24) hours if the drilling rig to be used is standing by in the Area of Interest) from receipt of such notice to elect by delivery of notice to Operator whether such Party will participate in such Sole Risk Project, or will relinquish its interest pursuant to Article 7.4.2. Failure by a Party to deliver such notice within such period shall be deemed an election not to participate in the prevailing proposal.

7.6.5 Notwithstanding the provisions of Article 7.4.2, if for reasons other than the encountering of granite or other practically impenetrable substances or any other condition in the hole rendering further operations impracticable, a well drilled as a Sole Risk Project fails to reach the deepest target Zone described in the notice proposing such well, Operator shall give notice of such failure to each Non-Sole Risk Party who submitted or voted for an alternative proposal under this Article to drill such well to a shallower Zone than the deepest target Zone proposed in the notice under which such well was drilled. Each such Non-Sole Risk Party shall have the option exercisable for forty-eight (48) hours from receipt of such notice to participate in the initial proposed Completion of such well. Each such Non-Sole Risk Party may exercise such option by notifying Operator that it wishes to participate in such Completion and by paying its share of the cost of drilling such well, calculated in the manner provided in Article 7.8.2, to

its deepest depth drilled in the Zone in which it is Completed. If any such Non-Sole Risk Party does not properly elect to participate in the first Completion proposed for such well, the relinquishment provisions of Article 7.4.2 shall continue to apply to such Non-Sole Risk Party's interest.

7.7 Stand-By Costs

7.7.1 When an operation has been performed, all tests have been conducted and the results of such tests furnished to the Parties, stand-by costs incurred pending response to any Party's notice proposing a Sole Risk Project for Deepening, Testing, Sidetracking, Completing, Plugging Back, Recompleting, Reworking or other further operation in such well (including the period required under Article 7.6 to resolve competing proposals) shall be charged and borne as part of the operation just completed. Stand-by costs incurred subsequent to all Parties responding, or to the expiry of the response time permitted, whichever first occurs, shall be charged to and borne by the Parties proposing the Sole Risk Project in proportion to their Paying Interests under Article 3.1.2, regardless of whether such Sole Risk Project is actually conducted.

7.7.2 If a further operation is proposed while the drilling rig to be utilised is on location, any Party may request and receive up to five (5) additional Days after expiry of the applicable response period specified in Article 7.2.2 within which to respond by notifying Operator that such Party agrees to bear all stand-by costs and other costs incurred during such extended response period. Operator may require such Party to pay the estimated stand-by time in advance as a condition to extending the response period. If more than one Party requests such additional time to respond to the notice, stand-by costs shall be allocated between such Parties on a day-to-day basis in proportion to their Paying Interests under Article 3.1.2.

7.8 Special Considerations Regarding Deepening and Sidetracking

7.8.1 A Sole Risk Well shall not be Deepened or Sidetracked without first affording the Non-Sole Risk Parties the opportunity to participate in such operation in accordance with this Article.

7.8.2 In the event any Sole Risk Party desires to Deepen or Sidetrack a Sole Risk Well, such Party shall initiate the procedure contemplated by Article 7.2. If a Deepening or Sidetracking operation is approved pursuant to such provisions, and if any Non-Sole Risk Party to the Sole Risk Well elects to participate in such Deepening or Sidetracking operation, such Non-Sole Risk Party shall not owe any Cash Premium and such Non-Sole Risk Party's payment pursuant to Article 7.5.1 shall be such Non-Sole Risk Party's Paying Interest share under Article 3.1.2 of the liabilities and expenses incurred in connection with drilling the Sole Risk Well from the surface to the depth previously drilled which such Non-Sole Risk Party

would have paid had such Non-Sole Risk Party agreed to participate in such Sole Risk Well; provided, however, all liabilities and expenses for Testing and Completing or attempting Completion of the well incurred by Sole Risk Parties prior to the commencement of actual operations to Deepen or Sidetrack beyond the depth previously drilled shall be for the sole account of the Sole Risk Parties.

7.9 Miscellaneous

7.9.1 Each Sole Risk Project shall be carried out by the Sole Risk Parties acting as the Management Committee, subject to the provisions of this Agreement applied mutatis mutandis to such Sole Risk project and subject to the terms and conditions of the Petroleum Agreement.

7.9.2 The computation of liabilities and expenses incurred in Sole Risk Projects, including the liabilities and expenses of Operator for conducting such operations, shall be made in accordance with the principles set out in the Accounting Procedure.

7.9.3 Operator shall maintain separate books, financial records and accounts for Sole Risk Projects which shall be subject to the same rights of audit and examination as the Joint Account and related records, all as provided in the Accounting Procedure. Said rights of audit and examination shall extend to each of the Sole Risk Parties and each of the Non-Sole Risk Parties so long as the latter are, or may be, entitled to elect to participate in such operations.

7.9.4 Operator, if it is not a Sole Risk Party and it is conducting a Sole Risk Project for the Sole Risk Parties, shall be entitled to request cash advances and shall not be required to use its own funds to pay any cost and expense and shall not be obliged to commence or continue Sole Risk Projects until cash advances requested have been made, and the Accounting Procedure shall apply to Operator in respect of any Sole Risk Projects conducted by it.

7.9.5 Should the submission of a Development Plan be approved in accordance with Article 5.8, or should any Party propose a development in accordance with Article 7, with either proposal not calling for the conduct of additional appraisal drilling, and should any Party wish to drill an additional Appraisal Well prior to development, then the Party proposing the Appraisal Well as an Sole Risk Operation shall be entitled to proceed first, but without the right (subject to the following sentence) to future reimbursement pursuant to Article 7.5. If such an Appraisal Well is produced, the Sole Risk Party or Parties shall own and have the right to take in kind and separately dispose of all of the Non-Sole Risk Parties' Entitlement from such Appraisal Well until the value thereof, determined in accordance with Article 6 of the Petroleum Agreement, equals one hundred percent (100%) of such Non-Sole Risk Parties' Participating Interest shares of all liabilities and expenses, including overhead, that were

incurred in any Sole Risk Operations relating to the Appraisal Well. If, as the result of drilling such Appraisal Well as a Sole Risk Operation, the Party proposing to apply for an Exploitation Area decides to not develop the reservoir, then each Non-Sole Risk Party who voted in favor of such Development Plan prior to the drilling of such Appraisal Well shall pay to the Sole Risk Party the amount such Non-Sole Risk Party would have paid if such Appraisal Well had been drilled as a Joint Operation.

7.9.6 In the case of any Sole Risk Project for Deepening, Testing, Completing, Sidetracking Plugging Back, Recompleting or Reworking, the Sole Risk Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well that is not needed for Joint Operations, but the ownership of all such equipment shall remain unchanged. On abandonment of a well after such Sole Risk Project, the Sole Risk Parties shall account for all such equipment to the Parties, who shall receive their respective Participating Interest shares, in value, less cost of salvage.

7.9.7 If Operator is a Non-Sole Risk Party to a Sole Risk Project to develop a Discovery, then subject to obtaining any necessary State approval Operator may resign, but in any event shall resign on the request of the Sole Risk Parties, as Operator for the Exploitation Area for such Discovery and the Sole Risk Parties shall select a Party to serve as Operator.

The royalties and any bonuses allocated to joint Operations shall be apportioned where appropriate between Sole Risk Parties and Non Sole Risk Parties by mutual agreement, it being understood that the royalties allocated to the Joint Operations shall not exceed the royalties that such Joint Operations would have incurred if no Sole Risk Projects had been performed. If an agreement is not reached within one hundred and eighty (180) Days from the declaration of Commercial Discovery, Article 18 shall apply.

ARTICLE 8 - DEFAULT

8.1 Default and Notice

Any Party that fails to pay when due its Paying Interest share of Joint Account expenses, including Cash Calls, shall be in default under this Contract (a “Defaulting Party”). Operator, or any non-defaulting Party in the case Operator is the Defaulting Party, shall as soon as practicable give notice of such default to the Defaulting Party and each of the non-defaulting Parties (the “Default Notice”). The amount not paid by the Defaulting Party shall bear interest from the date due until paid in full at the Agreed Interest Rate.

8.2 Management Committee Meetings and Data

Beginning five (5) Business Days from the date of the Default Notice, and thereafter while the Defaulting Party remains in default, the Defaulting Party shall not be entitled to attend Management Committee or subcommittee meetings or to vote on any matter coming before the Management Committee or any

subcommittee until all of its defaults have been remedied (including payment of accrued interest at the Agreed Interest Rate). Unless agreed otherwise by the non-defaulting Parties, the voting interest of each non-defaulting Party during this period shall be its percentage of the total Paying Interests of the non-defaulting Parties. Any matters requiring a unanimous vote of the Parties shall not require the vote of the Defaulting Party. In addition, begining five (5) Business Days from the date of the Default Notice, and thereafter while the Defaulting Party shall not have access to any data or information relating to Joint Operations. During this peiod, the non-defaulting Parties shall be entitled to trade data without such Defaulting Party's consent, and the Defaulting Party shall have no right to any data received in such a trade unless and until its default is remedied in full. From the date of the Default Notice until such time that the default has been remedied, the Defaulting Party shall not have a right to participate in or vote upon any Joint Operation or Sole Risk Project proposed under Article 5.13. The Defaulting Party shall be deemed to have approved, and shall join with the non-defaulting Parties in taking any other actions voted on during that period.

8.3 Allocation of Defaulted Accounts

8.3.1 The Party providing the Default Notice pursuant to Article 8.1 shall include in the Default Notice to each non-defaulting Party a statement of the sum of money that the non-defaulting Party is to pay as its portion (such portion being in the ratio that each non-defaulting Party's Paying Interest bears to the Paying Interests of all non-defaulting Parties) of the amount in default (excluding interest), subject to the terms of this Article 8.3. If the Defaulting Party remedies its default in full within five (5) Business Days from the date of the Default Notice, the notifying Party shall promptly notify each non-defaulting Party by telephone and facsimile, and the non-defaulting Parties shall be relieved of their obligation to pay a share of the amounts in default. Otherwise, each non-defaulting Party shall pay Operator, within five (5) Business Days after receipt of the Default Notice, its share of the amount that the Defaulting Party failed to pay. If any non-defaulting Party fails to pay its share of the amount in default as aforesaid, such Party shall thereupon be a Defaulting Party subject to the provisions of this Article 8. The non-defaulting Parties which pay the amount owed by any Defaulting Party shall be entitled to receive their respective shares of the principal and interest payable by such Defaulting Party pursuant to this Article 8.

8.3.2 If Operator is a Defaulting Party, then all payments otherwise payable to Operator for Joint Account costs pursuant to this Contract shall be made to the notifying Party instead until the default is cured or a successor Operator appointed. The notifying Party shall maintain such funds in a segregated account separate from its own funds and shall apply such funds to third party claims of which it has notice that are due and payable

from the Joint Account, to the extent Operator would be authorised to make such payments under the terms of this Contract. The notifying Party shall be entitled to bill or Cash Call the other Parties in accordance with the Accounting Procedure for proper third party charges that become due and payable during such period to the extent sufficient funds are not available. When Operator has cured its default or a successor Operator is appointed, the notifying Party shall turn over all remaining funds in the account to Operator and shall provide Operator and the other Parties with a detailed accounting of the funds received and expended during this period. The notifying Party shall not be liable for damages, losses, costs, expenses or liabilities arising as a result of its actions under this Article 8.3.2 except to the extent Operator would be liable under Article 4.6.

8.4 Remedies

8.4.1 During the continuance of a default, the Defaulting Party shall not have a right to its Entitlement, which shall vest in and be the property of the non-defaulting Parties. Operator (or the notifying Party if Operator is a Defaulting Party) shall be authorised to sell such Entitlement in an arm's-length sale on terms that are commercially reasonable under the circumstances and, after deducting all costs, charges and expenses incurred in connection with such sale, pay the net proceeds to the non-defaulting Parties in proportion to the amounts they are owed by the Defaulting Party hereunder (and apply such net proceeds toward the establishment of a reserve fund under Article 8.4.3, if applicable) until all such amounts are recovered and such reserve fund is established. Any surplus remaining shall be paid to the Defaulting Party, and deficiency shall remain a debt due from the Defaulting Party to the non-defaulting Parties. When making sales under this Article 8.4.1, the non-defaulting Parties shall have no obligation to share any existing market or obtain a price equal to the price at which their own production is sold.

8.4.2 If Operator sells or otherwise disposes of any Joint Property or any other credit or adjustment is made to the Joint Account while a Party is in default, Operator (or the notifying Party if Operator is a Defaulting Party) shall be entitled to apply the Defaulting Party's Paying Interest share of the proceeds of such disposal, credit or adjustment against all amounts owing by the Defaulting Party to the non-defaulting Parties hereunder (and toward the establishment of a reserve fund under Article 8.4.3, if applicable). Any surplus remaining shall be paid to the Defaulting Party, and any deficiency shall remain a debt due from the Defaulting Party to the non-defaulting Parties.

8.4.3 The non-defaulting Parties shall be entitled to apply proceeds received under Article 8.4.1 and 8.4.2 toward the creation of a reserve fund in an amount equal to the Defaulting Party's Paying Interest share of (i) the estimated cost to abandon any wells and other property in which the Defaulting Party participated, (ii) the estimated cost of severance benefits for local employess upon cessation of operations and (iii) any other identifiable costs that the non-defaulting Parties anticipate will be incurred in connection with the cessatio of operations.

8.4.4 If a Defaulting Party fails to remedy its default by the sixtieth (60 th) Day following the date of the Default Notice, then, without prejudice to any other rights available to the non-defaulting Parties to recover amounts owing to them under this Contract, the majority of interest of the non-defaulting Parties (after excluding Affiliates of the Defaulting Party) shall have the option, exercisable at any time thereafter until the Defaulting Party has completely withdrawn from this Contract and the Petroleum Agreement, to require the Defaulting Party to transfer the Defaulting Party's Participating Interest, subject to the Hydrocarbon Law, to the non-defaulting Parties pro-rata to the non-defaulting Parties' Paying Interests. Such option shall be exercised by notice to the Defaulting Party and each non-defaulting Party. If such option is exercised, the Defaulting Party shall be deemed to have transferred, pursuant to Article 13.6, effective on the date of the non-defaulting Party's notice, all of its right, title and beneficial interest in and under this Contract and the Petroleum Agreement to the non-defaulting Parties. The Defaulting Party shall, without delay following any request from the non-defaulting Parties, do any and all acts required to be done by applicable law or regulation in order to render such transfer legally valid, including, without limitation, obtaining all State consents and approvals, and shall execute any and all documents and take such other actions as may be necessary in order to effect a prompt and valid transfer of the interests described above. The Defaulting Party shall be obligated to promptly remove any liens and encumbrances which may exist on such transferred interests. For purposes of this Article 8.4.4, each Party constitutes and appoints each other Party its true and lawful attorney to execute such instruments and make such filings and applications as may be necessary to make such transfer legally effective and to obtain any necessary consents of the State. Actions under this power of attorney may be taken by any Party individually without the joinder of the others. This power of attorney is irrevocable for the term of this Contract and is granted to a Party owning a Participating Interest. If requested, each Party shall execute a form prescribed by the Management Committee setting forth this power of attorney in more detail. In the event all State approvals are not timely obtained, the Defaulting Party shall hold its Paying Interest the benefit of the non-defaulting Parties who are entitled to receive the

Defaulting Party's Paying Interest. Notwithstanding the terms of Article 13, in the absence of an agreement among the non-defaulting Parties to the contrary, any transfer to the non-defaulting Parties following a withdrawal shall be only to Parties with a Paying Interest pursuant to this Article 8.4.4 and shall be in proportion to the Paying Interests of the non-defaulting Parties. The acceptance by a non-defaulting Party of any portion of a Defaulting Party's paying Interest shall not limit any rights or remedies that the non-defaulting Party has to recover all amounts (including interest) owing under this Contract by the Defaulting Party.

8.4.5 The non-defaulting Parties shall be entitled to recover from the Defaulting Party all reasonable attorneys' fees and all other reasonable costs sustained in the collection of amounts owing by the Defaulting Party.

8.4.6 The rights and remedies granted to the non-defaulting Parties in this Contract shall be cumulative, not exclusive, and shall be in addition to any other rights and remedies that may be available to the non-defaulting Parties, whether at law, in equity or otherwise. Each right and remedy available to the non-defaulting Parties may be exercised from time to time and so often and in such order as may be considered expedient by the non-defaulting Parties in their sole discretion.

8.5 Survival

The obligations of the Defaulting Party and the rights of the non-defaulting Parties, including but not limited to any right of recourse against the Defaulting Party, shall survive the termination of the Petroleum Agreement, abandonment of Joint Operations and termination of this Contract.

8.6 No Right of Set Off

Each Party acknowledges and accepts that a fundamental principle of this Contract is that each Party pays its Paying Interest share of all amounts due under this Contract as and when required. Accordingly, any Party which becomes a Defaulting Party undertakes that, in respect of either any exercise by the non-defaulting Parties of any rights under or the application of any of the provisions of this Article 8, such Party hereby waives any right to raise by way of set off or invoke as a defence, whether in law or equity, any failure by any other Party to pay amounts due and owing under this Contract or any alleged claim that such Party may have against Operator or any Non-Operator, whether such claim arises under this Contract or otherwise. Each Party further agrees that the nature and the amount of the remedies granted to the non-defaulting Parties hereunder are reasonable and appropriate in any circumstances.

ARTICLE 9 - DISPOSITION OF PRODUCTION

9.1 Hydrocarbon Exploitation

Hydrocarbon Exploitation shall be carried out in accordace with Article 5 of the Petroleum Agreement.

9.2 Lifting of Crude Oil

Crude Oil shall be lifted in accordance with the Lifting Agreement.

9.3 Separate Agreement for Natural Gas

Natural Gas shall be managed in accordance with Article 5 of the Petroleum Agreement.

ARTICLE 10 - ABANDONMENT OF WELLS

10. 1 Abandonment of Wells Drilled as Joint Operations

10.1.1 A decision to plug and abandon any well which has been drilled as a Joint Operation, shall require the approval of the Management Committee.

10.1.2 Should any Party fail to reply within the period prescribed in Article 5.12.1(a) or Article 5.12.1(b), whichever is applicable, after delivery of notice of the Operator's proposal to plug and abandon such well, such Party shall be deemed to have consented to the proposed abandonment.

10.1.3 If the Management Committee approves a decision to plug and abandon an Exploration Well or Appraisal Well, any Party voting against such decision may propose, within the time periods allowed by Article 5.13.1, to conduct an alternate Sole Risk Project in the wellbore. If no Sole Risk Project is timely proposed, or if a Sole Risk Project is timely proposed but is not commenced within the applicable time periods under Article 7.2, such well shall be plugged and abandoned.

10.1.4 Any well plugged and abandoned under this Contract shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the Parties who participated in the cost of drilling such well.

10.2 Abandonment of Sole Risk Projects

This Article 10 shall apply *mutatis mutandis* to the abandonment of a Sole Risk Well or any well in which a Sole Risk Project has been conducted (in which event all Parties having the right to conduct further operations in such well shall be notified and have the opportunity to conduct Sole Risk Projects in the well in accordance with the provisions of this Article 10).

10.3 Abandonment of Joint Operations

10.3.1 As part of the approval process for the initial Development Plan(s), the Operator shall provide to the Management Committee an estimate of abandonment and environmental costs segregated in such a manner that each Party can determine its Participating Interest share of such future costs. At such time that the initial Development Plan is approved, the Parties thereto shall also agree on the form of the Security, as defined in Article 13.8 necessary to cover each Party's Participating Interest share of abandonment related thereto.

10.3.2 Security shall be provided by each Party for each Calendar Year commencing with the first Calendar Year in which (i) sixty per cent (60%) of the estimated commercial reserves as notified to the Minister in charge of Energy have been produced or (ii) the estimated value of the remaining commercial reserves as notified to the Minister in charge of Energy is less than two hundred percent (200%) of the estimated abandonment costs relating to the Joint Property.

10.3.3 Together with the yearly Work Programme and Budget, the Operator will notify each Party of the amount required to be secured for the financing of the latest revised abandonment plan. The amount due from each Party in U.S. Dollars shall be the amount equal to such Party's Participating Interest share of the total cumulative estimated net cost of implementing the latest revised abandonment plan adopted by the Management Committee for the Development Area, prorated on a unit production basis or any other method as may be determined by the Management Committee. Any adjustment of the estimated net cost shall be spread over the remaining production period.

10.3.4 The Security document or any cash used as Security shall be deposited as directed by the Management Committee and any cash deposited shall be invested as directed by the Management Committee.

ARTICLE 1 1 - RELINQUISHMENT, EXTENSIONS AND RENEWALS

11.1 Reduction in Area of Interest

11.1.1 On any application to enter into an Extension Period the Parties are required to relinquish part of the Area of Interest in accordance with the Hydrocarbon Code. operator shall advise the Management Committee of the required reduction at least thirty (30) Days in advance of the earlier of the date for filing irrevocable notice of such relinquishment or the date of such relinquishment. Prior to the end of such period, the Management Committee shall determine, pursuant to Article 5, the size and shape of the relinquished area, consistent with the requirements of the Hydrocarbon Code. If a sufficient vote of the Management Committee cannot be attained, then the proposal supported by a simple majority of the Paying Interests shall be adopted. If no proposal attains the support of a simple majority of the Paying Interests, then the proposal receiving the largest aggregate Paying Interest vote shall be adopted. In the event of a tie, the Operator shall choose among the proposals receiving the largest aggregate Paying Interest vote. The Parties shall execute any and all documents and take such other actions as may be necessary to effect the relinquishment. Each Party renounces all claims and causes of action against Operator and any other Parties on account of any area relinquished in accordance with the foregoing but against its recommendation if Hydrocarbons are subsequently discovered under the relinquished area.

11.1.2 A relinquishment of all or any part of the Area of Interest which is not required by the Petroleum Agreement shall require the unanimous consent of the Parties.

11.2 Extension of the Term

11.2.1 A proposal by any Party to extend in accordance with the Hydrocarbon Code, the term of the Exploration Permits and/or any Exploitation Concession under the Petroleum Agreement, a proposal to enter into a new stage or period of the Exploration Permits and/or any Exploitation Concession, shall be brought before the Management Committee pursuant to Article 5.

11.2.2 Any Party shall have the right in accordance with the Hydrocarbon Code to extend the term of the Exploration Permits and/or any Exploitation Concession of the Petroleum Agreement, to enter into a new stage or period of the Exploration Permits. Any Party not wishing to extend shall have a right to withdraw subject to the requirements of Article 13 and the Hydrocarbon Code.

ARTICLE 12 - TRANSFER OF INTEREST AND RIGHTS

12.1 Transfer

12.1.1 Subject always to the requirements of the Petroleum Agreement and the Hydrocarbon Code, the transfer of all or part of a Party's Participating Interest, excepting transfers pursuant to Article 8 or Article 13, shall be effective only if it satisfies the terms and conditions of this Article.

12.1.2 Except in the case of a Party transferring all of its Participating Interest, no transfer shall be made by any Party which results in the transferor or the transferee holding a Participating Interest of less than ten percent (10%) or holding any interest other than a Participating Interest in the Petroleum Agreement, the Area of Interest and this Contract.

12.1.3 The transferring Party shall, notwithstanding the transfer, be liable to the other Parties for any obligations, financial or otherwise, which have vested, matured or accrued under the provisions of the Petroleum Agreement or this Contract prior to such transfer. Such obligations shall include, without limitation, any proposed expenditure approved by the Management Committee prior to the transferring Party notifying the other Parties of its proposed transfer.

12.1.4 The transferee shall have no rights in or under the Petroleum Agreement, the Area of Interest or this Contract unless and until it obtains the necessary approval from the Minister in charge of Energy and expressly undertakes in writing to perform the obligations of the transferor under the Petroleum Agreement and this Contract in respect of the Participating Interest being transferred, to the satisfaction of the Parties.

12.1.5 The transferee, other than an Affiliate, shall have no rights in or under the Petroleum Agreement, the Area of Interest or this Contract unless each Party has consented in writing to such transfer, which consent shall be denied only if such transferee fails to establish to the reasonable satisfaction of each Party its financial and technical capability to perform its obligations under the Petroleum Agreement and this Contract.

12.1.6 Nothing contained in this Article shall prevent a Party from mortgaging, pledging, charging or otherwise encumbering all or part of its Participating Interest in the Area of Interest and in and under this Contract for the purpose of security relating to finance provided that:

(a) such Party shall remain liable for all obligations relating to such interest;

(b) the encumbrance shall be subject to any necessary approval of the STATE or **ONHYM** and be expressly subordinated to the rights of the other Parties under this Contract; and

(c) such Party shall ensure that any such mortgage, pledge, charge or encumbrance shall be expressed to be without prejudice to the provisions of this Contract.

12.1.7 With reference to the provisions of section 4 and 8 of the Hydrocarbon Code, **ONHYM** agrees that it will not seek to pre-empt any assignment of all or part of a Party's Participating Interest. Furthermore, the Parties agree that the assigning Party will not be obliged to advise any other Party of the commercial terms of such agreement.

12.2 Right to Transfer

Each Party shall have the right, subject to the provisions of Article 12.1, to freely transfer its Participating Interest.

ARTICLE 13 - WITHDRAWAL FROM THE PETROLEUM AGREEMENT AND THE CONTRACT

13.1 Right of Withdrawal

13.1.1 Subject to the provisions of the Hydrocarbon Code and this Article 13, any Party may withdraw from this Contract, and the Petroleum Agreement by giving notice to all other Parties stating its decision to withdraw. Such notice shall be unconditional and irrevocable when given, except as may be provided in Article 13.7.

13.1.2 The effective date of withdrawal for a withdrawing Party shall be the end of the calendar Month following the calendar Month in which the notice of withdrawal is given, provided that if all Parties elect to withdraw, the effective date of withdrawal for each Party shall be the date determined by Article 13.9.

13.2 Partial or Complete Withdrawal

13.2.1 Within thirty (30) Days of receipt of each withdrawing Party's notification, each of the other Parties may also give notice that it desires to withdraw from this Contract and the Petroleum Agreement. Should all Parties give notice of withdrawal, the Parties shall proceed to abandon the relevant Exploitation Concession(s) and /or Exploration Permits and terminate this Contract including the corresponding interests under the Petroleum Agreement. If less than all of the Parties give such notice of withdrawal, then the withdrawing Parties shall take all steps to withdraw from the Petroleum Agreement and this Contract on the earliest possible date and execute and deliver all necessary instruments

and documents to assign their Participating Interest to the Parties which are not withdrawing, without any compensation whatsoever, in accordance with the provisions of Article 13.6.

13.2.2 Any Party withdrawing under Article 11.2 or under this Article 13 shall at its option, (1) withdraw from the entirety of the Area of Interest and abandon all rights in the Joint Property or (2) withdraw only from all exploration activities under this Contract and the Petroleum Agreement, but not from any Development Area, Commercial Discovery, or Discovery, whether appraised or not, made prior to such withdrawal and shall retain its rights in the Joint Property, but only insofar as they relate to any such Development Area, Commercial Discovery or Discovery. Said Party shall relinquish all other rights it holds in the Joint Property.

13.3 Rights of a Withdrawing Party

A withdrawing Party shall have the right to receive its Entitlement of Hydrocarbons produced up until the effective date of its withdrawal. The withdrawing Party shall be entitled to receive all information to which such Party is otherwise entitled under this Contract and the Petroleum Agreement until the effective date of its withdrawal. After giving its notification of withdrawal, a Party shall not be entitled to vote on any matters coming before the Management Committee, other than matters for which such Party has financial responsibility.

13.4 Obligations and Liabilities of a Withdrawing Party

13.4.1 A withdrawing Party shall, following its notification of withdrawal, remain liable only for its share of the following:

(a) Costs of Joint Operations, and Sole Risk Projects in which it has agreed to participate, that were approved by the Management Committee or Sole Risk Parties as part of a Work Programme and Budget or AFE prior to such Party's notification of withdrawal, regardless of when they are actually incurred;

(b) Any Minimum Exploration Work Programme for the current period or phase of the Petroleum Agreement, and for any subsequent period or phase which has been approved pursuant to Article 11.2 and with respect to which such Party has failed to timely withdraw under Article 13.4.2;

(c) Emergency expenditures as described in Articles 4.2.2 (k) and 13.5;

(d) All other obligations and liabilities of the Parties or Sole Risk Parties, as applicable, with respect to acts or omissions under this Contract prior to the effective date of such Party's

withdrawal for which such Party would have been liable, had it not withdrawn from this Contract; and

(e) In the case of a partially withdrawing Party, any costs and liabilities with respect to Development Areas, Commercial Discoveries and Discoveries from which it has not withdrawn.

The obligations and liabilities for which a withdrawing Party remains liable shall specifically include its share of any costs of plugging and abandoning wells or portions of wells in which it participated (or was required to bear a share of the costs pursuant to Article 13.4.1(a)), to the extent such costs of plugging and abandoning are payable by the Parties in accordance with the Hydrocarbon Code, this Contract and the Petroleum Agreement. Any liens, charges and other encumbrances which the withdrawing Party placed on such Party's Participating Interest prior to its withdrawal shall be fully satisfied or released, at the withdrawing Party's expense, prior to its withdrawal. A Party's withdrawal shall not relieve it from liability to the non-withdrawing Parties with respect to any obligations or liabilities attributable to the withdrawing Party under this Article 13 merely because they are not identified or identifiable at the time of withdrawal.

13.4.2 Notwithstanding the foregoing, a Party shall not be liable for any operations or expenditures it voted against (other than operations and expenditures described in Article 13.4.1(b) or 13.4.1(c)) if it sends notification of its withdrawal within five (5) Days (or within twenty-four (24) hours if the drilling rig to be used in such operation is standing by on the Area of Interest) of the Management Committee's vote approving such operation or expenditure. Likewise, a Party voting against voluntarily entering into or extending an Exploration Period or Exploitation Period or any period of the Petroleum Agreement or voluntarily extending the Petroleum Agreement shall not be liable for the Minimum Exploration Work Programme associated therewith provided that it sends notification of its withdrawal within thirty (30) Days of such vote pursuant to Article 11.2.

13.5 Emergency

If a well goes out of control or a fire, blow out, sabotage or other emergency occurs prior to the effective date of a Party's withdrawal, the withdrawing Party shall remain liable for its Paying Interest share of the costs of such emergency, regardless of when they are actually incurred.

13.6 Assignment

A withdrawing Party shall assign its Participating Interest free of cost to each of the non-withdrawing Parties in the proportion which each of their Participating Interests (prior to the withdrawal) bears to the total Participating Interests of all

the non-withdrawing Parties (prior to the withdrawal), unless the non-withdrawing Parties agree otherwise. The expenses associated with the withdrawal and assignments shall be borne by the withdrawing Party.

13.7 Approvals

A withdrawing Party shall promptly join in such actions as may be necessary or desirable to obtain any State approvals required in connection with the withdrawal or assignment, being duly executed by the Parties as required by the laws of Morocco. The non-withdrawing Parties shall do everything possible to assist the withdrawing Party in obtaining such approvals. Any penalties or expenses incurred by the Parties in connection with such withdrawal shall be borne by the withdrawing Party. If the State does not approve a Party's withdrawal and assignment to the other Parties, then the withdrawing Party shall at its option either (1) retract its notice of withdrawal by notice to the other Parties and remain a Party as if such notice of withdrawal had never been sent or (2) hold its Participating Interest in trust for the sole and exclusive benefit of the non-withdrawing Parties with the right to be reimbursed by the non-withdrawing Parties for any subsequent costs and liabilities incurred by it for which it would not have been liable, had it successfully withdrawn.

13.8 Security

13.8.1 A Party withdrawing from the Petroleum Agreement and this Contract pursuant to this Article 13, prior to withdrawal, shall provide Security satisfactory to the other Parties to satisfy any obligations or liabilities which were approved or accrued prior to notice of withdrawal, but which become due after its withdrawal, including, without limitation, Security to cover the costs of an abandonment.

13.8.2 Failure to provide Security shall constitute Default under this Contract.

13.8.3 "Security" means a standby letter of credit issued by a bank or an on demand bond issued by a surety corporation, such bank or corporation having a credit rating indicating it has sufficient worth to pay its obligations in all reasonably foreseeable circumstances, or any other securities approved by the Management Committee.

13.9 Withdrawal or Abandonment by all Parties

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

ARTICLE 14 - RELATIONSHIP OF PARTIES AND TAX

14.1 Relationship of Parties

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

14.2 Tax

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

14.3 United States Tax Election

14.3.1 If, for United States federal income tax purposes, this Contract and the operations under this Contract are regarded as a partnership (and if the Parties have not agreed to form a tax partnership), each "U.S. Party" (as defined below) elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A" of the United States Internal Revenue Code of 1986, as amended (the "Code"), as permitted and authorized by Section 761(a) of the Code and the regulations promulgated under the Code. Operator is authorized and directed to execute and file for each U.S. Party such evidence of this election as may be required by the Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by United States Treasury Regulations Sections 1.761-2 and 1.6031-1(d)(2), and shall provide a copy thereof to each U.S. Party. Should there be any requirement that any U.S. Party give further evidence of this election, each U.S. Party shall execute such documents and furnish such other evidence as may be required by the Internal Revenue Service or as may be necessary to evidence this election.

14.3.2 No Party shall give any notice or take any other action inconsistent with the election made above. If any income tax laws of any

State or other political subdivision of the United States or any future income tax laws of the United States or any such political subdivision contain provisions similar to those in Subchapter “K”, Chapter 1, Subtitle “A” of the Code,

under which an election similar to that provided by Section 761(a) of the Code is permitted, each U.S. Party shall make such election as may be permitted or required by such laws. In making the foregoing election, each U.S. Party states that the income derived by it from operations under this Contract can be adequately determined without the computation of partnership taxable income.

14.3.3 For the purposes of this Article 14, "U.S. Party" shall mean any Party which is subject to the income tax law of the United States in respect of operations under this Contract.

14.3.4 No activity shall be conducted under this Contract that would cause any Party that is not a U.S. Party to be deemed to be engaged in a trade or business within the United States under applicable tax laws and regulations.

14.3.5 A Party which is not a U.S. Party shall not be required to do any act or execute any instrument which might subject it to the taxation jurisdiction of the United States.

ARTICLE 15 - CONFIDENTIALITY

15.1 Confidential Information

The treatment of confidential information shall be carried out in accordance with Article 18 of the Petroleum Agreement.

ARTICLE 16 - FORCE MAJEURE

16.1 Subject to Article 13.5, the obligations of each of the Parties hereunder, other than the obligations to make payments of money, shall be suspended during the period and to the extent that such Party is prevented or hindered from complying therewith by "Force Majeure" (as hereinafter defined). Force Majeure shall be interpreted as meaning any event which is normally beyond the control of the Party, because that Party is not in a position to either prevent it or overcome it by exercising due diligence and by incurring reasonable expenses as measured by oil industry standards. In such event, such Party shall give notice of suspension as soon as reasonably possible to the other Parties stating the date and extent of such suspension and the cause thereof. Any of the Parties whose obligations have been suspended as aforesaid shall resume the performance of such obligations as soon as reasonably possible after the removal of the cause and shall so notify all the other Parties.

16.2 If as a result of Force Majeure, any Party is rendered unable, wholly or in part, to carry out its obligations under this Contract the terms set out in the Petroleum Agreement prevail.

ARTICLE 17 - NOTICES

Except as otherwise specifically provided, all notices authorised or required between the Parties by any of the provisions of this Contract, shall be in writing, in English, and also in French where such notice is required to be sent to the Ministry in charge of Energy or such other Ministerial department, and delivered in person or by registered mail or by courier service or by any electronic means of transmitting written communications which provides acknowledgement of receipt, and addressed to such Parties as designated below. Oral communication does not constitute for purposes of this Contract, and telephone numbers for the Parties are listed below as a matter of convenience only. The originating notice given under any provision of this Contract shall be deemed delivered only when received by the Party to whom such notice is directed, and the time for such Party to deliver any notice in response to such originating notice shall run from the date the originating notice is received. The second or any responsive notice shall be deemed delivered when received. "Received" for purposes of this Article with respect to written notice delivered pursuant to this Contract shall be actual delivery of the notice to the address of the Party to be notified specified in accordance with this Article. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices be directed to another person at another address by giving written notice thereof to all other Parties.

These notices shall be addressed:

Ministry in charge of Energy
B.P. 6208 – Rabat Instituts
Haut Agdal Rabat
MAROC
Attention: Monsieur le Secretaire General
Fax: (212-37) 77 47 32

The Office National Des Hydrocarures Et Des Mines (ONHYM)
5, Avenue Moulay Hassan
B.P. 99 Rabat
MAROC
Attention: Le Directeur General
Facsimile: (212-37) 28-16-26/34

KOSMOS ENERGY OFFSHORE MOROCCO HC
8401 North Central Expressway; Suite 280
Dallas, Texas 75225
Attn: Craig S. Glick
Fax: +1-214-363-9024

Notwithstanding this, in addition, the Parties may use any reasonable means of electronic communication, which does not imply official notification.

ARTICLE 18 - APPLICABLE LAW AND ARBITRATION

18.1 Applicable Law

This Contract shall be governed by, construed, interpreted and applied in accordance with Moroccan Law, in the same conditions stipulated in Article 7 of the Petroleum Agreement.

18.2 Arbitration

If any dispute arises out of or in connection with this Contract, the Parties in good faith shall use their best efforts to come to an amicable and equitable settlement. If such settlement cannot be reached, then the Parties in dispute shall refer the matter to arbitration in the same conditions stipulated in Article 20 of the Petroleum Agreement.

ARTICLE 19 - GENERAL PROVISIONS

19.1 Conflicts of Interest

19.1.1 Each Party undertakes that it shall avoid any conflict of interest between its own interests (including the interests of Affiliates) and the interests of the other Parties in dealing with suppliers, customers and all other organisations or individuals doing or seeking to do business with the Parties in connection with activities contemplated under this Contract.

19.1.2 The provisions of the preceding paragraph shall not apply to:

(a) A Party's performance which is in accordance with the local preference laws or policies of the State; or

(b) A Party's acquisition of products or services from an Affiliate, or the sale thereof to an Affiliate, made in accordance with rules and procedures established by the Management Committee.

19.2 Public Announcements

19.2.1 Operator shall be responsible for the preparation and release of all public announcements and statements regarding this Contract or the Joint Operations; provided, however, that, no public announcement or statement shall be issued or made unless prior to its release all the Parties have been furnished with a copy of such statement or announcement and the approval of all Parties has been obtained. Where a public statement becomes necessary or desirable because of danger to or loss of life, damage to property or pollution as a result of activities arising under this Contract, Operator is authorised to issue and make such announcement or statement without prior approval of the Parties, but shall promptly furnish all Parties with a copy of such announcement or statement.

19.2.2 Any public announcements shall be made in compliance with Article 18.4 of the Petroleum Agreement.

19.3 Assignees

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

19.4 Waiver

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

19.5 Severance of Invalid Provisions

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

19.6 Modifications

Except as is provided in Article 19.5, there shall be no modification of this Contract except by written consent of all Parties.

19.7 Headings

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

19.8 Singular and Plural

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

19.9 Gender

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

19.10 Counterpart Execution

This Contract is executed in the English and French language and may be executed in any number of counterparts and each such counterpart shall be deemed an original Contract for all purposes; provided, however, that no Party shall be bound to this Contract unless and until all Parties have executed a counterpart. The English version will be used for day to day operational purposes, whilst the French version will prevail in the event of any dispute. For purposes of assembling all counterparts into one document, Operator is authorised to detach the signature page from one or more counterparts and, after signature thereof by the respective Party, attach each signed signature page to a counterpart.

19.11 Warranties as to no Payments, Gifts and Loans

Each of the Parties warrants that neither it nor its Affiliates has made or will make, with respect to the matters provided for hereunder, any offer, payment, promise to pay or authorization of the payment of any money, or any offer, gift, promise to give or authorization of the giving of anything of value, directly or indirectly, to or for the use or benefit of any official or employee of the State or to or for the use or benefit of any political party, official, or candidate unless such offer, payment, gift, promise or authorization is authorized by the written laws or regulations of the Kingdom of Morocco. Each of the Parties further warrants that neither it nor its Affiliates has made or will make any such offer, payment, gift, promise or authorization to or for the use or benefit of any other person if the Party knows, has a firm belief, or is aware that there is a high probability that the

other person would use such offer, payment, gift, promise or authorization for any of the purposes described in the preceding sentence. The foregoing warranties do not apply to any facilitating or expediting payment to secure the performance of routine government action. Routine government action, for purposes of this Article 19.11, shall not include, among other things, government action regarding the terms, award or continuation of the Contract. Each Party shall respond promptly, and in reasonable detail, to any notice from any other Party or its auditors pertaining to the above stated warranty and representation and shall furnish documentary support for such response upon request from such other Party.

19.12 Entirety

This Contract is the entire agreement of the Parties and supersedes all prior understandings and negotiations of the Parties.

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

For and on behalf of the **OFFICE NATIONAL DES HYDROCARBURES ET DES MINES (ONHYM)**

Name: Amina BENKHADRA

Title: General Director

Date: 03 MAI 2006

For and on behalf of **KOSMOS ENERGY OFFSHORE MOROCCO HC (KOSMOS)**

Name: James MUSSELMAN

Title: President and Director

/s/ James Musselman

Date: 03 MAI 2006

EXHIBIT 'A' TO BOUJDOUR OFFSHORE ASSOCIATION CONTRACT

ACCOUNTING PROCEDURE

TABLE OF CONTENTS

SECTION I

GENERAL PROVISIONS

1.1 DEFINITIONS

In this Schedule:

(i) "Accruals" means the difference in any period between costs and benefits computed on the Cash Basis and costs and benefits computed on the Accruals Basis;

(ii) "Accruals Basis" means that basis of accounting under which costs and benefits are regarded as applicable to the period in which the liability to the cost is incurred or the right to the benefit arises regardless of when invoiced, paid or received;

(iii) "Budget" means any budget in respect of a Work Program and Budget.

(iv) "Cash Basis" means that basis of accounting under which only costs actually paid in cash and benefits actually received in cash are included for any period;

(v) "Capital Expenditure" means costs and expenditures incurred in but not limited to the following operations: seismic surveys, the drilling of all wells, development feasibility studies, the design, construction, installation or acquisition of any permanent facilities, permanent additions to Joint Property and administrative costs directly attributable to such operations;

(vi) "Controllable Material" means such items of Material, property, plant or equipment having an individual value specified in the Operator's standard procedure in force from time to time and which are subject to record, control and inventory;

(vii) "Extraordinary Operating Expenditures" means all operating costs and Operating Expenditures of a non-recurring nature, including, but not limited to, damage payments, costs of final abandonment of Joint Operations, major repairs to Joint Property and costs of blow-outs, fires, storms, explosions and other catastrophes;

(viii) "Joint Expenditure" means all costs and expenses incurred for Joint Operations pursuant to the Contract;

(ix) "Major Surplus Item(s)" means any item(s) of Material and equipment having an original or aggregated original cost to the Joint Account of more than one hundred thousand US Dollars ($100,000) ;

(x) "Material" means personal property, equipment and supplies

(xi) "Month" means a calendar month according to the Gregorian Calendar

(xii) "Operating Expenditures" means costs and expenditures other than Extraordinary Operating Expenditure and Capital Expenditure incurred in the conduct of operations, pursuant to the Contract, for the exploration, appraisal, development and production of Hydrocarbons and the handling thereof, and maintenance of Joint Property, as provided in the Contract;

(xiii) "Year" means any year in respect of a Calendar Year.

(xiv) Words and expressions defined in the Contract have the meanings therein ascribed to them;

(xv) Reference to any section, subsection or paragraph is to a section, subsection or paragraph of this Exhibit. Reference to any article is to an article of the Contract of which this Exhibit forms part.

1.2 PURPOSE AND INTENT

The purpose of the Accounting Procedure is to establish the principles of accounting which shall truly reflect the Operator's actual cost to the end that the Operator shall, subject to the provisions of the Contract, neither gain nor lose by reason of the fact that it acts as the Operator. Each of the Parties is responsible for maintaining its own accounting records to comply with all legal requirements and to support all fiscal returns or any other accounting reports required by any governmental authority in regard to the Joint Operations, except those (if any) which it is the statutory obligation of the Operator to prepare and submit on behalf of the Parties. To enable each Party to maintain such accounting records, the Operator will provide each Party with such accounting data and information as may be reasonably necessary to enable such Party to fulfil any statutory obligation or obligation under the Contract to which it may be subjected, to the extent that such data and information could reasonably be expected to be available from the Joint Account records maintained by the Operator ,which will, at a minimum, be in a format normally found within the international oil industry, and the cost thereof shall be for the Joint Account.

Special statements, in addition to the above, provided by the Operator for the benefit of an individual Party shall be at the expense of that Party.

1.3 ACCOUNTING RECORDS

1.3.1 The Operator shall open and maintain such separately identifiable accounting records may be necessary to record in a full and proper manner all Advances received by the Operator from the Parties, all expenditures incurred and all receipts obtained by the Operator in connection with the Joint Operations.

1.3.2 The Joint Account shall be maintained in US Dollars. When Operator translates into US Dollars the transactions in currencies other than US Dollars for the purpose of recording them in the Joint Account, it will use applicable

Moroccan accounting principles, normal procedures, and/or corporate rates, such rates to be advised to the Parties.

1.4 CASH CALLS AND ADVANCES

1.4.1 Operator will be entitled to request each Party to pay cash in advance for its share of duly forecast expenditure in US Dollars or such other currency as may be agreed under paragraph 1.4.4. Such expenditure shall include any royalty payable by the Operator in relation to the Contract. Each such request will stipulate the date on which payment is due.

1.4.2 At least once in each Month, the Operator shall supply to the Parties a written estimate of its total Cash Call to meet expenditures for the Joint Account during the succeeding Month stated in terms of the Operator's requirements for US Dollars. Cash Calls for all expenditures to be made in currencies other than US Dollars shall be calculated in US Dollars using a market rate of exchange and shall be added to the US Dollars requirements. Each Party shall pay its Cash Call within ten (10) Business Days after receipt of such written estimate, or on the specific date, if later.

A cash forecast for the two Months following the Cash Call will be provided.

1.4.3 Following a Cash Call each Party shall pay to the designated bank account its Paying Interest share of each Advance in sufficient time so that it will be credited to such bank account on the due date(s) specified in the Cash Call.

1.4.4 Notwithstanding paragraph 1.4.2, Operator may request Cash Calls in a currency other than US Dollars but only for significant amounts of expenditure which are contractually required to be paid in such other currency. For the purposes of this an amount less than five hundred thousand US Dollars ($500,000) is unlikely to be considered 'significant'. Any such Cash Call will be handled in accordance with the provisions contained in this sub section 1.4.

1.4.5 Should the Operator be required to make payments for the benefit of the Joint Operations which were unforeseen at the time of providing the Parties with any Monthly notice of Cash Calls, Operator at its sole discretion may make a written request to each Party for a special Advance covering their share of such payments. Each Party shall pay its special Advance within ten (10) Business Days after receipt of such written request, or on the specified date, if later.

1.4.6 Subject to paragraph 1.4.7 interest paid or received on any bank account in connection with the Joint Operations shall to the extent applicable to Joint Operations be allocated to Parties in proportion to their contribution to the funding of the Joint Account over the period for which such interest has accrued.

1.4.7 In addition, where any Advance is paid late, the Party or Parties, shall be debited with interest on such late payment at a rate of five (5) percentage

points above LIBOR rate for US Dollars Cash Calls for the number of Days such Advance is late. The Party or Parties who paid their Advances on time will be credited, in proportion to the amount of their Advances, with any interest charged to late payers.

1.4.8 Notwithstanding the above, if any Party fails to pay in full its Paying Interest share of any Advance, the provisions of Article 8 shall apply.

1.4.9 The Operator will supply with each Cash Call a statement indicating the approved AFE's for which the funds are required and the amounts attributable to each such AFE.

1.4.10 The Operator shall use its best endeavours to restrict the funds held for the Joint Operations to a level consistent with that required for the prudent conduct of the Joint Operations and, if circumstances occur so that funds are not required for immediate disbursement, shall reduce future Cash Calls accordingly.

1.5 STATEMENTS AND BILLINGS

1.5.1 Not later than the twenty-fifth Day of each Month the Operator shall furnish to the Parties a billing statement for the previous Month, cumulative for the Year to date and inception to date, reflecting charges and credits to the Joint Account. Such expenditure statements will be summarised by AFE or any other appropriate classification indicative of the nature thereof and will be in sufficient detail to permit comparison with the approved Work Programme and Budget. Such expenditure statement shall be accompanied by a comparison of Advances and expenditure in US Dollars and any other currency the subject of a Cash Call for the period in question and calculation of the balance due to or from each of the Parties.

1.5.2 All expenditure made in a currency not subject to a Cash Cash Call shall be charged to the Joint Account in US Dollars at the actual cost of purchase of such other currencies or at such bookkeeping exchange rates referred to in paragraph 1.3.2, as appropriate.

1.5.3 Charges and credits to the Joint Account will be included in the expenditure statement on an Accruals Basis. For the purpose of calculating the balance due to or from each Party, Accruals will be eliminated.

1.5.4 The Parties agree that the Operator shall not benefit or suffer from any gain or loss arising from the fluctuation of currencies as regards the provision of funds for or obligations incurred on behalf of the Joint Account. If any such gain or loss shall arise the Operator shall effect the appropriate adjustment to the Joint Account.

1.5.5 In the event that the Operator elects not to call cash in advance and notifies the Non-Operators accordingly, then Non-Operators will pay their Paying Interest share of Monthly cash expenditure within fifteen (15) Days of receipt of the expenditure statement referred in paragraph 1.5.1.

1.6 INVENTORIES OF MATERIAL

1.6.1 Records of any stock of Material purchased by the Operator shall be kept by the Operator in accordance with its usual procedures for controlling such Material.

1.6.2 The Operator shall maintain records of expenditure in relation to the acquisition of Joint Property for Joint Operations. Records shall be maintained by the Operator which shall contain sufficient detail to enable physical identification of the Joint Property and identification between properties.

1.6.3 If a cyclical inventory control system is not maintained, then, at least annually for warehouse stocks, a complete inventory shall be taken by the Operator of all Controllable Material forming part of the Joint Property. Notice of intention to take a complete inventory shall be given by the Operator at least thirty (30) Days before any such inventory is to be taken, so that each Non-Operator at its own expense may be represented when any such inventory is taken.

If the Operator maintains a cyclical inventory control system, the Operator may notify Non-Operators whereupon the taking of a complete inventory shall not be required and in such case the Non-Operators shall have the right to attend the Operator's premises to observe any part of such cyclical check upon giving at least thirty (30) Days notice to the Operator and the other Non-Operators.

Failure of any of the Non-Operators to be represented at the taking of any complete inventory or any part of an inventory taken on a cyclical basis shall bind such Non-Operators to accept any such inventory taken by the Operator which shall upon request furnish the Non-Operators with copies of all inventories together with its reconciliation and list of overages and shortages.

1.6.4 Special inventories may be taken whenever there is any change in the Paying Interest in the Property owned by the Parties. In such cases, both the assignor and the assignee shall be entitled to be represented and shall be bound by the inventory so taken whether or not such representation is provided. The cost of taking any such special inventory shall be for the sole account of the assignor and/or assignee and shall not be charged to the Joint Account.

Each Non-Operator shall be entitled to giving thirty (30) Days notice in writing, at its own expense, to require the Operator to take a special inventory of the Material forming part of the Joint Property at any reasonable time, provided such request shall not interfere with Joint Operations or other operations of the Operator.

A special inventory shall be taken upon any change of the Operator and the cost thereof shall be charged to the Joint Account.

1.7 ADJUSTMENTS

Payment of any Cash Call shall not prejudice the right of any of the Parties to protest or question the correctness of any amount included in an expenditure statement. Subject to the right of audit under sub-section 1.8, all expenditure statements rendered to the Parties by the Operator in relation to any Year shall conclusively be presumed to be true and correct after twenty four (24) Months following the end of such Year unless within the said twenty four (24) Month period any Party takes written exception thereto and makes claim on the Operator for adjustment. Similarly adjustments favourable to the Operator shall only be made if notice is given to each Party within the aforesaid twenty four (24) Month period. The provisions of this section shall not prevent adjustments resulting from a physical inventory of Controllable Material forming part of the Joint Property or from adjudicated claims involving a third party or from adjustments required by a statutory authority.

1.8 AUDITS

1.8.1 Subject to paragraph 1.8.4 and upon giving at least sixty (60) Days notice in writing to the Operator, the Non-Operators shall have the right to audit the Operator's accounts and records relating to the Joint Account. The Non-Operators must complete the audit and take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within a twenty four (24) Month period following the end of the Year in which the expenditure was incurred.

Subject to paragraph 1.8.4, the right of audit includes the right of access at all reasonable times during normal business hours to all personnel, accounts and records pertaining to the Joint Account maintained by the Operator.

The Non-Operators will make every reasonable effort to conduct audits jointly and at the same time in a manner which will result in a minimum of inconvenience to the Operator.

1.8.2 Notwithstanding that the said period of twenty-four (24) Months may have expired, if evidence exists that the Operator has been guilty of wilful misconduct, the Non-Operators shall have the right to conduct further audits in respect of any earlier periods and make further claims arising from such audits.

1.8.3 Within three (3) Months of receiving a written audit report the Operator will use its best endeavours to answer any audit exceptions in such report. Should the Non-Operators consider that the Operator's reply requires further investigation of any item therein, the Non-Operators shall have the right to conduct further investigations in relation to such matter and make further claims arising from such investigations notwithstanding that the said period of twenty four (24) Months may have expired. Such further investigations shall

be commenced within thirty (30) Days and be concluded within sixty (60) Days of the receipt of the Operator's reply.

1.8.4 Audits of accounts and records pertaining to the Joint Account which:

(i) include information generally accepted as proprietary and confidential, or
(ii) are maintained by an Affiliate of the Operator, other than any Affiliate of the Operator which is conducting more than 20% of the Joint Operations on behalf of the Operator, or an Affiliate that does more than 20% of its activity with the Joint Operations or
(iii) relate to charges made under sub-section 2.2,

may, at Operator's request, be conducted by the Operator's statutory auditors, provided such appointment is accepted by the statutory auditors. If the Operator's statutory auditors will not accept such appointment, such audits shall be conducted by an external auditor of international standing mutually agreeable to all Parties, such agreement not to be unreasonably withheld.

The terms of reference for audits to be carried out under paragraph 1.8.4(iii) are detailed below. The auditors will provide a certificate to confirm, in respect of the Operator and/or its Affiliates that:

(a) the salaries and related benefits charged to each time-writing department are in accordance with the payroll records;
(b) the total administrative overhead costs incurred have been correctly allocated to time-writing and non-time-writing department in accordance with the Operator's established procedures;
(c) the costs of non-time-writing departments have been allocated to time-writing departments in accordance with the Operator's established procedures;
(d) all corporate overhead costs incurred for the benefit of the Operator and/or its Affiliates alone have been identified and excluded from the allocated overheads.

The audit certificate will identify the methods and extent of the audit and any changes in the Operator's accounting methods that has occurred in the period under audit.

The above terms of reference may be amended from time to time by the Management Committee and the appointed auditors, such agreement not to be unreasonably withheld.

1.8.5 Adjustments agreed between Operator and Non-Operators will be recorded in the Joint Account as soon as possible after agreement is reached.

If the Operator and Non-Operators are unable to reach final agreement on a proposed audit adjustment, and either Operator or Non-Operator so desire,

such adjustment shall be referred to the Management Committee for resolution.

1.8.6 Parties may review Operator's regular cost allocation procedures to ensure their reasonableness.

1.8.7 Costs incurred by the Non-Operators in connection with this subsection 1.8 shall not be charged to the Joint Account. Unless otherwise agreed by the Non-Operators, such audit costs shall be borne by all Non-Operators in the ratio of their Paying Interests.

SECTION II

CHARGEABLE EXPENDITURE

Operator shall charge the Joint Account with the following items of expenditure insofar as they relate to and are necessary for the conduct of the Joint Operations:

2.1 CONTRACT PAYMENTS

Periodic payments, training obligations and fees of whatever nature paid by the Operator on behalf of the Parties in connection with the Joint Operations.

2.2 PERSONNEL COSTS

Actual cost of salary and related benefits and associated office overhead of all timewriting personnel who work on Joint Operations. For the purposes of this Exhibit, the term personnel includes employees and third party contractors occupying a headcount position of the Operator or any of its Affiliates.

2.2.1 Time Sheets

All personnel who work on Joint Operations under the direct control of the Operator, with the exception of those referred to in paragraph 2.2.2(v), will maintain time sheets for the purpose of charging salary and related benefits to the Joint Account. Time sheets will record time worked on Joint Operations and all other operations whether such personnel are engaged full-time or part-time on Joint Operations.

2.2.2 Personnel Employed by the Operator or any of its Affiliates

(i) The amount to be charged to the Joint Account for personnel of the Operator or any of its Affiliates who are working on Joint Operations, other than any such person who is working in a location for which the cost of salary and related benefits is to be charged direct, shall be a proportion of the Operator's or any of its Affiliates actual costs of salaries and related benefits Such proportion shall be calculated as the time worked by such personnel on Joint Operations divided by the total time worked by such personnel as shown on the time sheets. This calculation is to be based on actual costs and actual time worked in a Year, but preliminary charges may be made to the Joint Account on a Monthly basis. The method of charging personnel charges shall be in accordance with the usual procedures by the Operator.

(ii) Costs associated with indirect time such as annual holidays, public holidays, sickness, staff training, general supervisory duties, general administration, and other like items shall be allocated both to the Joint Operations and to other operations in the same proportions as above.

(iii) Payments in respect of redundancy or other termination of any personnel shall be allocated to Joint Operations and any other operations of the

Operator and its Affiliates which have benefited from the services of the personnel involved. The method of allocation shall be fair and equitable amongst the Operator, other Parties and Operator's Affiliates.

(iv) For the purpose of this sub-section the actual cost of salary and related benefits will comprise:-

(a) gross salary plus allowances and benefits;

(b) pension, National Insurance cost and any governmental tax or other such charges that may be levied in respect of personnel but which shall not be disproportionately charged;

(c) all direct expenses reasonably and necessarily incurred by personnel including travelling and relocation expense and living allowance (when paid in lieu of hotel expense for visits to sites); and

(d) in respect of contractor personnel, invoiced costs and all direct expenses relating to those personnel.

All expenses charged to the Joint Account under this paragraph 2.2 shall be in accordance with the Operator's standard terms of employment in force in the relevant period and shall include those incurred in connection with the families of personnel where appropriate.

(v) Associated office overhead costs comprises of the following items:

(a) the salary and related benefits (as described in this paragraph) of personnel who are employed on the Joint Operations or who support Joint Operations and whose time cannot be directly allocated owing to the impracticability of doing so. Such personnel may be employed by, seconded to, or hired from any third party agency by the Operator or any of its Affiliates; and

(b) Overhead costs incurred in supporting the Joint Operations including, but not limited to, property costs, personnel department costs, office services,accounting services, communications and computer applications.

2.3 MATERIAL

Material purchased or transferred for use in Joint Operations shall be charged to the Joint Account in accordance with Section IV.

2.4 EQUIPMENT AND SERVICES PROVIDED BY OPERATOR OR ITS AFFILIATES

2.4.1 The cost of equipment used or services provided by the Operator (including office facilities, electronic equipment, furniture and fixtures, accounting and similar systems), owned, rented or leased exclusively or in part by the Operator or one of its Affiliates, or equipment provided from other operations of Operator for the benefit of the Joint Operations. The charge for owned equipment and services shall be at rates commensurate with the cost of ownership determined in accordance with the Operator's normal accounting procedures.

2.4.2 The equipment and facilities referred to in paragraph 2.4.1 shall exclude major items such as drilling rigs, production platforms, oil and gas transportation systems, storage facilities, rates for which shall be subject to approval by the Management Committee.

2.4.3 The cost of ownership as referred to in paragraph 2.4.1 will include, but not be limited to, labour, maintenance, repairs, other operating expenses, insurance, taxes, and depreciation and cost of investment on the depreciated asset.

2.5 SERVICES PROVIDED BY NON-OPERATORS AND THIRD PARTIES

2.5.1 Consultants and other services and facilities provided by Non-Operators and third parties for the Joint Operations shall be charged at cost unless chargeable elsewhere in this Section II.

2.6 TRANSPORT AND TRAVEL

2.6.1 All reasonable travelling expenses and relocation costs of Operator's personnel and their families engaged on Joint Operations unless chargeable elsewhere in this Section II. Such costs shall also include transportation of personal and household effects and all other relocation expenses in accordance with established rules followed by the Operator. When an employee's assignment to the Joint operation is completed and the Operator elects to retain such employee for any other assignment outside the country of the employee's home base, the Joint Account shall bear no travel or moving expenses.

2.6.2 The cost of transport to move personnel, equipment, Material and supplies necessarily incurred by the Operator or any of its Affiliates in connection with the Joint Operations.

2.7 LEGAL EXPENSES

2.7.1 All costs and expenses of litigation, or other legal service necessary or expedient for the protection of the Parties' interests, including

external

lawyers' fees and expenses, together with all judgements obtained or any damages awarded against the Parties or any of them on account of the Joint Operations and actual expenses incurred by any Party in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the Joint Account or the subject matter of the Contract. Operator shall provide Non-Operators with written notice as to payments related to litigation.

2.7.2 Fees and expenses of outside lawyers in connection with litigation as referred to in paragraph 2.7.1 shall not be charged to the joint Account unless authorised by the Management Committee.

2.8 TAXES

2.8.1 The Operator shall charge the Joint Account with all taxes and other governmental levies of every kind and nature (other than those on profits or income of the Parties) assessed or levied upon or in connection with the Joint Operations which have been paid by the Operator for the benefit of or on behalf of the Parties. Operator shall provide Non-Operator with written notice of unusual or non-routine tax payments, disputes and/or notices from any tax authority.

2.8.2 If any tax or levy paid by the Operator is recoverable at a later date, the Operator shall take steps to recover such tax or levy and shall promptly credit refunds to the Joint Account. If the Operator demonstrates that any tax which is normally recoverable cannot be so recovered, such tax will be chargeable under this paragraph.

2.8.3 If Operator or its Affiliate is subject to income or withholding tax as a result of services performed for the Joint Operations under the Agreement, its charges for such services may be increased by the amount of such taxes incurred (gross up).

2.9 DAMAGES AND LOSSES

All costs and expenses necessary for the repair or replacement of Joint Property because of fire, flood, storm, theft, accident or any other cause except insofar as such costs and expenses are the liability of the Operator under the Contract. The Operator shall furnish the Non-Operators with a notice of any damage or loss incurred in excess of one hundred thousand US Dollars ($100,000) for each incident as soon as practicable after a report thereof has been received by the Operator. The Operator shall also furnish to any Non-Operator, in respect of any damage or loss, such information and documentation as may be reasonably requested.

2.10 INSURANCE AND CLAIMS

2.10.1 Premiums paid for insurance carried for the benefit of all Parties, charged at cost in connection with the Joint Operations

2.10.2 Expenditure made in settlement of any claims, damages, judgements and other such expenses, incurred in connection with the Joint Operations.

2.10.3 If no insurance is carried as to a particular loss the actual expenditure incurred and paid by the Operator in settlement of any losses, claims, damages, judgements and other expenses, including legal services, shall be charged.

2.11 FIELD EXPENSES AND LOGISTICAL SUPPORT

2.11.1 All costs and expenses of establishing, staffing and maintaining any office, operational base, warehouse, camps, housing and other field services and facilities used in connection with the Joint Operations and not otherwise provided herein. If such facilities are used in connection with other operations the cost charged to the Joint Account shall be a proportion calculated on an equitable basis.

2.11.2 Any cost of acquiring, leasing, operating and maintaining aircraft, land vehicles or seagoing vehicles as required for the safe and efficient conduct of Joint Operations. If such facilities and equipment are used in connection with other operations the cost charged to the Joint Account shall be a proportion calculated on an equitable basis.

2.12 OTHER TYPES OF EXPENDITURE

Any type of expenditure not covered by the types of expenditure described in this Accounting Procedure incurred by the Operator which is necessary and proper for the Joint Operations, provided it is approved by the Parties.

2.13 ADMINISTRATIVE OVERHEAD

The cost of the head office overheads incurred by Operator or its Affiliates, applicable to the Joint Operations hereunder, shall be charged to the Joint Account. This charge shall be for advice, service and assistance of a general nature not otherwise provided for herein and shall be made at the following rates, before grossing up under section 2.8.3 above, on total expenditures:

For the first $5,000,000 per Calendar Year	–	3.0%
Over $5,000,000 to $10,000,000 per Calendar Year	–	2.0%
Over $10,000,000 to $15,000,000 per Year	–	1.0%
Over $ 15,000,000 per Calendar Year	–	0.5%

Expenditure to be used in this sub-section 2.14 against which to apply the percentage charges shall not include royalties, petroleum income taxes and items of a like nature.

Credits arising from disposition of the Joint Property shall not be deducted from total expenditures in determining such charge.

Upon the first Commercial Discovery of petroleum the basis and the percentage for the computation of the Operator's overhead shall be reviewed and, if modified by the Parties, applied as from the effective date of such modification.

SECTION III

RECEIPTS

3.1 GENERAL

The Operator shall promptly credit the Joint Account with all sums received in connection, with the Joint Operations as a result of:

(i) sale of Material and other Joint Property;

(ii) services provided to third parties or individual Parties by the Operator on behalf of the Parties whether using Material and equipment, other Joint Property facilities, expertise or otherwise;

(iii) reimbursement by third parties of any sums expended by the Operator on behalf of the Parties;

(iv) insurance claims made by the Operator in respect of insurance carried for the benefit of all the Parties;

(v) claims made by the Operator on behalf of the Parties;

(vi) material and equipment returned to the Operator or any of its Affiliates from the Joint Operations;

(vii) any other event giving rise to a receipt by the Operator on behalf of the Parties.

SECTION IV

MATERIALS

4.1 GENERAL

Material acquired for Joint Operations shall be charged as provided in this section. Only such Material shall be purchased for the Joint Account as may be reasonably required and the accumulation of surplus stocks shall be avoided so far as is reasonably practical and consistent with efficient and economic operations.

4.2 DIRECT PURCHASES FROM THIRD PARTIES

4.2.1 Material purchased from third parties will be recorded in the Operator's inventory accounting system and shall be recorded at the price paid by the Operator or its Affiliates after deduction of all discounts actually received by the Operator or its Affiliates. Price shall include such costs as export broker's fees, transportation charges, insurance charges, loading and unloading fees, import duties, licence fees and applicable taxes associated with the procurement of Material.

4.2.2 Issues of Material shall be charged to Joint Operations using the relevant prices recorded in the Operator's inventory accounting system.

4.3 TRANSFERS BETWEEN JOINT OPERATIONS

4.3.1 No charge shall be made for Material transferred by Operator or its Affiliates between Joint Operations except as provided in this sub-section 4.3.

4.3.2 Operator or any of its Affiliates may transfer Material for use on Joint Operations. The Operator or any of its Affiliates shall, unless otherwise agreed by the Parties, value transfers on the basis of cost of material so transferred as recorded in the Operator's inventory accounting system. Transfer of materials with a difference of over $100,000 between cost and market shall be transferred at market.

4.3.3 Operator may transfer Material from Joint Operations provided that Joint Operations are not adversely affected by such transfers. Operator will credit the Joint Account with the price of such Material as determined under paragraph 4.2.2.

4.4 WAREHOUSE STORAGE CHARGES

Warehouse storage charges shall be made to the Joint Account for all costs associated with the storage and handling of Material. Where stock is stored in a warehouse facility which is shared by several operations, a storage charge relating to the fixed warehouse costs (i.e. rent and rates, including pipeyard) will be levied Monthly,

based on the space occupied by the Material. Handling costs will be charged to the Joint Operation based on total activity in the warehouse in the period.

4.5 WARRANTY OF MATERIAL

The Operator does not warrant the Material charged to the Joint Account beyond the manufacturer's or supplier's guarantee, express or implied. In the case of any such Material which is defective a credit shall not pass to the Joint Account until an adjustment has been received by the Operator from the manufacturer or supplier.

4.6 DISPOSAL OF MATERIAL

4.6.1 The Operator shall have a prior right to purchase any surplus Material, other than Major Surplus Items, at the price recorded in its inventory accounting system, but is under no obligation to do so.

4.6.2 In the event that Operator does not wish to exercise its rights under paragraph 4.6.1, Operator shall dispose of any surplus Material, other than Major Surplus Items, without recourse to the other Parties and in accordance with its normal procedures.

4.6.3 In the case of Major Surplus Items, Operator shall give notice of the proposed disposal and method of disposal, including details of the original purchase date, original or aggregated original cost and estimated proceeds, and obtain the approval of the Management Committee before proceeding.

4.6.4 At the time of giving approval to dispose, such approval to be given within ten (10) Business Days of receipt of the notice received under paragraph 4.6.3, each Party shall indicate whether it wishes to acquire any of the Major Surplus Items. Failure by any Party to respond within the ten Day notice period shall be deemed approval for the Operator to proceed as proposed.

4.6.5 If more than one Party has indicated its wish to acquire the same Major Surplus Item then the Operator shall promptly, in respect of each such item, notify each such Party of the name of the other Parties who wish to acquire that item. Such Parties shall be allowed fourteen (14) Days from the date of such notification to agree upon a division or allocation of each such item between themselves. If the Parties concerned are unable to agree upon a division or allocation of any Major Surplus Item the Operator shall request competitive bids from the Parties concerned in respect of that item and shall accept the highest bid. Where the Operator bids in competition with other Parties it shall arrange the bidding procedure so that it gains no advantage from acting as the Operator.

4.6.6 If no Party has advised the Operator of its wish to purchase any or all Major Surplus Items the Operator shall, unless the nature or value of an item makes tendering impracticable or uneconomic, prepare a list of the items for sale and competitive bids shall be requested from third parties and from the Parties. The Operator will ordinarily accept the highest bid but shall reserve the right to accept or refuse any offer. In the event that the highest offer is not accepted the Operator will inform the Parties in advance of refusing such offer giving its reasons therefore. All documentation concerned with such

competitive bids and all subsequent sales shall be retained as part of the records available for audit.

4.7 PRICE

4.7.1 The "price" at which Material will be held in the Operator's inventory accounting system for the purposes of sub-sections 4.2, 4.3 and 4.6 shall be calculated and charged to the Joint Account as set out below.

4.7.2 New Material
New Material (Condition 'A') being new Material never used, at one hundred per cent (100%) of the cost thereof.

4.7.3 Good Used Material
Good Used Material (Condition 'B'), being used Material in sound and serviceable condition, suitable for re-use without reconditioning, at seventy five percent (75%) of the cost thereof.

4.7.4 Other Used Material
Used Material (Condition 'C'), being used Material which is not in sound and serviceable condition but suitable for re-use after reconditioning, shall be valued at fifty percent (50%) of the cost thereof.

4.7.5 Bad-Order Material
Bad-Order Material (Condition 'D') being used Material which is no longer suitable for its original purpose without excessive repair but usable for some other purpose, at an appraised value.

4.7.6 Junk Material
Junk Material (Condition 'E') being obsolete and scrap Material, at prevailing prices.

For the purposes of this sub-section 4.7, cost to the Joint Account shall be computed on a consistent basis which accords with standard accounting practice and which has previously been approved by the Management Committee.

SECTION V

BUDGETARY, FORECASTING AND REPORTING PROCEDURE

5.1 BUDGET PREPARATION

5.1.1 Exploration, Appraisal and Production Budgets

Each exploration, appraisal and production Budget required pursuant to Clause 6 shall include: -

(i) an estimate in US Dollars of the total cost of the relevant Programme and a sub-division of such total into each main classification and sub-classification of cost as provided for in sub-section 5.4 below. Estimates for each such classification and sub-classification of cost shall be based on an Accruals Basis for each of the Calendar Quarters of the relevant Year or Years;

(ii) an estimate of the amount of each major currency in which such total cost is to be paid. Such estimate shall be phased for each of the Calendar Quarters of the relevant Year or Years;

(iii) a schedule of estimated inventory movement;

(iv) the amount of any estimating allowance added in accordance with paragraph 5.5.2;

(v) a statement indicating which Budget items, if any, are contingent upon the outcome of other Budget items identifying main commitments separately;

(vi) an estimate of the timing and value of the commitments (being contracts or other orders placed or goods purchased) to be made under the Budget items identifying main commitments separately;

(vii) an estimate of the costs and number of all employees and contract personnel (such details to include the total number of man Days budgeted) analysed by function.

5.1.2 Development Budgets

Each development Budget required pursuant to Clause 6 shall include:

(i) an estimate in US Dollars of the total cost of the development and a subdivision of such total into each main classification and sub-classification of cost as provided in sub-section 5.4. The estimate of each such classification and sub-classification of cost shall be

based on an Accruals Basis and shall be shown by Calendar Quarter for the first Year and by

Year for each subsequent Year of the Development, and the Accruals for each such main classification in each year shall be separately identified;

(ii) the items detailed in paragraphs 5.1.1 (ii) to (v) inclusive;

(iii) an estimate of the timing and value of the AFEs and commitments to be made under the Budget identifying total commitments under each main classification of cost as provided in sub-section 5.4 in each Calendar Quarter of the first Year and in each of the subsequent Years;

(iv) an estimate of the annual operating costs for the first five (5) Years of production subdivided into appropriate classification of cost;

(v) an estimate of the costs and number of all employees and contract personnel (such details to include the total number of man Days budgeted) analysed by function.

Any revisions to the Budget or Programme described in sub-sections 5.1.1 and 5.1.2 of this Accounting Procedure shall clearly demonstrate variances to the original Budget or Programme and the reason for such change. Further, Operator shall provide any other information material to the Budget.

5.2 BUDGET REVIEW AND AMENDMENT

Each review of or amendment to an exploration, appraisal, development or production Budget as provided in Articles 6.1 4 and 6.8 shall include:

(i) actual cash payments net of receipts, and Accruals to date;

(ii) actual commitments to date; and

(iii) full revised estimates of items detailed in sub-sections 5.1.1 and 5.1.2 as appropriate.

5.3 BUDGET APPROVAL AND AFE APPROVAL

Approval of Budgets for exploration, appraisal, development and production provides the Operator with general approval of the proposals but does not permit the Operator to enter into commitments or incur any expenditures for any item included in the said Budgets until an AFE is approved by the Management Committee as provided in Article 6.6.

5.4 SUB-DIVISION OF BUDGETS FOR APPROVAL BY AFE AND FOR CONTROL

5.4.1 Exploration, appraisal, development and production Budgets shall be divided into separate classifications and sub-classifications of cost to provide a breakdown of the project into work elements in sufficient detail to allow

adequate cost allocation and control. AFEs will be required for each such classification or sub-classification.

5.4.2 The Operator may not, without the prior approval of the Management Committee, transfer sums between Budget classifications or sub-classifications after Budgets have been approved.

5.5 AUTHORISATION FOR CAPITAL AND EXTRAORDINARY OPERATING EXPENDITURES

5.5.1 Prior to making any expenditures or incurring any commitments for work subject to the AFE procedure, Operator shall request approval of an AFE at the time when the main details of the relevant commitment of expenditure can be ascertained but consistent with giving the Parties at least twenty-eight (28) Days to consider the matter. However, with respect to any AFE which is issued under an approved development Work Programme and Budget, then only twenty-one (21) Days notice will be given to the Parties. In circumstances beyond its control the Operator may give the Parties less than twenty-eight (28) Days or twenty-one (21) Days notice respectively. Operator shall give notice to any Non-Operator that has not notified its approval or otherwise of the AFE seven (7) Days prior to the expiry of the aforesaid twenty-eight (28) Day period or twenty-one (21) Day period respectively. If any such Non-Operator subsequently fails to notify its approval or otherwise by the expiry of the twenty-eight (28) Day period or twenty-one (21) Day period respectively, such Non-Operator shall be deemed to have approved such AFE. The notice period for deemed approval will be clearly indicated on the covering letter attached to each AFE.

5.5.2 The AFE will describe the project, give the estimate of the items of expenditure necessary to complete the project, give the estimated timings of such expenditure and show the Operator's internal approvals. Each AFE shall show separately the base cost (the Operator's estimate of the likely cost at prices current at the time expenditure will be incurred) and estimating allowance (being the Operator's provision for increases in expenditure due to factors not foreseeable at the time of preparation of the AFE, if any). The total of the base cost and the estimating allowance shall be the "AFE value". Necessary further details to support the AFE will be included as attachments to the extent required by the Management Committee.

5.5.3 Any Party which has voted in favour of an AFE shall indicate such in writing either by any electronic means of transmitting or letter and shall sign an AFE form indicating its authorisation thereof. After approval of the AFE the Operator shall promptly notify the Parties indicating the identity of those Parties whose authorisations have formed part of such approval.

5.5.4 If the Management Committee approves an AFE for the operation within the applicable time period under Article 6.6, Operator shall be authorised to enter into any commitment or incur any expenditure properly made in relation to such approved AFE whether or not payments in respect of such commitments and expenditure will result in the final cost on such commitments and

expenditure exceeding the AFE value provided that if at any time it becomes apparent that:

(i) commitments yet to be made will or are likely to cause the AFE value to be exceeded; or

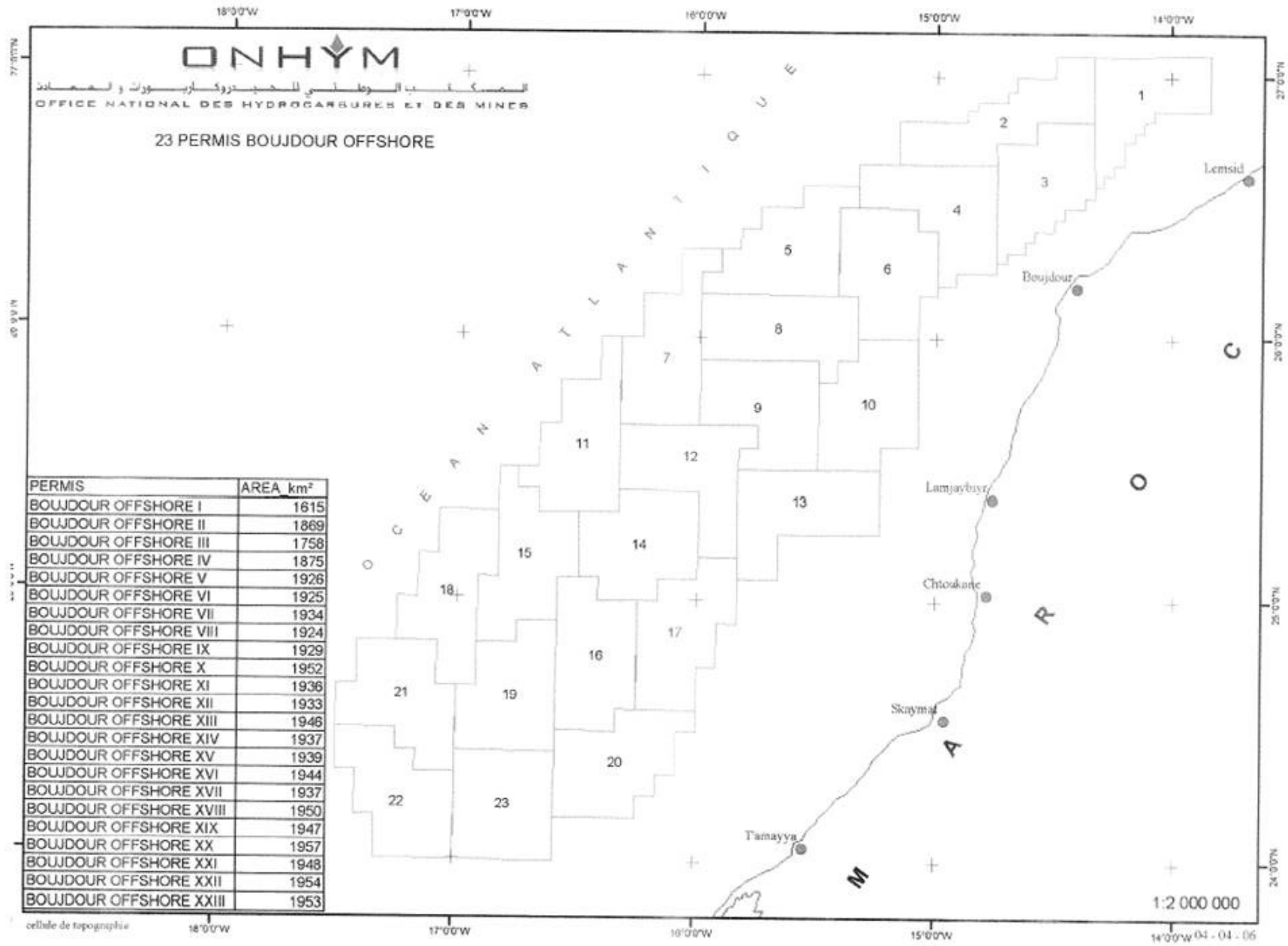
(ii) expenditure to be incurred under commitments already made will cause the AFE value to be exceeded by more than ten percent (10%) provided that the cumulative total of all expenditures for a Year shall not exceed *5%* of the total Work Programme and Budget in question, the Operator shall immediately notify the Parties and shall without delay prepare a revised AFE giving the reasons for the increased cost, and shall request approval of the revised AFE and shall not enter into any new commitment in relation to such AFE until the revised AFE has been approved by the Management Committee.

5.5.5 Operator shall promptly notify the Parties if the operation has been rejected, and, subject to Article 7, any Party may thereafter propose to conduct the operation as a Sole Risk Project under Article 7. When an operation is rejected under Article 6 or an operation is approved for differing amounts than those provided for in the applicable line items of the approved Work Programme and Budget, the Work Programme and Budget shall be deemed to be revised accordingly.

5.5.6 An AFE for any well included in an exploration or an appraisal Budget shall be issued on a dry hole basis. Where a test is contemplated, the AFE submitted shall include a non-binding indication of the Operator's best estimate of such test or other major expenditures as may be planned, contemplated or considered reasonable based on industry practice. Once logs have been run to total depth and are received by all Parties, Operator will provide, as soon as possible, a formal AFE for Testing.

5.6 COST CONTROL REPORTS

The Operator will closely control all costs for each approved Budget and during the development phase will furnish the Parties on or before the last Day of each Month with a Cost Control Report which shall be a comparison of the latest estimated final cost for each AFE with the approved Budget cost for such AFE. In the case of an approved development Budget, where any major contract, or a group of related contracts for a specific purpose, (being a contract of five million US Dollars ($5,000,000) or more or such other amount as may be determined by the Management Committee) is not separately identifiable on a Cost Control Report, it shall be added as a memorandum item on such Cost Control Report with a comparison being made between the latest estimated final cost for such contract and the appropriate proportion of the approved Budget cost of the relevant AFE or AFEs. In the Cost Control Report, the Operator shall report its estimate of the consequential effect of physical progress on the costs of Budget items for which contracts remain to be placed.



PERMIS	AREA_km²
BOUJDOUR OFFSHORE I	1615
BOUJDOUR OFFSHORE II	1869
BOUJDOUR OFFSHORE III	1758
BOUJDOUR OFFSHORE IV	1875
BOUJDOUR OFFSHORE V	1926
BOUJDOUR OFFSHORE VI	1925
BOUJDOUR OFFSHORE VII	1934
BOUJDOUR OFFSHORE VIII	1924
BOUJDOUR OFFSHORE IX	1929
BOUJDOUR OFFSHORE X	1952
BOUJDOUR OFFSHORE XI	1936
BOUJDOUR OFFSHORE XII	1933
BOUJDOUR OFFSHORE XIII	1946
BOUJDOUR OFFSHORE XIV	1937
BOUJDOUR OFFSHORE XV	1939
BOUJDOUR OFFSHORE XVI	1944
BOUJDOUR OFFSHORE XVII	1937
BOUJDOUR OFFSHORE XVIII	1950
BOUJDOUR OFFSHORE XIX	1947
BOUJDOUR OFFSHORE XX	1957
BOUJDOUR OFFSHORE XXI	1948
BOUJDOUR OFFSHORE XXII	1954
BOUJDOUR OFFSHORE XXIII	1953

Exhibit 10.16

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is entered into this 27th day of September, 2010 between Office National Des Hydrocarbures Et Des Mines, acting on behalf of the Kingdom of Morocco ("ONHYM") and Kosmos Energy Offshore Morocco HC ("Kosmos").

ONHYM and Kosmos are hereinafter collectively referred to as the "Parties" or individually as a "Party".

WHEREAS, currently ONHYM and Kosmos are parties to the Petroleum Agreement Regarding the Exploration and Exploitation of Hydrocarbons in the Area of Interest named Boujdour Offshore covering the Exploration Permits numbered I through XXIII (the "Area") with an effective date of 26 June 2006 (the "Existing PA");

WHEREAS, the Existing PA was amended by Amendment N°l, signed 26 December 2007, to, among other things, modify the duration and minimum work obligation of the Initial Period and the duration of the First Extension Period;

WHEREAS, the Existing PA was amended by Amendment N°2, signed 22 December 2008, to, among other things, modify the duration and minimum work obligation of the Initial Period, the duration of the First Extension Period and the duration of the Second Extension Period, including elimination of the two phases within the Second Extension Period;

WHEREAS, the Existing PA was amended by Amendment N°3, signed 19 May 2010, to, among other things, extend the duration of the Initial Period by eight (8) months and reduce the duration of the Second Extension Period by eight (8) months;

WHEREAS, after acquisition and preliminary evaluation of data during the term of the Existing PA, Kosmos desires to enter into a farmout process with the intent of bringing an additional credible industry participant into the general area of Boujdour Offshore;

WHEREAS, after completing the evaluation of the data and the farmout process, in the event Kosmos determines to accept the obligation to conduct drilling operations within the general area of Boujdour Offshore, Kosmos and ONHYM desire to enter into a new petroleum agreement ("New PA") in the general area of Boujdour Offshore having the highest potential for exploration success;

WHEREAS, Kosmos and ONHYM recognize that bringing an additional credible industry participant will benefit all parties, and that certainty in contractual terms and the process for entering into a New PA will enhance the potential for success in the farmout process; and

WHEREAS, Kosmos and ONHYM desire to define certain basic terms to be incorporated into a New PA and the process leading to execution of a new PA in the event that Kosmos determines to accept the obligation to conduct drilling operations in the general area of Boujdour Offshore,

THEREFORE, ONHYM and Kosmos hereby enter into this MOU under the following terms:

1. Capitalized terms not otherwise defined in this MOU have the meaning set out in the Existing PA.

2. This MOU confirms the Parties mutual intention to agree to certain basic terms for the New PA that would come into effect should Kosmos decide to enter into the New PA. Therefore the New PA will incorporate the terms agreed herein and set out in Exhibit A to this MOU (hereinafter called the **"Principles"**)

3. The Parties agree that this MOU constitutes a statement of their mutual intention with regard to the New PA but does not contain all matters which an agreement governing such arrangements usually contains and as such the New PA shall (a) incorporate appropriate terms in the form and substance included in the Existing PA; (b) require the approval by Kosmos' parent company's board of directors regarding the terms and conditions set forth in the New PA; and (c) require the approval of the Ministry of Energy, Mines, Water and the Environment and the Ministry of Finance of the Kingdom of Morocco regarding the terms and conditions set forth in the New PA.

4. Kosmos will provide ONHYM written notice no later than February 11, 2011 as to its decision to enter into the New PA. In the event Kosmos provides ONHYM written notice of its affirmative decision to enter into a New PA, then, pending execution of the New PA and approval by the Ministry of Energy, Mines, Water and the Environment and the Ministry of Finance of the Kingdom of Morocco, this MOU shall constitute a legally binding agreement and the Parties shall be irrevocably committed to enter into a New PA based on this MOU including, but not limited to, the Principles contained herein as set out in Exhibit A. Upon receipt by ONHYM of Kosmos' written notice, Kosmos shall have an exclusive right to the area of the exploration permits as set out in the New PA for Boujdour Offshore ("New Area") which shall be comprised of parts of the Area and other areas in the general area of Boujdour Offshore.

5. In the event Kosmos provides ONHYM the written notice in paragraph 4. above, on the day following the date of expiration of the Existing PA, Kosmos shall submit to ONHYM an application for a New PA incorporating the terms included in this MOU.

6. The Parties agree that the provisions of Articles 18 (Confidentiality) of the Existing PA shall apply *mutatis mutandis* to the activities and negotiations which take place pursuant to this MOU.

7. The Parties agree that the provisions of Articles 7.1 and 20 of the Existing PA shall apply *mutatis mutandis* to this MOU.

8. Before any public announcement, in whatever form, is made regarding this MOU or a New PA, the Parties shall agree on the form and content concerning the New PA and neither Party shall make any such public announcement without the prior written consent of the other.

9. The New PA will require a new Association Contract ("New Association Contract"). Except for modification of those terms and conditions that are necessary to effect a New Association Contract for the New PA, all other terms and conditions of the existing Association Contract shall remain the same.

10. Each Party shall be solely responsible for its own costs in connection with the various activities to be undertaken in preparation of this MOU, the New PA and the New Association Contract.

11. This MOU is executed in the French and English language. In case of any difference of interpretation, the French version shall prevail.

12. The Parties may execute this MOU in counterparts, the originals of which collectively shall be deemed to be a single agreement, for all purposes.

In witness whereof, the parties have signed and executed this MOU as of the date and year herein above.

Kosmos Energy Offshore Morocco HC	**Office National Des Hydrocarbures Et Des Mines "ONHYM" acting on behalf of the Kingdom of Morocco**
/s/ Joseph L. Matthews	/s/ Amina BENKHADRA
Signature	Signature
Joseph L. Matthews	Amina BENKHADRA
Name in print	Name in print
Attorney in Fact	Le Directeur Général
Title	Title

Exhibit A
Memorandum of Understanding —Terms for New Petroleum Agreement
Boujdour Offshore

ONHYM	Office National Des Hydrocarbures Et Des Mines "ONHYM" acting on behalf of the Kingdom of Morocco — 25% Participating Interest
Contractor	Kosmos Energy Offshore Morocco HC — 75% Participating Interest
Exploration Permits Area of Interest	The New Area and the individual Exploration Permits included therein will be defined by ONHYM and Kosmos as required to facilitate optimum exploration taking into account technical data and the terms of the New PA as regards exploration periods and relinquishment requirements.
Effective Date	As soon as possible after expiration of the Existing PA.
Term of Exploration Permits	A term of eight (8) years comprised of an Initial Period of eighteen (18) months, a First Extension Period of twenty four (24) months, a Second Extension Period of fifty-four (54) months divided into two Phases, with the First Phase being of thirty (30) months duration and the Second Phase being of twenty four (24) months duration.
Minimum Exploration Work Program	• One (1) well during the Initial Period with a Minimum Expenditure Obligation of twelve million US Dollars ($US12,000,000). • Two (2) wells during the First Extension Period; each well with a Minimum Expenditure Obligation of twelve million US Dollars ($US12,000,000) • Four (4) wells during the Second Extension Period with two (2) wells required during the First Phase and two (2) wells required during the Second Phase (total $48,000,000).
Bank Guarantee	Requirements for a bank guarantee shall be as agreed between ONHYM and Kosmos.
Remaining Terms and Conditions	Except for modification of those terms and conditions that are necessary to effect the Terms specified in this MOU, all remaining terms and conditions, specifically including fiscal terms and conditions, will be the same as those set out in the Existing PA.

Exhibit 10.17

CONFORMED COPY

DATED 13 July 2009

KOSMOS ENERGY FINANCE
as Borrower

- and -

KOSMOS ENERGY GHANA HC
as Guarantor

- and -

KOSMOS ENERGY DEVELOPMENT
as Guarantor

- and -

THE FINANCIAL INSTITUTIONS LISTED IN SCHEDULE 2
as Original Lenders

- and -

Others

COMMON TERMS AGREEMENT

(as amended by letters dated 11 September 2009, 18 September 2009, 29 October 2009 and 24 December 2009)

Slaughter and May
One Bunhill Row
London
EC1Y 8YY
(SRG/JRR)
CF093570087

Contents

THIS AGREEMENT is dated 13 July 2009 (as amended on 11 September 2009, 18 September 2009, 29 October 2009 and 24 December 2009) and made between:

(1) **KOSMOS ENERGY FINANCE** a company incorporated under the laws of the Cayman Islands with registered number 225882 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands (the **"Original Borrower"**);

(2) **KOSMOS ENERGY GHANA HC** a company incorporated under the laws of the Cayman Islands with registered number 135710 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands (**"KEG"**);

(3) **KOSMOS ENERGY DEVELOPMENT** a company incorporated under the laws of the Cayman Islands with registered number 225879 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands (**"KED"**);

(4) **STANDARD CHARTERED BANK** as global co-ordinator (the **"Global Co-ordinator"**);

(5) **STANDARD CHARTERED BANK, BNP PARIBAS SA, SOCIETE GENERALE, CALYON, ABSA BANK LIMITED, AFRICA FINANCE CORPORATION, INTERNATIONAL FINANCE CORPORATION** and **CORDIANT EMERGING LOAN FUND III, L.P.** as mandated lead arrangers of the Senior Facilities (each a **"Senior Mandated Lead Arranger"** and together, the **"Senior Mandated Lead Arrangers "**);

(6) **STANDARD CHARTERED BANK, BNP PARIBAS, INTERNATIONAL FINANCE CORPORATION** and **AFRICA FINANCE CORPORATION** as mandated lead arrangers of the Junior Facilities (each a **"Junior Mandated Lead Arranger"** and together, the **"Junior Mandated Lead Arrangers"**);

(7) **THE FINANCIAL INSTITUTIONS** listed in Schedule 2 as original senior lenders (the **"Original Senior Lenders"**);

(8) **INTERNATIONAL FINANCE CORPORATION,** an international organization established by Articles of Agreement among its member countries including Ghana (the **"IFC"**), as lender under the Senior IFC Facility Agreement;

(9) **THE FINANCIAL INSTITUTIONS** listed in Schedule 2 as original junior lenders (the **"Original Junior Lenders"**);

(10) **INTERNATIONAL FINANCE CORPORATION,** as lender under the Junior IFC Facility Agreement;

(11) **SOCIETE GENERALE** as the lead technical and modelling bank (the **"Lead Technical and Modelling Bank"**);

(12) **STANDARD CHARTERED BANK** as the co-technical and modelling bank (the **"Co-Technical and Modelling Bank"**);

(13) **STANDARD CHARTERED BANK** as onshore account bank on the terms and conditions set out in the Onshore Project Accounts Agreement (the **"Onshore Account Bank"**);

(14) **STANDARD CHARTERED BANK** as offshore account bank on the terms and conditions set out in the Offshore Project Accounts Agreement (the **"Offshore Account Bank"**);

(15) **STANDARD CHARTERED BANK** as agent of the Senior Finance Parties (other than IFC) under this Agreement and under the Senior Bank Facility Agreement (the **"Senior Facility Agent"**);

(16) **BNP PARIBAS SA** as agent of the Junior Finance Parties (other than IFC) under this Agreement and under the Junior Bank Facility Agreement (the **"Junior Facility Agent"**); and

(17) **BNP PARIBAS SA** in its capacity as Security Trustee for the Secured Parties on the terms and conditions set out in the Intercreditor Agreement (the **"Security Trustee"** which expression includes its successors in title and assigns or any person appointed as an additional trustee for the purpose of and in accordance with the Intercreditor Agreement).

INTRODUCTION

(1) The Original Lenders and IFC have agreed to provide the following individual Facilities in accordance with the terms of the Finance Documents under which that Party is a Lender:

(i) a secured Senior Bank Facility for loans of up to USD 550 million, including a letter of credit facility ranking *pari passu* with the Senior IFC Facility;

(ii) a secured Senior IFC Facility for loans of up to USD 50 million, including a letter of credit facility ranking *pari passu* with the Senior Bank Facility;

(iii) a secured Junior Bank Facility, for loans of up to USD 100 million subordinated both in right of payment and as to rights under the Security Documents to the Senior Facilities and ranking *pari passu* with the Junior IFC Facility; and

(iv) a secured Junior IFC Facility, for loans of up to USD 50 million subordinated both in right of payment and as to rights under the Security Documents to the Senior Facilities and ranking *pari passu* with the Junior Bank Facility.

(2) The parties have agreed to enter into this Agreement for the purpose of setting out the provisions which are common to each of the Facilities.

PART 1
INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Terms defined in clause 1 *(Definitions)* of the definitions agreement made on or about the date of this Agreement (the **"Definitions Agreement"**) by, *inter alios,* the parties to this Agreement shall have the same meaning and construction when used herein.

1.2 Construction

The rules of construction and interpretation set out in clause 2 (*Interpretation and Construction*) of the Definitions Agreement shall apply to this Agreement as if expressly set out herein.

1.3 Third Party Rights

(A) Each Hedging Counterparty may enforce the terms of clause 21.2 *(Withdrawals — No Default Outstanding*), clause 25 (*Guarantee and Indemnity*) and paragraph (F) of clause 41.2 (*Exceptions*) of this Agreement by virtue of the Contracts (Rights of Third Parties) Act 1999 (the **"Third Parties Act"**). This clause 1.3(A) confers a benefit on each Hedging Counterparty and the Sponsor, and, subject to the remaining provisions of this clause 1.3, is intended to be enforceable by each Hedging Counterparty and the Sponsor by virtue of the Third Parties Act.

(B) Subject to paragraph (A) above, a person who is not a party to this Agreement has no right under the Third Parties Act to enforce or enjoy the benefit of any term of this Agreement.

(C) Notwithstanding any term of any Finance Document, this Agreement may be rescinded or varied without the consent of any person who is not a Party hereto.

PART 2
CONDITIONS PRECEDENT

2. CONDITIONS PRECEDENT

2.1 Conditions Precedent to first Utilisation

Kosmos may not deliver a Utilisation Request unless the Facility Agents and IFC have each received (except for any documents or evidence to be delivered as a Condition Subsequent) all of the documents and other evidence listed in Part I of Schedule 3 *(Conditions Precedent)* in form and substance satisfactory to the relevant Facility Agent and IFC acting reasonably, or their delivery has otherwise been waived in accordance with clause 2.4 *(Waivers of Conditions Precedent)*. The Facility Agents and IFC (each acting reasonably) shall each notify Kosmos and the Lenders promptly upon each being so satisfied. As between the Lenders and the relevant Facility Agent and IFC, the Facility Agent and IFC shall, in relation to the acceptance of a Condition Precedent, seek the instructions of the relevant Lenders as required by the terms of the Waiver Agreement.

2.2 Conditions Precedent to first Utilisation under the Facilities (other than Tranche S1)

Kosmos may not deliver a Utilisation Request under any Facility Agreement (other than in respect of a Utilisation of Tranche S1) unless the Facility Agents and IFC have each received in respect of each Condition Subsequent all of the documents and other evidence listed in Part II of Schedule 3 *(Conditions Precedent)* for such Condition Subsequent in form and substance satisfactory to the relevant Facility Agent and IFC acting reasonably, or their delivery has otherwise been waived in accordance with clause 2.4 *(Waivers of Conditions Precedent)*. The Facility Agents and IFC (each acting reasonably) shall each notify Kosmos and the Lenders promptly upon each being so satisfied. As between the Lenders and the relevant Facility Agent and IFC, the Facility Agent and IFC shall, in relation to the acceptance of a Condition Subsequent, seek the instructions of the relevant Lenders as required by the terms of the Waiver Agreement. Further, as regards the Conditions Subsequent listed in paragraph 10 of Part II of Schedule 3, only IFC in the manner prescribed by the Waiver Agreement (acting reasonably) will be entitled to certify that these have been satisfied or waived.

2.3 Conditions Precedent to each Utilisation

Except for drawings which can be made under the Junior Facility during the Deficiency Funded Period, the Lenders will only be obliged to comply with clause 6.5 *(First Utilisation on the Satisfaction Date)* if, on the proposed Utilisation Date:

(A) no Default or Event of Default is continuing (except in the case of a first Utilisation of Tranche S2) or will result from the proposed Loan; and

(B) an Authorised Signatory of Kosmos certifies that:

(i) save for the application within 6 Business Days of the Satisfaction Date of (a) USD 50 million to the Reserve Equity Account pursuant to paragraph 8 of Part II (Conditions Subsequent) of Schedule 3 (b) USD 9 million to the Stamp Duty Reserve Sub-Account pursuant paragraph 2 of Part II (Conditions Subsequent) of Schedule 3 and (c) an amount equal to any Funding Shortfall in respect of a FPSO Construction Financing to the Reserve Equity Account, in each case (a), (b) or (c) either by Kosmos or the Account Bank directly, the funds from that Utilisation are expected to be applied in payment of amounts subject to and in accordance with the Cash Waterfall within 90 days of the relevant Utilisation Date or are otherwise required for Kosmos to comply with clause 20.1(E) *(Project Accounts);* and

(ii) if the drawing occurs after the Satisfaction Date but before Project Completion (but not otherwise), save for any Funding Shortfall in respect of the FPSO Construction Financing notified to the Facility Agent on or before the date of delivery of the first Utilisation Request in respect of Tranche S2 and which Funding Shortfall is rectified by Kosmos making a direct payment into the Reserve Equity Account upon such Utilisation, the Funding Sufficiency Ratio is greater than 1:1 and the Borrower has no reasonable expectation that a Funding Sufficiency Ratio of less than 1:1 will arise in the future;

(C) in respect of a Utilisation of the Senior Facilities after the Satisfaction Date only, the aggregate principal amount outstanding under the Senior Facilities does not exceed the Borrowing Base Amount, and the making of the Utilisation would not result in the aggregate principal amount outstanding under the Senior Facilities exceeding the Borrowing Base Amount;

(D) the Repeating Representations to be made by each Obligor are, in the light of the facts and circumstances then existing, true and correct in all material respects (or, in the case of a Repeating Representation that contains a materiality concept, true and correct in all respects);

(E) in respect of a Utilisation of Tranche J2 only:

(i) the Total Available Senior Facility Amount at that time is equal to zero, or the Senior Facilities are fully drawn, or the outstandings under the Senior Facilities exceed the Borrowing Base Amount;

(ii) Tranche J1 is fully drawn;

(iii) the balance of the J1 Reserve Account at that time is equal to zero; and

(iv) such Utilisation is made in accordance with the Deficiency Funding Criteria.

(F) in respect of a Utilisation of the Senior IFC Facility or Junior IFC Facility only (and to the satisfaction of IFC only):

(i) the Borrower has demonstrated, having used reasonable endeavours by exercising its rights under the Project Agreements and/or influencing or procuring the co-operation of the Unit Operator to ensure (as far as it is able):

(a) that the design, construction, operation, maintenance, management and monitoring of the Project's sites, plants, equipment, operations and facilities are undertaken in compliance with (i) the Action Plan, (ii) the applicable requirements of the Performance Standards and (iii) the EHS Guidelines;

(b) the continuing implementation and operation of the S&E Management System to assess and manage the social and environmental performance of the Project in a manner consistent with the Performance Standards in all material respects; and

(c) that the environmental mitigation and management measures in the Action Plan have been implemented and maintained; and

(ii) the Borrower has demonstrated, having used reasonable endeavours by exercising its rights under the Project Agreements and/or influencing or procuring the co-operation of the Unit Operator, to ensure (as far as it is able), that all action items in the Action Plan have been completed within the timetabled dates prior to the date of the relevant Utilisation Request.

2.4 Waivers of Conditions Precedent

(A) The Facility Agents as applicable, acting in accordance with the instructions of the Lenders obtained in accordance with the Waiver Agreement, may waive the requirement under clauses 2.1 *(Conditions Precedent to first Utilisation)* or 2.2 *(Conditions Precedent to first Utilisation under the Facilities (other than Tranche S1))* to deliver any one or more of the documents and other evidence listed in Schedule 3 *(Conditions Precedent to each Utilisation),* as applicable. Any waiver effected by the Senior Facility Agent or the Junior Facility Agent in accordance with this paragraph (A) shall be binding on the Senior Finance Parties or, as the case may be, the Junior Finance Parties.

(B) Satisfaction of any of the conditions set out in clause 2.3 *(Conditions Precedent)* may be waived by:

(i) the Senior Facility Agent acting in accordance with the instructions of the Majority Senior Lenders if the Utilisation is under the Senior Facilities; or

(ii) the Junior Facility Agent acting in accordance with the instructions of the Majority Junior Lenders if the Utilisation is under the Junior Facilities.

(C) Any waiver effected by the Facility Agents in accordance with this clause shall be binding on all Parties.

(D) For avoidance of doubt, no Utilisation may be made under any Facility, until the Facility Agents and IFC have confirmed all relevant Conditions Precedent (for the avoidance of doubt, no Conditions Subsequent shall be required to be satisfied for a Utilisation of Tranche S1) have been satisfied (acting reasonably) or waived in accordance with this clause 2 *(Conditions Precedent).* Further, as regards those Conditions Subsequent listed in paragraphs 10 and 11 of Part II of Schedule 3 Conditions *Precedent),* only IFC in the manner prescribed by the Waiver Agreement (acting reasonably) will be entitled to certify that these have been satisfied or waived.

(E) Each of the Lenders agree, in good faith, if able, to assist Kosmos in satisfying the Condition Precedent set out in paragraph 19 of Part 1 of Schedule 3 including, without limitation, considering alternative structures or proposals which provide the Lenders, in their absolute discretion, with adequate security for the purposes of making any Loans.

PART 3
OPERATION OF THE FACILITIES

3. THE FACILITIES

3.1 Facility Commitment amounts

(A) Subject to the terms of this Agreement and each Facility Agreement, the Lenders have agreed to make available to the Borrower under the relevant Facility Agreements pursuant to which they are a party as Lender, the following:

(i) a secured senior bank facility, under which the Senior Commitments are USD 625 million;

(ii) a secured senior IFC facility, under which the Senior Commitments are USD 50 million;

(iii) a secured junior bank facility, under which the Junior Commitments are USD 100 million; and

(iv) a secured junior IFC facility, under which the Junior Commitments are USD 50 million.

(B) The Senior Bank Facility, prior to the Satisfaction Date, is made available by way of Tranche S1 only. Tranche S1 may be utilised from and including Financial Close. Tranche S2 may be utilised from and including the Satisfaction Date.

(C) Each of the Facilities may be utilised by way of Loans and, following the Satisfaction Date, in the case of the Senior Bank Facility and the Senior IFC Facility, the Senior Commitments under such Senior Bank Facility and Senior IFC Facility may be utilised up to an aggregate amount not exceeding USD 75 million by way of the issue of Letters of Credit in accordance with the terms of this Agreement and the Senior Facility Agreements.

3.2 Total Available Senior Facilities Amount

(A) The Total Available Senior Facilities Amount shall be computed in accordance with this Clause 3.2.

(B) Prior to the Satisfaction Date, the Available Commitment under Tranche S1 shall be USD 285 million less the amount of Senior Loans made under Tranche S1.

(C) Following the Satisfaction Date, if at any time the aggregate amount of all Senior Loans exceeds the Borrowing Base Amount, the Total Available Senior Facilities Amount shall be zero.

(D) Subject to paragraph (C) above, following the Satisfaction Date, the Total Available Senior Facilities Amount shall be an amount equal to the lesser of:

(i) the Total Senior Facilities Amount less the amount of all Senior Loans; and

(ii) the Borrowing Base Amount less the amount of all Senior Loans.

where the Borrowing Base Amount is:

(1) during the period on and from the Satisfaction Date until Project Completion, determined by a Forecast prepared on the Satisfaction Date in accordance with the Forecasting Procedures (and taking account of any Hedging Agreement implemented in accordance with the Hedging Policy prior to the Satisfaction Date) and any new Forecast prepared thereafter on each Forecast Date in accordance with the Forecasting Procedures and following the production of a new or updated reserves report by the Reserves Consultant (including, for the avoidance of doubt, the Forecast prepared in accordance with clause 19.4 *(Forecast Prior to Project Completion));* and

(2) during the period on and from Project Completion, determined by reference to the most recent Forecast prepared in accordance with the Forecasting Procedures.

3.3 Additional S1 Commitment and S2 Commitment

(A) Kosmos may notify the Senior Facility Agent (such notice being an **"S1 Commitment Notice"**) that it wishes to increase commitments under Tranche S1 (each such increase in commitments being an **"Additional S1 Commitment"**), provided that:

(i) the S1 Commitment Notice is delivered prior to the Satisfaction Date;

(ii) no Event of Default is continuing or would arise as a result of the Additional S1 Commitment;

(iii) the person making available an Additional S1 Commitment to the relevant Borrower (an **"Additional S1 Lender"**) shall not be a Shareholder Affiliate;

(iv) the amount of the Additional S1 Commitment, when aggregated with the Total Tranche S1 Commitments immediately prior to the relevant Additional S1 Commitment, shall not result in the Total Tranche S1 Commitments following the relevant Additional S1 Commitment exceeding USD 250 million (or such greater amount, not exceeding USD 300 million, so long as each Additional S1 Lender that provides an Additional S1 Commitment which causes the total Tranche S1 Commitments to exceed USD 250 million (and each subsequent Additional S1 Lender thereafter) also accepts, at such time, a transfer of Tranche S2 Commitments of not less than 50% of the amount of that Additional S1 Commitment of such Additional S1 Lender; and

(v) the terms of the Additional S1 Commitment shall, for all purposes of this Agreement, be treated pursuant to the terms of this Agreement and the Senior Bank Facility Agreement in the same manner as Tranche S1.

(B) Each S1 Commitment Notice shall:

(i) confirm that the requirements of Clause 3.3(A) above are fulfilled; and

(ii) specify the date upon which the Additional S1 Commitment is anticipated to be made available to the Borrower (the **"Additional S1 Commitment Date"**).

(C) Kosmos shall procure that:

(i) the Additional S1 Lender delivers an S1 Lender Accession Notice in the form set out in Schedule 9 Part A *(Form of S1 Lender Accession Notice)* duly completed and signed on behalf of the Additional S1 Lender and specifying its Additional Commitment to the Senior Facility Agent; and

(ii) in the event that the Additional S1 Lender is not a Party to this Agreement, each Additional S1 Lender accedes to the Intercreditor Agreement in accordance with the terms of the Intercreditor Agreement,

in each case, on or prior to the Additional S1 Commitment Date.

(D) Subject to the conditions in paragraph (B) and (C) above being met, from the relevant Additional S1 Commitment Date, the Additional S1 Lender shall make available the relevant Additional S1 Commitment for Utilisation under Tranche S1 in accordance with the terms of this Agreement and the Senior Bank Facility Agreement (each as amended).

(E) Each Additional S1 Lender shall become a party to this Agreement and the Senior Bank Facility Agreement (and be entitled to share in the Security created under the Security Documents in accordance with the terms of the Finance Documents) if such Additional S1 Lender accedes to the Intercreditor Agreement in accordance with the Intercreditor Agreement.

(F) Each party (other than the relevant Additional S1 Lender) irrevocably authorises and instructs the Senior Facility Agent to execute on its behalf any S1 Lender Accession Notice which has been duly completed and signed on behalf of that proposed Additional S1 Lender and each Party agrees to be bound by such accession.

(G) The Senior Facility Agent shall only be obliged to execute an S1 Lender Accession Notice delivered to it by an Additional S1 Lender once the Senior Facility Agent (acting reasonably) is satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the accession of such Additional S1 Lender.

(H) On the date that the Senior Facility Agent executes an S1 Lender Accession Notice:

(i) the Additional S1 Lender party to that S1 Lender Accession Notice, each other Finance Party and the Obligors shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had that Additional S1 Lender been an Original Senior Lender with the rights and/or obligations acquired or assumed by it as a result of that accession and with the Commitment specified by it as its Additional Commitment; and

(ii) that Additional S1 Lender shall become a Party to this Agreement and the Senior Bank Facility Agreement as a "Tranche S1 Lender".

(I) Kosmos may notify the Senior Facility Agent that it wishes to increase the commitments under Tranche S2 by way of a new Lender acceding to the Facilities (each such increase in commitments being an "Additional S2 Commitment"), provided that

(i) no Event of Default is continuing or would arise as a result of the Additional S2 Commitment;

(ii) the amount of the Additional S2 Commitment, when aggregated with the Total Senior Commitments immediately prior to the relevant Additional S2 Commitment, shall not result in the Total Senior Commitments following the relevant Additional S2 Commitment exceeding USD750 million; and

(iii) the terms of the Additional S2 Commitment shall, for all purposes of this Agreement, be treated pursuant to the terms of this Agreement and the Senior Bank Facility Agreement in the same manner as Tranche S2.

(J) Kosmos shall procure that:

(i) the Additional S2 Lender delivers an S2 Lender Accession Notice duly completed and signed on behalf of the Additional S2 Lender and specifying its Additional Commitment to the Senior Facility Agent; and

(ii) in the event that the Additional S2 Lender is not a Party to this Agreement, each Additional S2 Lender accedes to the Intercreditor Agreement in accordance with the terms of the Intercreditor Agreement,

in each case, on or prior to the date on which the Additional S2 Commitment is anticipated to be made available to the Borrower (the **"Additional S2 Commitment Date"**).

(K) Subject to the conditions in paragraph (J) above being met, from the relevant Additional S2 Commitment Date, the Additional S2 Lender shall make available the relevant Additional S2 Commitment for Utilisation under Tranche S2 in

accordance with the terms of this Agreement and the Senior Bank Facility Agreement (each as amended).

(L) Each Additional S2 Lender shall become a party to this Agreement and the Senior Bank Facility Agreement (and be entitled to share in the Security created under the Security Documents in accordance with the terms of the Finance Documents) if such Additional S2 Lender accedes to the Intercreditor Agreement in accordance with its terms.

(M) Each party (other than the relevant Additional S2 Lender) irrevocably authorises and instructs the Senior Facility Agent to execute on its behalf any S2 Lender Accession Notice which has been duly completed and signed on behalf of that proposed Additional S2 Lender and each Party agrees to be bound by such accession.

(N) The Senior Facility Agent shall only be obliged to execute an S2 Lender Accession Notice delivered to it by an Additional S2 Lender once the Senior Facility Agent (acting reasonably) is satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the accession of such Additional S2 Lender.

(O) On the date that the Senior Facility Agent executes an S2 Lender Accession Notice:

(i) the Additional S2 Lender party to that S2 Lender Accession Notice, each other Finance Party and the Obligors shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had that Additional S2 Lender been an Original Senior Lender with the rights and/or obligations acquired or assumed by it as a result of that accession and with the Commitment specified by it as its Additional Commitment; and

(ii) that Additional S2 Lender shall become a Party to this Agreement and the Senior Bank Facility Agreement as a "Tranche S2 Lender".

3.4 Increase in Total Senior Facilities Amount

In the event that, after the Satisfaction Date, a Forecast shows that the Borrowing Base Amount exceeds the Total Senior Facilities Amount, Kosmos may deliver to the Senior Facility Agent a Facility Increase Request Notice, requesting that the Senior Lenders increase the Total Senior Facilities Amount (and the Total Senior Commitments) to an amount not exceeding the lesser of (i) the Borrowing Base Amount and (ii) USD 750 million. Any such notice shall be copied to the Junior Facility Agent (who shall copy the notice to the Junior Lenders).

3.5 Senior Lender consent and conversion of Commitments

(A) No increase in the Total Senior Facilities Amount (and the Senior Commitments) (including any conversion of Commitments by Junior Lenders) in accordance

with clause 3.4 *(Increase in Total Senior Facilities Amount)* will be permitted without the consent of all of the Senior Lenders.

(B) If all of the Senior Lenders do vote in favour, any Junior Lender may, in priority to any Senior Lender increasing its Senior Commitment, elect, by notice in writing to the Senior Facility Agent (copied to Kosmos) no later than five Business Days following the date of the Facility Increase Request Notice, to have the whole, or part, of its Junior Commitment converted into an additional Senior Commitment, provided that nothing in this Clause 3.5(B) shall entitle a Junior Lender to elect to have the whole or part of its Junior Commitment converted into an additional Senior Commitment in respect of any increase in the Total Senior Facilities Amount (and the Senior Commitments (including any conversion of Commitments by Junior Lenders into Senior Commitments)) pursuant to or contemplated by the Fourth Amendment Letter up to the maximum Total Senior Facilities Amount permitted under Clause 3.4.

(C) In the event that the aggregate Junior Commitments so notified exceed the amount of the relevant increase in the Total Senior Facilities Amount, the amount of such Junior Commitments which are converted to Senior Commitments shall be reduced pro rata accordingly.

(D) Subject to paragraphs (B) and (C) above and clause 3.6 *(Procedure following delivery of Facility Increase Request Notice),* in the event of an increase in the Senior Commitments pursuant to paragraph (A) above, each Senior Lender shall be entitled (but not obliged) to increase its Senior Commitment on a pro rata basis. If a Senior Lender declines to increase its Senior Commitment on such a basis, the Senior Facility Agent shall notify all the Senior Lenders and the other Senior Lenders may offer to additionally increase its Senior Commitment and any such offer shall only be accepted on a pro rata basis.

(E) Any increase in the Senior Commitments pursuant to sub-clauses (A) to (D) above shall be made under the Senior Bank Facility Agreement and the Senior Bank Facility shall be increased accordingly save that if IFC is to have an increased Senior Commitment, the increase in the relevant Senior Commitment shall be made under the Senior IFC Facility Agreement and the Senior IFC Facility will be increased accordingly.

(F) Upon any such increase in the Senior Commitments (including, for the avoidance of doubt, any increase pursuant to the Fourth Amendment Letter), the Amortisation Schedule shall be amended to increase the amortisation of the Senior Facilities accordingly on a pro rata basis.

3.6 Procedure following delivery of Facility Increase Request Notice

(A) The Senior Facility Agent shall, as soon as reasonably practicable (but in any event no later than 45 days following the date of a Facility Increase Request Notice), notify Kosmos either:

(i) that all of the Senior Lenders have agreed to the increase and (i) the Margin that would be applicable if the Total Facility Amount and the

Available Commitment under the Senior Facilities was so increased, and any fee payable to the Senior Lenders for agreeing to such increase; (ii) the names of any Lenders who wish to convert their Junior Commitments and the amount of any conversion; and (iii) the amount of additional commitment each Senior Lender would be prepared to provide to the Borrower; or

(ii) that all of the Senior Lenders have not agreed to the increase, and that consent for the increase in that Total Facility Amount and the Available Commitment for the Senior Facilities is not given, in which case, prior to the Financial Completion Date, Kosmos shall be entitled to replace any Senior Lender that has not agreed to the increase in full (together with any hedging instrument to which that Senior Lender is a party) providing such Lender is prepaid in full and its Commitment immediately cancelled in accordance with clause 10 (*Prepayment and Cancellation*) with (i) one or more other Lenders who have agreed to purchase that Senior Lender's existing participations and commitments under the Senior Facilities; (ii) Permitted Financial Indebtedness; or (iii) any additional equity commitment (committed on terms acceptable to the Majority Lenders (acting reasonably)).

(B) If all of the Senior Lenders agree to increase the Total Senior Facilities Amount, following receipt by Kosmos of the information detailed in sub-paragraph (A)(i), Kosmos shall confirm to the Senior Facility Agent in writing whether it wishes to accept the Senior Lenders' proposals for the increase. If it does not wish to accept the proposals, no such increase shall occur.

(C) Following any confirmation by Kosmos under paragraph (B) above that it wishes to accept the Senior Lenders' proposals for the increase, the relevant Parties shall, as soon as reasonably practicable, enter into such documentation and take such action (including in respect of the payment of all stamp duty, registration and other similar taxes that may be payable) as may be reasonable and-necessary to:

(i) increase the Total Senior Facilities Amount and the Total Senior Commitments (and convert any Junior Commitments into Senior Commitments in accordance with Clause 3.5 (*Senior Lender consent and conversion of Commitments*)) and the individual Commitments under the Senior Facilities of those Lenders who are to increase (or to so convert their Commitments); and

(ii) record the new margin (which shall not be less than the then applicable Margin for the Senior Facilities; if the new margin is to be higher than the Margin for the Senior Facilities, the amount of the Margin for the Senior Facilities shall be increased so it is the same as the new margin) payable from the date upon which the increase in the Total Senior Facilities Amount and the Total Senior Commitments (and the conversion of any Junior Commitments into Senior Commitments) becomes effective in respect of all advances already made, or to be made under the Senior Bank Facilities.

(D) Notwithstanding any increase in the Total Senior Facilities Amount and the Total Senior Commitments pursuant to this clause, all terms of the Finance Documents shall continue to apply and shall remain in full force and effect.

(E) Each Lender irrevocably agrees to any increase in the Total Senior Facilities Amount and the Total Senior Commitments in accordance with the foregoing provisions.

(F) For the avoidance of doubt, nothing in this clause 3 shall oblige the Senior Lenders to agree to an extension to the Senior Availability Period.

3.7 Mandatory prepayment of Junior Facilities

Any increase in the Total Senior Facilities Amount and the Total Senior Commitments agreed to in accordance with this clause 3 shall, if one or more Junior Lender so requires at the time of the increase, first be utilised to prepay and/or cancel (as the case may be) on a pro rata basis an equivalent amount of those Junior Lenders' participation and commitment under the Junior Facilities before being applied towards any other purpose.

3.8 Available Commitment under the Junior Facilities

(A) The Available Commitment under the Junior Facilities on Financial Close shall be USD 150 million. Tranche J1 will be drawn in full six days after the Satisfaction Date (and Kosmos shall be deemed to have served a Tranche J1 Utilisation Request on such Satisfaction Date specifying the proposed Utilisation Date being six days after the Satisfaction Date) and the proceeds credited to a secured account established for the purpose (the **"J1 Reserve Account"**). Amounts may be withdrawn from the J1 Reserve Account and drawings of Tranche J2 may, subject to the other terms of this Agreement, be made:

(i) (1) if the Senior Facilities are fully drawn;

(2) if the Total Senior Facilities Amount is zero; or

(3) if the outstandings under the Senior Facilities exceed the Borrowing Base Amount, and

(ii) in the case of a drawing of Tranche J2, Tranche J1 is fully drawn and the balance on the J1 Reserve Account is zero; and

(iii) in all cases in accordance with the Deficiency Funding Criteria.

(B) The Junior Facilities may be drawn without reference to the Borrowing Base Amount

3.9 Drawings of the Facilities during an FPSO Funding Deficiency

Notwithstanding any other provisions of this Agreement, no amounts under the Senior Facilities or the Junior Facilities may be drawn following an Event of Default arising

pursuant to clause 29.22 (*Breach of Obligations in relation to FPSO*) or during an FPSO Funding Deficiency. For the avoidance of doubt, amounts may be drawn under the Senior Facilities and/or the Junior Facilities during a Deficiency Funded Period (other than during a Deficiency Funded Period that has arisen due to an FPSO Funding Deficiency).

In the event that an FPSO Funding Deficiency arises, and during the period in which such FPSO Funding Deficiency continues to exist, Kosmos shall only be entitled to withdraw amounts from:

(A) firstly, the Reserve Equity Account,

(B) secondly, the Excess Equity in the Offshore Proceeds Account, provided that the balance on such account is not reduced below the required minimum balance under Clause 20.1 (E) (*Project Accounts*) at that time,

provided that, in each case, immediately upon the lapse of the FPSO Funding Deficiency, Kosmos shall deposit funds in the Reserve Equity Account to replenish in full any amounts withdrawn from the Reserve Equity Account during the period of such FPSO Funding Deficiency.

4. FINANCE PARTIES' RIGHTS AND OBLIGATIONS

(A) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under any Finance Documents to which it is a Party does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

(B) The rights of each Finance Party under or in connection with the Finance Documents to which it is a Party are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from an Obligor shall be a separate and independent debt.

(C) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

5. PURPOSE

5.1 Purpose

Each Loan may be used by Kosmos only to enable it to:

(A) pay Project Costs;

(B) pay Financing Costs (other than principal and interest);

(C) make advances under any Intercompany Loan Agreement in respect of advances from the Borrower to KEG, to enable KEG to pay Project Costs;

(D) pay interest on the Facilities until Project Completion;

(E) fund the Senior DSRA and, in the case of the Junior Facilities only, to fund the Junior DSRA;

(F) in the case of the first Utilisation of the Senior Facilities on or after the Satisfaction Date, to (a) repay all Loans (together with accrued interest thereon) outstanding under Tranche S1, (b) pay USD 50 million in to the Reserve Equity Account pursuant to paragraph 8 of Part II (Conditions Subsequent) of Schedule 3 (c) pay USD 9 million to the Stamp Duty Reserve Sub-Account pursuant paragraph 2 of Part II (Conditions Subsequent) of Schedule 3 and/or (d) pay an amount equal to any Funding Shortfall in respect of a FPSO Construction Financing;

(G) in the case of the first Utilisation under Tranche S1 or Tranche S2, to reimburse any Obligor for all costs and fees paid by it on or around (i) the Signing Date, (ii) 11 September 2009, (iii) the date of the Fourth Amendment Letter, or (iv) the Satisfaction Date (as the case may be), to the Lenders, in the event that such costs and fees have not been paid by a Utilisation under Tranche S1 or Tranche S2 (and the amount from such Utilisation may be deposited by the Borrower into a Distribution Reserve Account and used and/or distributed at the Borrower's discretion notwithstanding any other provision of any Finance Document); and

(H) draw down an amount equal to the Excess Equity, if any, from the first utilisation only of each of (i) Tranche S1 and also (ii) on the Satisfaction Date (to the extent such amount is not drawn from Tranche S1), the Senior Facilities, in the case of a drawing under (i) above, to make a deposit into the KEF Offshore Proceeds Account or other appropriate Offshore Proceeds Account, which amount may then be withdrawn at the discretion of the Borrower to pay either Project Costs or Non-Jubilee Related Costs (subject to a minimum of USD 45 million of such Excess Equity being applied towards Project Costs only) without reference to the order of priority in the Cash Waterfall and, in the case of a drawing under (ii) above, to make a deposit into a Distribution Reserve Account (and which amount may then be used and/or distributed at the Borrower's discretion notwithstanding any other provision of any Finance Document).

5.2 Monitoring

No Finance Party is bound to monitor or verify the application of any Loan made pursuant to the Finance Documents.

6. UTILISATION

6.1 Availability Periods

Subject to satisfaction of the relevant Conditions Precedent and, as applicable, the Conditions Subsequent the Availability Periods under the Facilities shall be as follows:

(A) *Senior Facilities:* The period from and including the Signing Date to and including the date immediately prior to the First Repayment Date under the Senior Facilities.

(B) *Junior Facilities:* The period from and including the Signing Date to and including the date falling 12 months after the First Repayment Date under the Senior Facilities.

6.2 Delivery of a Utilisation Request

(A) Subject to the satisfaction or waiver of the relevant Conditions Precedent for a Utilisation of Tranche S1 and the Conditions Subsequent for a Utilisation of any other part of the Facilities, in accordance with the terms of this Agreement, Kosmos may utilise a Facility (or Tranche S1) by delivery to the relevant Facility Agent of a duly completed Utilisation Request in respect of a Utilisation under the relevant Facility Agreements not later than 10:00 am on the sixth Business Day prior to the proposed Utilisation Date and each Facility Agent shall deliver such Utilisation Request to the Lenders within one Business Day of receipt of the same by it For this purpose, if such Facility Agent receives the Utilisation Request on a day which is not a Business Day or after 10:00 am on a Business Day, it will be treated as having received the Utilisation Request on the following Business Day.

(B) In relation to a Utilisation by way of Loans under the Senior Facilities following the Satisfaction Date, a Loan will only be made if there are two Loans made at the same time respectively under the Senior Bank Facility Agreement and the Senior IFC Facility Agreement in the respective ratios of X/Z and Y/Z where "X" is the Available Commitment under the Senior Bank Facility, "Y" is the Available Commitment under the Senior IFC Facility and "Z" is the aggregate amount of the Available Commitment under the Senior Facilities. The Borrower shall provide details of such figures and any changes in the amount of such figures to the Senior Facility Agent and IFC together with each relevant Utilisation Request.

(C) In relation to a Utilisation by way of Loans under the Junior Facilities following the Satisfaction Date, the Borrower shall provide details of the Available Commitments and any changes in the amount of such figures to the Junior Facility Agent and IFC together with each relevant Utilisation Request.

6.3 Completion of a Utilisation Request

(A) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

(i) the proposed Utilisation Date is a Business Day within the Availability Period for a Utilisation of that Facility (or, as the case may be, Tranche S1);

(ii) the amount of the Utilisation complies with clause 6.4 (*Amount*); and

(iii) the proposed Interest Period complies with clause 12 (*Interest Periods*).

(B) Only one Loan may be requested in respect of a relevant Facility in each Utilisation Request and a maximum of 3 Utilisation Requests may be requested in any one month.

(C) A Borrower may not deliver a Utilisation Request if as a result of the proposed Utilisation 10 or more Loans would be outstanding.

6.4 Amount

Kosmos must notify the relevant Facility Agent and the Technical and Modelling Bank (giving notice of not less than 6 Business Days' prior to the Utilisation Date) of the amount of any proposed Loan under a Facility that must be (or, in the case of two Loans utilised simultaneously under each of the Senior Facilities or, as the case may be, Junior Facilities, together must be in):

(A) a minimum of USD 10 million (or, in any event, such lesser amount as the relevant Facility Agent may agree); and

(B) an integral multiples of USD 10 million (or, in any event, such lesser amount as the relevant Facility Agent may agree),

or, if less, the balance of the relevant available Facilities (or, as the case may be, Tranche S1).

6.5 First Utilisation on the Satisfaction Date

(A) In the event that the Satisfaction Date occurs then notwithstanding the foregoing provisions of this Clause 6, Kosmos shall be deemed to have served a Utilisation Request for Loans (the **"Refinancing Loans"**) under the Senior Facilities in an aggregate amount equal to all Loans outstanding under Tranche S1 -on the Satisfaction Date (together with all accrued interest thereon) and specifying the proposed Utilisation Date of the Refinancing Loans as being six days after the Satisfaction Date.

(B) Notwithstanding any other provisions of this Agreement the proceeds of the Refinancing Loans shall be applied on such date in repayment of all Loans outstanding under Tranche S1 (and the payment of accrued interest thereon).

(C) In relation to Clause 6.6(B) below, solely for the purpose of computing the Available Commitments of the Senior Lenders in relation to the Refinancing Loans, the amount of all Loans outstanding under Tranche S1 shall be deemed to be zero so that each Senior Lender's Available Commitment is equal to its Senior Commitment and the Total Available Commitments are equal to the Total Senior Commitments.

6.6 Lenders' participation

(A) If the conditions set out in this Agreement and in the relevant Facility Agreement have been met, each Lender under the relevant Facility Agreement (or, as the case may be, the Lenders providing Tranche S1) shall make its participation in the relevant Loan available by the Utilisation Date through its Facility Office in accordance with the terms of this Agreement and the relevant Facility Agreement.

(B) The amount of a Lender's participation in that Loan under the relevant Facility Agreement (or, as the case may be, Tranche S1) will be equal to the proportion borne by its Available Commitment to the Total Available Commitments under the relevant Facility (or, as the case may be, Tranche S1) immediately prior to the making of the relevant Loan.

(C) The Senior Facility Agent shall notify each Lender of the amount of each Loan under the Senior Bank Facility in respect of which it has a Commitment to fund and the amount of its participation in each such Loan not less than 5 Business Days before the Utilisation Date.

(D) The Junior Facility Agent shall notify each Lender of the amount of each Loan under the Junior Bank Facility in respect of which it has a Commitment to fund and the amount of its participation in each such Loan not less than 5 Business Days before the Utilisation Date.

(E) A Business Day for the purposes of Clause 6 (*Utilisation*) shall mean a day (other than a Saturday or Sunday) when banks are open for business in London, New York and Paris.

(F) For the purposes of the deemed Utilisation Request on the Satisfaction Date which arises pursuant to Clause 6.5(A), if the amount of any participation of any Senior Lender (each, an **"S1 True Up Lender"**) determined pursuant to Clauses 6.5(C) and 6.6(B) hereof is less than its participation in the Loan at such time the Senior Facility Agent will credit such amount of the proceeds received from the other Senior Lenders in relation to their participation in such Utilisation to each such S1 True Up Lender (pro rata to its relevant participation in the Loan at such time) so as to ensure that all of the Senior Lenders have, following such credit, a participation in the Loan equal to the amount determined pursuant to Clause 6.6(B).

7. LETTERS OF CREDIT – UTILISATION

7.1 General

(A) In this clause 7 and clause 8 (*Letters of Credit*)*:*

(i) **"Expiry Date"** means, for a Letter of Credit, the last day of its Term;

(ii) **"LC Proportion"** means, in relation to a Senior Lender in respect of any Letter of Credit, the proportion (expressed as a percentage) borne by

the Available Commitment of such Senior Lender under the Senior Facilities to the aggregate Available Commitments of all the Senior Lenders under the Senior Facilities immediately prior to the issue of that Letter of Credit, adjusted to reflect any assignment or transfer under this Agreement to or by that Senior Lender;

(iii) **"Renewal Request"** means a written notice delivered to the Senior Facility Agent in accordance with clause 7.7 (*Renewal of a Letter of Credit*); and

(iv) **"Term"** means each period determined under this Agreement for which an LC issuing Bank is under a liability under a Letter of Credit.

(B) Any reference in this Agreement to:

(i) a **"Finance Party"** includes each of the LC Lenders and each of the LC Issuing Banks;

(ii) an amount borrowed under the Senior Facilities includes any amount utilised by way of Letter of Credit;

(iii) a Utilisation under the Senior Facilities made or to be made to the Borrower includes a Letter of Credit issued on its behalf;

(iv) a Senior Lender funding its participation in a Utilisation under the Senior Facilities includes a Senior Lender participating in a Letter of Credit;

(v) amounts outstanding under the Senior Facilities include amounts outstanding under or in respect of any Letter of Credit;

(vi) an outstanding amount of a Letter of Credit at any time is the maximum amount that is or may be payable in respect of that Letter of Credit at that time;

(vii) the Borrower **"repaying"** or **"prepaying"** a Letter of Credit means:

(a) the Borrower providing cash cover for that Letter of Credit;

(b) the maximum amount payable under the Letter of Credit being reduced in accordance with its terms; or

(c) an LC Issuing Bank being satisfied (acting reasonably) that it has no further liability under that Letter of Credit,

and the amount, subject to the Cash Waterfall, by which a Letter of Credit is repaid or prepaid under sub-paragraphs (viii)(a) and (viii)(b) below is the amount of the relevant cash cover or reduction; and

(viii) the Borrower providing **"cash cover"** for a Letter of Credit means the Borrower paying an amount in the currency of the Letter of Credit to an

account in the name of the Borrower and the following conditions are met:

(a) the account is with the LC Issuing Bank (if the cash cover is to be provided for all the Senior Lenders) or with a Senior Lender (if the cash cover is to be provided for that Senior Lender);

(b) withdrawals from the account may only be made to pay a Finance Party amounts due and payable to it under the Senior Facility Agreements in respect of that Letter of Credit until no amount is or may be outstanding under that Letter of Credit; and

(c) the Borrower has executed a Security Document, in form and substance satisfactory to the relevant LC Issuing Bank or, as the case may be, the Lender (acting reasonably) with which that account is held, creating a first ranking Security Interest over that account.

(C) Clause 6 (*Utilisation*) does not apply to a Utilisation by way of Letter of Credit.

(D) In determining the amount of the Available Commitment and a Lender's LC Proportion of a proposed Letter of Credit for the purposes of this Agreement the Available Commitment of a Lender will be calculated taking account of any cash cover provided for outstanding Letters of Credit.

(E) A "Business Day" for the purposes of Clause 7 (*Letters of Credit – Utilisation*) shall mean a day (other than a Saturday or Sunday) when banks are open for business in London, New York and Paris.

7.2 Letter of Credit Option

(A) The Senior Facilities may also be utilised by way of Letters of Credit after the Satisfaction Date.

(B) The Borrower may at any time request any or all Senior Lenders to agree to become a LC Issuing Bank. If any such Senior Lender or Senior Lenders so agree, the Borrower may in its absolute discretion decide which of those Senior Lenders (if any) it wishes to appoint as a LC Issuing Bank.

(C) All LC Issuing Banks shall be appointed in accordance with a procedure to be agreed between the Borrower and the Senior Lenders (acting reasonably) from time to time.

7.3 Delivery of a Utilisation Request for Letters of Credit

Subject to a LC Issuing Bank having been appointed, the Borrower may request a Letter of Credit to be issued by delivery to the Senior Facility Agent and the relevant LC Issuing Bank of a duly completed Utilisation Request substantially in the form of Part II of Schedule 5 (*Utilisation Requests*) not later than the sixth Business Day prior to the

proposed Utilisation Date and a maximum of 3 such Utilisation Requests may be delivered in any one month, provided that there shall not, at any time, be more than 10 Letters of Credit outstanding.

7.4 Completion of a **Utilisation Request for Letters of Credit**

Each Utilisation Request for a Letter of Credit is irrevocable and will not be regarded as having been duly completed unless:

(A) it specifies that it is for a Letter of Credit;

(B) it specifies the amount that is to be utilised under each of the Senior Facilities;

(C) the proposed Utilisation Date is a Business Day within the Senior Availability Period after the Satisfaction Date;

(D) the currency and amount of the Letter of Credit comply with clause 7.5 (*Amount*);

(E) the form of Letter of Credit is attached;

(F) the Expiry Date of the Letter of Credit falls on or before the Final Repayment Date for the Senior Facilities; and

(G) the delivery instructions for the Letter of Credit are specified.

7.5 Amount

The amount of the proposed Letter of Credit must be an amount which is not more than the Total Available Senior Facilities Amount and which is a minimum of USD 5 million or, if less, the Total Available Senior Facilities Amount and which otherwise complies with clause 7.6(B)(ii).

7.6 Issue of Letters of Credit

(A) If the conditions set out in this Agreement have been met, the relevant LC Issuing Bank shall issue the Letter of Credit on the Utilisation Date.

(B) The relevant LC Issuing Bank will only be obliged to comply with paragraph (A) above if on the date of the Utilisation Request or Renewal Request and on the proposed Utilisation Date:

(i) in the case of a Letter of Credit renewed in accordance with clause 7.7 (*Renewal of a Letter of Credit*), no Event of Default is continuing or would result from the proposed Utilisation and, in the case of any other Utilisation, no Default is continuing or would result from the proposed Utilisation;

(ii) the making of the proposed Utilisation would not result in (i) the aggregate principal amount outstanding under the Senior Facilities

exceeding the Borrowing Base Amount or (ii) the aggregate of all outstanding Letters of Credit issued by the LC Issuing Banks exceeding USD 75 million;

(iii) the Repeating Representations to be made by each Obligor are true in all material respects (or, in the case of a Repeating Representation that contains a materiality concept, true and correct in all respects); and

(iv) if the Utilisation occurs before the date on which Project Completion occurs, an Authorised Signatory of Kosmos certifies that there is no Funding Shortfall or any reasonable prospect of a Funding Shortfall arising in the future, or that any Funding Shortfall that does exist is otherwise fully funded.

(C) The amount of each Senior Lender's participation in each Letter of Credit will be equal to the proportion borne by the Available Commitment of such Senior Lender under the Senior Facilities to the aggregate Available Commitments of all the Senior Lenders under the Senior Facilities immediately prior to the issue of the Letter of Credit.

(D) The Senior Facility Agent shall notify the LC Issuing Bank and each Senior Lender of the details of the requested Letter of Credit and its participation in that Letter of Credit by the Specified Time.

7.7 Renewal of a Letter of Credit

(A) The Borrower may request any Letter of Credit issued on its behalf be renewed by delivery to the Senior Facility Agent and the relevant LC Issuing Bank of a Renewal Request by the sixth Business Day before the date of the proposed renewal.

(B) The Senior Lenders shall treat any Renewal Request in the same way as a Utilisation Request for a Letter of Credit except that the conditions set out in paragraph (E) of clause 7.4 (*Completion of a Utilisation Request for Letters of Credit*) shall not apply.

(C) The terms of each renewed Letter of Credit shall be the same as those of the relevant Letter of Credit immediately prior to its renewal, except that:

(i) its amount may be less than the amount of the Letter of Credit immediately prior to its renewal; and

(ii) its Term shall start on the date which was the Expiry Date of the Letter of Credit immediately prior to its renewal, and shall end on the proposed Expiry Date specified in the Renewal Request subject to clause 7.4(F).

(D) If the conditions set out in this Agreement have been met, the relevant LC Issuing Bank shall amend and re-issue any Letter of Credit pursuant to a Renewal Request.

8. LETTERS OF CREDIT – GENERAL PROVISIONS

8.1 When immediately repayable or prepayable

If a Letter of Credit or any amount outstanding under a Letter of Credit becomes payable, the Borrower shall repay or prepay that amount within five Business Days of demand by the relevant LC Issuing Bank.

8.2 Fee payable in respect of Letters of Credit

(A) The Borrower shall pay to each of the LC Issuing Banks a fronting fee in respect of each Letter of Credit issued by it, in the amount and at the times agreed in the letter dated on or about the date of this Agreement between the relevant LC Issuing Bank and the Borrower. A reference in this Agreement to a Fee Letter shall include the letter referred to in this paragraph.

(B) The Borrower shall pay to the Senior Facility Agent (for the account of each LC Lender) a letter of credit fee computed at the same rate as the Margin on the outstanding amount of each Letter of Credit for the period from the issue of that Letter of Credit until its Expiry Date. This fee shall be distributed according to each LC Lender's LC Proportion of that Letter of Credit.

(C) The accrued letter of credit fee on a Letter of Credit shall be payable on the last day of each successive period of three months (or such shorter period as shall end on the Expiry Date for that Letter of Credit) starting on the date of issue of that Letter of Credit.

(D) If the Borrower cash covers any part of a Letter of Credit then the fronting fee payable to the relevant LC Issuing Bank and the letter of credit fee payable for the account of each LC Lender shall not (in respect of the part of the Letter of Credit covered by the cash cover) be payable.

8.3 Claims under a Letter of Credit

(A) The Borrower irrevocably and unconditionally authorises each LC Issuing Bank to pay any claim made or purported to be made under a Letter of Credit and which appears on its face to be in order (a **"claim"**).

(B) The Borrower shall immediately on demand pay to the Senior Facility Agent for the account of the relevant LC Issuing Bank an amount equal to the amount of any claim under that Letter of Credit.

(C) The Borrower acknowledges that the LC Issuing Bank:

(i) is not obliged to carry out any investigation or seek any confirmation from any other person before paying a claim; and

(ii) deals in documents only and will not be concerned with the legality of a claim or any underlying transaction or any available set-off, counterclaim or other defence of any person.

(D) The obligations of the Borrower under this clause will not be affected by:

(i) the sufficiency, accuracy or genuineness of any claim or any other document; or

(ii) any incapacity of, or limitation on the powers of, any person signing a claim or other document.

8.4 Indemnities

(A) The Borrower shall immediately on demand indemnify each LC Issuing Bank against any cost, loss or liability incurred by such LC Issuing Bank (otherwise than by reason of such LC Issuing Bank's gross negligence or wilful misconduct) in acting as an LC Issuing Bank under any Letter of Credit.

(B) Each Senior Lender shall (according to its LC Proportion) immediately on demand by the Senior Facility Agent (acting on the instructions of the relevant LC Issuing Bank), indemnify each LC Issuing Bank against any cost, loss or liability incurred by the LC Issuing Bank (otherwise than by reason of such LC Issuing Bank's gross negligence or wilful misconduct) in acting as such LC Issuing Bank under any Letter of Credit (unless that LC Issuing Bank has been reimbursed by the Borrower pursuant to a Finance Document).

(C) The Borrower shall immediately on demand reimburse any Senior Lender for any payment it makes to an LC Issuing Bank under this clause 8.4 (*Indemnities*). In the absence of reimbursement of the LC Issuing Bank or Senior Lenders by the Borrower pursuant to this clause 8.4 within 5 Business Days of demand (the **"LC Payment Date"**), the Borrower shall be deemed to have requested a Loan of an amount (in Dollars) equal to the outstanding amount payable on the LC Payment Date and the Borrower shall be treated as having agreed to borrow that Loan on the LC Payment Date. The proceeds of each Loan made available by the Lenders in accordance with this Clause 8.4(c) and-deemed to be made to the Borrower shall be paid to the LC Issuing Bank (or, as the case may be, the Senior Facility Agent on behalf of the Senior Lenders) in satisfaction of the obligations of the Borrower in accordance with this clause 8.4 to reimburse the LC Issuing Bank or Senior Lenders for the amount of the outstanding payment.

(D) The obligations of each Senior Lender and the Borrower under this clause are continuing obligations and will extend to the ultimate balance of sums payable by that Senior Lender or, as the case may be, the Borrower in respect of any Letter of Credit, regardless of any intermediate payment or discharge in whole or in part.

(E) The obligations of a Senior Lender or a Borrower under this clause will not be affected by any act, omission, matter or thing which, but for this clause, would reduce, release or prejudice any of its obligations under this clause (without limitation and whether or not known to it or any other person) including:

(i) any time, waiver or consent granted to, or composition with, any Obligor, any beneficiary under a Letter of Credit or any other person;

(ii) the release of any other Obligor or any other person under the terms of any composition or arrangement;

(iii) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor, any beneficiary under a Letter of Credit or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(iv) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor, any beneficiary under a Letter of Credit or any other person;

(v) any amendment (however fundamental) or replacement of a Finance Document, any Letter of Credit or any other document or security;

(vi) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document, any Letter of Credit or any other document or security; or

(vii) any insolvency or similar proceedings.

8.5 Rights of contribution

The Borrower will not be entitled to any right of contribution or indemnity from any Finance Party in respect of any payment it may make under this clause 8.

8.6 Role of a LC Issuing Bank

(A) Nothing in this Agreement constitutes a LC Issuing Bank as a trustee or fiduciary of any other person.

(B) An LC Issuing Bank shall not be bound to account to any Lender for any sum, or the profit element of any sum received by it for its own account.

(C) An LC Issuing Bank may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

(D) An LC Issuing Bank may rely on:

(i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and

(ii) any statement made by a director, Authorised Signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.

(E) An LC Issuing Bank may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.

(F) An LC Issuing Bank may act in relation to the Finance Documents through its personnel and agents.

(G) An LC Issuing Bank is not responsible for:

(i) the adequacy, accuracy and/or completeness of any information (whether oral or written) provided by any Party (including itself), or any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; or

(ii) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

8.7 Exclusion of liability

(A) Without limiting paragraph (B) below, the LC Issuing Bank will not be liable for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.

(B) No Party (other than the LC Issuing Bank) may take any proceedings against any officer, employee or agent of the LC Issuing Bank in respect of any claim it might have against the LC Issuing Bank or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the LC Issuing Bank may rely on this clause subject to clause 1.3 (*Third Party Rights*) and the provisions of the Third Parties Act.

8.8 Credit appraisal by the Lenders

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each LC Lender confirms to the LC Issuing Bank that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including, but not limited to, those listed in paragraphs (A) to (D) of clause 32.15 (*Credit appraisal by the Lenders*).

8.9 Amendments and Waivers

Notwithstanding any other provision of any Finance Document, an amendment or waiver which relates to the rights or obligations of an LC Issuing Bank may not be effected without the consent of the LC Issuing Bank.

PART 4
PAYMENTS, CANCELLATION, INTEREST AND FEES

9. REPAYMENT

9.1 Repayment of Tranche S1

All Loans outstanding under Tranche S1 shall be repaid on the Final Maturity Date in respect of Tranche S1.

9.2 Repayment under the Senior Facilities

(A) Subject to clause 9.1 above, the First Repayment Date under each of the Senior Facilities shall be the earliest to occur of: (i) the date falling six months after Project Completion; (ii) 15 December 2011; and (iii) the Financial Completion Date. Subsequent repayment dates for each of the Senior Facilities shall be each successive 15 June and 15 December. The Final Repayment Date under each of the Senior Facilities shall be 15 December 2015, unless the Amortisation Schedule is revised in accordance with clause 9.4 (*Amendment to Amortisation Schedule*).

(B) The Borrower shall repay the aggregate amount of Utilisations under each of the Senior Facilities at the close of business on the expiry of the Senior Availability Period by way of 10 consecutive instalments, each such Senior Repayment Instalment to be repaid on each Senior Facilities Repayment Date.

9.3 Repayment under the Junior Facilities

The Junior Facilities shall each be repaid in one amount on the Final Maturity Date for the Junior Facilities.

9.4 Amendment to Amortisation Schedule

(A) In the event that the Reserve Tail Date is earlier than the relevant Final Maturity Date, the Amortisation Schedule will be amended so that:

(i) the final Repayment Instalment for the Senior Facilities is to be paid on the Reserve Tail Date and repayment of the Junior Facilities is to be made six months after the Reserve Tail Date (the **"Revised Final Repayment Date"**); and

(ii) the Repayment Instalment payable on each Repayment Date shall be adjusted on a pro rata basis so as to ensure that all Loans under the Senior Facilities are fully repaid on the Reserve Tail Date.

(B) In the event that the Total Senior Facilities Amount is increased, the Amortisation Schedule will be amended accordingly to reflect such increase.

10. PREPAYMENT AND CANCELLATION

10.1 General

(A) Subject to there being no Event of Default outstanding and other than an obligation to make a prepayment where the aggregate outstandings under the Senior Facilities exceed the Borrowing Base Amount at the end of the relevant 90 day cure period, prepayments in respect of the Facilities shall be paid at the end of the next Interest Period falling not less than 15 days after the date on which the event giving rise to the obligation to make the prepayment occurs, and shall be applied pro rata to each Repayment Instalment under the relevant Facility.

(B) Any amount prepaid may not be redrawn.

(C) Any prepayment shall be made with accrued interest on the amount prepaid and, subject to Break Costs (excluding any Margin), without premium or penalty.

10.2 Illegality

(A) If it becomes unlawful in any applicable jurisdiction for a Lender (an **"Illegality Lender"**) to perform any of its obligations as contemplated by the Finance Documents, or to fund or maintain its participation in any Utilisation:

(i) that Lender shall promptly notify the relevant Facility Agent upon becoming aware of that event;

(ii) upon that Facility Agent notifying Kosmos, the Commitment of that Lender will be immediately cancelled; and

(iii) the Borrower shall either:

(a) if the Lender so requires, repay that Lender's participation in the Utilisations made to the Borrower on the last day of the Interest Period for each Utilisation occurring after that Facility Agent has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to that Facility Agent (being no earlier than the last day of any applicable grace period permitted by law); or

(b) replace that Lender in accordance with paragraph (B) of clause 10.10 (*Right of repayment and cancellation in relation to a single Lender*) on or before the first date applicable under paragraph (a) above in respect of which a payment is due and payable.

(B) If it becomes unlawful in any applicable jurisdiction for the Borrower to perform any of its obligations as contemplated by the Finance Documents:

(i) the Borrower shall promptly notify the Facility Agents upon becoming aware of that event;

(ii) the Facility Agents shall notify the Lenders; and

(iii) the Borrower shall repay each Utilisation made to it on the last day of the Interest Period for that Utilisation occurring after the Facility Agents have notified the Lenders or, if earlier, the last day of any applicable grace period permitted by law.

(C) If it becomes unlawful for an LC Issuing Bank to issue or leave outstanding any Letter of Credit, the relevant LC Issuing Bank shall promptly notify the Senior Facility Agent upon becoming aware of that event, and upon the Senior Facility Agent notifying the Borrower, (i) the Senior Facilities shall cease to be available for the issue of Letters of Credit unless and until the relevant LC Issuing Bank is replaced by another Lender in accordance with paragraph (B) of clause 10.10 (*Right of repayment and cancellation in relation to a single Lender*) and (ii) the Borrower shall prepay all Letters of Credit issued by such LC Issuing Bank and use its reasonable endeavours to procure the release of such LC Issuing Bank from all outstanding Letters of Credit.

10.3 Aggregate outstandings exceed the Borrowing Base Amount

(A) In the event that a Forecast shows that the aggregate of the outstandings under the Senior Facilities on the relevant Forecast Date exceeds the Borrowing Base Amount as determined in such Forecast, the Borrower shall, within 90 days of the date of the relevant Forecast (in addition to Repayment Instalments under the Amortisation Schedule), make an additional mandatory repayment of the Senior Facilities as necessary to ensure that the aggregate of the outstandings under the Senior Facilities does not exceed the Borrowing Base Amount provided always that:

(i) subject to (ii) below, an Event of Default shall arise in respect of such mandatory prepayment only if such prepayment has not been made in full after a period of 90 days from the relevant Forecast Date;

(ii) such mandatory repayment will be required at the expiry of the 90 day period only if, at such time, a Forecast prepared immediately prior to the expiry of the 90 day period confirms that the aggregate of the outstandings under the Senior Facilities exceeds the Borrowing Base Amount; and

(iii) an additional margin of 2 per cent. per annum will apply from the relevant Forecast Date on the amount by which the outstandings under the Senior Facilities exceeds the Borrowing Base Amount until the date such amount has been repaid.

(B) The Obligors shall be entitled to make any such mandatory prepayment by (i) depositing cash into an account with the Account Bank secured in favour of the Lenders (which shall be a Project Account) which has been established solely

for this purpose or (ii) procuring a letter of credit on terms approved by the Lenders, in favour of the Senior Facility Agent, in each case, in an amount equal to the mandatory prepayment required, for application by the Lenders towards the mandatory prepayment at Project Completion to the extent the aggregate of the outstandings under the Senior Facilities exceeds the Borrowing Base Amount pursuant to the Forecast prepared at such time. Any excess standing to the credit of such account on any Forecast Date shall be released and may be withdrawn by the Borrower and applied for any purpose as it sees fit (without reference to the Cash Waterfall) provided that prior to being paid into such account none of the Secured Parties had any rights to such amounts (if any Secured Parties had any rights to such amount, such amount shall be paid into an Offshore Proceeds Account).

10.4 Insurance Receipts

(A) All Insurance Proceeds received by Kosmos shall be paid into and retained in the Insurance Proceeds Account until applied in accordance with the terms of this clause.

(B) To the extent not applied or committed to be applied to meet any third party claim arising out of or in respect of the Project or to cover operating losses of the Project or in the reinstatement of a Borrowing Base Asset or purchase of a replacement Borrowing Base Asset or otherwise in the amelioration of the loss to a Borrowing Base Asset or reinvestment in the Project within, in each case, one year from the date of its receipt, all net proceeds of any insurance claim received by Kosmos in respect of the Project and/or a Borrowing Base Asset where the amount of the insurance received is in excess of USD 5 million (less expenses) shall be applied, first, in prepayment of the Senior Facilities and, second, following prepayment of all amounts outstanding under the Senior Facilities, in prepayment of the Junior Facilities.

(C) In the case of reinstatement of a Borrowing Base Asset or purchase of a replacement Borrowing Base Asset or otherwise in amelioration of the loss to a Borrowing Base Asset or reinvestment in the Project, where the net proceeds of insurance received by Kosmos in respect of such reinstatement, replacement, amelioration and/or reinvestment is or exceeds USD 100 million (less expenses), the approval of the Majority Lenders shall, unless Kosmos is obliged by the terms of the Project Agreements to apply the insurance proceeds in reinstatement, replacement, amelioration and/or investment, be sought before any reinstatement, replacement, amelioration and/or reinvestment is undertaken. If the Majority Lenders do not give such consent where required, all net proceeds of any such insurance claim received by Kosmos shall first be applied in pro rata prepayment of the Senior Facilities, and thereafter, the Junior Facilities. Where the amount of such net insurance proceeds is less than USD 100 million (less expenses), to the extent not applied or committed to be applied towards reinstatement, replacement, amelioration and/or reinvestment within, in each case, one year, the amount of any net insurance proceeds received by Kosmos shall first be applied in prepayment of the Senior Facilities, and thereafter, the Junior Facilities.

(D) In respect of any net insurance proceeds received by Kosmos which are not required to be applied in repayment of the Facilities in accordance with the above, the Borrower shall apply all such proceeds towards covering the loss which the relevant insurance policy responded to only and for no other purpose.

10.5 Change of Control

(A) Upon a Change of Control:

(i) the Obligor shall promptly notify the Facility Agents upon becoming aware of the occurrence of that event;

(ii) if the Majority Senior Lenders or the Majority Junior Lenders so require, the Facility Agents shall, on not less than 30 days written notice to Kosmos, cancel the Total Senior Commitments or, as the case may be, the Total Junior Commitments and the Borrower shall repay each Lender's participation in any Utilisations on the last day of the then current relevant period under the Senior Facilities or, as the case may be, the Junior Facilities together with accrued interest and all other amounts accrued under the Finance Documents; and

(iii) subject to paragraph (ii) above, a Lender shall be entitled to, on not less than 30 days written notice to the relevant Facility Agent and Kosmos, demand that its participation in the Facilities be prepaid in full and that its Commitment be immediately cancelled. Without prejudice to the Borrower's obligation to prepay a Lender as aforesaid, Kosmos shall be entitled, in accordance with paragraph (B) of clause 10.10 (*Right of repayment and cancellation in relation to a single Lender*), to replace that Lender or the transfer of its participation and Commitment to another Lender (with that Lender's consent) within such 30 day period rather than prepaying and cancelling its participation and commitment provided that such replacement or transfer is completed within the relevant notice period given by the relevant Lender. If such replacement or transfer does not occur within the relevant period, that Lender's participation in the Facilities shall be immediately due and payable in full and its Commitment immediately cancelled.

(B) For the purposes of paragraph (A) above, a **"Change of Control"** shall occur if:

(i) prior to an IPO, the Shareholders and Permitted Transferees cease, directly or indirectly, to beneficially own at least 50.1 per cent of the ordinary share capital carrying a right to vote in general meetings of both Kosmos and the Sponsor; or

(ii) after an IPO, the Shareholders and Permitted Transferees cease, directly or indirectly, to beneficially own at least 35 per cent of the ordinary share capital carrying a right to vote in general meetings of both Kosmos and the Sponsor; or

(iii) at any time, any person (together with their Affiliates or persons with whom they act in concert), directly or indirectly, beneficially own more of the ordinary share capital carrying a right to vote in general meetings of Kosmos or the Sponsor other than the Shareholders and Permitted Transferees (together with their Affiliates).

(C) For the purposes of paragraph (B) above, any persons includes more than one person acting in concert and a **"Permitted Transferee"** means:

(i) an Affiliate of a Shareholder or the Sponsor, so long as they remain an Affiliate; or

(ii) a person who is otherwise approved by the Majority Lenders (acting reasonably) provided that any Lender which does not grant its approval may, on not less than 30 days written notice to the relevant Facility Agent and Kosmos, demand that its participation in the Facilities be prepaid in full and that its Commitment be immediately cancelled, provided that Kosmos may, in accordance with paragraph (B) of clause 10.10 (*Right of repayment and cancellation in relation to a single Lender*), procure the replacement of that Lender or the transfer of its participation and Commitment to another Lender (with that Lender's consent) rather than such prepayment and cancellation provided that such replacement or transfer is completed within the relevant notice period given by the relevant Lender. If such replacement or transfer does not occur within the relevant period, that Lender's participation in the Facilities shall be immediately due and payable in full by the Borrower and its Commitment immediately cancelled.

10.6 Cash Sweep and FPSO Related Excess Cash

(A) From the Financial Completion Date, seventy-five per cent of any funds remaining on any Repayment Date after the payments made in paragraphs (A) to (I) of the Cash Waterfall have been paid shall be applied to prepay the Junior Facilities provided always that: (i) to the extent Junior Lenders have converted their Junior Commitments to Senior Commitments, any amount that would otherwise have been swept to prepay the relevant part of the Junior Facilities which has been converted shall be applied to prepay the Senior Facilities; and (ii) the remaining twenty-five per cent shall, prior to the full repayment of the Junior Facilities, be applied to prepay the Senior Facilities (pro rata against instalments in the Amortisation Schedule).

(B) If a Senior Lender does not require to be prepaid in accordance with clause 10.6(A), the amount that would have otherwise been applied to prepay such Senior Lender shall first be offered to prepay the other Senior Lenders before being applied for any other purpose in accordance with the Cash Waterfall.

(C) Any and all FPSO Related Excess Cash which is received as a cash receipt by an Obligor shall be applied in mandatory prepayment of the Senior Facilities in accordance with Clause 10.1, provided that any such FPSO Related Excess

Cash shall be applied in accordance with the Cash Waterfall during a Funding Deficiency Period or FPSO Funding Deficiency.

10.7 Automatic Cancellation

(A) At the close of business in London on the last Business Day of the Availability Period for a Facility, the undrawn Commitment of each Lender under that Facility at that time shall be automatically cancelled.

(C) Notwithstanding the foregoing and for the avoidance of doubt all undrawn Commitments of the Lenders under Tranche S1 will be cancelled on the date falling 364 days after the date of this Agreement if any Loans remain outstanding under Tranche S1 at close of business in London on such date.

10.8 Voluntary Cancellation

(A) On 30 October 2009, Kosmos may cancel the undrawn Commitments under all Facilities (in whole only) if the Condition Precedent set out in paragraph 19 of Part 1 of Schedule 3 has not been satisfied on or before that date.

(B) After 30 October 2009 and subject to clause 10.8(F), during each Availability Period under the Facilities, Kosmos may, by giving not less than ten Business Days' (or such shorter period as the Majority Lenders under the relevant Facility may agree) prior written notice to the relevant Facility Agent, without penalty, cancel the undrawn Commitments under any Facility in whole or in part (but if in part, in a minimum amount of USD 1 million or, if less, the balance of the undrawn Commitments). The relevant Commitments in respect of such Facility will be cancelled on a date specified in such notice, being a date not earlier than ten Business Days after the relevant notice is received by that Facility Agent.

(C) Any valid notice of cancellation will be irrevocable and will specify the date on which the cancellation shall take effect. No part of any Commitment which has been cancelled or which is the subject of a notice of cancellation may subsequently be utilised.

(D) When any cancellation of Commitments under a Facility takes effect, each Lender's Available Commitment under that Facility will be reduced by an amount which bears the same proportion to the total amount being cancelled as its Available Commitment under that Facility bears to the Total Available Commitment (at that time) under the relevant Facility.

(E) Any voluntary cancellation of the Total Senior Commitment or, as the case may be, the Total Junior Commitment shall only be made if simultaneously there is a pro rata cancellation of the Total Available Commitment of each of the Senior Facilities or, as the case may be, the Junior Facilities.

(F) Kosmos may cancel the undrawn Commitments under the Facilities pursuant to this clause 10.8 (*Voluntary Cancellation*) only if:

(i) (a) the cancellation applies to all Commitments and is made simultaneously with the full repayment of all outstanding Loans in accordance with the terms of this Agreement; or

(b) during the period prior to Project Completion, all of the Lenders agree to the cancellation; or

(c) during the period from Project Completion until the Financial Completion Date, the Super Majority Lenders agree to the cancellation; or

(d) a cancellation is required pursuant to any other term of the Finance Documents;

(ii) the Funding Sufficiency Ratio taking into account such cancellation will not be less than 1:1 as calculated by the Technical and Modelling Bank (acting reasonably) on the basis of all information made to it; and

(iii) in the case of a cancellation of the Junior Facilities, there are no unutilised Senior Commitments.

10.9 Voluntary Prepayment of Loans

(A) Subject to clause 10.1 (*General*) and paragraphs (B) and (C) below:

(i) prior to the Financial Completion Date, a Utilisation may only be prepaid in whole (if all other Utilisations are also prepaid at the same time) but not in part only (except, prior to the Satisfaction Date, with the prior consent of the Tranche S1 Lenders); and

(ii) after the Financial Completion Date, a Utilisation may be prepaid whether in whole or in part (if in part, in minimum amounts of USD 1 million and multiples thereof or, if less, the balance of the Facility).

(B) Any voluntary prepayment of Utilisations under the Senior Facilities or, as the case may be, the Junior Facilities shall only be made if simultaneously there are pro rata prepayments of Utilisations of each of the Senior Facilities or, as the case may be, the Junior Facilities.

(C) No prepayment of Utilisations of the Junior Facilities may be made prior to the Senior Discharge Date.

(D) Any such permitted prepayment pursuant to paragraph (A) above may be made by the Borrower without penalty upon ten Business Days' prior written notice to the Senior Facility Agent or, as the case may be, the Junior Facility Agent.

(E) Any valid notice of prepayment will be irrevocable and will specify the date on which the cancellation shall take effect. Any amount prepaid may not be redrawn.

(F) Prepayment shall take effect:

(i) on the last day of the then current Interest Period; or

(ii) on any other date subject to payment by the Borrower, on demand of Break Costs (if any), in accordance with clause 13.4 (*Break Costs*).

(G) When any prepayment of the whole or part of a Loan takes place, each Lender's participation in the relevant Loan shall be reduced rateably.

10.10 Right of repayment and cancellation in relation to a single Lender

(A) If:

(i) Kosmos reasonably believes that the sum payable to any Lender by an Obligor is required to be increased under clause 15.2 (*Tax gross-up*);

(ii) Kosmos receives a notice from the relevant Facility Agent under clause 15.3 (*Tax Indemnity*) or clause 16 (*Increased Costs*);

(iii) any Lender is or becomes a Non-Funding Lender; or

(iv) any Lender is or becomes entitled to increase its rate of interest further to clause 13.2 (*Market disruption*),

Kosmos may, while (in the case of paragraph (i) and (ii) above) the circumstance giving rise to the belief or notice continues or (in the case of (iii) or (iv) above) the relevant circumstance continues:

(a) give such Facility Agent notice of cancellation of the Commitment of that Lender and its intention to procure the repayment of that Lender's participation in the Utilisations;

(b) in the case of a Non-Funding Lender or Illegality Lender, give such Facility Agent notice of cancellation of the Available Commitment of that Lender in relation to any Facility and reinstate all or part of such Available Commitment in accordance with paragraph (B) below;

(c) or replace that Lender in accordance with paragraph (B) below.

(B) Kosmos may:

(i) in the circumstances set out in paragraph (A) above or pursuant to clause 10.1 (*General*) or clause 10.2 (*Illegality*) or clause 10.5(A)(ii) (*Change of Control*), replace an Existing Lender (as defined in clause 30 (*Changes to the Lenders*)), with one or more other Lenders (which need not be Existing Lenders) (each a **"Replacement Lender"**), which have agreed to purchase all or part of the Commitment and participations of that Existing Lender in Utilisations made to Kosmos

pursuant to an assignment or transfer in accordance with the provisions of clause 30 (*Changes to the Lenders*); or

(ii) in the circumstances set out in paragraph (A)(iv)(a) of this clause 10.10, cancel the Available Commitments of the Non-Funding Lender or Illegality Lender in respect of the relevant Facility and procure that one or more Replacement Lenders assume Commitments under the relevant Facility in an aggregate amount not exceeding the Available Commitment of the relevant Non-Funding Lender or Illegality Lender in relation to the relevant Facility

in each case on condition that:

(a) each assignment or transfer under this paragraph (B) shall be arranged by Kosmos (with such reasonable assistance from the Existing Lender as Kosmos may reasonably request); and

(b) no Existing Lender shall be obliged to make any assignment or transfer pursuant to this paragraph (B) unless and until it has received payment from the Replacement Lender or Replacement Lenders in an aggregate amount equal to the outstanding principal amount of the participations in the Utilisations owing to the Existing Lender, together with accrued and unpaid interest and fees (including, without limitation, any Break Costs to the date of payment) and all other amounts payable to the Existing Lender under this Agreement.

(C) On receipt of a notice from Kosmos referred to in paragraph (A) above, the Commitment of that Lender shall immediately be reduced to zero.

(D) On the last day of each Interest Period which ends after Kosmos has given notice under paragraph (A) above (or, if earlier, the date specified by Kosmos in that notice), Kosmos shall repay that Lender's participation in the relevant Utilisation.

(E) Paragraphs (A) and (B) do not in any way limit the obligations of any Finance Party under clause 18.1 (*Mitigation*).

11. INTEREST

11.1 Calculation of interest

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

(A) Margin;

(B) LIBOR; and

(C) Mandatory Cost (if any).

11.2 Margin

The Margin applicable to a Loan shall be:

(A) Senior Facility:

(i) from the Signing Date until the Satisfaction Date, as set out in a Fee Letter addressed to Kosmos by those Original Senior Lenders which are Tranche S1 Lenders;

(ii) from the Satisfaction Date until the date of Project Completion: 5.50% per annum;

(iii) from Project Completion to three years after Project Completion: 5.00% per annum; and

(iv) from three years after Project Completion up to the Final Maturity Date: 6.00% per annum.

(B) Junior Facility:

(i) from the Satisfaction Date until the date of Project Completion: 9.50% per annum;

(ii) from Project Completion to three years after Project Completion: 9.00% per annum; and

(iii) from three years after Project Completion up to the Final Maturity Date: 9.50% per annum.

11.3 Payment of interest

(A) The Borrower shall pay accrued interest on each Loan on the last day of each Interest Period (and, if the Interest Period is longer than six months, on the dates falling at six-monthly intervals after the first day of the Interest Period).

(B) In the event that Kosmos has insufficient funds in accordance with the Cash Waterfall to pay interest under the Junior Facilities when it would otherwise be due and payable, then no Default or Event of Default shall arise from the non-payment of that interest for a period which is not more than 12 continuous months commencing from the date on which the payment would otherwise have been due provided that the applicable default interest set out under clause 11.4 (*Default interest*) will apply under the Junior Facility during the period when there is any such unpaid interest.

11.4 Default interest

(A) If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate

which, subject to paragraph (B) below, is 2.0 per cent. higher than the rate which would have been payable if the overdue amount had, during the period of non payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the relevant Facility Agent (acting reasonably). Any interest accruing under this clause shall be immediately payable by the Obligor on demand by that Facility Agent.

(B) If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:

(i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and

(ii) the rate of interest applying to the overdue amount during that first Interest Period shall be 2.0 per cent, higher than the rate which would have applied if the overdue amount had not become due.

(C) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

11.5 Notification of rates of interest

The Facility Agents shall promptly notify the relevant Lenders and Kosmos of the determination of a rate of interest under this Agreement.

12. INTEREST PERIODS

12.1 Selection of Interest Periods

(A) The Borrower shall select an Interest Period for a Loan in the Utilisation Request for that Loan.

(B) Subject to this clause, the Borrower may select an Interest Period of 1, 3 or 6 months or any other period agreed between Kosmos and the relevant Facility Agent (acting on the instructions of all the Lenders in the relevant Facility).

(C) No Interest Period for a Loan under a Facility shall extend beyond the Final Maturity Date for that Facility.

(D) The first Interest Period of each Loan shall commence on the Utilisation Date and end on the same day as the end of the selected Interest Period. In the case of each Loan (other than the first Loan under a Facility), each subsequent Interest Period shall end on the same day as the current Interest Period of any outstanding Loan made under the same Facility.

12.2 Non-Business Days

If an Interest Period ends on a day which is not a Business Day, that Interest Period will instead end on the next Business Day, unless the next Business Day is in another month, in which case the Interest Period will end on the preceding Business Day.

12.3 Consolidation and division of Loans

(A) Subject to paragraph (B) below, if two or more Interest Periods:

(i) relate to Loans under the same Facility; and

(ii) end on the same date,

those Loans will, unless Kosmos specifies to the contrary in the Utilisation Request or in a notice to the relevant Facility Agent, be consolidated into, and treated as, a single Loan under the relevant Facility on the last day of the Interest Period.

(B) If Kosmos requests (in either a Utilisation Request or otherwise in a notice to the relevant Facility Agent) that a Loan be divided into two or more Loans, that Loan will, on the last day of its Interest Period, be so divided into the amounts specified in such request, being an aggregate amount equal to the amount of the Loan immediately before its division.

13. CHANGES TO THE CALCULATION OF INTEREST

13.1 Absence of quotations

Subject to clause 13.2 (*Market disruption*), if LIBOR is to be determined by reference to the Reference Banks but up to four Reference Banks do not supply a quotation by the Specified Time, the applicable LIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

13.2 Market disruption

(A) If a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on each Lender's share of that Loan for the Interest Period shall be the percentage rate per annum which is the sum of:

(i) the Margin;

(ii) the rate notified to the relevant Facility Agent by that Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in that Loan from whatever source it may reasonably select; and

(iii) the Mandatory Cost, if any, applicable to that Lender's participation in the Loan.

(B) In this Agreement **"Market Disruption Event"** means if, at or about noon on the Quotation Day for the relevant Interest Period the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the relevant Facility Agent to determine LIBOR for the Interest Period, or before close of business in London on the Quotation Day for the relevant Interest Period that Facility Agent receives notifications from a Lender or Lenders (whose participations exceed 35 per cent, in aggregate of all participations) that the cost to it of obtaining matching deposits in the London interbank market would be materially in excess of LIBOR.

(C) The Facility Agents shall notify Kosmos immediately upon receiving notice from the Lender(s).

13.3 Alternative basis of interest or funding

(A) If a Market Disruption Event occurs and the relevant Facility Agent or the Borrower so requires, the relevant Facility Agent and the Borrower shall enter into negotiations (for a period of not more than thirty days) with a view to agreeing a substitute basis for determining the rate of interest.

(B) Any alternative basis agreed pursuant to paragraph (A) above shall, with the prior consent of all the Lenders and Kosmos, be binding on all Parties.

13.4 Break Costs

(A) Kosmos shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by it on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.

(B) Each Lender shall, as soon as reasonably practicable after a demand by the relevant Facility Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

(C) If, following a payment by Kosmos of all or part of a Loan or Unpaid Sum on a day other than the last day of an Interest Period for that Loan or Unpaid Sum, a Lender realises a profit, and no Event of Default is continuing, that Lender must pay an amount equal to that profit to Kosmos as soon as practicable.

14. FEES

14.1 Commitment fee

(A) The Borrower shall pay to the Senior Facility Agent in respect of the Senior Bank Facilities and the Junior Facility Agent in respect of the Junior Bank Facility (for the account of each Lender to such Facilities) and, in the case of the Senior IFC Facility and the Junior IFC Facility to IFC directly for the account of IFC, a fee computed:

(i) in the case of the Original Senior Lenders and IFC which are Tranche S1 Lenders, at a rate equal to 50 per cent, per annum of the then applicable Margin; and

(ii) in the case of any other Original Senior Lenders, at a rate equal to 2.75 per cent. per annum until the Satisfaction Date and 50 per cent. per annum of the then applicable Margin thereafter; and

(iii) in the case of any other Original Junior Lenders and IFC, at a rate equal to 4.75 per cent, per annum until the Satisfaction Date and 50 per cent. per annum of the then applicable Margin thereafter.

(B) The accrued commitment fee is payable quarterly in arrears on any undrawn and uncancelled portion of the Total Senior Commitments and Total Junior Commitments for the period from the date of this Agreement until and including the last day of the Availability Period for that Facility and the first quarterly payment of the accrued commitment fee shall be payable on 13 October 2009 unless the first Utilisation of Tranche S1 has not taken place by such date in which case it shall be payable on 5 November 2009. For the avoidance of doubt, the Parties agree that the first quarterly payment of the accrued commitment fee may be paid from the proceeds of the first Utilisation of Tranche S1.

(C) Notwithstanding paragraphs (A) and (B) above, the Borrower shall not be required to pay any such commitment fees to the Senior Facility Agent, the Junior Facility Agent or IFC, as the case may be, for the account of any Non-Funding Lender.

14.2 Tranche S1 front end fees

The Borrower shall pay to the Senior Facility Agent for the account of the Tranche S1 Original Senior Lenders, front end fees in the amount and at the times agreed in a Fee Letter.

14.3 Tranche S2 Senior Lenders and Junior Lenders front end fees

The Borrower shall pay to each of the Senior Facility Agent and the Junior Facility Agent for the account of respectively the Tranche S2 Original Senior Lenders (apart from IFC) and Original Junior Lenders (apart from IFC), front end fees in the amount and at the times agreed in a Fee Letter.

14.4 IFC front end fees

The Borrower shall pay to IFC (for its own account) front end fees in the amount and at the times agreed in the Fee Letters.

14.5 IFC portfolio supervision fee

The Borrower shall pay to IFC (for its own account) a portfolio supervision fee in the amount and at the times agreed in a Fee Letter.

14.6 Senior Facility Agent fee

The Borrower shall pay to the Senior Facility Agent (for its own account) an agency fee in the amount and at the times agreed in a Fee Letter.

14.7 Junior Facility Agent fee

The Borrower shall pay to the Junior Facility Agent (for its own account) an agency fee in the amount and at the times agreed in a Fee Letter.

14.8 Security Trustee fee

The Borrower shall pay to the Security Trustee (for its own account) a trustee fee in the amount and at the times agreed in a Fee Letter.

14.9 Lead Technical and Modelling Bank Fee

The Borrower shall pay to the Lead Technical and Modelling Bank (for its own account) a lead technical and modelling bank fee in the amount and at the times agreed in a Fee Letter.

14.10 Co-Technical and Modelling Bank Fee

The Borrower shall pay to the Co-Technical and Modelling Bank (for its own account) a co-technical and modelling bank fee in the amount and at the times agreed in a Fee Letter.

14.11 Hedging Coordinator Bank Fee Letter

The Borrower shall pay to the Hedging Coordinator Bank (for its own account) a hedging co-ordinator fee in the amount and at the times agreed in a Fee Letter.

PART 5
TAXES, INCREASED COSTS AND INDEMNITIES

15. TAX GROSS UP AND INDEMNITIES

15.1 Definitions

In this Agreement:

"Tax Credit" means a credit against, relief or remission for, or repayment of any Tax.

"Tax Deduction" means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

"Tax Payment" means either the increase in a payment made by an Obligor to a Finance Party under clause 15.2 (*Tax gross-up*) or a payment under clause 15.3 (*Tax Indemnity*).

15.2 Tax gross-up

(A) Each Obligor shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

(B) Kosmos shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the relevant Facility Agent accordingly.

(C) If a Tax Deduction is required by law to be made by an Obligor, the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

(D) If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

(E) Within thirty days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the relevant Facility Agent for the Finance Party entitled to the payment evidence reasonably satisfactory to that Finance Party (acting reasonably) that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing Authority.

(F) If an Obligor makes any payment to a Finance Party in respect of or relating to a Tax Deduction, but such Obligor was not obliged to make such payment, the relevant Finance Party shall within five Business Days of demand refund such payment to such Obligor.

15.3 Tax Indemnity

(A) Except as provided below, the Borrower shall (within five Business Days of demand by the relevant Facility Agent) indemnify a Finance Party against any loss, liability or cost which that Finance Party determines will be or has been (directly or indirectly) suffered by that Finance Party for or on account of Tax, by that Finance Party in respect of a Finance Document.

(B) Paragraph (A) above shall not apply:

(i) with respect to any Tax assessed on a Finance Party under the law of the jurisdiction in which:

(a) that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or

(b) that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if in either such case that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party or that Finance Party's Facility Office; or

(ii) to the extent a loss, liability or cost is compensated for by an increased payment under clause 15.2 (*Tax gross-up*); or

(iii) with respect to any Tax assessed prior to the date which is 180 days prior to the date on which the relevant Finance Party requests such a payment from the Borrower, unless a determination of the amount claimed could only be made on or after the first of those dates.

(C) A Finance Party making, or intending to make a claim under paragraph (A) above shall promptly notify the relevant Facility Agent of the event which will give, or has given, rise to the claim, following which the relevant Facility Agent shall provide to Kosmos a copy of the notification by

such Finance Party.

(D) A Finance Party shall, on receiving a payment from an Obligor under this clause, notify the relevant Facility Agent. The Finance Parties will undertake to use reasonable endeavours to obtain reliefs and remissions for taxes and deductions and to reimburse Kosmos for reliefs, remissions or credits obtained (but without any obligation to arrange its tax affairs other than as it sees fit nor to disclose any information about its tax affairs).

15.4 Tax Credit

(A) lf:-

(i) an Obligor makes a Tax Payment, and

(ii) a Tax Credit is attributable either to an increased payment of which that Tax Payment forms part, or to that Tax Payment, and

(iii) that Finance Party has obtained, utilised and retained that Tax Credit,

the Finance Party shall pay an amount to the Obligor which that Finance Party reasonably determines will leave it (after that payment) in the same after-Tax position as it would have been in but for its utilisation of the Tax Credit.

(B) Nothing in this clause will:

(i) interfere with the rights of any Finance Party to arrange its affairs in whatever manner it thinks fit; or

(ii) oblige any Finance Party to disclose any information relating to its Tax affairs or computations.

15.5 Stamp Taxes

(A) Kosmos shall, within five Business Days of demand, pay and indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document other than in respect of an assignment or transfer by a Lender.

(B) If, at any time, the Secured Liabilities is an amount greater than USD 900 million, Kosmos undertakes within five Business Days of becoming aware of such, or if instructed by the Facility Agents acting on the instructions of the Majority Lenders, to pay stamp duty, registration or any other similar Taxes on such amounts over USD 900 million (the "**Excess**") but only to the extent the such Taxes have not already been paid on the Excess. Subject to availability, this payment shall be drawn down from the Facility in accordance with this Agreement

(C) To the extent Kosmos fails to pay stamp duty, registration or other similar Taxes on any Excess in accordance with paragraph (B) above and without prejudice to any other rights that the Finance Parties have under the Finance Documents, the Facility Agents acting on the instructions of the Majority Lenders (or following an Enforcement Action, the Security Trustee) shall have the right:

(i) to pay stamp duty, registration or similar Taxes on any Excess and recover the costs from Kosmos under the indemnity in paragraph (A) above provided that on the occurrence of an Event of Default such right shall become immediately exercisable;

(ii) to require Kosmos to reduce, within five Business Days of demand, its Total Facility Amount to a level which reduces the Secured Liabilities amount to USD 900 million.

(D) Any prepayment required to be made pursuant to paragraph (C)(ii) above shall be made with accrued interest on the amount prepaid and, subject to Break Costs (excluding any Margin), without premium or penalty.

(E) For the purposes of this clause 15.5, the term **"Business Day"** means any day (other than a Saturday or a Sunday) when banks are open for business in London, New York or Accra.

15.6 Value added tax

(A) All consideration expressed to be payable under a Finance Document by any Party to a Finance Party shall be deemed to be exclusive of any VAT. If VAT is chargeable on any supply made by any Finance Party to any Party in connection with a Finance Document, that Party shall pay to the Finance Party (in addition to and at the same time as paying the consideration) an amount equal to the amount of the VAT against delivery of an appropriate VAT invoice.

(B) Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that obligation shall be deemed to extend to all VAT incurred by the Finance Party in respect of the costs or expenses to the extent that the Finance Party reasonably determines that neither the Finance Party nor any other member of any VAT group of which it is a member is entitled to credit or repayment of the VAT.

16. INCREASED COSTS

16.1 Increased costs

(A) Subject to clause 16.3 (*Exceptions*) the Borrower shall, within five Business Days of a demand by the relevant Facility Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of the introduction of or any change in (or in the interpretation, administration or application by any governmental body or regulatory Authority of) any law or regulation (whether or not having the force of law, but if not, being of a type with which that Finance Party or Affiliate is expected or required to comply).

(B) In this Agreement **"Increased Costs"** means:

(i) a reduction in the rate of return from the Facility or on a Finance Party's (or its Affiliate's) overall capital;

(ii) an additional or increased cost; or

(iii) a reduction of any amount due and payable under any Finance Document,

which is (a) material and (b) incurred or suffered by a Finance Party or any of its Affiliates but only to the extent that it is attributable to that Finance Party having entered

into its Commitment or funding or performing its obligations under any Finance Document.

16.2 Increased cost claims

(A) A Finance Party intending to make a claim pursuant to clause 16.1 (*Increased costs*) shall notify the relevant Facility Agent of the event giving rise to the claim, following which such Facility Agent shall promptly notify the company.

(B) Each Finance Party shall provide a certificate confirming the amount of its Increased Costs.

16.3 Exceptions

(A) Clause 16.1 (*Increased costs*) does not apply to the extent any Increased Cost is:

(i) attributable to a Tax Deduction required by law to be made by an Obligor provided that this clause is without prejudice to any rights which the affected Lender may have under clause 15.2 (*Tax gross-up*) to receive a grossed up payment;

(ii) the subject of a claim under clause 15.3 (*Tax Indemnity*) (or might be or have been the subject of a claim under clause 15.3 (*Tax Indemnity*) but for any of the exclusions in paragraph (B) of clause 15.3 (Tax *Indemnity*));

(iii) incurred prior to the date which is 180 days prior to the date on which the Finance Party makes a claim in accordance with clause 16.2 (*Increased cost claims*), unless a determination of the amount incurred could only be made on or after the first of those dates;

(iv) any of the types of cost dealt with by Schedule 7 (*Mandatory Cost Formulae*);

(v) attributable to the wilful breach by the relevant Finance Party or any of its Affiliates of any law or regulation; or

(vi) attributable to the application of or compliance with the International Convergence of Capital Measurement Standards published by the Basel Committee on Banking Supervision in June 2004 (**"Basel II"**), or any implementation or transposition thereof, whether by an EC Directive or the FSA Integrated Prudential Sourcebook or other law or regulation, including (without limitation) any Increased Cost attributable to Pillar 2 (The Supervisory Review Process) of Basel II or to any change by a Finance Party from one method of calculating capital adequacy to another.

(B) In this clause 16.3 (*Exceptions*), a reference to a **"Tax Deduction"** has the same meaning given to the term in clause 15.1 (*Definitions*).

17. OTHER INDEMNITIES

17.1 Currency indemnity

(A) If any sum due from an Obligor under the Finance Documents (a "Sum"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the **"First Currency"**) in which that Sum is payable into another currency (the **"Second Currency"**) for the purpose of:

(i) making or filing a claim or proof against that Obligor; or

(ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Obligor shall as an independent obligation, within five Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (a) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (b) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(B) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

17.2 Other indemnities

Each Obligor shall, within five Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

(A) the occurrence of any Event of Default;

(B) a failure by an Obligor to pay any amount due under a Finance Document on its due date;

(C) funding, or making arrangements to fund, its participation in a Utilisation requested by the Borrower in a Utilisation Request but not made by reason of a Default or an act or omission on the part of an Obligor; and

(D) a Utilisation (or part of a Utilisation) not being prepaid in accordance with a notice of prepayment given by Kosmos.

17.3 Indemnity to the Facility Agents

Each Obligor shall promptly on demand, indemnify a Facility Agent against any cost, loss or liability incurred by such Facility Agent (acting reasonably) as a direct result of:

(A) investigating any event which it reasonably believes is a Default; and

(B) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised by an Obligor.

18. MITIGATION BY THE LENDERS

18.1 Mitigation

(A) Each Finance Party shall, in consultation with Kosmos, use all reasonable endeavours to mitigate or remove any circumstances which arise and which would result in any facility ceasing to be available or any amount becoming payable under or pursuant to, or cancelled pursuant to, any of clause 10.2 (*Illegality*), clause 15.2 (*Tax gross-up*), clause 16.1 (*Increased costs*) or clause 13.2 (*Market disruption*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.

(B) Paragraph (A) above does not in any way limit the obligations of any Obligor under the Finance Documents.

(C) Each Finance Party shall notify the relevant Facility Agent as soon as it becomes aware that any circumstances of the kind described in paragraph (A) above have arisen or may arise. That Facility Agent shall notify Kosmos promptly of any such notification from a Finance Party.

18.2 Limitation of liability

(A) Each Obligor shall promptly indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under clause 18.1 (*Mitigation*).

(B) A Finance Party is not obliged to take any steps under clause 18.1 (*Mitigation*) if, in the *bona fide* opinion of that Finance Party (acting reasonably), to do so might in any way be prejudicial to it.

PART 6
FORECASTS AND CALCULATIONS AND BORROWING BASE AMOUNT

19. FORECASTS AND CALCULATIONS

19.1 Forecast Procedures

(A) Not less than 30 Business Days before any proposed or required Forecast Date, the Borrower and the Technical and Modelling Bank shall consult together with a view to preparing and agreeing the relevant Forecast including the Forecast Assumptions and all associated calculations and information. Kosmos shall ensure that, a new or updated reserves report is prepared by the Reserves Consultant, prior to Project Completion, no earlier than 15 September 2009 or later than 15 December 2009 and subsequently on each Forecast Date falling at six monthly intervals thereafter. Each party shall consult in good faith and act reasonably, and shall make available sufficiently experienced personnel, with a view to reaching agreement as soon as reasonably practicable. Each Forecast (and all Forecast Assumptions used) shall have due and proper regard to any reasonable view expressed by any of the Consultants in a report delivered for the purpose of preparing the Forecast, the Phase 1 Plan of Development for the Jubilee Field, the Unit Development Plan and the Development Work Program and Budget and the provisions and requirements of the Project Agreements (and any updates thereto). Any Senior Lender (and, on or after the Senior Discharge Date, any Junior Lender) may request that it receives information provided to the Technical and Modelling Bank for the purpose of the preparation of a Forecast at the same time as that information is provided to the Technical and Modelling Bank.

(B) If the Forecast is so agreed, a copy shall forthwith be provided to each Senior Lender (and, on or after the Senior Discharge Date, any Junior Lender) and the Senior Facility Agent (and, on or after the Senior Discharge Date, the Junior Facility Agent). Each such Lender shall have 15 Business Days to approve the Forecast and, once approved by the Majority Lenders, that Forecast will apply for the relevant Forecast Period. If any such Lender has not objected to the Forecast within such 15 Business Day period, then such Lender shall be deemed to have approved the Forecast. A Forecast shall only be deemed to have been accepted by such Lenders if it has been approved by the Majority Lenders. In making any objection, such Lenders must act reasonably and no objection may be made other than on the grounds that a Forecast Assumption which has been used in the Forecast is not reasonable in the circumstances, or on the grounds of proven or manifest error. If the Majority Lenders do so object, the Borrower and the Technical and Modelling Bank shall, as soon as reasonably practicable (and before the relevant Forecast Date), prepare a revised Forecast which satisfies, in all reasonable respects, the objections of the Majority Lenders.

(C) If the Forecast, or any of the Forecast Assumptions, is or are not agreed by the Borrower and the Technical and Modelling Bank, then the relevant dispute shall forthwith be referred to the determination of the Majority Lenders. In making their determination, the Majority Lenders shall act reasonably and shall ensure

that any determination is reasonable in the circumstances. Upon the determination of the Majority Lenders, the Borrower and the Technical and Modelling Bank shall, as soon as reasonably practicable (and before the relevant Forecast Date), prepare a revised Forecast in accordance with that determination and that Forecast shall then apply for the relevant Forecast Period.

(D) In making any determination in the Forecasting Procedures the Majority Lenders shall give due and proper regard to any information provided (including any report delivered by the Consultants for the purposes of the Forecast) or representations made by the Borrower and the Technical and Modelling Bank. Any determination shall take due and proper regard of the Phase 1 Plan of Development for the Jubilee Field, the Unit Development Plan and the Development Work Program and Budget (and any updates thereto) and the provisions and requirements of the Project Agreements. The Forecasting Procedures shall ensure that each Forecast is agreed or determined on or before the commencement of the Forecast Period to which it relates.

19.2 Contents of Forecast

(A) Each Forecast will set out or include:

(i) the Technical Assumptions and Economic Assumptions upon which the Forecast is based;

(ii) an updated Project Model;

(iii) the calculation of the Borrowing Base Amount;

(iv) the calculation of any mandatory prepayment required because the aggregate of outstandings under the Senior Facilities exceeds the Borrowing Base Amount;

(v) if the Forecast is prepared on or before the expiration of the Senior Availability Period, confirmation that the Funding Sufficiency Ratio is greater than 1:1, and that Kosmos does not reasonably anticipate the Funding Sufficiency Ratio being less than 1:1 in the future;

(vi) calculations of the Field Life Cover Ratio and the Loan Life Cover Ratio, together with, after Project Completion, the DSCR;

(vii) the calculation of the Reserve Tail Date;

(viii) the aggregate economically recoverable proved (1P) reserves and the proved and probable (2P) reserves remaining to be produced from the Borrowing Base Assets (reflecting any updated reserves report produced by the Reserves Consultant in respect of that Forecast, or if no such updated reserves report has been produced, reflecting the immediately preceding reserves report as may be updated by Kosmos

with the agreement of the Technical Consultant and the Technical and Modelling Bank (acting reasonably));

(ix) the revised Amortisation Schedule (if required) or confirmation that no revision to the Amortisation Schedule is required pursuant to clause 9.4 (*Amendment to Amortisation Schedule*); and

(x) such other reasonable information as the Technical and Modelling Bank or the Senior Facility Agent may reasonably require.

(B) All projections and calculations to be made under this clause shall be expressed and made in US Dollars (at the Senior Facility Agent's, on or after the Senior Discharge Date, the Junior Facility Agent's, spot rate of exchange at the time if so required (which such Facility Agent will provide promptly on request)).

19.3 Manner of Calculations

(A) All the calculations required for each Forecast will be calculated using the Project Model on the basis of the Technical Assumptions and Economic Assumptions determined for the purposes of that Forecast.

(B) Where the manner of determining any of the calculations required for a Forecast differs between the programme on which the Project Model operates and the provisions of the Finance Documents, the Finance Documents will prevail.

19.4 Forecast Prior to Project Completion

(A) Kosmos shall ensure that, prior to Project Completion, a new or updated reserves report is prepared by the Reserves Consultant no earlier than 15 September 2009 but no later than the latter of either 15 December, 2009 or, if later, 30 Business Days before the projected Satisfaction Date, and subsequently on each date falling at six monthly intervals thereafter. A Forecast shall then be prepared utilising each such new or updated reserves report in accordance with the Forecasting Procedures. In determining the Borrowing Base Amount in each such Forecast prepared prior to Project Completion:

(i) the Crude Oil price used in that Forecast shall equal the Fixed Price Deck or, as the case may be, the most recent Updated Fixed Price Deck; and

(ii) the discount rate shall not be higher than that used in such Forecast prepared as at the Signing Date.

(B) All other Forecast Assumptions used in producing that Forecast shall be agreed or determined in accordance with the Forecasting Procedures.

(C) Once a Forecast is agreed or otherwise determined, the Available Commitment under the Senior Facilities shall be determined by reference to such Forecast.

(D) For the purpose of calculating the Borrowing Base Amount prior to Project Completion (and in respect of the Forecast Assumptions used in any relevant Forecast prior to Project Completion) the Majority Senior Lenders shall be entitled, but shall not be obliged, to determine the price of Crude Oil. If the Majority Senior Lenders make any such determination, it shall be made in accordance with their then current business practices, applied on a consistent, reasonable and non-discriminatory basis and reflecting market practice at the time. Prior to making any such determination, the Majority Senior Lenders shall be required to consult with Kosmos for not less than 5 Business Days and provide Kosmos with such information relating to the basis of the redetermination as Kosmos may reasonably request (subject always to confidentiality considerations and any such requests not imposing any undue administrative burden on the Lenders).

(E) The price of Crude Oil used in the Forecast prepared at Financial Close shall be equal to the Fixed Price Deck. Each subsequent Forecast prepared prior to Project Completion shall retain this Fixed Price Deck unless the Majority Senior Lenders elect to adopt an Updated Fixed Price Deck. If the Majority Senior Lenders determine in accordance with the procedure described above that the price of Crude Oil should be set at less than the Fixed Price Deck, then the Majority Senior Lenders shall not be entitled to set the price of Crude Oil at less than 75 per cent, of the Brent Forward Curve as at the date the relevant Forecast is prepared.

(F) Notwithstanding the paragraphs (A) and (E) above, the Senior Lenders shall be entitled, in their absolute discretion, to set the price of Crude Oil at a price greater than the Fixed Price Deck. Nothing shall oblige the Senior Lenders to set the price of Crude Oil at a price greater than the Fixed Price Deck and any such determination shall not be required to be made in accordance with the procedure described above.

19.5 Determination of Borrowing Base Amount

The Borrowing Base Amount shall be determined on each Forecast Date pursuant to a Forecast prepared in accordance with the Forecasting Procedures. The Borrowing Base Amount so determined shall apply for the duration of the next succeeding Forecast Period or until a new Forecast is prepared.

19.6 Forecast Prior to Project Completion

The Borrowing Base Amount for the purposes of the Senior Facilities shall be calculated as follows:

(A) The Borrowing Base Amount shall be the lesser of:

(i) the sum of: (a) the net present value of Net Cash Flow until the Field Depletion Date plus (b) the net present value of Relevant Capital Expenditure, divided by 1.5;

(ii) the sum of: (a) the net present value of Net Cash Flow until the Final Maturity Date plus (b) the net present value of Relevant Capital Expenditure, divided by 1.3.

(B) The discount rate utilised to determine the net present values referred to in paragraph (A) above shall be nine per cent and shall be applied in calculating the net present value of cash flows from Project Completion.

19.7 Project Model

(A) The Facility Agents, the Technical and Modelling Bank and Kosmos may each make proposals with regard to amendments to the Project Model which it believes in good faith are required for the purpose of:

(i) correcting any manifest error in the form or structure of the Project Model; or

(ii) incorporating any additional assumptions required to determine the matters referred to in clause 19.1 (*Forecast Procedures*).

(B) If the Facility Agents, Technical and Modelling Bank and Kosmos are unable to agree on the required changes to the Project Model within 15 Business Days from the date on which such changes were proposed, then the matter shall, on the request of Kosmos or the Technical and Modelling Bank, or on the initiation of either of the Facility Agents, be referred for resolution to an appropriate expert appointed by the Facility Agents (being a person having appropriate expertise with respect to, but no interest in, the outcome of the matter referred to it).

(C) The costs of any references to an expert and the costs, if any, incurred in giving effect to any agreed revision to the Project Model will be borne by Kosmos except, in the case of the costs of any reference to an expert only, if the expert determines that any proposal by the Technical and Modelling Bank or either Facility Agent in respect of the changes to the Project Model which are in dispute could not be regarded as reasonable and are rejected by such expert, in which case such costs shall be borne by the Lenders.

(D) Any amendments to the Project Model will not be made until such time as such amendment has been agreed or determined (as appropriate) pursuant to paragraphs (A) and (B) above. Prior to such amendment being incorporated into the Project Model, the Project Model will continue to be utilised without such amendment.

(E) Where the manner of determining any of the calculations required for a Forecast is amended as a consequence of any amendments made to the Project Model, the Finance Documents shall be deemed to be amended to reflect any such amendment.

PART 7
BANKS ACCOUNTS, CASH MANAGEMENT AND RESERVE EQUITY

20. BANK ACCOUNTS AND CASH MANAGEMENT

20.1 Project Accounts

(A) Each Obligor shall establish and maintain each of the Project Accounts, as required under the terms of this Agreement with the Account Bank in London or such other jurisdiction approved by the Facility Agents (acting reasonably).

(B) The Project Accounts (other than the Ghana Working Capital Cedi Account which shall be denominated in Ghanaian Cedi) shall be denominated in US Dollars. Any sum constituting interest paid in respect of the credit balance on any Project Account shall be treated in the same manner as any other sum credited to a Project Account.

(C) Each Project Account will be a separate account at the Account Bank. The Project Accounts will be maintained until the later of the Senior Discharge Date and the Junior Discharge Date.

(D) Amounts may be deposited into the Onshore Working Capital Accounts, to the extent necessary, to meet local onshore payments only, provided that the aggregate balance in such accounts may not exceed USD 3 million (or equivalent in Ghanaian Cedi) or such higher amount agreed by the Facility Agents (acting reasonably).

(E) Subject to clause 20.1(D) above and to the order of payments provided for in the Cash Waterfall, Kosmos shall maintain the balance of the Offshore Proceeds Accounts and the Onshore Working Capital Accounts, which, when aggregated and taken together with amounts paid in advance for its liabilities under the Project Agreements, is prudent and reasonable and (i) prior to Project Completion, at the beginning of each quarter is sufficient to meet foreseeable Project Costs in the next 90 days (or such longer period as Kosmos reasonably determines is prudent and reasonable in the circumstances) and, at all times, is not less than USD 30 million and (ii) after Project Completion, is sufficient to meet foreseeable Project Costs in the next 90 days (or for such longer period as the Borrower reasonably determines is prudent and reasonable in the circumstances).

20.2 Other bank accounts

(A) Each Obligor shall not open or maintain any bank accounts other than:

(i) the Project Accounts (including such other accounts established by KEG with the Account Bank which would be Project Accounts but for the execution of the Onshore Security Assignment and the Offshore Security Assignment by all the parties thereto in accordance with this Agreement), which shall not be overdrawn at any time and any

withdrawals from such Project Accounts shall only be made out of cleared funds;

(ii) the Distributions Reserve Accounts, which shall not be overdrawn at any time; and

(iii) such accounts as may be necessary or appropriate for it to perform its obligations as an operator in relation to the Blocks and, except into which moneys received from, or for the account of, any other party may be paid as required (but any money being related to any carried interest (including in respect of the carried interest of EO) in relation to any Borrowing Base Asset shall be paid into an Offshore Proceeds Account) (an **"Interested Third Party"**),

provided that in no event shall such accounts referred to in (ii) and (iii) above, or any moneys standing to the credit of such accounts referred to in (ii) and (iii) above, be available to the Lenders (except on an unsecured basis following the occurrence of any of the events described in clause 29.6 (*Insolvency*) and/or clause 29.7 (*Insolvency proceedings*)) or subject to any restrictions under the Finance Documents and shall not be subject to any Security Interest in favour of any Finance Party (but may be secured in favour of any other person other than the Finance Parties).

(B) The Lenders will account to the Sponsor and/or the relevant Obligor if and to the extent they receive any proceeds from any account referred to in Clause 20.2(A)(ii) or (A)(iii) above, and shall hold any such moneys to the account of, and on trust for, the Sponsor.

(C) Any Lender that is in receipt of proceeds as described in paragraph (B) above shall:

(i) within five Business Days notify details of the receipt or recovery to Kosmos, the Sponsor and the Facility Agents; and

(ii) within five Business Days of demand by the Sponsor, pay an amount equal to such receipt or recovery to the Sponsor.

20.3 Appointment of Account Bank

(A) Any appointment of or change to the Account Bank will become effective only upon the Account Bank executing, or new Account Bank acceding to the terms of, the Project Accounts Agreements or such other terms as may be approved by Kosmos and the Facility Agents (acting reasonably).

(B) Kosmos may, with the consent of the Facility Agents (not to be unreasonably withheld or delayed), change the Account Bank to another bank which meets the requirements of paragraph (C) below, but subject to paragraph (A) above and clause 20.1 (*Project Accounts*). If the Account Bank resigns, then Kosmos will appoint a replacement Account Bank which meets the requirements of paragraph (C), but subject to paragraph (A) and clause 20.1 (*Project Accounts*).

(C) Each Account Bank shall be a bank whose long-term unguaranteed, unsecured securities or debt has a rating of A- or higher from Standard and Poor's or A3 or higher from Moody's (or equivalent) or such lower rating as the Facility Agents and Kosmos shall agree in writing.

20.4 Security Documents and Project Accounts Agreements

(A) The Project Accounts shall be subject to a first ranking Security Interest in favour of the Secured Parties. Kosmos shall forthwith upon any change to the Account Bank, or upon opening any Project Account which is not subject to the security constituted by the relevant Security Documents, execute and deliver to the Security Trustee such supplemental Security Documents as the Security Trustee and the Facility Agents may reasonably require in order to create a first priority Security Interest over that Project Account in favour of the Finance Parties. Such supplemental Security Documents must be in a form and in substance satisfactory to the Facility Agents and the Security Trustee.

(B) Kosmos shall, before any Project Account is opened, procure that the Obligor and the Account Bank have entered into the Project Accounts Agreements.

(C) In the case of execution of any of the Security Documents and Project Accounts Agreements referred to in paragraphs (A) and (B) above, Kosmos shall deliver to the Facility Agents documents which are the equivalent of those referred to in paragraphs 1 of Schedule 3 (*Conditions Precedent*) in respect of such Security Documents and Project Accounts Agreements, together with any legal opinions which the Facility Agents may reasonably require, such legal opinions to be provided at the reasonable expense of Kosmos. All such documents must be in a form and in substance satisfactory to the Facility Agents.

(D) The detailed operating procedures for the Project Accounts will be agreed between Kosmos and the Account Bank, but in the event of any inconsistency between those procedures and the Project Accounts Agreements or this Agreement, the provisions of this Agreement shall prevail.

20.5 Control on withdrawals following Default

If a Default has occurred and is continuing and has not been waived, no Obligor may withdraw any moneys from the Project Accounts except:

(A) with the prior consent of the Facility Agents; and

(B) to meet the Obligor's payment obligations under the Finance Documents or the Project Agreements on the relevant due date; and

(C) to pay for Project Costs not included in paragraph (B) above where:

(i) the payment in question has been budgeted for and the Facility Agents have given their written consent to the relevant expenditure or cost being incurred; or

(ii) the failure to make the payment in question would materially and adversely affect the business or financial condition of Kosmos or any other Obligor.

20.6 Distributions Reserve Account

(A) Each Obligor may maintain a Distributions Reserve Account into which the amount of any permitted distribution under clause 28.24 (*Distributions*), permitted indebtedness (other than drawdowns under the Facilities) and contributions to the capital of Kosmos may be credited subject to compliance with the Cash Waterfall and such amounts shall not be subordinated to the rights of the Lenders. Amounts standing to the credit of the Distributions Reserve Accounts shall not be available to the Finance Parties whether as secured or unsecured creditors of Kosmos and irrespective of whether an Event of Default has occurred. The Obligors may grant security over their Distributions Reserve Account in favour of any person and shall not be required to grant any Security Interest over the Distributions Reserve Account in favour of the Finance Parties. Sums standing to the credit of the Distributions Reserve Accounts may be withdrawn and applied as the Obligor sees fit.

(B) The Lenders will account to the Sponsor and/or the relevant Obligor if and to the extent they receive any proceeds from a Distributions Reserve Account, and shall hold any such moneys to the account of, and on trust for, the Sponsor. If any other person has a Security Interest or claim against amounts standing to the credit of a Distributions Reserve Account, any such interest or claim shall be limited to these amounts and they shall not have recourse to the assets of any Obligor generally, nor shall they be entitled to make any claim or enforce against, or initiate any Insolvency Proceedings of any kind, against any Obligor.

(C) Any Lender that is in receipt of proceeds as described in paragraph (B) above, shall turnover such proceeds to the Sponsor in accordance with paragraph (C) of clause 20.2 (*Other bank accounts*) above.

20.7 Reserve Equity Account and Stamp Duty Reserve Sub-Account

(A) Any Reserve Equity Amount standing to the credit of the Reserve Equity Account (excluding any Stamp Duty Reserve Amount in the Stamp Duty Reserve Sub-Account) may only be withdrawn by Kosmos from that account if:

(i) it is used to pay any Project Cost under the Project Agreements (where the non-payment of the relevant amount would cause it to default under a cash call or otherwise cause it to be in default under any Project Agreement) or any Financing Costs (other than funding any DSRA) and:

(a) there is not, at the relevant time, any Available Commitment under the Senior Facilities or under the Junior Facilities which may be drawn for the purpose of meeting the payment of such Project Costs or Financing Costs which are then due for payment; or

(b) the Junior Facilities has been fully drawn in circumstances where the principal amount outstanding under the Senior Facilities exceeds the Borrowing Base Amount; or

(ii) following the commencement of Enforcement Action, it is used to pay, pari passu, any amount owed by the Obligors to the Lenders and any amount payable under a Hedging Agreement entered into in accordance with the Hedging Policy.

(B) Any balance in the Reserve Equity Account (other than any balance in the Stamp Duty Reserve Sub-Account) on the Financial Completion Date may be withdrawn and paid to the Shareholders or any other person at the Borrower's discretion, paid into any Distribution Reserve Account or otherwise dealt with at the Borrower's discretion.

(C) Kosmos will inform the Facility Agents if such a withdrawal is made. The Senior Facility Agent (or, as the case may be, the Junior Facility Agent) will inform the Lenders.

(D) Kosmos shall deposit the Stamp Duty Reserve Amount in the Stamp Duty Reserve Sub-Account on or prior to the Satisfaction Date, following which Kosmos shall:

(i) not withdraw or transfer any amounts from the Stamp Duty Reserve Sub-Account other than (a) for the purposes of making a payment of stamp duty in respect of the Assignments or (b) upon the instructions of the Security Trustee or (c) to reflect any reductions in the Stamp Duty Reserve Amount, provided that if the withdrawal is made pursuant to Clause 20.7(D)(i)(c) any such withdrawn amounts shall be deposited in the Offshore Proceeds Account; and

(ii) ensure that the amount standing to the credit of the Stamp Duty Reserve Sub-Account is, at all times, equal to the Stamp Duty Reserve Amount,

provided that the Security Trustee shall be entitled to withdraw or transfer any amounts from the Stamp Duty Reserve Sub-Account at any time for the purposes of paying any stamp duty payable in respect of the Assignments as contemplated pursuant to Clause 28.27 (*Due execution of security assignments*).

(E) Following the earlier to occur of (i) the payment by either Kosmos or the Security Trustee of all stamp duty payable in respect of the Assignments or (ii) the date on which the Facility Agents determine that no stamp duty in respect of the Assignments is payable or (iii) Financial Completion Date, any balance standing to the credit of the Stamp Duty Reserve Sub-Account may be withdrawn by Kosmos and paid directly into the Offshore Proceeds Account

(F) In the event that the Borrower has drawn down under the Facilities to refund to the Sponsor any amounts in aggregate equal to the Excess Equity Figure, and

the Adjusted Excess Equity Figure is lower than the Excess Equity Figure at such time, the Borrower shall, at such time, deposit in the Offshore Proceeds Account an amount equal to the difference between the Adjusted Excess Equity Figure and the Excess Equity Figure and shall apply such amount(s) towards payment of Project Costs only.

21. OPERATION OF THE OFFSHORE PROCEEDS ACCOUNTS

21.1 Payments in

Unless a Finance Document expressly requires an amount to be paid into any other Project Account, each Obligor must ensure that:

(A) all Gross Revenues received;

(B) the proceeds of any Loan;

(C) the proceeds of any Permitted Disposals; and

(D) any other amount payable to, or received by an Obligor (including payments received under any offtake contract (and the Borrower shall direct any person making such payments that any such payment shall be paid into that account only) and (for the avoidance of doubt) any Excess Equity, but excluding any amount which may be credited to the Distribution Reserve Account of Kosmos (subject to compliance with the Cash Waterfall and Clause 21.3 (*Payments in and withdrawals - Excess Equity*))),

are paid directly into an Offshore Proceeds Account.

21.2 Withdrawals - No Default Outstanding

(A) During such time that the Security over the KEG Offshore Proceeds Accounts has- not been created and perfected as contemplated by the Security Documents, transfers or withdrawals from a KEF Offshore Proceeds Account may, for the avoidance of doubt, be made by an instruction issued by KEF to the Account Bank to transfer the intended payment amount from a KEF Offshore Proceeds Account to a KEG GPS Account or the KEG Offshore Proceeds Accounts (as the case may be), together with an accompanying instruction from KEG to the Account Bank for payment of the transferred amount from such KEG GPS Account or KEG Offshore Proceeds Account (as the case may be) to the intended recipient. Immediately following the creation and perfection of the Security contemplated by the Security Documents over the KEG Offshore Proceeds Accounts the Security Trustee shall, in accordance with the Offshore Security Assignment, designate any KEG GPS Account as a Secured Offshore Project Account (as such term is defined in the Offshore Security Assignment) and such account shall, notwithstanding the terms of this Agreement and the Definitions Agreement, thereupon automatically be deemed an Offshore Proceeds Account.

(B) Unless otherwise provided and unless there is a Default outstanding, amounts may only be withdrawn from the Offshore Proceeds Accounts and the Onshore Working Capital Accounts (including by way of transfer to any other account but subject to the obligation to retain an aggregate amount in such accounts which (i) when taken together with amounts paid in advance for its liabilities under the Project Agreements, is sufficient to meet foreseeable Project Costs in the next 90 days (or such longer period as Kosmos reasonably determines is prudent and reasonable in the circumstances), and (ii) complies with Clause 20.1(E) *(Project Accounts))* if they are applied for the following purposes and subject to the following priority:

(i) firstly, payment of Project Costs;

(ii) secondly, pari passu, payment of (or the funding of the Borrower, including by way of payment under any Intercompany Loan Agreement in respect of advances from the Borrower to KEG, to enable it to pay) any Financing Costs (excluding any payments of principal) under the Senior Facilities due but unpaid (applied to overdue amounts first, unpaid fees second, and unpaid interest third) and payment of (or the funding of the Borrower, including by way of payment under any Intercompany Loan Agreement in respect of advances from the Borrower to KEG, to enable it to pay) any scheduled payments due but unpaid under a Hedging Agreement entered into in accordance with the Hedging Policy;

(iii) thirdly, pari passu, payments of (or the funding of the Borrower, including by way of payment under any Intercompany Loan Agreement in respect of advances from the Borrower to KEG, to enable it to pay) principal under the Senior Facilities due but unpaid (applied to overdue amounts first and then to unpaid principal payments) and payment of (or the funding of the Borrower, including by way of payment under any Intercompany Loan Agreement in respect of advances from the Borrower to KEG to enable it to pay) any liabilities, including any early termination payment, due but unpaid under a Hedging Agreement entered into in accordance with the Hedging Policy;

(iv) fourthly, payment of any mandatory prepayments required because the outstandings under the Senior Facilities exceed the Borrowing Base Amount as determined by the most recent Forecast, and (b) any amounts of FPSO Related Excess Cash in prepayment of the Senior Facilities in accordance with Clause 10.1 and Clause 10.6(C);

(v) fifthly, to fund an aggregate amount to be held in the Offshore Proceeds Accounts which, when taken together with amounts paid in advance for its liabilities under the Project Agreements, is sufficient to meet foreseeable Project Costs in the next 90 days (or such longer period as the Borrower reasonably determines is prudent and reasonable in the circumstances);

(vi) sixthly, from the date upon which Project Completion occurs, transfers to the Senior DSRA, unless the balance in the Senior DSRA is equal to or more than the Required Balance;

(vii) seventhly, payment of (or the funding of the Borrower, including by way of drawdown under any Intercompany Loan Agreement in respect of advances from the Borrower to KEG, to enable it to pay) any Financing Costs (other than principal) under the Junior Facilities due but unpaid (applied to overdue amounts first, unpaid fees second and then to unpaid interest);

(viii) eighthly, payments of (or the funding of the Borrower, including by way of payment under any Intercompany Loan Agreement in respect of advances from the Borrower to KEG, to enable it to pay) principal under the Junior Facilities due but unpaid (applied to overdue amounts first and then to unpaid principal payments);

(ix) ninthly, from the date upon which Project Completion occurs, transfers to the Junior DSRA unless the balance in the Junior DSRA is equal to or more than the Required Balance;

(x) tenthly, to make prepayments on each Repayment Date, further to the Cash Sweep under the Junior Facility and the Senior Facility;

(xi) eleventhly, prepayments under the Finance Documents and/or providing cash cover for any Letters of Credit in accordance with clause 7.1(B)(vii); and

(xii) lastly, so long as the Dividend Release Test is met, at the Borrower's discretion, to make distributions to its shareholders on any date falling between 5 and 10 Business Days following a Repayment Date which shall include making payments to the Distribution Reserve Account and payments under any Intercompany Loan Agreement and/or in respect of any Subordinated Debt provided that the amount distributed shall be based on the aggregate amount standing to the credit of the Offshore Proceeds Accounts on the relevant Repayment Date after the amounts in (i) to (xi) above have been deducted.

21.3 Payments in and withdrawals - Excess Equity

Notwithstanding any provisions of Clause 21.2 (*Withdrawals - No Default Outstanding*), unless there is a Default outstanding, any amounts of Excess Equity may be withdrawn from the Offshore Proceeds Accounts (including by way of transfer to any other account) subject to the following conditions:

(A) Kosmos shall comply with the obligation to retain an aggregate amount in such accounts which (i) when taken together with amounts paid in advance for its liabilities under the Project Agreements, is sufficient to meet foreseeable Project Costs in the next 90 days (or such longer period as Kosmos reasonably

determines is prudent and reasonable in the circumstances), and (ii) complies with Clause 20.1(E) (*Project Accounts*)*);*

(B) USD 50 million (from the Excess Equity if required) shall be deposited into the Reserve Equity Account on or prior to the Satisfaction Date and remains in such account;

(C) the Stamp Duty Reserve Amount shall be deposited into the Stamp Duty Reserve Sub-Account on or prior to the Satisfaction Date;

(D) subject to the terms of Clause 21.3(E) and, as the case may be, Clause 21.3(F), any and all amounts of Excess Equity other than those required to be deposited pursuant to Clause 21.3(B) and (C) above shall remain at all times in the Offshore Proceeds Account until the Financial Completion Date;

(E) Kosmos shall apply within a period of 365 days from the Satisfaction Date at least USD100 million of Excess Equity, in aggregate, withdrawn from the Offshore Proceeds Account, for the following purposes:

(i) payment of Non-Jubilee Related Costs; and/or

(ii) payment in accordance with the priority set out under clause 21.2(B)(i) to 21.2(B)(xii) inclusive,

provided that in each case:

(iii) any amounts spent in respect of Non-Jubilee Related Costs shall be made in accordance with any budgets or statements of anticipated financing requirements for such Non-Jubilee Related Costs as provided by Kosmos pursuant to Clause 24.6(A)(vi), and (ii) shall not exceed by more than 20 per cent the amounts allocated in such budgets or statements to such costs;

(iv) Kosmos provides evidence of the Non-Jubilee Related Costs prior to making a withdrawal of any amounts of Excess Equity from the Offshore Proceeds Account to pay such costs; and

(v) no withdrawal of any Excess Equity standing to the credit of the Offshore Proceeds Account (at the relevant time) shall be permitted upon the occurrence of an FPSO Funding Deficiency, a Deficiency Funded Period or an Event of Default except for the purpose of paying Project Costs.

(F) If Kosmos complies with the requirements under paragraphs (A), (B), (C) and (E) above, the amount of any balance of Excess Equity thereafter standing to the credit of an Offshore Proceeds Account may be withdrawn to pay Excess Equity Costs without reference to the order of priority in the Cash Waterfall. Such amount withdrawn to pay Excess Equity Costs may be deposited in the Distribution Reserve Account (which amount may then be used and/or distributed at the Borrower's discretion notwithstanding any other provision of

any Finance Document). After Kosmos has complied with the requirements under paragraphs (A), (B), (C) and (E) above any amounts of Excess Equity standing to the credit of the Offshore Proceeds Account (at the relevant time) shall not be permitted to be withdrawn upon the occurrence of (a) a Deficiency Funded Period, (b) an FPSO Funding Deficiency or (c) an Event of Default unless such withdrawal is solely for the payment of Project Costs.

22. DEBT SERVICE RESERVE ACCOUNT

22.1 Funding of Debt Service Reserve Account

(A) Kosmos shall ensure on an ongoing basis that, on and after the date upon which Project Completion occurs, deposits are made into each of the Debt Service Reserve Accounts in accordance with the Cash Waterfall until the balance of each such account is not less than the Required Balance. The funding of the relevant Debt Service Reserve Account shall continue in accordance with the Cash Waterfall until, in the case of the Senior DSRA, the Senior Discharge Date, and in the case of the Junior DSRA, the Junior Discharge Date.

(B) Failure to maintain the relevant Required Balance standing to the credit of a Debt Service Reserve Account shall not, but failure to apply amounts from the Project Accounts during the relevant Forecast Period in accordance with the Cash Waterfall shall, constitute an Event of Default for the purposes of clause 29 (*Events of Default*).

22.2 Withdrawals from Debt Service Reserve Account

(A) Subject to paragraph (B) below, amounts standing to the credit of:

(i) the Senior DSRA may be withdrawn only to pay any Financing Costs under the Senior Facilities; and

(ii) the Junior DSRA may be withdrawn only to pay any Financing Costs under the Junior Facilities,

in each case, in accordance with the Cash Waterfall, but only to the extent there shall be insufficient funds to make such payments using amounts standing to the credit of the Offshore Proceeds Accounts and the Onshore Working Capital Accounts at the time such amounts fall due for payment.

(B) In addition, withdrawals may be made from the Debt Service Reserve Accounts to the extent the amount withdrawn is equal to or less than the amount (if any) by which the amount standing to the credit of the Debt Service Reserve Account exceeds the applicable Required Balance at that time. Any such withdrawal may be applied in accordance with, and for the purposes set out in, the Cash Waterfall.

23. AUTHORISED INVESTMENTS

23.1 Power of investment

Subject always to Clause 20.1(E) (*Project Accounts*), Kosmos may require that such part of the amounts standing to the credit of any of the Project Accounts as it may consider prudent (having reasonable grounds for so considering) shall be invested from time to time in Authorised Investments in accordance with this clause and in a manner consistent with the Hedging Policy.

23.2 Type of investment

(A) Kosmos shall use its reasonable endeavours to procure that there are maintained from time to time a prudent spread of Authorised Investments and that the maturity of Authorised Investments is such that they can be liquidated to enable all payment obligations under the Finance Documents to be met on the due date.

(B) If any Authorised Investment ceases to be an Authorised Investment, Kosmos will, as soon as reasonably practicable upon becoming aware of this, procure that the relevant investment is replaced by an Authorised Investment or cash, provided that if it does not propose liquidating the relevant investment earlier than its maturity, it shall notify the Facility Agents that such investment is no longer an Authorised Investment promptly upon becoming aware of this and, subject to it having provided such notice, it will not be obliged to liquidate such investment before its maturity date unless either of the Facility Agents, acting reasonably, requests it to do so.

23.3 Custody

(A) All Authorised Investments shall be made (subject to being available) on behalf of Kosmos by the Account Bank and shall be made in the name of the Account Bank (provided that its role shall be limited to placing such Authorised Investments) with which the relevant Project Account is maintained or any subsidiary or nominee of that Account Bank as may be nominated by it and on a basis which enables the Security Trustee to take valid and effective first priority security in favour of the Secured Parties in a manner which is in all respects satisfactory to the Facility Agents. Kosmos shall ensure that, subject to the terms of this clause, any person with whom any investment is made places that investment in its name or the name of the Account Bank.

(B) All documents of title or other documentary evidence of ownership in respect of Authorised Investments shall be held in the custody of the Account Bank on behalf of and on trust for the Security Trustee and, if any such document or other evidence comes into the possession or control of an Obligor, it shall procure that the same is delivered promptly to the Account Bank.

23.4 Realisations

(A) Upon the realisation (whether by way of disposal, maturity or otherwise) of any Authorised Investment, the net proceeds of realisation shall either immediately be credited directly to the Project Account from which the Authorised Investment or such investment was made, or (unless a Default has occurred and is continuing) immediately be invested in another Authorised Investment, whichever Kosmos directs.

(B) Upon the receipt of any interest, dividends or other income from or in respect of any Authorised Investment, such interest, dividends or other income shall be credited to the Project Account concerned with the Authorised Investment or such other investment from which such interest, dividend or other income derives, or (if such interest, dividend or other income is derived from an Authorised Investment and such Authorised Investment is to be retained after such interest, dividend or other income is received and Kosmos so requests) the relevant interest, dividend or other income shall be reinvested in that Authorised Investment.

23.5 Project Accounts include Authorised Investments

(A) Any reference in this Agreement to the balance standing to the credit of one of the Project Accounts shall be deemed to include a reference to the Authorised Investments in which all or part of such balance is for the time being invested. (other than for the purposes of determining the balance required to comply with clause 20.1(E) (*Project Accounts*)). In the event of any dispute as to the value of any Authorised Investment for the purpose of determining the amount deemed to be standing to the credit of a Project Account, that value shall be determined by the Facility Agents acting reasonably and in good faith and following consultation with Kosmos and having given due consideration to any representations given by Kosmos within the period required by the Facility Agents (which period shall not, in any event, be of shorter duration than five Business Days). If Kosmos so requests, the Facility Agents will give Kosmos details of the basis or method of its determination.

(B) Kosmos may, by notice in writing to the Facility Agents and the Account Bank, deem an Authorised Investment to be concerned with a different Project Account so as to transfer Authorised Investments between Project Accounts, if.

(i) the aggregate amount standing to the credit of each Project Account remains the same; or

(ii) the transfer of an equivalent amount between those Project Accounts would be permitted.

23.6 Security over Authorised Investments

Prior to the Borrower making any Authorised Investment in England, the Borrower shall ensure that it has entered into the Offshore Security Assignment. To the extent that any Authorised Investment is made in a jurisdiction other than England, the Borrower shall

execute and deliver, such other security as the Facility Agents may reasonably require from time to time in order to ensure that such Authorised Investment is secured to the Finance Parties by way of first priority security, in a form and substance satisfactory to the Facility Agents and the Security Trustee, acting reasonably.

23.7 Interest on balances in Project Accounts

Each sum credited to a Project Account from time to time shall, from the time it is so credited until the time it is withdrawn therefrom (whether for the purpose of making an Authorised Investment or otherwise for application in accordance with the terms of this Agreement), bear interest at such rate as Kosmos may from time to time agree with the relevant Account Bank.

PART 8
FINANCIAL AND PROJECT INFORMATION

24. INFORMATION UNDERTAKINGS

The undertakings in this clause remain in force from the date of this Agreement until the later of the Senior Discharge Date and the Junior Discharge Date.

24.1 Books of account and auditors

Each Obligor shall:

(A) keep proper books of account relating to its business; and

(B) appoint and maintain as its auditors any Approved Auditor.

24.2 Financial statements

Each Obligor shall supply to the Facility Agents (in sufficient copies as most recently notified by the Facility Agents as being sufficient to allow one copy for each Lender):

(A) as soon as they become available, but in any event within 180 days of the end of each financial year:

(i) its audited financial statements for that financial year; and

(ii) prior to Project Completion, a copy of the consolidated audited accounts of the Sponsor;

(B) within 90 days of the end of each semi-annual period, its unaudited semi-annual financial statements for that period, and prior to Project Completion, a copy of the unaudited consolidated semi-annual accounts of the Sponsor; and

(C) within 90 days of the end of each quarter, its quarterly management reports for that period, and prior to Project Completion, a copy of the consolidated quarterly management reports of the Sponsor.

24.3 Year-end

No Obligor shall change its Accounting Reference Date without the consent of the Majority Lenders.

24.4 Form of financial statements

(A) Each Obligor must ensure that each set of financial statements supplied under this Agreement:

(i) is certified by an Authorised Signatory of the relevant company as a true and correct copy; and

(ii) gives (if audited) a true and fair view of, or (if unaudited) fairly represents, the financial condition of the relevant company for the period to the date on which those financial statements were drawn up.

(B) Unless otherwise agreed with the Facility Agents, all accounts of each Obligor delivered under this Agreement shall be prepared in accordance with the Approved Accounting Principles.

(C) Each Obligor must notify the Facility Agents of any material change to the manner in which its audited financial statements are prepared.

(D) If requested by the Facility Agents, each Obligor must supply to the Facility Agents:

(i) a full description of any change notified under paragraph (B) above and the adjustments which would be required to be made to those financial statements in order to cause them to use the accounting policies, practices, procedures and reference period upon which such financial statements were prepared prior to such change; and

(ii) sufficient information, in such detail and format as may be required by the Facility Agents (acting reasonably), to enable the Lenders to make a proper comparison between the financial position shown by the set of financial statements prepared on the changed basis and its most recent audited financial statements delivered to the Facility Agents under this Agreement prior to such change.

24.5 Compliance Certificate

(A) Each Obligor must supply to the Facility Agents a Compliance Certificate with each set of its financial statements sent to the Facility Agents under paragraphs (A) and (B) of clause 24.2 (*Financial statements*) certifying the matters specified in clause 24.4(A) (*Form of financial statements*).

(B) A Compliance Certificate supplied in accordance with (A) above must be signed by two Authorised Signatories of Kosmos.

24.6 Project Information

(A) Each Obligor must (as soon as reasonably practicable) supply to the Facility Agent, in sufficient copies for all the Lenders if a Facility Agent so requests:

(i) any new updates to each and amendments to each agreed budget, or development and/or work programme in relation to the Jubilee Field as soon as reasonably practicable following receipt from the relevant Operator (and, in any event, within 21 days of receipt) and, at least semi-annually, the latest Operator Report for the Jubilee Field (as soon as reasonably practicable and, in any event, within 21 days of the end of the semi-annual period when it must be provided) and prior to Project Completion, monthly reports on the progress of the Project;

(ii) copies of all reports provided to any Government Authority by the Operator which have been copied to Kosmos (and in any event within 21 days of receipt);

(iii) copies of all reports submitted under the Material Contracts which have been copied to Kosmos, excluding for any reports submitted under or in connection with the Aban Abraham Drilling Contracts and the Atwood Hunter Drilling Contracts;

(iv) such technical and commercial information which Kosmos has in its possession relating to the Jubilee Field or its condition and which is relevant to the interests of the Lenders under the Finance Documents as the Facility Agents may reasonably request from time to time (following prior consultation with Kosmos);

(v) promptly, details of any material updates or amendments to any Project Agreement;

(vi) within 30 days of the end of each quarter, the latest information available on Non-Jubilee Related Costs and their related financing costs as well as the nature and amount of the anticipated funding sources to pay for such costs (and either of the Facility Agents shall be entitled to request further information in this regard in the event that it determines, in its discretion (acting reasonably), that reasonable detail of costs and the sources of funding have not been provided, and Kosmos shall promptly comply with any such request); and

(vii) copies of the Jubilee Deepwater Development IPT Monthly Report and the Jubilee Unit Operator Monthly Report received by KEG.

(B) The terms of appointment of the Technical Consultant shall require it (in consultation with the Technical and Modelling Bank) to prepare and deliver the following reports and information to the Technical and Modelling Bank and Kosmos for distribution to the Lenders:

(i) prior to Project Completion, a quarterly report on the Project Costs which have been incurred on the Project by the Borrower to date reconciled against draw-downs made, equity contributed and cash held in the Project Accounts together with the Technical and Modelling Bank's calculation of the Funding Sufficiency Ratio. The Technical and Modelling Bank shall provide the calculation when required in consultation with the Technical Consultant and the Borrower, and in doing so, shall act reasonably and prepare the calculation giving due and proper regard to information made available to it;

(ii) prior to Project Completion, a semi-annual report on the progress of the Project including confirmation of the projected date for Project Completion and the aggregate of Project Costs required to achieve Project Completion (reconciled against the most recent Forecast) and whether there are, in its opinion, any other material issues or concerns

of which it is aware in relation to the implementation of the Project which should be brought to the attention of the Lenders;

(iii) after Project Completion, a semi-annual report on the operation of the Project including the amount and timing of all Entitlement lifted by the Borrower and details of the disposal of that Entitlement (including price); and

(iv) in any of the foregoing reports, such additional information or commentary relating to the Project as the Technical and Modelling Bank may reasonably require (following prior consultation with Kosmos) in order for the Lenders (in the context of their interests under the Finance Documents) to be properly informed about the progress, implementation, development and operation of the Project,

and the Borrower shall provide the Technical Consultant and the Technical and Modelling Bank with reasonable assistance and provide each of them with such information and other documents as the Technical Consultant and/or the Technical and Modelling Bank may reasonably request in order for the Technical Consultant to prepare and deliver the reports and information referred to in (i) to (iv) above and/or the Technical and Modelling Bank to consider and review such reports and information. Such assistance shall include facilitating visits by the Technical Consultant and the Technical and Modelling Bank to the Project's assets and the construction/fabrication facilities of the Project's contractors. For the avoidance of doubt, in presenting or preparing any information prior to the Satisfaction Date, it shall be assumed that the Total Facility Amount available to fund Project Costs is not less than USD 750 million.

(C) In respect of Non-Jubilee Related Costs:

(i) when presenting the relevant quarterly statement of Non-Jubilee Related Costs and statement of sources under clause 24.6(A)(vi) above, Kosmos shall confirm (in the form of a certificate signed by two directors (but without personal liability)) that (1) Kosmos believes, acting reasonably and in good faith, that anticipated commitments in the statement can be met from appropriate resources and anticipated funding as and when they fall due for payment, (2) there is no reason to believe (acting reasonably and in good faith) that the relevant funding will not be made available at the times and in the manner set out in the statement, and (3) due and proper enquiries have been made of any third party providing funding (including any Shareholder) in order for Kosmos (acting reasonably and in good faith) to provide the confirmations set out in (1) and (2). Kosmos shall set out in any such certificate reasonable details of the relevant enquiries;

(ii) if, at any time, Kosmos is of the view (acting reasonably and in good faith) that there are reasonable grounds to believe that the confirmations given in the certificate referred to in paragraph (i) above are no longer valid, it shall promptly inform the Facility Agents (and in any event within 5 Business Days of forming that view);

(iii) on each occasion that Kosmos delivers the quarterly report of Non-Jubilee Related Costs and statement of sources and uses under clause 24.6(A)(vi) above, it shall also provide reasonably evidence satisfactory to the Technical and Modelling Bank (acting reasonably and in consultation with the Technical Consultant and Kosmos) of the resources and the anticipated availability of any funding to meet Non-Jubilee Related Costs which will fall due for payment in the following quarter (the **"Cash Call Period"**). "Reasonable evidence" shall be (1) a certified copy of a cash call on the Shareholders for the relevant funds accompanied by (A) a confirmation from each Shareholder that it has and will have sufficient available liquidity to meet its proportionate share of the relevant cash call, and (B) if a commitment falling in the quarter immediately after the expiry of the Cash Call Period is shown in the sources and uses statement as being met by a payment of a cash call by the Shareholders, a confirmation that each Shareholder has and will have sufficient available liquidity at the time to meet its proportionate share if such cash call was made or (2) an acknowledgement, confirmation or non-binding comfort letter from the Shareholders confirming that funding is expected to be made available or (3) such other evidence as may be acceptable to the Majority Lenders (acting reasonably), provided that, in no event shall Kosmos be obligated to produce a legally binding undertaking, commitment or guarantee from any third party (including the Shareholders) to provide the requisite funding;

(iv) if, at any time, Kosmos is of the view (acting reasonably and in good faith) that there are reasonable grounds to believe that any third party (including any Shareholder) providing funding will not provide that funding as and when due, it shall promptly inform the Facility Agents (and in any event within 5 Business Days of forming that view).

24.7 Information: Miscellaneous

Each Obligor shall supply to the Facility Agents, in sufficient copies for all the Lenders, if a Facility Agent so requests:

(A) all documents dispatched by each Obligor to its Shareholders (or any class of them) or its creditors generally, at the same time as they are dispatched;

(B) all reports and/or other documents dispatched by the Borrower further to clause 13.3 (*Reporting*) of the Senior IFC Facility Agreement and/or clause 12.3 (*Reporting*) of the Junior IFC Facility Agreement;

(C) promptly after becoming aware of them, the details of any material litigation, arbitration or administrative proceedings which are currently threatened or pending against the Guarantor or any member of the Group or in respect of or relevant to KEG's interest in the DWT Block or in respect of the WCTP Block;

(D) promptly after they have been issued, copies of any insurance policies in respect of all Agreed Insurances and any renewals in respect of such insurance policies;

(E) promptly after becoming aware of them, details of any claims made under any Insurance where the claim is for a sum in excess of USD 5 million; and

(F) promptly, such further information regarding the financial condition, assets, business and operations of the Guarantor or any member of the Group as the Facility Agents may reasonably request

24.8 Notification of Default

Each Obligor must notify the Facility Agents of any Default (and the steps, if any, being taken to remedy it) and any material default under or material breach of any Project Agreement promptly upon becoming aware of its occurrence.

24.9 "Know your customer" and "customer due diligence" requirements

(A) If:

(i) the introduction of or any change in (or in the interpretation, administration or application by any government or regulatory Authority of) any law or regulation (having the force of law) made after the date of this Agreement;

(ii) any change in the ownership of an Obligor after the date of this Agreement; or

(iii) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges either of the Facility Agents or any Lender (or, in the case of paragraph (C) below, any prospective new Lender) to comply with "know your customer", "customer due diligence" or similar identification procedures in circumstances where the necessary information is not already available to it (or, in the case of paragraph (C) below, cannot be provided by the transferring Lender from information already provided to it), Kosmos shall, as soon as reasonably practicable upon the request of the relevant Facility Agent or the relevant Lender, supply, or procure the supply of, such reasonable documentation and other evidence as is within an Obligor's possession and control to enable such Facility Agent or such Lender to comply with all necessary "know your customer", "customer due diligence" or other similar checks required under the relevant laws and regulations.

(B) Each Lender shall promptly upon the request of either of the Facility Agents supply, or procure the supply of, such documentation and other evidence as is reasonably requested by such Facility Agent (for itself) in order for such Facility Agent, as the case may be, to carry out and be satisfied it has complied with all

necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

(C) The Borrower shall, by not less than 10 Business Days' prior written notice to the Facility Agents, notify the Facility Agents (which shall promptly notify the Lenders) of its intention to request that one of the Subsidiaries becomes an Additional Guarantor pursuant to clause 31 (*Changes to the Obligors*).

(D) Following the giving of any notice pursuant to paragraph (C) above, if the accession of such Additional Guarantor obliges either of the Facility Agents or any Lender to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the request of such Facility Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by such Facility Agent (for itself or on behalf of any Lender) or any Lender (for itself or on behalf of any prospective new Lender) in order for such Facility Agent or such Lender or any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the accession of such Subsidiary to this Agreement as an Additional Guarantor.

24.10 Use of websites

(A) Except as provided below, each Obligor may deliver any information under this Agreement to the Facility Agents by posting it on to an electronic website if:

(i) it maintains or has access to an electronic website for this purpose and provides the Facility Agents with the details and password to access the website and the information; and

(ii) the information posted is in a format required by this Agreement or as otherwise agreed between each Obligor and the Facility Agents (whose approval will not be unreasonably withheld or delayed).

The Facility Agents must supply each relevant Lender with the address of and password for the website.

(B) Notwithstanding the above, Kosmos must supply to the Facility Agents in paper form a copy of any information posted on the website together with sufficient copies for:

(i) any Lender who notifies the Facility Agents in writing (copied to each Obligor) that it does not wish to receive information via the website; and

(ii) within ten Business Days of request any other Lender, if that Lender so requests.

(C) Each Obligor must promptly upon becoming aware of its occurrence, notify the Facility Agents if.

(i) the website cannot be accessed;

(ii) the website or any information on the website is infected by any electronic virus or similar software;

(iii) the password for the website is changed; or

(iv) any information to be supplied under this Agreement is posted on the website or amended after being posted.

(D) If the circumstances in sub-paragraph (C)(i) or (ii) above occur, an Obligor must supply any information required under this Agreement in paper form until the circumstances giving rise to the notification are no longer continuing and the information can be provided in accordance with paragraph (A) above.

PART 9
GUARANTEE

25. GUARANTEE AND INDEMNITY

25.1 Guarantee and indemnity

Each Guarantor irrevocably and unconditionally jointly and severally:

(A) guarantees to each Finance Party punctual performance by each Borrower of all that Borrower's obligations under the Finance Documents;

(B) undertakes with each Finance Party that whenever a Borrower does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and

(C) indemnifies each Finance Party immediately on demand against any cost, loss or liability suffered by that Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which that Finance Party would otherwise have been entitled to recover.

25.2 Continuing guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

25.3 Reinstatement

If any payment by an Obligor or any discharge given by a Finance Party (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is avoided or reduced as a result of insolvency or any similar event:

(A) the liability of each Obligor shall continue as if the payment, discharge, avoidance or reduction had not occurred; and

(B) each Finance Party shall be entitled to recover the value or amount of that security or payment from each Obligor, as if the payment, discharge, avoidance or reduction had not occurred.

25.4 Waiver of defences

The obligations of each Guarantor under this clause 25 will not be affected by an act, omission, matter or thing which, but for this Clause, would reduce, release or prejudice any of its obligations under this clause 25 (without limitation and whether or not known to it or any Finance Party) including:

(A) any time, waiver or consent granted to, or composition with, any Obligor or other person;

(B) the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;

(C) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(D) any incapacity or lack of power, authority or legal personality or dissolution or change in the members or status of an Obligor or any other person;

(E) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document or any other document or security including without limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Finance Document or other document or security;

(F) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or

(G) any insolvency or similar proceedings.

25.5 Immediate recourse

Each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor under this clause 25. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

25.6 Appropriations

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:

(A) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and

(B) hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Guarantor's liability under this clause 25.

25.7 Deferral of Guarantors' rights

(A) Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the relevant Facility Agent otherwise directs, no Guarantor will exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents:

(i) to be indemnified by an Obligor;

(ii) to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents; and/or

(iii) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party.

(B) If a Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Finance Parties by the Obligors under or in connection with the Finance Documents to be repaid in full on trust for the Finance Parties and shall promptly pay or transfer the same to the Agent or as the Agent may direct for application in accordance with clause 34 *(Payment Mechanics)* of this Agreement.

25.8 Release of Guarantors' right of contribution

If any Guarantor ceases to be a Guarantor (**a "Retiring Guarantor"**) in accordance with the terms of the Finance Documents for the purpose of any sale or other disposal of that Retiring Guarantor then on the date such Retiring Guarantor ceases to be a Guarantor:

(A) that Retiring Guarantor is released by each other Guarantor from any liability (whether past, present or future and whether actual or contingent) to make a contribution to any other Guarantor arising by reason of the performance by any other Guarantor of its obligations under the Finance Documents; and

(B) each other Guarantor waives any rights it may have by reason of the performance of its obligations under the Finance Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under any Finance Document or of any other security taken pursuant to, or in connection with, any Finance Document where such rights or security are granted by or in relation to the assets of the Retiring Guarantor.

25.9 Additional security

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

PART 10
REPRESENTATIONS, COVENANTS, EVENTS OF DEFAULT

26. REPRESENTATIONS

Each Obligor makes the representations and warranties set out in this clause to each Finance Party and acknowledges that each Finance Party has entered into the Finance Documents in full reliance on those representations and warranties.

26.1 Status

(A) It is a limited liability company, duly incorporated and validly existing under the laws of its jurisdiction of incorporation.

(B) It has the power to own its assets and carry on its business as it is being conducted.

26.2 Legal validity

Each Transaction Document to which it is a party constitutes, or will constitute when executed, its valid, legally binding and enforceable obligations in accordance with its terms (subject to any limitation on enforcement under law or general principles of equity or qualifications which are specifically set out in any legal opinion delivered as a Condition Precedent) and that, so far as it is aware having made all due and careful enquiries, each Transaction Document (other than, prior to the Satisfaction Date, the UUOA and the Deed of Reinsurance Assignment) is in full force and effect

26.3 Non-conflict

The entry into and performance by it of, and the transactions contemplated by, the Transaction Documents to which it is a party do not conflict with:

(A) any-applicable law or regulation;

(B) its constitutional documents; or

(C) any agreement binding upon it,

to the extent which has, or could reasonably be expected to have, a Material Adverse Effect.

26.4 Powers and authority

It has (or had at the relevant time) the power and authority to execute and deliver the Transaction Documents to which it is a party and it has the power and authority to perform its obligations under the Transaction Documents to which it is a party and the transactions contemplated thereby.

26.5 Authorisations

Following the Satisfaction Date, except for the registration of any Security Document, all Required Approvals (except (i) any necessary consents from the Government and from GNPC to the Security contemplated by the Security Documents (to the extent that such consents have not been obtained) and (ii) to the extent already provided as a Condition Precedent under paragraph 19 of Part I of the Schedule to the CTA) have been obtained or effected and are in full force and effect (where a failure to do so has or could reasonably be expected to have a Material Adverse Effect).

26.6 Stamp and registration duties

Except for registration fees payable in relation to the Security Documents (including, for the avoidance of doubt, all registration and stamp duty fees payable in accordance with Clause 28.30 (*Execution, stamping and registration of Assignments*)), there is no stamp or registration duty or similar Tax or charge in respect of any Transaction Document, which has not been made or paid within applicable time periods (where a failure to do so has, or could reasonably be expected to have, a Material Adverse Effect).

26.7 No Default

No Default has occurred and is outstanding.

26.8 Final Information Memorandum

(A) The factual information in the Final Information Memorandum (other than that referred to in paragraph (B) below) was true in all material respects on the date of the Final Information Memorandum and did not omit anything material which was known to Kosmos at the time or contain anything that was materially misleading and, except to the extent advised in writing to the Facility Agents by Kosmos on or prior to Financial Close, so far as Kosmos is aware having made due and careful enquiry, no information has been disclosed to it nor have circumstances arisen nor has any event occurred since the date of the Final Information Memorandum which renders the information contained in the Final Information Memorandum materially misleading or materially incorrect.

(B) The statements of opinion, projections and forecasts in the Final Information Memorandum attributable to Kosmos were made in good faith, with due care and on what Kosmos believed to be reasonable assumptions at the relevant time and representing the views of Kosmos at the time.

26.9 Financial Statements and other factual information

(A) The most recent audited financial statements and interim financial statements delivered to the Facility Agents in accordance with clause 24.2 (*Financial statements*) (which, at the date of this Agreement, are the financial statements of KEG for the year ending 31 December 2008 and, in the case of both KED and the Borrower, the unaudited opening balance sheet as at 6 May 2009):

(i) have been prepared in accordance with the Approved Accounting Principles (if relevant); and

(ii) (if audited) give a true and fair view of, or (if unaudited) fairly represent, its financial condition for the relevant period.

(B) All factual information provided by or under the express direction of such Obligor to the Finance Parties in connection with the Facilities was believed by such Obligor at the time it was so provided to be true in all material respects.

26.10 Proceedings pending or threatened

Except as disclosed to the Facility Agents in writing prior to the date of this Agreement, no litigation, arbitration or administrative proceeding is pending or threatened which could reasonably be expected to be adversely determined against it and which, if so determined, has, or could reasonably be expected to have, a Material Adverse Effect.

26.11 Breach of laws

(A) It has not breached any law or regulation which has, or could reasonably be expected to have, a Material Adverse Effect.

(B) It is in compliance with all environmental laws, a breach of which could reasonably be expected to give rise to a liability on it which has, or could reasonably be expected to have, a Material Adverse Effect and, so far as it is aware having made due and careful enquiry, there is no environmental claim outstanding against it which, if adversely determined, would give rise to a liability on it which has, or could reasonably be expected to have, a Material Adverse Effect.

26.12 Ranking of security

Subject to any limitations on enforcement under law or general principles of equity or qualifications set out in any legal opinion delivered as a Condition Precedent, each Security Document when executed confers the Security Interests it purports to confer over the assets referred to in that Security Document and those assets are not subject to any other Security Interest that is not permitted pursuant to clause 28.6 *(Negative pledge)*.

26.13 Pari passu ranking

Its payment obligations under the Finance Documents rank at least pari passu with all its other present unsecured obligations, except for obligations mandatorily preferred by law applying to companies generally.

26.14 Assets

Kosmos holds the legal and beneficial interest in a 30.875 per cent. Participating Interest in the WCTP Block and the legal and beneficial interest in an 18 per cent Participating Interest in the DWT Block.

26.15 Project Agreements

As at the date of this Agreement or, if after the date of this Agreement, the date a Project Agreement is delivered to the Facility Agents, so far as it is aware having made all due and careful enquiries:

(A) each copy of a Project Agreement delivered to the Facility Agents under this Agreement is true and complete;

(B) there is no other agreement in connection with, or arrangements which amend, supplement or affect any Project Agreement in any material respect; and

(C) no Obligor has a material obligation (being an obligation or liability exceeding USD 20 million) under any agreement which is not a Project Agreement, a Finance Document, a Material Contract (or, if any such Material Contract has not been entered into on or before the Signing Date, the relevant LOI in respect of that Material Contract) or an agreement relating to the financing of the FPSO (including any Participation Agreement).

26.16 No Immunity

In any proceedings taken in any relevant jurisdiction in relation to the Transaction Documents (or any of them), it shall not be entitled to claim for itself or any of its assets immunity from suit, execution or attachment or other legal process.

26.17 Ownership of Obligors

(A) KEI beneficially owns, indirectly all of the issued share capital of the Guarantors and the Borrower.

(B) The issued share capital of the Guarantors and the Borrower is fully paid up and, to the extent beneficially owned by KEI, free of all encumbrances or other third party rights (other than pursuant to the Security Documents).

26.18 Times for making representations

(A) The representations set out in this clause (other than the representations in clauses 26.8 *(Final Information Memorandum),* 26.4 *(Powers and authority),* 26.5 *(Authorisations)* and 26.15(B) *(Project Agreements)* are made by each Obligor on the date of this Agreement. The representation in clause 26.8 *(Final Information Memorandum)* will be made on the date of the Final Information Memorandum and the representation in clause 26.4 *(Powers and authority)* will be made as at the time that the power or authority is exercised only. For the avoidance of doubt, no representation is made in respect of any document which is to be delivered as a Condition Subsequent prior to the Satisfaction Date.

(B) Each Repeating Representation is deemed to be repeated by each Obligor on the date of each Utilisation Request, each Utilisation Date and on the first day of each Interest Period.

(C) When a representation is repeated, it is applied to the facts and circumstances existing at the time of repetition.

27. FINANCIAL COVENANTS

27.1 Financial Covenants

(A) On any Forecast Date after Project Completion, Kosmos shall ensure that:

(i) the DSCR shall not be less than 1.2;

(ii) the Field Life Cover Ratio shall not be less than 1.35; and

(iii) the Loan Life Cover Ratio shall not be less than 1.15,

in each case, as calculated by the Technical and Modelling Bank (acting reasonably) on the basis of all information made available to it.

(B) On any Calculation Date, the Funding Sufficiency Ratio shall not be less than 1:1 as calculated by the Technical and Modelling Bank (acting reasonably) on the basis of all information made available to it. The Technical and Modelling Bank shall provide the calculation of the Funding Sufficiency Ratio on each Calculation Date.

(C) No later than three Business Days following each Forecast Date and any Calculation Date (other than any drawdown date), Kosmos shall send to each Facility Agent, a certificate signed by two authorised representatives setting out its calculation of the financial ratios referred to in this Clause 27 as at such date.

28. GENERAL UNDERTAKINGS

The undertakings in this clause shall remain in force from the date of this Agreement until the later of the Senior Discharge Date and the Junior Discharge Date.

28.1 Corporate existence

Each Obligor shall maintain its corporate existence.

28.2 Authorisations

Each Obligor shall promptly obtain and comply with Required Approvals (except any necessary consents from the Government and from GNPC to the Security contemplated by the Security Documents (to the extent that such consents have not been obtained)) where a failure to do so would have a Material Adverse Effect.

28.3 Compliance with laws

Each Obligor shall comply with all laws and regulations (including compliance with environmental laws, permits and licences (and compliance with the Equator principles)) applicable to it where failure to do so would have a Material Adverse Effect.

28.4 *Pari passu* ranking

Each Obligor shall ensure that at all times its payment obligations to the Finance Parties under the Finance Documents rank at least *pari passu* as to priority of payment with all its other present and future unsecured and unsubordinated Financial Indebtedness, except for claims mandatorily preferred by operation of law applying generally.

28.5 Security

Subject to Clause 28.30 (*Execution, stamping and registration of Assignments*), each Obligor shall undertake all actions reasonably necessary (including the making or delivery of filings and payment of fees) to maintain the Security Interests under the Security Documents to which it is a party in full force and effect (including the priority thereof).

28.6 Negative pledge

Other than Permitted Security, an Obligor shall not create or permit to exist any Security Interest over any of its assets.

28.7 Conduct of other business

Kosmos shall not conduct any business other than activities in connection with, or related, ancillary or incidental to, its interest in the Jubilee Field and the Blocks.

28.8 Disposals

Other than Permitted Disposals, an Obligor shall not, either in a single transaction or in a series of transactions and whether related or not, dispose of all or a material part of its assets.

28.9 Financial Indebtedness

Other than Permitted Financial Indebtedness, an Obligor shall not incur any Financial Indebtedness.

28.10 Material contracts

No Obligor will enter into any contract or agreement that imposes material obligations on it except:-

(A) contracts or agreements entered into in the ordinary course of business and on arm's length terms;

(B) the Project Agreements and contracts and agreements required or contemplated therein or in respect of the development and implementation of Kosmos's interest in the Jubilee Field and the Blocks;

(C) contracts or agreements otherwise permitted or contemplated by the Finance Documents;

(D) where the obligations and liabilities of the Obligor thereunder are fully funded by Permitted Financial Indebtedness or equity contributions; or

(E) with the approval of the Majority Lenders (acting reasonably).

28.11 Upstream guarantees

No Obligor may, without the approval of the Super Majority Lenders (acting reasonably), enter into upstream guarantees or indemnities in respect of obligations or liabilities of any other member of the Group (excluding Obligors), except in respect of arrangements with Longhom Offshore Drilling Ltd. concerning any assignment/novation of well slot rights for the use of the "Aban Abraham" drill ship.

28.12 Mergers

No Obligor may enter into any amalgamation, consolidation, demerger, merger or reconstruction or winding-up without the consent of the Majority Lenders, excluding any IPO of the Sponsor or the Borrower or transfer of the share capital or voting rights in the Borrower or the Sponsor (by whatever means) which is not a Change of Control.

28.13 Loans

(A) Except as provided in (B) below, no Obligor may be a creditor in respect of any Financial Indebtedness.

(B) Paragraph (A) does not apply to:

(i) any loans made pursuant to an Intercompany Loan Agreement;

(ii) any credit provided under a Project Agreement or in relation to the FPSO (including credit provided pursuant to any Participation Agreement);

(iii) any trade credit in the ordinary course of day to day business;

(iv) loans or other credit not exceeding USD 5 million in aggregate at any one time; or

(v) any other credit approved by the Majority Lenders (acting reasonably).

28.14 Operation

As far as it is able to do so by exercising its rights under a Project Agreement to which it is a party, each Obligor will use its reasonable endeavours to procure that the Project is developed, operated and maintained in all material respects in accordance with the terms of that Project Agreement and applicable law and in accordance with good international oil industry practice.

28.15 Compliance with Project Agreements

(A) Each Obligor must comply with its obligations under the Project Agreements to which it is a party where failure to do so would have a Material Adverse Effect.

(B) In the event KEG fails to pay any sum due under any Joint Operating Agreement it shall take such steps as shall be reasonably available to it so as to permit such payment to be made on its behalf by any Finance Party or any person acting on behalf of any Finance Party.

28.16 Insurances

Each Obligor will maintain all Agreed Insurances which it maintains in its own name, promptly pay all premiums and other monies payable under all its Agreed Insurances and promptly on request produce to the Security Trustee a copy of each policy and evidence (reasonably acceptable to the Security Trustee) of payment of such sums (and allow the Lenders to implement such insurance at the cost of the Borrower and the event of any default in that regard) and exercise its rights under the Project Agreements to procure (as far as it is able) the maintenance of the Agreed Insurances maintained on behalf of the Project and its participants under the Project Agreements.

28.17 Hedging and Marketing

The Obligors shall comply with the Hedging Policy and the Marketing Policy.

28.18 Project Agreements

(A) No Obligor will agree to any amendment, waiver or termination of a Project Agreement which would have a Material Adverse Effect or

approve or vote in favour of any work programme, budget or development plan which would commit the Borrower to expenditure which it would not be able to meet from funds available to it, after taking account of forecast Project Costs and Financing Costs.

(B) No term or condition of any Finance Document shall prevent any Obligor from complying with its express obligations under any Project Agreement, or require Kosmos to act or omit to act in a manner which would or might reasonably be expected to result in a breach of any provision of a Project Agreement including, but without limitation, Kosmos' obligations under the participation agreement between Kosmos and the EO Group dated 1 June 2004.

(C) In the event that KEG has an obligation under a Project Agreement to make a payment in respect of a Project Cost because of the default by another party in paying its share of the relevant Project Cost, then KEG shall promptly notify the Facility Agents of the additional payment obligation (including reasonable details of how it arose and any steps being taken by the parties in relation to the relevant default and such other additional information as the Facility Agents may reasonably request). If the Facility Agents, acting reasonably, believe the additional payment obligations are material, then it may require the Funding Sufficiency Ratio to be calculated taking into account the additional obligation.

28.19 Tax affairs

Each Obligor must promptly file all tax returns required by law within the requisite time limits except to the extent contested in good faith and subject to adequate reserve or provision.

28.20 Permitted Acquisitions

No Obligor may, without the prior written consent of the Facility Agents (acting on the instructions of the Majority Lenders (acting reasonably)), make any acquisition of, or investment in, any assets, rights or property (but excluding for the avoidance of doubt any payment of Financing Costs or Project Costs) which is not a Permitted Acquisition.

28.21 Employment of Key Man

No Obligor shall voluntarily terminate the employment of any Key Man without due cause, and if any Key Man ceases to be an employee, he shall be replaced by an employee of comparable or superior experience, skill and qualifications.

28.22 FPSO Agreement

(A) The Borrower shall on or prior to the later of 1 June 2010 and the date on which the FPSO Agreement is fully executed by all parties thereto either:

(i) deliver to the Lenders a copy of the signed FPSO Agreement in the Agreed Form (or, if the FPSO Agreement is signed but not in the Agreed Form, the Technical and Modelling Bank shall have calculated the Funding Sufficiency Ratio in accordance with clause 28.22(B) below to show that there is no Funding Shortfall); or

(ii) consent to arrangements for the purchase of the FPSO in which case the Borrower shall comply with its obligations under clause 28.29 (FPSO Purchase Option).

(B) In the event that:

(i) OpCo enters into an agreement for the construction of the FPSO which is different in any material respect to the FPSO Agreement in the Agreed Form; or

(ii) the FPSO Agreement is, following its execution but prior to it coming into full force and effect, amended such that it is different in any material respect to the FPSO Agreement in the Agreed Form,

then in either case (i) or (ii), the Borrower shall give reasonable notice to the Technical and Modelling Bank promptly and no later than 15 days after the date of the events described in clause 28.22(B)(i) and (ii) above, outlining those differences and setting out whether the Borrower believes, acting reasonably and in good faith, that additional material obligations and liabilities will be imposed on the Borrower (from those applicable in the Agreed Form of the

FPSO Agreement), and the nature and extent of any such additional obligations and liabilities. The Technical and Modelling Bank will, upon receipt of any such notice, calculate the Funding Sufficiency Ratio to take account of such additional obligations and liabilities and shall provide a copy of such calculation to the Lenders within 10 Business Days of such notice. For the avoidance of doubt, the Lenders shall have no other rights of approval in relation to the terms and conditions of the FPSO Agreement.

28.23 UUOA

The Borrower shall ensure that, if the UUOA is not entered into, the Pre-Unitization Agreement remains in full force and effect (as confirmed in a legal opinion from leading counsel in form and substance satisfactory to the Facility Agent (acting reasonably)) or, if not, that the Jubilee Field can continue to be operated under and in accordance with the terms of each Joint Operating Agreement relating to the Blocks which remain in full force and effect (as confirmed in a legal opinion from leading counsel in form and substance satisfactory to the Facility Agents (acting reasonably)) and, in each case, in a manner which does not have a Material Adverse Effect.

28.24 Distributions

(A) Each Obligor may make, declare or pay a distribution on any date falling between 5 and 10 Business Days after a Repayment Date (including any payment under any subordinated loan agreement falling within the terms of sub-paragraph (C) of the definition of Permitted Financial Indebtedness but excluding any funding pursuant to, or payment under, any Intercompany Loan Agreement between members of the Group) (a **"Shareholder Distribution"**), only if:

(i) there is no Default or Event of Default outstanding and no Default or Event of Default would be caused by such Shareholder Distribution;

(ii) the Financial Completion Date has occurred;

(iii) there being no amount outstanding or Commitments under the Junior Facilities; and

(iv) such Shareholder Distribution is made, declared, or paid in compliance with the Cash Waterfall.

(B) Any distribution permitted to be paid under clause 28.24 (*Distributions*) may be paid directly to the recipient or deposited into the Distributions Reserve Account, pursuant to clause 20.6 (*Distributions Reserve Account*).

28.25 Constitutional documents

It will not agree to any amendment to any of its constitutional documents in a manner that could adversely affect the interests of the Finance Parties.

28.26 Further assurance

Each of the Obligors shall, at its own expense, promptly do all things, take all such action and execute all such other documents and instruments as may be requested by the Facility Agents from time to time and to the extent they are reasonably required or necessary for the purpose of giving effect to the provisions of the Finance Documents and the Project Agreements and for the purpose of perfecting and protecting the Lenders' rights with respect to the Security Interests which are required to be created or perfected by the Finance Documents when required thereunder.

28.27 Due execution of security assignments

(A) The Security Trustee shall have safe custody and control of the Assignments (which term shall, for the avoidance of doubt for the purposes of this clause, be deemed not to include (i) each of the Onshore Security Assignment and the Offshore Security Assignment until its amendment and re-execution by KEG pursuant to clause 28.31 (Assignment of Participation Agreements) and (ii) the Assignment of Reinsurance Rights until its execution by KEG and the relevant insurers, it being agreed that Kosmos shall take all such steps as may be reasonable (taking into account all of the circumstances at the time and the steps taken previously by Kosmos) to procure its execution by KEG and the relevant insurers). The Security Trustee shall execute and date such documents for and on behalf of the Finance Parties in any of the following circumstances:

(i) if a Default has occurred and is continuing and the Majority Senior Lenders have instructed the Security Trustee to execute and date the Assignments for and on behalf of the Finance Parties;

(ii) on the Financial Completion Date, if the Majority Lenders have instructed the Security Trustee to execute and date the Assignments for and on behalf of the Finance Parties;

(iii) on such other date as the Security Trustee may determine following the receipt by Kosmos of the necessary consents of the Government and GNPC to the security contemplated by the Onshore Security Assignment; or

(iv) if instructed to do so at any time by the Borrower.

(B) Each party to this Agreement irrevocably authorises the Security Trustee to execute the Assignments for and on behalf of the Finance Parties and to date the Assignments when it is required to do so under paragraph (A) above. The Assignments shall be of no force or effect until they are duly executed by the Security Trustee and dated for and on behalf of the Finance Parties in accordance with this clause.

(C) In the event that the Security Trustee signs and dates the Assignments in accordance with this clause 28.27 (*Due execution of security assignments*), then the Borrower shall (and the Security Trustee may) apply the funds standing to the credit of the Stamp Duty Reserve Sub-Account to meet the payment of

any stamp duty which is payable as a consequence of the Assignments being signed and dated. The Borrower shall (and the Security Trustee may) apply the relevant funds promptly in payment of the relevant stamp duty and shall ensure that the Assignments are stamped and registered as soon as practicable (and in any event within any time period required by law). The Borrower shall in each case notify the Security Trustee and each Finance Party upon making the payment of any stamp duty and the stamping and registration of the Assignments.

(D) Upon the execution and dating of the Assignments by the Security Trustee in accordance with this clause, the Borrower shall take all necessary steps to perfect the Security Interest which the Assignments confer or purport to confer over the assets referred to therein.

28.28 Government and GNPC consent

Kosmos shall take such steps as may be reasonable (taking into account all of the circumstances at the time and the steps taken previously by Kosmos) to obtain from the Government and from GNPC any necessary consents of the Government and GNPC to the security contemplated by the Security Documents (including for the avoidance of doubt the Charge over Shares in KEG, the Charge over Shares in KED and the Onshore Security Assignment). Each of the Lenders agrees in good faith, if able and to the extent reasonably required, to assist Kosmos in obtaining such consents.

28.29 FPSO Event

The Borrower shall:

(A) ensure that each of the Facility Agents are updated on a regular basis (and within 3 Business Days upon the request of the Facility Agents) on discussions regarding the entry into of the FPSO Agreement and of any decision to implement an FPSO Event and any material information in relation thereto;

(B) prior the occurrence of an FPSO Event, to the extent it is reasonably able, notify the Facility Agents of such event in writing and provide the Facility Agents with copies of any relevant documentation within 3 Business Days of such event;

(C) no later than 5 Business Days following the occurrence of an FPSO Event provide to the Facility Agents any further material information about such FPSO Event not already provided to the Facility Agents and its consequences for the Funding Sufficiency Ratio. The Technical and Modelling Bank shall promptly verify the information provided by the Borrower. In the event that the Borrower or the Technical and Modelling Bank anticipate that the Borrower shall not have at its disposal the necessary funds to maintain the Funding Sufficiency Ratio at a minimum of 1:1 and to cover any Funding Shortfall resulting from the FPSO Event, the Borrower shall provide to the Lenders an FPSO Funding Plan prior to the occurrence of such FPSO Event.

(D) no later than 30 days after the occurrence of an FPSO Event deposit the necessary funds in the Reserve Equity Account to maintain the Funding

Sufficiency Ratio at 1:1 and to cover any Funding Shortfall as a consequence of the occurrence of such FPSO Event,

provided that the Borrower shall be entitled to withdraw any funds contributed to the Reserve Equity Account pursuant to paragraph (D) and replace them with (i) additional debt raised under the Senior Facilities pursuant to Clause 3.4 *(Increase in Total Senior Facilities Amount)* including, for the avoidance of doubt, in circumstances where the Borrowing Base Amount increases such that the Borrower is able to make further Utilisations under existing Senior Commitments or (ii) new or alternative debt financing permitted in accordance with the terms of the Finance Documents, after the FPSO Event on the following conditions:

(E) any such funds withdrawn shall be paid by the Borrower directly into the Distribution Reserve Account and may be used and/or distributed at the Borrower's discretion after the Financial Completion Date (including for the avoidance of doubt, to repay the Sponsors); and

(F) any new or alternative debt financing shall be at all times subordinated, to the financing provided (or to be provided) by the Lenders, on terms approved by the Majority Senior Lenders and the Majority Junior Lenders (each acting reasonably); and

(G) there is no Event of Default.

28.30 Execution, stamping and registration of Assignments

Following the execution of the Assignments by the Security Trustee in accordance with clause 28.27(A), Kosmos shall take all such steps as may be reasonable (taking into account all of the circumstances at the time and the steps taken previously by Kosmos) to procure that the Assignments are stamped, registered and in full force and effect as soon as reasonably practicable after the Satisfaction Date and no later than the Financial Completion Date.

28.31 Assignment of Participation Agreements

As soon as reasonably practicable after the Satisfaction Date and no later than within 90 days of the Satisfaction Date the Borrower shall satisfy either (i) the requirements of clause 28.31(A) or (ii) the requirements of clause 28.31(D) below.

(A) The Borrower shall:

(i) deliver to the Security Trustee an Offshore Security Assignment and Onshore Security Assignment that is, in each case, (a) amended in accordance with the provisions of clause 28.31(B) and clause 28.31(C) below (as applicable) and, to the extent necessary to reflect the amendments contemplated thereunder in accordance with such terms as may be agreed between the Borrower and the Security Trustee (each acting reasonably), and (b) duly executed by KEG; and

(ii) obtain all corporate approvals of KEG approving its entry into and performance of the Offshore Security Assignment and Onshore Security Assignment as amended in accordance with clause 28.31(A)(i) above, to the extent that such corporate approvals are considered necessary by Kosmos and the Security Trustee (each acting reasonably),

(B) The Borrower shall make the following amendments in relation to the Offshore Security Assignment:

(i) under Clause 1.2 (*Additional definitions*) the definition of "Assigned Documents" shall be amended by deleting the word "and" in paragraph (c) and adding immediately after the words "(d) KEG's rights under the Deed of Acknowledgment and Release" the words "(e) KEG's rights under the Participation Agreements";

(ii) under Clause 1.2 (Additional definitions) a new definition shall be added as follows:

"Participation Agreements" means each of the participation agreements dated 12 August 2009 (as amended and restated on 12 November 2009), 27 August 2009 (as amended and restated on 12 November 2009), 29 October 2009, 24 November 2009 and in each case entered into between, among others, KEG as participant, Tullow Group Services Limited as lender and Anadarko Petroleum Corporation as participant, including any other agreement entered into between the same parties and substantially in the same form for the purposes of financing the FPSO (as may be amended from time to time), and a **"Participation Agreement"** shall mean each and any one of them."

(C) The Borrower shall make the following amendments in relation to the Onshore Security Assignment:

(i) under Clause 1.2 (*Additional definitions*) the definition of "Ghanaian Assigned Documents" shall be amended by deleting the word "and" in paragraph (a) and the "." in paragraph (b) and adding the words "and" in paragraph (b) immediately after the words "(b) the WCTP PA" and adding a new paragraph (c) as follows: "(c) the Participation Agreements";

(ii) under Clause 1.2 (*Additional definitions*) a new definition shall be added as follows:

"Participation Agreements" means each of the participation agreements dated 12 August 2009 (as amended and restated on 12 November 2009), 27 August 2009 (as amended and restated on 12 November 2009), 29 October 2009, 24 November 2009 and in each case entered into between, among others, KEG as participant, Tullow Group Services Limited as lender and Anadarko Petroleum Corporation as participant, including any other agreement entered into between the same parties and substantially in the same form for the purposes of

financing the FPSO (as may be amended from time to time), and a **"Participation Agreement"** shall mean each and any one of them."

(D) To the extent that the Borrower believes (acting reasonably) that it is unable to satisfy the provisions of clause 28.29(A), the Borrower shall make reasonable endeavours to procure an assignment of the rights of Tullow Group Services Limited under each and any loan agreements entered into between Tullow Ghana Services Limited, Jubilee Ghana MV21 B.V. and Modec Inc. in relation to the financing of the FPSO, such assignment to be in favour of KEG.

29. EVENTS OF DEFAULT

Each of the events or circumstances set out in this clause is an Event of Default (save for clause 29.20 (*Acceleration - all Lenders*), unless otherwise stated.

29.1 Non-payment

(A) An Obligor does not pay any amount payable by it to any Senior Finance Party (or to the Junior Facility Agent for its own account) under the Finance Documents in the manner and on the date required under the Finance Documents within five Business Days of its due date.

(B) An Obligor does not pay any amount payable by it to any Junior Finance Party (other than an amount payable to the Junior Facility Agent for its own account) under the Finance Documents in the manner and on the date required under the Finance Documents:

(i) in the period prior to or on the Senior Discharge Date within a period of one year of its due date; and

(ii) in the period after the Senior Discharge Date, within five Business Days of its due date.

29.2 Breach of financial covenant

Kosmos does not comply with the provisions of clause 27 (*Financial Covenants*), provided that:

(A) Prior to Project Completion where the Funding Sufficiency Ratio is less than 1:00, the Borrower shall have 30 days from the date of such breach (the **"FSR Breach Date")** to provide to the Facility Agents a sources and uses statement showing all Project Costs falling in that 30 day period and in such additional period following that 30 day period (not exceeding an additional 60 days) (the total period from the FSR Breach Date being hereafter referred to as the **"Deficiency Funded Period")** together with the funding of those Project Costs, and interest falling due, scheduled hedging payments under any Hedging Agreement entered into in accordance with the Hedging Policy and commitment fees, in accordance with the Deficiency Funding Criteria during the Deficiency Funded Period. If such statement is provided within the relevant period of 30 days an Event of Default shall not arise. By no later than the 45th day after the

FSR Breach Date, the Borrower shall provide the Lenders with a remedial plan in respect of ensuring that the Funding Sufficiency Ratio is equal to greater than 1:00. In the event that the Majority Lenders (acting reasonably), and in consultation with the Technical and Modelling Bank, Technical Consultant and the Borrower, have not approved the remedial plan by the end of the relevant Deficiency Funded Period there shall be an immediate Event of Default. If a remedial plan is approved by the Majority Lenders, the Borrower undertakes that it will procure compliance with such plan. In relation to any part of the funding set out in a remedial plan that is by way of equity investment by the Shareholders to the Borrower, the Lenders may not decline to approve that plan solely in respect thereof if the plan is accompanied by a confirmation from each Shareholder that it has, and will have, sufficient available liquidity to meet its proportionate share of such equity investment.

(B) After Project Completion where the DSCR, LLCR or FLCR has been breached, the Borrower shall have 45 days within which to remedy any breach of the relevant financial covenant by means of a prepayment and/or a cancellation of a Facility where any prepayment is funded by the provision of Additional Debt subordinated on terms acceptable to the Majority Lenders (acting reasonably), or by the contribution of equity to the capital of the Borrower or by taking such other remedial action as may be approved by the Majority Lenders provided always that the Borrower shall be entitled to remedy any such breach not more than twice in total and not more than once in any 12 month period.

29.3 Breach of other obligations

An Obligor, or KEI or KEH, does not comply with any other provision of the Finance Documents (other than any term referred to in clause 29.1 (*Non-payment*) or clause 29.2 (*Breach of financial covenant*), unless the non-compliance is:

(A) capable of remedy; and

(B) remedied within 30 days of the earlier of one of the Facility Agents giving notice or the Obligor becoming aware of the non-compliance.

29.4 Misrepresentation

Any representation or statement made or deemed to be made by an Obligor and/or KEI in the Finance Documents is or proves to have been incorrect or misleading in any material respect when made or deemed to be made (or, in the case of a representation or statement that contains a materiality concept, is or proves to have been incorrect or misleading in any respect when made or deemed to be made), unless the misrepresentation is:

(A) capable of remedy; and

(B) remedied within 30 days of the earlier of one of the Facility Agents giving notice or the relevant Obligor or KEI, as the case may be, becoming aware of the misrepresentation.

29.5 Cross-default

(A) Any Financial Indebtedness of any Obligor is not paid when due nor within any applicable grace period.

(B) Any Financial Indebtedness of any Obligor is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described) and such amount is not paid when due.

(C) Notwithstanding paragraphs (A) and (B) above, no Event of Default will occur under this clause if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness is less than USD 5 million (or its equivalent in any other currency or currencies) or if the relevant event or default has been waived, or if such event or default is caused by a Disruption Event, provided that, in the case of a Disruption Event the requisite payment is made within five Business Days.

29.6 Insolvency

Any of the following occurs in respect of an Obligor or KEI:

(A) it is, or is deemed for the purposes of any law to be, unable to, or admits its inability to, pay its debts as they fall due or is or becomes insolvent or a moratorium is declared in relation to its indebtedness generally; or

(B) it stops or suspends or threatens to suspend, or announces an intention to stop or suspend making payment of all or any class of its debts as they fall due in default of the obligation to make the relevant payment.

29.7 Insolvency proceedings

(A) Except as provided in paragraph (B) below, any of the following occurs in respect of an Obligor or the KEG Branch or KEI:

(i) a written resolution is passed or a resolution is passed at a meeting of its shareholders, directors or other officers to petition for or to file documents with a court or any registrar for its winding-up, administration or dissolution;

(ii) any person presents a petition, or files documents with a court or any registrar for its winding-up, administration or dissolution;

(iii) an order for its winding-up, administration or dissolution is made;

(iv) any liquidator, provisional liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer is appointed in respect of it or any material part of its assets;

(v) a moratorium is declared in relation to the indebtedness of an Obligor,

(vi) its shareholders, directors or other officers request the appointment of, or give notice of their intention to appoint a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, provisional liquidator, receiver, administrative receiver, administrator or similar officer,

(vii) any composition, compromise, assignment or arrangement is made with any of its creditors; or

(viii) any other analogous step or procedure is taken in any jurisdiction.

(B) Paragraph (A) does not apply to:

(i) any step or procedure which is part of a re-organisation of an Obligor on a solvent basis with the consent of the Majority Lenders (acting reasonably); or

(ii) in the case of sub-paragraph (ii) or (iv) (or any step or procedure under sub-paragraph (vi) that is analogous to sub-paragraph (ii) or (iv)), if the relevant step, petition or filing is made by a person other than an Obligor, shareholder or their respective officers or directors and the relevant Obligor is taking steps in good faith and with due diligence for such proceedings or action to be stayed, discontinued, revoked or set aside and the same is stayed, discontinued, revoked or set aside within a period of 60 days; or

(iii) any enforcement action that applies to assets having an aggregate value of less USD 5 million.

29.8 Creditors' process

Any attachment, sequestration, distress, execution or analogous event affects any asset(s) of an Obligor, having an aggregate value of at least USD 5 million, and is not discharged within 45 days.

29.9 Unlawfulness and Invalidity of the Finance Documents and Project Agreements

If:

(A) all or any part of a Finance Document is not, or ceases to be, a legal, valid, binding and enforceable obligation of an Obligor;

(B) following its execution, all or any part of a Project Document is not or ceases to be, a legal, valid, binding and enforceable obligation of an Obligor in circumstances which would have a Material Adverse Effect; or

(C) following its execution, all or any part of a Project Agreement is suspended, terminated or revoked in circumstances which would have a Material Adverse Effect,

and:

(i) Kosmos fails, within 60 days (or, in the case of a Finance Document, 30 days) of becoming aware of the matter, to procure the execution of a substitute agreement or agreements on substantially the same terms and with a commercially qualified party or parties acceptable to the Majority Lenders (acting reasonably); or

(ii) the matter is not otherwise remedied within 60 days (or, in the case of a Finance Document, 30 days) of an Obligor becoming aware of the matter.

29.10 Cessation of Business

An Obligor ceases, or threatens to cease, all or a substantial part of its business (as carried on the date of this Agreement).

29.11 Abandonment

(A) The Project is abandoned (other than as a consequence of unsuccessful exploration activities) in whole or in part and, in the case of an abandonment of part only, this has or could reasonably be expected to have a Material Adverse Effect.

(B) Without limiting paragraph (A) above, Kosmos will be deemed to have abandoned the Project if, after Project Completion, no petroleum is produced at a commercial level for a continuous period of 180 continuous days and all necessary steps are not being diligently pursued with a view to recommencing production as soon as practicably possible.

29.12 Project Completion

Project Completion is not achieved on or before the Final Completion Date.

29.13 Expropriation

The Government (or any other official central or local government body with due authority) states officially that it will take any step with a view to the seizure, expropriation, nationalisation, requisition or compulsory acquisition of:

(A) an Obligor or the Project or all of an Obligor's rights in relation thereto; or

(B) part of the Project only or an Obligor's rights in relation thereto,

and such act has, or could reasonably be expected to have, a Material Adverse Effect.

29.14 Repudiation of Finance Documents

Any Finance Document is repudiated or rescinded by an Obligor.

29.15 Material Litigation

Any material litigation, arbitration or administrative proceedings are commenced, threatened or pending against any Obligor which could reasonably be expected to be adversely determined against it and which, if so determined, has, or would have, a Material Adverse Effect.

29.16 Breach or Termination of Project Agreements or the FPSO Agreement

Any party to a Project Agreement or the FPSO Agreement, following its execution, defaults under that Project Agreement or the FPSO Agreement or terminates a Project Agreement or the FPSO Agreement in circumstances which has, or would have, a Material Adverse Effect.

29.17 Breach of the Joint Operating Agreements

Notwithstanding clause 29.16 (*Breach or Termination of Project Agreements*), any payment default by Kosmos under the Joint Operating Agreements.

29.18 Failure to maintain Required Balance in DSRA

Each of the DSRAs does not have a balance equal to or greater than the Required Balance on or prior to 31 December 2012.

29.19 Material Adverse Effect

Any event which, in the opinion of the Majority Lenders (acting reasonably), has a Material Adverse Effect but only following consultation between the Facility Agents and Kosmos over a period of not less than 30 days with a view to agreeing steps of mitigation (each Party acting reasonably with a view to appropriate remedial action being taken).

29.20 Acceleration – all Lenders

(A) Subject to the terms of the Intercreditor Agreement, on and at any time after the occurrence of an Event of Default which is continuing, the Senior Facility Agent and/or the Junior Facility Agent, as the case may be, may, and shall if so directed by the Majority Senior Lenders or, as the case may be, the Majority Junior Lenders, by notice to the Borrower:

(i) cancel the Total Commitments whereupon they shall immediately be cancelled;

(ii) declare that all or part of the Senior Loans, or as the case may be, the Junior Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or

(iii) declare that all or part of the Senior Loans, or as the case may be, the Junior Loans be payable on demand, whereupon they shall immediately become payable on demand by the relevant Facility Agent on the instructions of the Majority Senior Lenders or, as the case may be, the Majority Junior Lenders; and/or

(iv) exercise or direct the Security Trustee to exercise any or all of its rights, remedies, powers or discretions under any of the Finance Documents.

(B) Subject to the terms of the Intercreditor Agreement, at any time a Loan is outstanding under Tranche S1, paragraph (A) above shall also apply as if all references in the said paragraph (A) above and this clause 29 (*Events of Default*) to:

(i) the "Majority Senior Lenders" were references to the "Tranche S1 Majority Lenders"; and

(ii) the "Total Commitments" were references to the "Total Tranche S1 Commitments".

(C) In the event that the Total S1 Commitments are cancelled pursuant to paragraph (B) above, any Lender may by notice to the Borrower cancel its Commitment whereupon the same shall immediately be cancelled.

29.21 Acceleration – IFC and Banks

(A) This clause 29.21 is subject to the terms of the Intercreditor Agreement.

(B) (i) After the occurrence of an IFC Acceleration Trigger Event at any time after the Relevant Standstill Period has expired and such IFC Acceleration Trigger Event is continuing, IFC may, by notice to the Borrower and the Senior Facility Agent:

(a) cancel the Senior Commitment or, as the case may be, the Junior Commitment of IFC whereupon the same shall immediately be cancelled; and/or

(b) declare that all or part of the Senior Loans under the Senior IFC Facility Agreement or, as the case may be, the Junior Loans under the Junior IFC Facility Agreement, together with accrued interest, and all other amounts accrued or outstanding under the Senior IFC Facility Agreement or, as the case may be, the Junior IFC Facility Agreement, be immediately due and payable, whereupon they shall become due and payable; and/or

(c) declare that all or part of the Senior Loans under the Senior IFC Facility Agreement or, as the case may be, the Junior Loans under the Junior IFC Facility, be payable on demand, whereupon they shall become immediately payable on demand by IFC,

provided that IFC may not take any of the above actions in relation to the Junior IFC Facility during a Deficiency Funded Period.

(ii) In the event that the Senior Facility Agent or the Junior Facility Agent takes any action under clause 29.21(C) below in relation to the Senior Bank Facility or the Junior Bank Facility, IFC shall be entitled to take equivalent action in relation to the Senior IFC Facility or, as the case may be, the Junior IFC Facility.

(C) (i) For the purposes of this clause 29.21(C), the Commitments of IFC shall be excluded in calculating the Majority Senior Lenders or the Majority Junior Lenders.

(ii) After the occurrence of a Bank Acceleration Trigger Event at any time after the Relevant Standstill Period has expired and such Bank Acceleration Event is continuing, the Senior Facility Agent (or, as the case may be, the Junior Facility Agent) may, and shall if so directed by the Majority Senior Lenders (or, as the case may be, Majority Junior Lenders), by notice to the Borrower and IFC:

(a) cancel the Senior Commitments or, as the case may be, the Junior Commitments (excluding any Commitment of IFC) whereupon they shall immediately be cancelled; and/or

(b) declare that all or part of the Senior Loans under the Senior Bank Facility Agreement or, as the case may be, the Junior Loans under the Junior Bank Facility Agreement, together with accrued interest, and all other amounts accrued or outstanding under the Senior Bank Facility Agreement or, as the case may be, the Junior Bank Facility Agreement be immediately due and payable, whereupon they shall become due and payable; and/or

(c) declare that all or part of the Senior Loans under the Senior Bank Facility Agreement or, as the case may be, the Junior Loans under the Junior Bank Facility Agreement, be payable on demand, whereupon they shall become immediately payable on demand by the Senior Facility Agent (or, as the case may be, the Junior Facility Agent) on the instructions of, as the case may be, the Majority Senior Lenders or, as the case may be, the Majority Junior Lenders,

provided that the Junior Facility Lenders shall not take (and no Junior Lender shall instruct the Junior Facility Agent to take) any of such actions during a Deficiency Funded Period.

(iii) In the event that IFC takes any action under clause 29.21 (B) in relation to the Senior IFC Facility or the Junior IFC Facility, the Senior Facility Agent (if so instructed by the Majority Senior Lenders) or, as the case may be, the Junior Facility Agent (if so instructed by the Majority Junior

Lenders) shall be entitled to take equivalent action in relation to the Senior Bank Facility or, as the case may be, the Junior Bank Facility.

29.22 Breach of Obligations in relation to FPSO

The failure to comply with any provision of clause 28.29 (*FPSO Event*) or clause 28.22 (FPSO Agreement).

PART 11
CHANGES TO LENDERS AND OBLIGORS AND ROLES

30. CHANGES TO THE LENDERS

30.1 Assignments and transfers and changes in Facility Office by the Lenders

Subject to this clause, a Lender (the "**Existing Lender**") may:

(A) (i) assign any of its rights; or

(ii) transfer by novation any of its rights and obligations,

to an Affiliate or, with the prior consent of the Borrower (such consent not to be unreasonably withheld or delayed, to an internationally recognised Qualifying Bank or such other institution as the Borrower may agree (the " **New Lender**"), or

(B) change its Facility Office.

30.2 Assignments and transfers by IFC

IFC may transfer its Commitment or its participation, in part or in whole, to any institution without the prior consent of the Borrower.

30.3 Conditions of assignment and transfer or change in Facility Office

(A) The consent of Kosmos is required for an assignment or transfer by an Existing Lender, unless the assignment or transfer is (i) to, or in favour of, another Lender or an Affiliate of a Lender, or (ii) made at a time when an Event of Default is continuing.

(B) The-consent of Kosmos is required for a change in Facility Office to a different jurisdiction. In the case of a change of Facility Office for which Kosmos's consent is not required, the Lender must notify Kosmos of the new Facility Office promptly on the change taking effect.

(C) The consent of Kosmos to an assignment or transfer or change in Facility Office must not be unreasonably withheld or delayed (and will be deemed to have been given five Business Days after the relevant Lender has requested it unless consent is expressly refused by Kosmos within that time).

(D) In the event a Letter of Credit is outstanding, transfer or assignment of a Senior Commitment shall require the prior consent of each LC Issuing Bank.

(E) An assignment will only be effective on:

(i) receipt by the relevant Facility Agent of written confirmation from the New Lender (in form and substance satisfactory to such Facility Agent) that the New Lender will assume the same obligations to the other

Finance Parties as it would have been under if it was an Original Lender, and

(ii) the New Lender entering into the documentation required for it to accede as a party to the relevant Finance Documents (including, but not limited to, the Intercreditor Agreement).

(F) A transfer will only be effective if the procedure set out in clause 30.6 (*Procedure for transfer*) is complied with.

(G) If:

(i) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and

(ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, an Obligor would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under clause 15 (*Tax Gross Up and Indemnities*) or clause 16 (*Increased Costs*),

then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred.

(H) Each New Lender, by executing the relevant Transfer Certificate confirms, for the avoidance of doubt, that the relevant Facility Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with the Finance Documents on or prior to the date on which the transfer or assignment becomes effective in accordance with this Agreement.

(I) Any assignment or transfer of part of the Existing Lender's rights and/or obligations must be a minimum of USD 5 million and must not result in the Existing Lender retaining less than USD 5 million.

30.4 Assignment or transfer fee

The New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the relevant Facility Agent (for its own account) a fee of USD 2,500.

30.5 Limitation of responsibility of Existing Lenders

(A) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

(i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;

(ii) the financial condition of any Obligor;

(iii) the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or

(iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,

and any representations or warranties implied by law are excluded.

(B) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:

(i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in the Facilities and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and

(ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

(C) Nothing in any Finance Document obliges an Existing Lender to:

(i) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this clause; or

(ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise.

30.6 Procedure for transfer

(A) Subject to the conditions set out in clause 30.3 (*Conditions of assignment and transfer or change in Facility Office*) a transfer is effected in accordance with paragraph (B) below when the relevant Facility Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The relevant Facility Agent shall, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate on behalf of the other Finance Parties and the Obligors as well as itself, and notify Kosmos of the date of the transfer and name of the New Lender. Each Finance Party and each Obligor irrevocably authorises the relevant Facility Agent to sign such a Transfer Certificate on its behalf.

(B) On the Transfer Date:

(i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents, each of the Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the "**Discharged Rights and Obligations**");

(ii) each of the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Obligor and the New Lender have assumed and/or acquired the same in place of that Obligor and the Existing Lender;

(iii) the relevant Facility Agent, each Mandated Lead Arranger, the New Lender and the other Finance Parties shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent such Finance Parties and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and

(iv) the New Lender shall become a Party as a **"Lender"**.

30.7 Copy of Transfer Certificate to Borrower

The relevant Facility Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate, send to Kosmos a copy of that Transfer Certificate.

30.8 Disclosure of information

Any Lender, its officers and agents may disclose to any of its Affiliates (including its head office, representative and branch offices in any jurisdiction) (each a "**Permitted Party**") and:

(A) to any person (or through) whom that Lender assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under this Agreement (or any adviser on a need to know basis advising such person on any of the foregoing);

(B) to a professional adviser or a service provider of the Permitted Parties on a need to know basis advising such person on the rights and obligations under the Finance Documents or to an auditor of any Permitted Party on a need to know basis;

(C) with (or through) whom that Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or any Obligor (or any

adviser of any of the foregoing on a need to know basis advising such person on the rights and obligations under the Finance Documents);

(D) to any rating agency (provided only general terms are disclosed in relation to the rating of a portfolio of assets), insurer or insurance broker, a direct or indirect provider of credit protection in respect of the Lender's participation in the Facilities only on a need to know basis;

(E) to any court or tribunal or regulatory, supervisory, governmental or quasi- governmental authority with jurisdiction over the Permitted Parties who requires disclosure of that information (where the Permitted Party has a legal obligation to provide that information or, if not, is customarily obligated or required to comply with such requirement); or

(F) to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation,

any information about any Obligor, the Group and the Finance Documents as that Lender shall consider appropriate if, in relation to paragraphs (A) to (C) above, the person to whom the information is to be given has entered into a Confidentiality Undertaking and provided that it shall itself ensure that all such information is kept confidential and is protected with security measures and a degree of care that would apply to its own confidential information.

31. CHANGES TO THE OBLIGORS

31.1 Assignments and transfers by Obligors

No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

31.2 Additional Borrowers

(A) Subject to compliance with the provisions of paragraphs (C) and (D) of clause 24.9 (*"Know your customer" and "customer due diligence" requirements*), Kosmos may request that any of its Subsidiaries becomes an Additional Borrower. That Subsidiary shall become an Additional Borrower it:

(i) the Majority Senior Lenders and the Majority Junior Lenders (or, if that Additional Borrower is incorporated in a jurisdiction in which no other Borrower is incorporated, all the Lenders) approve the addition of that Subsidiary;

(ii) the Additional Borrower is, or simultaneously becomes, a Guarantor;

(iii) Kosmos delivers to the Facility Agents a duly completed and executed Accession Letter;

(iv) Kosmos confirms that no Default is continuing or would occur as a result of that Subsidiary becoming an Additional Borrower; and

(v) the Facility Agents have received all of the documents and other evidence listed in Part III of Schedule 3 (*Conditions Precedent*) in relation to that Additional Borrower, each in form and substance satisfactory to the Facility Agents.

(B) Each Facility Agent shall notify Kosmos and the Lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it) all the documents and other evidence listed in Part III of Schedule 3 (*Conditions Precedent*).

(C) In the event that an Additional Borrower becomes a party to this Agreement

(i) Kosmos, on behalf of all Obligors;

(ii) the Senior Facility Agent on behalf of all Senior Finance Parties; and

(iii) the Junior Facility Agent on behalf of all Junior Finance Parties,

are hereby authorised to effect all amendments required to be made to the Finance Documents to which they are party to reflect the fact that there may be multiple borrowers of the Facilities.

31.3 Resignation of a Borrower

(A) Kosmos may request that a Borrower (other than Kosmos) ceases to be a Borrower by delivering to the Facility Agents a Resignation Letter.

(B) The Facility Agents shall accept a Resignation Letter and notify Kosmos and the Lenders of its acceptance if:

(i) no Default is continuing or would result from the acceptance of the Resignation Letter (and Kosmos has confirmed this is the

case); and

(ii) the Borrower is under no actual or contingent obligations as a Borrower under any Finance Documents,

whereupon that company shall cease to be a Borrower and shall have no further rights or obligations under the Finance Documents.

31.4 Additional Guarantor

(A) Subject to compliance with the provisions of paragraphs (C) and (D) of clause 24.9 (*"Know your customer" and 'customer due diligence" requirements*), the Borrower may request that any of its Subsidiaries becomes an Additional Guarantor. That Subsidiary shall become an Additional Guarantor if:

(i) Kosmos delivers to the Facility Agents an Accession Letter duly completed and executed by that Additional Guarantor and Kosmos; and

(ii) the Facility Agents have received all of the documents and other evidence listed in Part III of Schedule 3 (*Conditions Precedent*) in relation to that Additional Guarantor, each in form and substance satisfactory to the Facility Agents.

(B) Each Facility Agent shall notify Kosmos and the Lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it) all the documents and other evidence listed in Part II of Schedule 3 (*Conditions Precedent*).

31.5 Repetition of Representations

Delivery of an Accession Letter constitutes confirmation by the relevant Subsidiary that the Repeating Representations are true and correct in relation to it as at the date of delivery as if made by reference to the facts and circumstances then existing.

32. ROLE OF THE AGENTS AND THE ARRANGER

32.1 Appointment of the Agents

(A) Each other Finance Party (other than the relevant Agent) appoints each Agent to act in that capacity under and in connection with the Finance Documents.

(B) Each other Finance Party authorises each Agent to exercise the rights, powers, authorities and discretions specifically given to that Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

32.2 Duties of the Facility Agents

(A) The Facility Agents shall promptly forward to a Party (including in the case of the Senior Facility Agent forwarding to IFC (in its role as a Senior Lender) anything delivered for the Senior Lenders, and the Junior Facility Agent forwarding to IFC (in its role as a Junior Lender) anything delivered for the Junior Lenders) the original or a copy of any document which is delivered to the Facility Agent for that Party by any other Party.

(B) Except where a Finance Document specifically provides otherwise, the Facility Agents is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.

(C) If either of the Facility Agents receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Finance Parties.

(D) If either of the Facility Agents is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than to an Agent or a Mandated Lead Arranger) under this Agreement it shall promptly notify the other Finance Parties.

(E) The Facility Agents' duties under the Finance Documents are solely mechanical and administrative in nature.

32.3 Role of the Mandated Lead Arrangers

Except as specifically provided in the Finance Documents, no Mandated Lead Arranger has obligations of any kind to any other Party under or in connection with any Finance Document.

32.4 No fiduciary duties

(A) Except as specifically provided in the Finance Documents, nothing in this Agreement constitutes an Agent or a Mandated Lead Arranger as a trustee or fiduciary of any other person.

(B) No Agent nor any Mandated Lead Arranger shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

32.5 Business with the Group

Each Agent and each Mandate Lead Arranger may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

32.6 Rights and discretions of Agents

(A) Each Agent may rely on:

(i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and

(ii) any statement made by a director, Authorised Signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.

(B) Each Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:

(i) no Default has occurred (unless it has actual knowledge of a Default arising under clause 29.1 (*Non-payment*));

(ii) any right, power, authority or discretion vested in any Party or the Lenders (or any consistent majority of Lenders) has not been exercised; and

(iii) any notice or request made by Kosmos (other than a Utilisation Request) is made on behalf of and with the consent and knowledge of all the Obligors.

(C) Each Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.

(D) Each Agent may act in relation to the Finance Documents through its personnel and agents.

(E) Each Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.

(F) Notwithstanding any other provision of any Finance Document to the contrary, no Agent nor any Mandated Lead Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

32.7 Lenders' instructions

(A) Unless a contrary indication appears in a Finance Document, each Agent shall (i) exercise any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by the Lenders in accordance with this Agreement and the Intercreditor Agreement (or, if so instructed, refrain from exercising any right, power, authority or discretion vested in it as Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with such instructions.

(B) Each Agent may refrain from acting in accordance with instructions given to it by the Lenders in accordance with this Agreement and the Intercreditor Agreement until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions.

(C) In the absence of instructions in accordance with this Agreement and the Intercreditor Agreement each Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.

(D) Neither Agent is authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

32.8 Responsibility for documentation

No Agent nor any Mandated Lead Arranger:

(A) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by an Agent, a Mandated Lead Arranger, an Obligor or any other person given in or in connection with any Finance Document or the Final Information Memorandum; or

(B) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document

entered into, made or executed in anticipation of or in connection with any Finance Document

32.9 Exclusion of liability

(A) Without limiting paragraph (B) below (and without prejudice to the provisions of paragraph (E) of clause 34.11 (*Disruption to Payment Systems etc.*), no Agent shall be liable (including, without limitation, for negligence or any other category of liability whatsoever) for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.

(B) No Party (other than the relevant Agent) may take any proceedings against any officer, employee or agent of that Agent in respect of any claim it might have against it or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the relevant Agent may rely on this clause.

(C) An Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by it if that Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by it for that purpose.

32.10 Lenders' indemnity to the Agents

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify each Agent and the Technical and Modelling Bank, within three Business Days of demand, against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by it (otherwise than by reason of the relevant Agent's or Technical and Modelling Bank's gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to clause 34.11 (*Disruption to Payment Systems etc.*) notwithstanding the relevant Agent's or Technical and Modelling Bank's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the relevant Agent) in acting as an Agent or the Technical and Modelling Bank under the Finance Documents (unless the relevant Agent or the Technical and Modelling Bank has been reimbursed by an Obligor pursuant to a Finance Document).

32.11 Resignation of the Agent

(A) An Agent may resign and appoint one of its Affiliates acting through an office in the United Kingdom as successor by giving notice to the other Finance Parties and Kosmos.

(B) Alternatively, an Agent may resign by giving notice to the other Finance Parties and Kosmos, in which case the Majority Senior Lenders (or, in the case of a resigning Junior Facility Agent, the Majority Junior Lenders) (in each case with the prior written consent of Kosmos) may appoint a successor Agent.

(C) If the Majority Senior Lenders (or, as the case may be, the Majority Junior Lenders) have not appointed a successor Agent in accordance with paragraph (B) above within 30 days after notice of resignation was given, the relevant Agent may (with the prior written consent of Kosmos) appoint a successor Agent (acting through an office in the United Kingdom).

(D) A retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents. This obligation shall not apply in the event the Agent is required to resign pursuant to clause 32.11(G) below.

(E) An Agent's resignation notice shall only take effect upon the appointment of a successor.

(F) Upon the appointment of a successor, a retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this clause 32.11. Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

(G) After consultation with Kosmos, the Majority Lenders may, by notice to an Agent, require it to resign in accordance with paragraph (B) above provided that in relation to the Junior Facility Agent only the Majority Junior Lenders may by notice require the Junior Facility Agent to resign. In any such event, the relevant Agent shall resign in accordance with paragraph (B) above.

32.12 Replacement of Administrative Parties

(A) If:

(i) in relation to a Facility Agent, the Security Trustee or an LC Issuing-Bank (or their respective holding companies) clause 29.6 (*insolvency*) or clause 29.7 (*insolvency proceedings*) (disregarding paragraph (B) of that clause) applies or has occurred; or

(ii) if a Facility Agent, the Security Trustee or an LC Issuing Bank or any of their Affiliates repudiates its obligations under the Facilities or (in its capacity as Lender) becomes a Non-Funding Lender,

Kosmos shall be entitled to request that Majority Lenders appoint within 10 Business Days either a co-Agent or additional LC Issuing Bank or a replacement Agent or LC Issuing Bank from one of their number or (subject to reasonable consultation with the Parent), from outside the Lender group.

(B) Each Facility Agent, Security Trustee or LC Issuing Bank to which either of the circumstances described in (A)(i) or (A)(ii) above applies (an "**Affected Administrative Party**") shall cease to be entitled to fees in respect of its role upon becoming an Affected Administrative Party.

(C) Each Affected Administrative Party shall provide all assistance and documentation reasonably required to Kosmos and the other Lenders to enable the uninterrupted administration of the Facilities. This shall include, where the Affected Administrative Party is a Facility Agent, the provision to Kosmos on request and in any event, within five Business Days, of an up to date list of participants in the Facilities including names and contact details.

32.13 Confidentiality

(A) In acting as agent for the Finance Parties, an Agent shall be regarded as acting through its agency division or, in the case of the Technical and Modelling Bank, through the relevant division performing the role which shall be treated as a separate entity from any other of its divisions or departments.

(B) If information is received by another division or department of an Agent, it may be treated as confidential to that division or department and the relevant Agent shall not be deemed to have notice of it.

32.14 Facility Agents relationship with the Lenders

(A) The Facility Agents may treat each Lender as a Lender, entitled to payments under this Agreement and acting through its Facility Office unless it has received not less than five Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

(B) Each Lender shall supply a Facility Agent with any information required by that Facility Agent in order to calculate the Mandatory Cost in accordance with Schedule 7 (*Mandatory Cost Formulae*).

32.15 Credit appraisal by the Lenders

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to the Agents and each Mandated Lead Arranger that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

(A) the financial condition, status and nature of the Guarantor and each member of the Group;

(B) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;

(C) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or

executed in anticipation of, under or in connection with any Finance Document; and

(D) the adequacy, accuracy and/or completeness of the Final Information Memorandum and any other information provided by the Agents, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

32.16 Reference Banks

If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Facility Agents shall (in consultation with Kosmos) appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.

32.17 Deductions from amounts payable by Agents

If any Party owes an amount to an Agent under the Finance Documents, the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents, that Party shall be regarded as having received any amounts so deducted.

33. CONSULTANTS

33.1 Insurance Consultant

Kosmos and the Finance Parties hereby confirm the appointment of Moore-McNeil, LLC as Insurance Consultant, upon the terms and subject to the conditions set out in the Insurance Consultant Appointment Letter.

33.2 Technical Consultant

Kosmos and the Finance Parties hereby confirm the appointment of Shaw Consultants, Inc. as Technical Consultant upon the terms and conditions set out in the Technical and Environmental Consultant Appointment Letter.

33.3 Environmental Consultant

Kosmos and the Finance Parties hereby confirm the appointment of Shaw Consultants, Inc. as Environmental Consultant upon the terms and conditions set out in the Technical and Environmental Consultant Appointment Letter.

33.4 Reserves Consultant

Kosmos and the Finance Parties hereby confirm the appointment of Netherland Sewell & Associates, Inc. as Reserves Consultant upon the terms and conditions set out in the Reserves Consultant Appointment Letter.

33.5 Terms of appointment of Consultants

Each Party acknowledges that each of the Consultants has been appointed to act as consultant and adviser to the Finance Parties in relation to technical matters relating to the Project within its own sphere of competence. Each Finance Party acknowledges that each of the Consultants (and each replacement Consultant appointed pursuant to clause 33.6 (*Termination and replacement*)) may also act as consultant and adviser to other Parties in relation to the Project. The fees and other terms of those appointments are set out in the appointment letters between the Consultants and Kosmos, copies of which have been given to, and consented to by, the Lenders. The Facility Agents may, acting reasonably and consistently with the agreed scope of work for the relevant Consultant, request it to provide advice or services in relation to the Project.

33.6 Termination and replacement

The Facility Agents may, if it has reasonable grounds to do so and (unless an Event of Default has occurred and is continuing) has first consulted with Kosmos, at any time terminate the appointment of a Consultant if it considers it necessary or appropriate to do so, and shall promptly give notice of any such termination to Kosmos. If the Facility Agents terminate the appointment of any Consultant it may appoint as a replacement Consultant any person approved (which approval shall include the identity of the replacement, the terms of appointment and approval of the fees and expenses to be payable to that person) for this purpose by Kosmos (which approval may not be unreasonably withheld or delayed or required while an Event of Default is continuing). The terms of any such appointment shall be set out in an appointment letter between such replacement Consultant (or additional consultant as appropriate) and Kosmos.

PART 12
ADMINISTRATION, COSTS AND EXPENSES

34. PAYMENT MECHANICS

34.1 Payments to the Facility Agent

(A) On each date on which an Obligor or a Lender (apart from IFC) is required to make a payment under a Finance Document (other than any Hedging Agreement), that Obligor or Lender shall make the same available to the relevant Facility Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the relevant Facility Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.

(B) Payment shall be made to such account in London (or, as the case may be, New York) as the relevant Facility Agent specifies.

34.2 Payments to IFC

The Borrower will make payments of all amounts due to IFC under *the* Finance Documents directly to the account number specified in:

(A) clause 9.1 (*Accounts*) of the Senior IFC Facility Agreement in respect of the Senior IFC Facility; and

(B) clause 9.1 (*Accounts*) of the Junior Facility Agreement in respect of the Junior IFC Facility,

and IFC will make any payments to the Borrower, without requiring payment through the offices of the Facility Agents.

34.3 Inconvertibility Payments

(A) IFC will not be obliged to share any IFC Inconvertibility Payments.

(B) AFC will not be obliged to share any AFC Inconvertibility Payments.

34.4 Distributions by the Facility Agent

Subject to the terms of the lntercreditor Agreement, each payment received by either of the Facility Agents under the Finance Documents for another Party shall be made available by the relevant Facility Agent as soon as practicable after receipt to the Party entitled to receive payment (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to such Facility Agent by not less than five Business Days' notice with a bank in London (or, as the case may be, New York).

34.5 Clawback

(A) Where a sum is to be paid to either of the Facility Agents under the Finance Documents for another Party, such Facility Agent is not obliged to pay that sum to that other Party (or enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.

(B) If either of the Facility Agents pay an amount to another Party and it proves to be the case that such Facility Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by such Facility Agent shall on demand refund the same to such Facility Agent together with interest on that amount from the date of payment to the date of receipt by such Facility Agent, calculated by such Facility Agent to reflect its cost of funds.

34.6 Partial Payments

If such Facility Agent receives a payment for application against amounts due in respect of any Finance Documents that is insufficient to discharge all the amounts then due and payable by an Obligor under those Finance Documents, such Facility Agent shall apply that payment towards the obligations of that Obligor under those Finance Documents in accordance with the Cash Waterfall. This clause will override any appropriation made by an Obligor.

34.7 No set-off by Obligors

All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

34.8 Business Days

(A) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar

month (if there is one) or the preceding Business Day (if there is not).

(B) During any extension of the due date for payment of any principal or Unpaid Sum under the Finance Documents, interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

34.9 Currency of account

(A) Subject to paragraphs (B) to (E) below, the base currency is the currency of account and payment for any sum due from an Obligor under any Finance Document (**"Base Currency"**).

(B) A repayment of a Utilisation or Unpaid Sum or a part of a Utilisation or Unpaid Sum shall be made in the currency in which that Utilisation or Unpaid Sum is denominated on its due date.

(C) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.

(D) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.

(E) Any amount expressed to be payable in a currency other than the Base Currency shall be paid in that other currency.

34.10 Change of currency

(A) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:

(i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the relevant Facility Agent acting reasonably (after consultation with Kosmos); and

(ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the relevant Facility Agent (acting reasonably).

(B) If a change in any currency of a country occurs, the Parties will enter negotiations in good faith with a view to agreeing any amendments which may be necessary to this Agreement to comply with any generally accepted conventions and market practice in the London interbank market and otherwise to reflect the change in currency.

34.11 Disruption to Payment Systems etc.

If either of the Facility Agents determine (acting reasonably) that a Disruption Event has occurred or either of the Facility Agents is notified by Kosmos that a Disruption Event has occurred:

(A) the Facility Agents may, and shall if requested to do so by Kosmos, consult with Kosmos with a view to agreeing with Kosmos such changes to the operation or administration of the Facilities (including, without limitation, changes to the timing and mechanics of payments due under the Finance Documents) as the Facility Agents may deem necessary in the circumstances;

(B) the Facility Agents shall not be obliged to consult with Kosmos in relation to any changes mentioned in paragraph (A) above if, in its reasonable opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;

(C) the Facility Agents may consult with the Finance Parties in relation to any changes mentioned in paragraph (A) above but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;

(D) any such changes agreed upon by the Facility Agents and Kosmos shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of clause 41 *(Amendments and Waivers);*

(E) the Facility Agents shall not be liable for any damages, costs or losses whatsoever (including, without limitation for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of such Facility Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this clause; and

(F) the Facility Agents shall notify the Finance Parties of all changes agreed pursuant to paragraph (D) above.

35. SET-OFF

Subject to the terms of the Intercreditor Agreement and without prejudice to the rights of the Finance Parties at law, at any time after an Event of Default has occurred which is continuing, a Finance Party (other than a Non-Funding Lender) may, on giving notice to the Obligor, set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

36. COSTS AND EXPENSES

36.1 Transaction expenses

Kosmos shall within fifteen Business Days of demand, pay the Facility Agents and each Mandated Lead Arranger the amount of all costs and expenses (including legal fees) reasonably incurred by any of them in connection with:

(A) the negotiation, preparation, printing, and execution of:

(i) this Agreement and any other documents referred to in this Agreement; and

(ii) any other Finance Documents executed after the date of this Agreement;

(B) the appointments of the Consultants.

36.2 Amendment costs

If:

(A) an Obligor requests an amendment, waiver or consent; or

(B) an amendment is required pursuant to clause 34.10 (*Change of currency*),

Kosmos shall, within fifteen Business Days of demand, reimburse the Facility Agents for the amount of all costs and expenses (including legal fees) reasonably incurred by the Facility Agents in responding to, evaluating, negotiating or complying with that request or requirement.

36.3 Enforcement costs

Kosmos shall, within five Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement or attempted enforcement of, or the preservation of any rights under, any Finance Document.

37. NOTICES

37.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

37.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

(A) in the case of the Obligors, that identified with its name below;

(B) in the case of each Lender or any other Initial Obligor, that notified in writing to the relevant Facility Agent on or prior to the date on which it becomes a Party; and

(C) in the case of an Agent, that identified with its name below,

or any substitute address or fax number or department or officer as the Party may notify to the relevant Facility Agent (or the relevant Facility Agent may notify to the other Parties, if a change is made by such Facility Agent) by not less than five Business Days' notice.

Contact details of the Obligors:

To:

P.O. Box 32322
4th Floor Century Yard
Cricket Square
Elgin Avenue
Georgetown
Grand Cayman
KY1 – 1209
Cayman Islands

Fax: +1 345 946 4090

Attention: W. Greg Dunlevy

Copy:

c/o Kosmos Energy LLC
8176 Park Lane
Suite 500
Dallas
Texas 75231
USA

Fax: +1 214 445 9709

Attention: William S. Hayes

Contact details of the Senior Facility Agent:

To:

1 Basinghall Avenue
EC2V 5DD
London, UK

Fax: +4420 78851670

Attention: Aimee Flynn
Michelle Goodridge

Contact details of the Junior Facility Agent:

To:

16 rue de Hanovre
75078 Paris
Cedex 02

Fax: +331 4298 1144

Attention: Olivier Waman
Marina Palayret

37.3 Delivery

(A) Subject to clause 37.5 (*Electronic communication*), any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:

(i) if by way of fax, when received in legible form; or

(ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post with postage prepaid in an envelope addressed to it at that address;

and, if a particular department or officer is specified as part of its address details provided under clause 37.2 (*Addresses*), if addressed to that department or officer.

(B) Any communication or document to be made or delivered to either of the Facility Agents will be effective only when actually received by the relevant Facility Agent and then only if it is expressly marked for the attention of the department or officer identified with the relevant Facility Agent's signature below (or any substitute department or officer as the relevant Facility Agent shall specify for this purpose).

(C) All notices from or to an Obligor shall be sent through the relevant Facility Agent.

(D) Any communication or document made or delivered to Kosmos in accordance with this clause will be deemed to have been made or delivered to each of the Obligors.

37.4 Notification of address and fax number

Promptly upon receipt of notification of an address or fax number or change of address or fax number pursuant to clause 37.2 *(Addresses)* or changing its own address or fax number, the relevant Facility Agent shall notify the other Parties.

37.5 Electronic communication

(A) Any- communication to be made between the relevant Facility Agent and a Lender under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the relevant Facility Agent and the relevant Lender:

(i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;

(ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

(iii) notify each other of any change to their address or any other such information supplied by them.

(B) Any electronic communication made between the relevant Facility Agent and a Lender will be effective only when actually received in readable form and in the case of any electronic communication made by a Lender to such Facility Agent

only if it is addressed in such a manner as such Facility Agent shall specify for this purpose.

37.6 English language

(A) Any notice given under or in connection with any Finance Document must be in English.

(B) All other documents provided under or in connection with any Finance Document must be:

(i) in English; or

(ii) if not in English, and if so required by either of the Facility Agents, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

38. CALCULATIONS AND CERTIFICATES

38.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are prima facie evidence of the matters to which they relate.

38.2 Certificates and determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest or proven error, prima facie evidence of the matters to which it relates.

38.3 Day count-convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days.

39. PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

40. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents 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. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

41. AMENDMENTS AND WAIVERS

41.1 Required consents

(A) Subject to clause 41.2 *(Exceptions)* and to paragraph (C) below, any term of the Finance Documents (other than a waiver of a Condition Precedent or a Condition Subsequent, which shall be made pursuant to clause 2.4 *(Waivers of Conditions Precedent)* may be amended or waived only with the consent of the Majority Lenders and the Obligors and any such amendment or waiver will be binding on all Parties.

(B) The Facility Agents may effect, on behalf of any Finance Party, any amendment or waiver permitted by this clause.

(C) Notwithstanding the terms of this Clause 41, in relation to an amendment, variation or waiver of the terms of the Intercreditor Agreement or the Security Documents, the terms of the Intercreditor Agreement shall prevail.

41.2 Exceptions

(A) The following may not be effected without the consent of all the Lenders.

(i) amending any of the definitions of **"Majority Lenders"** and/or **"Super Majority Lenders"**;

(ii) amending any of the definitions of **"Majority Junior Lenders"** and/or **"Super Majority Junior Lenders"**;

(iii) amending any of the definitions of **"Majority Senior Lenders"**, **"Tranche S1 Majority Lenders"** and/or **"Super Majority Senior Lenders"**;

(iv) amending, varying or waiving clause 4 *(Finance Parties' Rights and Obligations)* of this Agreement and/or any other term of any Finance Document which relates to the rights and/or obligations of each Finance Party being several;

(v) varying the date for, or altering the amount or currency of, any payment to Lenders under the Finance Documents;

(vi) increasing or extending the Commitment of a Lender;

(vii) amending varying or waiving a term of any Finance Document which expressly requires the consent of all the Lenders; or

(viii) amending, varying or waiving this clause.

(B) An amendment, variation or waiver of clause 34.3 *(Inconvertibility Payments)* may not be effected without the consent of both IFC and AFC;

(C) In relation to a Utilisation of a Junior Facility made otherwise than during a Deficiency Funded Period, the conditions referred to at paragraphs (A) to (E) of clause 2.3 *(Conditions Precedent to each Utilisation)* may only be waived with the consent of the Junior Facility Agent acting on the instructions of the Majority Junior Lenders.

(D) In relation to an Utilisation of Tranche S1 made prior to the Satisfaction Date, the conditions referred to at paragraphs (A) to (E) of clause 2.3 *(Conditions Precedent to each Utilisation)* may only be waived with the consent of the Senior Facility Agent acting on the instructions of the Tranche S1 Majority Lenders.

(E) An amendment, of clause 19.6 *(Forecast Prior to Project Completion)* to reduce the figure of 1.5 or the figure of 1.3 may not be effected without the consent of the Majority Senior Lenders and Majority Junior Lenders.

(F) An amendment or waiver which relates to the rights or obligations of an Agent, an LC Issuing Bank or an Account Bank may not be effected without the consent of that Agent, LC Issuing Bank or an Account Bank.

(G) An amendment or waiver which relates to clause 21.2 (*Withdrawals – No Default Outstanding*) or clause 25 (*Guarantee and Indemnity*) and the rights or obligations of a Hedging Counterparty may not be effected without the consent of each Hedging Counterparty.

(H) An amendment or waiver which relates to the priority of the Junior Lenders under the Cash Waterfall or the percentage of funds available for a Cash Sweep for the Junior Facilities under clause 10.6 (*Cash Sweep*), may not be effected without the consent of the Junior Lenders.

(I) If a Lender (i) becomes a Non-Funding Lender or (ii) does not accept or reject a request for an amendment, waiver, consent or approval within fifteen Business Days (or such longer period as Kosmos may specify) of such request being made, that Lender's Commitment shall not be included for the purposes of calculating Total Commitments under the relevant Facility when ascertaining whether a certain percentage of Total Commitments has been obtained to approve the amendment, waiver, consent or approval, provided that (other than in the case of (i) above) no more than 25 per cent. of Lender votes (by Commitment) may be disregarded in such a way.

41.3 Exclusions

Subject to clause 41.2 *(Exceptions),* if a Lender does not accept or reject a request for an amendment or waiver within ten Business Days of receipt of such request (or such longer period as Kosmos and the Facility Agents may agree), or abstains from accepting or rejecting a request for an amendment or waiver, or if the Lender is a Non Funding Lender, its Commitments shall not be included for the purpose of calculating the Total

Senior Commitments, Total Junior Commitments or, as the case may be, Total Commitments when ascertaining whether the consent of a Lender or Lenders whose Commitments aggregate more than the required percentage of the Total Senior Commitments, Total Junior Commitments or, as the case may be, Total Commitments has been obtained in respect of such request.

41.4 Disenfranchisement of Shareholder Affiliates

Notwithstanding any other provisions of this Agreement, for so long as a Shareholder Affiliate is a Lender and/or to the extent that a Shareholder Affiliate beneficially owns a Commitment or has entered into a sub-participation agreement relating to a Commitment or other agreement or arrangement having a substantially similar economic effect and such agreement or arrangement has not been terminated, such Shareholder Affiliate shall not be entitled to exercise any rights to vote as Lender in respect of any matters requiring decision by the Lenders under the terms of this Agreement or any of the Finance Documents. Each such Shareholder Affiliate acknowledges and agrees that:

(A) in the event that a matter requires decision by one or more Lenders under this Agreement or any of the Finance Documents,

(i) the Commitment of such Shareholder Affiliate and any associated participation of such Shareholder Affiliate in a Loan shall be deemed to be zero; and

(ii) such Shareholder Affiliate shall be deemed not to be a Senior Lender (in the case of a Senior Commitment) or a Junior Lender (in the case of a Junior Commitment);

(B) in relation to any meeting or conference call to which all or any number of Lenders are invited to attend or participate, it shall not attend or participate in the same if so requested by the Facility Agents or, unless the Facility Agents otherwise agree, be entitled to receive the agenda or any minutes of the same; and

(C) it shall not, unless the Facility Agents otherwise agree, be entitled to receive any report or other document prepared at the behest of, or on the instructions of, the Facility Agents or one or more of the Lenders.

42. COUNTERPARTS

(A) This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each Party has executed at least one counterpart.

(B) Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute one and the same instrument.

PART 13
GOVERNING LAW AND ENFORCEMENT

43. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with English law.

44. JURISDICTION

44.1 Submission

The parties hereby irrevocably agree for the exclusive benefit of the Secured Parties that the courts of England shall have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a **"Dispute"**).

44.2 Forum convenience

The parties hereby irrevocably agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly irrevocably agree not to argue to the contrary.

44.3 Concurrent jurisdiction

This clause 44.3 is for the benefit of the Secured Parties only. As a result, no Secured Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Secured Parties may take concurrent proceedings in any number of jurisdictions.

45. SERVICE OF PROCESS

(A) Without prejudice to any other mode of service allowed under any relevant law, each of the Obligors:

(i) irrevocably appoints Trusec Limited of 2 Lambs Passage, London EC1Y 8BB (the **"Process Agent")** as its agent for service of process in relation to any Dispute before the English courts in connection with any Finance Document;

(ii) irrevocably agrees that any Service Document may be sufficiently and effectively served on it in connection with any Dispute in. England and Wales by service on the Process Agent (or any replacement agent appointed pursuant to paragraph (B) of this clause 45 (*Service of Process*); and

(iii) irrevocably agrees that failure by a process agent to notify the relevant Obligor of the process will not invalidate the proceedings concerned.

(B) If the agent referred to in paragraph (A) of this clause 45 (or any replacement agent appointed pursuant to this paragraph (B)) at any time ceases for any

reason to act as such, as the case may be, each Obligor shall as soon as reasonably practicable appoint a replacement agent to accept service having an address for service in England or Wales and shall notify the Facility Agents of the name and address of the replacement agent; failing such appointment and notification, the agent referred to in paragraph (A) of this clause 45 (or any replacement agent appointed pursuant to this paragraph (B)) shall continue to be authorised to act as agent for service of process in relation to any proceedings before the English courts on behalf of the relevant party and shall constitute good service.

(C) Any document addressed in accordance with clause 45 paragraph (A) shall be deemed to have been duly served it:

(i) left at the specified address, when it is left; or

(ii) sent by first class post, two clear Business Days after posting.

(D) For the purposes of this clause 45, **"Service Document"** means a writ, summons, order, judgment or other document relating to or in connection with any Dispute. Nothing contained herein shall affect the right to serve process in any other manner permitted by law.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

Schedule 1
The Initial Obligors

The Original Borrowers

Name	Jurisdiction of Incorporation	Registered Number
Kosmos Energy Finance	Cayman Islands	225882

The Original Guarantors

Name	Jurisdiction of Incorporation	Registered Number
Kosmos Energy Ghana HC	Cayman Islands	135710
Kosmos Energy Development	Cayman Islands	225879
Kosmos Energy Finance	Cayman Islands	225882

Schedule 2
The Original Lenders

Original Senior Lender	Senior Commitment (USD million)		Tranche S1 Commitment
	Senior Bank Facility	Senior IFC Facility	
	(USD million)	(USD million)	(USD million)
Standard Chartered Bank	189	—	175
BNP Paribas SA	90	—	50
Société Générale	100	—	—
Calyon	50	—	—
Absa Bank Limited	75	—	—
Barclays Capital PLC	26	—	—
Africa Finance Corporation	10	—	10
Cordiant Emerging Loan Fund III, LLP.	10	—	—
International Finance Corporation	—	50	50
Credit Suisse International	75	—	—
Total	625	50	285

Original Junior Lender	Junior Commitment (USD million)	
	Junior Bank Facility (Tranche J2)	Junior IFC Facility (Tranche J1)
	(USD million)	(USD million)
Standard Chartered Bank	50	—
BNP Paribas SA	10	—

Africa Finance Corporation	40	—
International Finance Corporation	—	50
Total	100	50

Schedule 3
Conditions Precedent

Part I

Conditions Precedent To Initial Utilisation

1. Provision of each of the following Finance Documents, duly executed by each of the parties to them (subject, in the case of the relevant Security Document, to the Lenders having agreed to the requirements of subordination in relation to any Security created in respect of a Project Agreement):

(i) this Agreement;

(ii) the Senior Facility Agreement;

(iii) the IFC Senior Facility Agreement;

(iv) the Junior Facility Agreement;

(v) the IFC Junior Facility Agreement;

(vi) any Intercompany Loan Agreement;

(vii) the Definitions Agreement;

(viii) the Offshore Project Accounts Agreement;

(ix) the KEF Offshore Project Accounts Agreement;

(x) the Onshore Project Accounts Agreement;

(xi) the -Intercreditor Agreement;

(xii) to the extent the Original Borrower is utilising the Facility simultaneously with signing of this Agreement, the Utilisation Request in respect of utilisation of Tranche S1;

(xiii) the Charge over Shares in the Original Borrower;

(xiv) the Charge over Shares in KEG;

(xv) the Charge over Shares in KED;

(xvi) the KEF Offshore Security Assignment;

(xvii) the KED Offshore Security Assignment;

(xviii) the Senior Facility Agent Fee Letter;

(xix) the S1 front end and incentive Fee Letter;

(xx) the Junior Facility Agent Fee Letter;

(xxi) the Tranche S2 (excluding IFC) and Tranche J2 front end and incentive Fee Letter;

(xxii) the Lead Technical and Modelling Bank Fee Letter;

(xxiii) the Co-Technical and Modelling Bank Fee Letter;

(xxiv) the IFC portfolio supervision Fee Letter;

(xxv) the IFC Tranche S1 front end Fee Letter;

(xxvi) the IFC Tranche J1 front end Fee Letter;

(xxvii) the Hedging Coordinator Bank Fee Letter;

(xxviii) the Security Trustee Fee Letter; and

(xxix) the Deed of Acknowledgement and Release.

2. Provision of the Assignments (as defined in clause 28.27 (*Due execution of security assignments*)) duly executed by KEG (subject to execution by or on behalf of the Finance Parties in accordance with clause 28.27 (*Due execution of security assignments*)).

3. Provision of certified copies of each Obligor's constitutional documents, certificates of incorporation (or equivalent), registers of shareholders and corporate resolutions authorising entry into and performance of the Finance Documents to which they are a party.

4. Receipt by the Facility Agents of appropriate legal opinions from Clifford Chance LLP, Walkers LLP, Reindorf Chambers, Maples & Calder, Thompson & Knight and Bentsi-Enchill, Letsa & Ankomah and legal due diligence reports from Clifford Chance LLP and Reindorf Chambers on the Project Agreements.

5. Final Reports and/or letters issued by the Consultants in a form satisfactory to the Lenders, including in respect of the Technical Consultant's Final Report, certification that the amount of Sponsor Base Equity contributed (showing the split between exploration costs and all other Project Costs) is not less than USD 375 million.

6. Provision of confirmation from the Insurance Consultant that all Agreed Insurances (other than with respect to the other Lender endorsements which have not been evidenced at this time, to the extent that agreement with the relevant insurers is pending at the date such confirmation is given and is not expected to be unreasonably withheld) required to be implemented on the date of the confirmation are in place and are in full force and effect (such evidence may be in the form of a cover note from the relevant

brokers) and if copies of such insurance policies are available on the date of Financial Close such copies shall be supplied.

7. Provision of certified copies of all Project Agreements (excluding the UUOA) in place on the proposed first Utilisation Date.

8. The initial Hedging Policy.

9. Evidence that each Project Account has been opened.

10. An oil benchmark and updated marketing study has been provided.

11. Provision of certified copies of the account mandates relating to any Distribution Reserve Account.

12. A certified copy of each of the Obligors original accounts.

13. The original notices of assignment or charge to be given under the Security Documents (excluding the Deed of Reinsurance Assignment) duly signed on behalf of each relevant Obligor.

14. A certified copy of the register of shareholders of each of the Obligors.

15. Share certificates (if any) in relation to each Obligor, together with stamped, executed blank stock transfers in favour of the Security Trustee or other relevant transfer documents in relation to all those shares.

16. A copy of the irrevocable payment instructions in the Agreed Form from Kosmos instructing the Account Bank to transfer all outstanding amounts due to the Finance Parties under the Fee Letters (i) on the date falling three Business Days following the Signing Date, (ii) after exercise of the cancellation option in clause 10.8(A) and (iii) on the date falling five Business Days following the Utilisation of the Tranche S1, as relevant.

17. The Marketing Policy:

18. Evidence that the process agent specified in clause 45 (Service of Process) has accepted its appointment in relation to KEG, the Original Borrower and KED.

19. Provision of either:

(A) a certified copy of the consents from the Government and GNPC to the granting of the security contemplated by the Security Documents;

OR

(B) an alternative security package in relation to the granting of security for the benefit of the Finance Parties that is evidenced by the following documents in each case in form and substance satisfactory to the Facility Agents and IFC:

(i) for each of KEO and KEI certified copies of the certificate of incorporation (and any change of name certificates), memorandum and articles of association and register of members;

(ii) a certified copy of a corporate structure chart of KEH and its relevant subsidiaries immediately prior to and after the transfer of shares held by KEH in the capital of each of Longhorn, KEI, KECI, KECM and KEM to KEO;

(iii) a certified copy of the register of members for each of KEI, KECI, KECM Longhorn and KEM evidencing that each of such entities is a wholly owned subsidiary of KEO;

(iv) a certified copy of corporate resolutions of KEO authorising entry into and performance of the Charge over Shares in KEO, the KEI and KEO Offshore Security Assignment, the Accession and Amendment Letter and the Accession and Amendment Deed;

(v) a certified copy of corporate and supermajority holder resolutions of KEH approving entry into and performance of the Charge over Shares in KEO, the Accession and Amendment Deed, and the Accession and Amendment Letter;

(vi) a certified copy of corporate resolutions of KEI approving entry into and performance of the Accession and Amendment Deed, the Accession and Amendment Letter and the KEI and KEO Offshore Security Assignment;

(vii) a certified copy of corporate resolutions of each of KED, KEF and KEG approving entry into and performance of the Accession and Amendment Letter and the Accession and Amendment Deed;

(viii) a duly executed copy of the Charge over Shares in KEO;

(ix) share certificates (if any) in relation to KEO, together with a stamped, executed, blank stock transfer in favour of the Security Trustee or other relevant transfer documents in relation to all of the issued shares in the capital of KEO (to be provided pursuant to the terms of the Charge over Shares in KEO);

(x) a duly executed Accession and Amendment Deed;

(xi) a duly executed Accession and Amendment Letter;

(xii) a duly executed KEI and KEO Offshore Security Assignment;

(xiii) a legal opinion from Maples and Calder as to Cayman Islands law in relation to (a) the due incorporation and limited liability status of KEH, (b) the due capacity, authority and execution by KEH of the Charge over Shares in KEO, the Accession and Amendment Letter and the Accession and Amendment Deed; (c) the validity, legality and enforceability of the Charge over Shares in KEO, the Accession and Amendment Letter and the Accession and Amendment Deed in respect of KEH.

(xiv) a legal opinion from Thompson & Knight as to New York law in relation to the capacity of KEH to execute the Charge over Shares in KEO, the Accession and Amendment Letter and the Accession and Amendment Deed;

(xv) a legal opinion from Walkers, Cayman Islands as to Cayman Islands law in relation to (a) the due incorporation and limited liability status of KEO, Longhorn, KECI, KECM, KEM, KED, KEF and KEG; (b) the due capacity, authority and execution by KEO, KED, KEF, KEG and KEI of the Accession and Amendment Deed, by KEO of the Charge over Shares in KEO, by KEI, KED, KEF, KEG and KEO of the Accession and Amendment Letter, (c) the validity, legality and enforceability of the Accession and Amendment Deed, the Accession and Amendment Letter in respect of KEO, KEI, KEF, KEG and KED and the Charge over Shares in KEO in respect of KEO;

(xvi) a legal opinion from Clifford Chance LLP as to English law in relation to the validity and enforceability of the Charge over Shares in KEO, the Accession and Amendment Letter and the KEI and KEO Offshore Security Assignment;

(xvii) a legal opinion from Reindorf Chambers, Ghana as to Ghanaian law in connection with the Charge over Shares in KEO;

(xviii) a legal opinion from Bentsi-Enchill, Letsa & Ankomah, Ghana as to Ghanaian law in connection with the Charge over Shares in KEO;

(xix) process agent letters confirming that the process agent referred to in clause 45 of the CTA has accepted its appointment in relation to (a) KEH to reflect its accession to the Definitions Agreement and its entry into the Charge over Shares in KEO, (b) KEO, to reflect its accession to the Definitions Agreement, its entry into the KEI and KEO Offshore Security Assignment and the Charge over Shares in KEO and (c) KEI, to reflect its entry into the KEI and KEO Offshore Security Assignment.

Part II

Conditions Subsequent

1. Confirmation that the aggregate Commitments under the Senior Facilities are at least USD 600 million and that the aggregate Commitments under the Junior Facilities are at least USD 150 million.

2. Deposit by Kosmos or by the Account Bank pursuant to the Utilisation Request delivered by Kosmos in respect to Tranche S2, of the Stamp Duty Reserve Amount in the Stamp Duty Reserve Sub-Account.

3. Provision of a certificate (in a form satisfactory to the Facility Agents) from Kosmos that all Required Approvals (except (i) any necessary consents from the Government and from the GNPC to the Security contemplated by the Security Documents (to the extent that such consents have not been obtained) and (ii) except to the extent already provided as a Condition Precedent under paragraph 19 of Part I of this Schedule) on the date of the proposed utilisation have been obtained. Copies of all such Required Approvals shall also be provided to the Facility Agent.

4. Provision of a certified copy of the UUOA in place, or, if not, the Borrower satisfies the Lead Technical and Modelling Bank and the Technical Consultant (each acting reasonably) that the Project can be implemented and carried out in a manner which is consistent in all material respects with the requirements of the Phase 1 Plan of Development for the Jubilee Field and in accordance in all material respects with the Project Agreements.

5. Confirmation from the Borrower that all Project Agreements and Material Contracts (other than the FPSO Agreement) have been executed and any conditions precedent have been satisfied. Provision of certified copies of all such Project Agreements and Material Contracts (other than the FPSO Agreement).

6. Provision of an update to the final Project Model and the Forecast (including a satisfactory sources and uses statement taking account of Sponsor Equity contributed prior to the Satisfaction Date and used to meet Project Costs (other than exploration costs) as certified by the Technical Consultant) prepared as at the Satisfaction Date as required and as agreed by the Technical and Modelling Bank and the Borrower (each acting reasonably), taking into account any hedging to be implemented under the Hedging Policy following the Satisfaction Date and satisfaction of each of the Financial Covenants as at that date.

7. An audit of the Project Model satisfactory to the Lenders prepared by the Model Auditor.

8. USD 50 million has been deposited, or shall be deposited by the Account Bank pursuant to the Utilisation Request delivered by Kosmos in respect of Tranche S2, into the Reserve Equity Account.

9. Provision of the following documents in form and substance satisfactory to the Facility Agents:

(A) Reliance letters addressed to and for the benefit of the Additional S2 Lender executed by Maples and Calder, Thompson & Knight, Walkers (Cayman Islands), Clifford Chance, Bentsi Enchill and Reindorf Chambers in relation to their respective legal opinions issued pursuant to paragraph 4 of Part I of Schedule 3 (*Conditions Precedent*) and pursuant to sub-paragraphs (xiii), (xiv), (xv), (xvi), (xvii) and (xviii) of paragraph 19(B) of Part I of Schedule 3 (*Conditions Precedent*);

(B) Appropriate legal opinions addressed to the Facility Agents from Clifford Chance LLP, Walkers (Cayman Islands), Maples and Calder and Thompson & Knight in relation to the Fourth Amendment Letter concerning the amendments to the CTA and Definitions Agreement contemplated therein.

(C) Certificates from authorised signatories of each of KEG, KEF, KED, KEI, KEO and KEH confirming that there have been no changes to (i) the constitutional documents and certificates of incorporation and (ii) the corporate resolutions provided pursuant to paragraphs 3 and 19(B) of Part I of Schedule 3 (*Conditions Precedent*) from the date on which such documents were delivered pursuant to such provisions and the date of the Fourth Amendment Letter except, in the case of (ii), to the extent that such corporate resolutions have been amended or supplemented by the corporate resolutions provided pursuant to paragraph (D) below).

(D) Certified copies of corporate resolutions from each of KEG, KEF, KED, KEI, KEO and KEH authorising its entry into and performance of the Fourth Amendment Letter and the amendments to the CTA and Definitions Agreement contemplated therein.

(E) Reliance letters addressed to the Additional S2 Lender from Clifford Chance LLP and Reindorf Chambers in relation to the legal due diligence reports provided by them pursuant to paragraph 4 of Part I of Schedule 3 (*Conditions Precedent*).

10. The Borrower has completed and delivered the ESER and the Action Plan.

11. NOT USED.

12. Delivery of letters of appointment of each Consultant addressed to the Facility Agent.

13. An update of the oil benchmark and updated marketing study, as referred to in paragraph 10 of Part I of Schedule 3, reflecting the relevance of the oil assay made in the Mahogany-2 well in relation to the projected future production from the Project and providing details of the tests that shall be undertaken in respect of the oil from the Mahogany-1 well.

14. Provision of an amended Hedging Policy (in the Agreed Form and initialled by the Borrower and/or KEG and the Facility Agents) and a certificate from Kosmos certifying that all hedging arrangements required on the Satisfaction Date (including, for the avoidance of doubt, any procedure for the interest rate hedging and, to the extent

required pursuant to the Hedging Policy, implementation of the relevant trade) are in place and in full force and effect.

15. All taxes payable in respect of registration of security having been paid exc ept in relation to stamp duty and registration of the Assignments.

16. The Schedule of Insurances.

17. To the extent not already provided as a Condition Precedent under paragraph 6 of Part I of this Schedule, provision of confirmation from the Insurance Consultant that the required Lenders endorsements of the Schedule of Insurances which were not evidenced as a Condition Precedent.

Part Ill

Conditions Precedent Required to be Delivered by an Additional Obligor

1. Provision of an Accession Letter, duly executed by the Additional Obligor and the Borrower.

2. Provision of a Deed of Subordination in respect of any Financial Indebtedness of such Additional Obligor and a deed, duly signed on behalf of the Additional Obligor and each other Obligor, the Sponsor and KEI, substantially in the form of the Deed of Acknowledgment and Release.

3. Provision of certified copies of the Additional Obligor's constitutional documents and certificates of incorporation (or equivalent).

4. A copy of a resolution of the board of directors of the Additional Obligor approving the terms of, and the transactions contemplated by, the Accession Letter and the Finance Documents and resolving that one or more specified persons execute the Accession Letter and any other documents and notices in connection with the Finance Documents.

5. A specimen signature of each person authorised to execute the Accession Letter and any other documents and notices in connection with the Finance Documents.

6. A certificate of the Additional Obligor (signed by a director) confirming that borrowing or guaranteeing or securing, as appropriate, the Total Commitments would not cause any borrowing, guarantee, security or similar limit binding on it to be exceeded.

7. A certificate of an Authorised Signatory of the Additional Obligor certifying that each copy document listed in this Part III of Schedule 3 is correct, complete and in full force and effect as at a date no earlier than the date of the Accession Letter.

8. A copy of any other Authorisation or other document, opinion or assurance which the Facility Agents considers to be necessary or desirable in connection with the entry into and performance of the transactions contemplated by the Accession Letter or for the validity and enforceability of any Finance Document.

9. If available, the latest audited financial statements of the Additional Obligor.

10. Receipt by the Facility Agents of any appropriate legal opinions.

11. If the proposed Additional Obligor is incorporated in a jurisdiction other than England and Wales, evidence that the process agent specified in clause 45 (*Service of Process*), if not an Obligor, has accepted its appointment in relation to the proposed Additional Obligor.

Schedule 4
Form of Facility Increase Request Notice

From: Kosmos Energy Finance (the **"Borrower"**)

To: [●] (the **"Senior Facility Agent"**)

Dated:

Dear Sirs

Kosmos Energy Finance — Common Terms Agreement
dated [ ] (the "Agreement")
and Senior Bank Facility Agreement and Senior IFC Facility Agreement
dated the same date (the "Senior Facility Agreement")

1. We refer to the Agreement and the Senior Facility Agreements. This is a Facility Increase Request Notice. Terms defined in the Definitions Agreement relating to the Agreement have the same meaning in this Facility Increase Request Notice unless given a different meaning in this Facility Increase Request Notice.

2. Following a Forecast produced on [*insert date*], the Borrowing Base Amount has increased to [*insert new amount*]. Accordingly, pursuant to clause[ ] [(*Increases in the Available Senior Bank Commitment*)] of the Agreement, we hereby request that the Lenders consider increasing the Total Senior Facilities Amount as set out below:

	Current amount	Requested amount
Total Senior Facilities Amount	[*X*]	[*Y*]
Available Senior Commitment	[*A*]	[*B*]

3. We kindly ask that you confirm as soon as practicable (but in any event *no later than* 45 days following the date of this Facility Increase Request Notice) whether all of the Senior Lenders agree to the requested increases detailed in paragraph 2 above (including by way of conversion of Commitments under the Junior Facility), and if so, to provide details of:

   (a) the margin that would be applicable if the Total Facility Amount and the Available Commitment under the Senior Facilities was so increased;

   (b) the fees (if any) payable by Kosmos to the Senior Lenders in consideration for agreeing to such increases

   (c) the names of any Lenders who wish to convert their Junior Facilities Commitments and the amount of any conversion; and

(d) the amount of additional Commitment each Senior Lender would be prepared to provide to Kosmos.

Yours faithfully

Authorised Signatory for
Kosmos Energy Finance

Schedule 5
Utilisation Requests

Part I
Loans

From: Kosmos Energy Finance (the **"Borrower"**)

To: [●] (the **"Facility Agent"**)

Copy: International Finance Corporation

[*Name of the other Facility Agent*]

Dated:

Dear Sirs

Kosmos Energy Finance — Common Terms Agreement
dated [ ] (the "Agreement")
and the [Senior Bank Facility Agreement and the Senior IFC Facility Agreement] /
[Junior Bank Facility Agreement and the Junior IFC Facility Agreement] dated
the same date (the "Facility Agreements")

1. We refer to the Agreement and the Facility Agreements. This is a Utilisation Request in respect of a Utilisation under [Tranche S1 of] the [Senior Bank Facility and the Senior IFC Facility] [Junior Bank Facility and the Junior IFC Facility]. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2. We wish to borrow a Loan under [Tranche S1 of] the [Senior Bank Facility and the Senior IFC Facility] / [Junior Bank Facility and the Junior IFC Facility] on the following terms:

Proposed Utilisation Date:	[ ] (or, if that is not a Business Day, the next Business Day)
[Senior Bank Facility[, Tranche S1] / [Junior Bank Facility] Amount:	[ ] under or, if less, the Total Available [Senior Bank] / [Junior Bank]Commitment
[Senior IFC Facility] / [Junior IFC Facility] Amount:	[ ] under or, if less, the Total Available [Senior IFC] / [Junior IFC]Commitment
Amount attributable to Interest	[ ]

payments

[Amount attributable to Excess Equity] [ ](1)

Interest Period: [ ]

3. We hereby certify that:

(a) no Default or Event of Default is continuing or will result from the proposed Loan;

(b) the Loan is expected to be applied in payment of amounts subject to and in accordance with the Cash Waterfall within 90 days of the Utilisation Date or are otherwise required for Kosmos to comply with clause 20.1(E) *(Project Accounts)* of the CTA;

(c) [there is no Funding Shortfall or any reasonable prospect of a Funding Shortfall arising in the future, or that any Funding Shortfall that does exist is otherwise fully funded;](2)

(d) [the making of the Utilisation would not result in the aggregate principal amount outstanding under the Senior Facilities exceeding the Borrowing Base Amount;](3)

(e) the Repeating Representations are, in the light of the facts and circumstances then existing, true and correct in all material respects (or, in the case of a Repeating Representation that contains a materiality concept, true and correct in all respects); and

(f) [the Total Available Senior Facilities Amount is, at the time of this notice, equal to zero.](4)

4. The proceeds of this Loan should be credited to the [KEF/other] Offshore Proceeds Account and to the extent an amount has been attributed to Interest payments above, such amount shall be applied towards the payment of Interest on the [*insert details of relevant facility*].

5. This Utilisation Request is irrevocable and is a Finance Document.

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(1) Note — First drawdown under Tranche S1 and Senior Facilities only.

(2) Note — Include only if the drawing occurs before the date on which Project Completion occurs.

(3) Note — Include only in respect of a drawing under the Senior Facilities other than Tranche S1.

(4) Note — Include only if the drawing is under the Junior Facilities.

Yours faithfully

Authorised Signatory for
Kosmos Energy Finance

Part II
Letters of Credit

From: [●1 (the **"Borrower"**)

To: [●1 (the **"Senior Facility Agent"**)

[●] (the **"LC Issuing Bank"**) International Finance Corporation

[●] (the **"Junior Facility Agent"**)

Dated:

Dear Sirs

Kosmos Energy Finance — Common Terms Agreement
dated [ ]
and Senior Bank Facility Agreement dated [ ] (the "Agreement")

1. We wish to arrange for a Letter of Credit to be issued by the LC Issuing Bank on the following terms:

Proposed Utilisation Date:	[ ] (or, if that is not a Business Day, the next Business Day)
Total Amount:	[ ] or, if less, the Total Senior Commitments
Senior Bank Facility portion:	[ ]
Senior IFC Facility portion:	[ ]
Beneficiary:	[ ]
Term or Expiry Date:	[ ]

2. We hereby certify that each condition specified in clause 7.6 (*Issue of Letters of Credit*) is satisfied on the date of this Utilisation Request.

3. We attach a copy of the proposed Letter of Credit.

4. This Utilisation Request is irrevocable and is a Finance Document.

Delivery Instructions:

[specify delivery instructions]

Yours faithfully

Authorised Signatory for
Kosmos Energy Finance

Schedule 6
Amortisation Schedule

Repayment Date	Amortisation Amount	Revised Total Facility Amount
15/6/2011	0	675
15/12/2011	75	600
15/6/2012	130	470
15/12/2012	120	350
15/6/2013	110	240
15/12/2013	100	140
15/6/2014	55	85
15/12/2014	35	50
15/6/2015	25	25
15/12/2015	25	0

Schedule 7
Mandatory Cost Formulae

1. The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England (and/or the Financial Services Authority (or, in either case, any other Authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.

2. On the first day of each Interest Period (or as soon as possible thereafter) the relevant Facility Agent shall calculate, as a percentage rate, a rate (the **"Additional Cost Rate"**) for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by such Facility Agent as a weighted average of the Lenders' Additional Cost Rates (weighted in proportion to the percentage participation of each Lender in the relevant Loan) and will be expressed as a percentage rate per annum.

3. The Additional Cost Rate for any Lender lending from a Facility Office in a Participating Member State will be the percentage notified by that Lender to the relevant Facility Agent. This percentage will be certified by that Lender in its notice to that Facility Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender's participation in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Facility Office.

4. The Additional Cost Rate for any Lender lending from a Facility Office in the United Kingdom will be calculated by the relevant Facility Agent as follows:

   (a) in relation to a sterling Loan:

   $$\frac{AB + C(B - D)[+E]x\ 0.01}{100 - (A + C)}$$ per cent. per annum

   (b) in relation to a Loan in any currency other than sterling:

   $$\frac{Ex0.01}{300}$$ per cent. per annum

   Where:

   A is the percentage of Eligible Liabilities (assuming these to be in excess of any stated minimum) which that Lender is from time to time required to maintain as an interest-free cash ratio deposit with the Bank of England to comply with cash ratio requirements.

   B is the percentage rate of interest (excluding the Margin and the Mandatory Cost and, if the Loan is an Unpaid Sum, the additional rate of interest specified in paragraph (A) of clause 11.4 (*Default interest*)) payable for the relevant Interest Period on the Loan.

C is the percentage (if any) of Eligible Liabilities which that Lender is required from time to time to maintain as interest-bearing Special Deposits with the Bank of England.

D is the percentage rate per annum payable by the Bank of England to the relevant Facility Agent on interest-bearing Special Deposits.

E is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the relevant Facility Agent as being the average of the most recent rates of charge supplied by the Reference Banks to that Facility Agent pursuant to paragraph 7 below and expressed in pounds per £1,000,000.

5. For the purposes of this Schedule:

(A) **"Eligible Liabilities"** and **"Special Deposits"** have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England.

(B) **"Fees Rules"** means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits.

(C) **"Fee Tariffs"** means the fee tariffs specified in the Fees Rules under activity group A.1 Deposit acceptors (ignoring any minimum fee or zero-rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate); and

(D) **"Tariff Base"** has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.

6. In application of the above formulae, A, B, C and D will be included in the formulae as percentages (i.e. 5 per cent. will be included in the formula as 5 and not as 0.05). A negative result obtained by subtracting D from B shall be taken as zero. The resulting figures shall be rounded to four decimal places.

7. If requested by the relevant Facility Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to that Facility Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Reference Bank.

8. Each Lender shall supply any information required by the relevant Facility Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:

(A) the jurisdiction of its Facility Office; and

(B) any other information that the relevant Facility Agent may reasonably require for such purpose.

Each Lender shall promptly notify such Facility Agent of any change to the information provided by it pursuant to this paragraph.

9. The percentages of each Lender for the purpose of A and C above and the rates of charge of each Reference Bank for the purpose of E above shall be determined by the relevant Facility Agent based upon the information supplied to it pursuant to paragraphs 7 and 8 above and on the assumption that, unless a Lender notifies the relevant Facility Agent to the contrary, each Lender's obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a Facility Office in the same jurisdiction as its Facility Office.

10. The relevant Facility Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 7 and 8 above is true and correct in all respects.

11. The relevant Facility Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender and each Reference Bank pursuant to paragraphs 3, 7 and 8 above.

12. Any determination by the relevant Facility Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest or proven error, be conclusive and binding on all Parties.

13. The relevant Facility Agent may from time to time, after consultation with Kosmos and the Lenders, determine and notify to all Parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England or the Financial Services Authority or the European Central Bank (or, in any case, any other Authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest or proven error, be conclusive and binding on all Parties.

Schedule 8
Form of Transfer Certificate

To: [●] as (the **"[Senior/Junior] Facility Agent"**)

From: [The Existing Lender] (the **"Existing Lender"**) and [The New Lender] (the **"New Lender"**)

Dated:

Dear Sirs

Kosmos Energy Finance — Common Terms Agreement dated [ ] (the "Agreement") and [Senior/Junior Bank] [IFC] Facility Agreement dated the same date (the "Facility Agreement")

1. We refer to the Agreement and the Facility Agreement. This is a Transfer Certificate. Terms defined in the Definitions Agreement relating to the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.

2. We refer to clause 30.6 (*Procedure for transfer*):

   (A) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender's Commitment, rights and obligations referred to in the Schedule in accordance with clause 30.6 (*Procedure for transfer*).

   (B) The proposed Transfer Date is [ ].

   (C) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of clause 37.2 *(Addresses)* are set out in the Schedule.

3. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (C) of clause 30.5 (*Limitation of responsibility of Existing Lenders*).

4. The New Lender confirms that it is a Qualifying Lender.

5. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.

6. This Transfer Certificate is governed by English law.

THE SCHEDULE

Commitments/rights and obligations to be transferred

[Insert relevant details]

[*Facility Office address, fax number and attention details for notices and account details for payments*]

[Existing Lender] [New Lender]

By: By:

This Transfer Certificate is accepted by the [Senior/Junior] Facility Agent and the Transfer Date is confirmed as [ ].

[[Senior/Junior]Facility Agent]

By:

Schedule 9
Part A
Form of S1 Lender Accession Notice

To: [●] as Senior Facility Agent

From: [*Additional S1 Lender*]

Dated:

Dear Sirs,

Kosmos Energy Finance - Common Terms Agreement
dated 2009 (the "Agreement")

and Senior Bank Facility Agreement dated
the same date (the "Facility Agreement")

1. We refer to the Agreement and the Facility Agreement. This is an S1 Lender Accession Notice. Terms defined in the Definitions Agreement relating to the Agreement have the same meaning in this S1 Lender Accession Notice unless given a different meaning in this S1 Lender Accession Notice.

2. [*Additional S1 Lender*] agrees:

   (a) to be bound by the terms of the Agreement and the Senior Facility Agreement as a Tranche S1 Lender pursuant to Clause [3.3] (*Additional S1 Commitment*) of the Agreement; and

   (b) to be bound by the terms of the lntercreditor Agreement as a [Senior Lender/Senior Creditor].

3. [*Additional S1 Lender's*] Additional Commitment is USD [ ].

4. [*Additional S1 Lender's*] administrative details are as follows:

Account details: [ ]

Facility Office Address: [ ]

Telephone No.: [ ]

Fax No.: [ ]

Attention: [ ]

5. This S1 Lender Accession Notice is governed by English law.

6. This S1 Lender Accession Notice has been delivered as a deed on the date stated at the beginning of this S1 Lender Accession Notice.

[*Additional S1 Lender*]

By:

This S1 Lender Accession Notice is accepted by the Senior Facility Agent and the S1 Commitment Commencement Date is confirmed as [ ].

Senior Facility Agent

By:

Schedule 9
Part B
Form of S2 Lender Accession Notice

To: SCB as Senior Facility Agent

From: [Additional S2 Lender]

Dated:

Dear Sirs,

Kosmos Energy Finance - Common Terms Agreement
dated 13 July 2009 (as amended from time to time) (the "Agreement")

and Senior Bank Facility Agreement dated the same date
(the "Facility Agreement")

1. We refer to the Agreement, and the Facility Agreement. This is an S2 Lender Accession Notice. Terms defined in the Definitions Agreement relating to the Agreement have the same meaning in this S2 Lender Accession Notice unless given a different meaning in this S2 Lender Accession Notice.

2. [Additional S2 Lender] agrees:

(A) to be bound by the terms of the Agreement and the Senior Facility Agreement as a Tranche S2 Lender pursuant to Clause [3.3] [(Additional S1 Commitment and Additional S2 Commitment)] of the Agreement;

(B) to be bound by the terms of the Intercreditor Agreement as a Senior Lender;

(C) to be bound by the terms of the Waiver Agreement as a Senior Lender; and

(D) to be bound by the terms of the Definitions Agreement as a Lender.

3. [Additional S2 Lender's] Additional Commitment is USD [ ].

4. [Additional S2 Lender's] administrative details are as follows:

Account details: [ ]

Facility Office Address: [ ]

Telephone No.: [ ]

Fax No.: [ ]

Attention: [ ]

5. This S2 Lender Accession Notice is governed by English law.

6. This S2 Lender Accession Notice has been delivered as a deed on the date stated at the beginning of this S2 Lender Accession Notice.

[Additional S2 Lender]

Executed as a Deed by:

This S2 Lender Accession Notice is accepted by the Senior Facility Agent and the S2 Commitment Commencement Date is confirmed as [ ].

Senior Facility Agent

By:

Schedule 10
Form of Accession Letter

From: [*name of Subsidiary*] (the **"Company"**) and [Kosmos Energy Finance] (the **"Borrower"**)

To: [●] and [●] (the **"Facility Agents"**)

Dated:

Dear Sirs

Kosmos Energy Finance — Common Terms Agreement
dated [ ] (the "Agreement")

1. We refer to the Agreement. This is an Accession Letter. Terms defined in the Agreement have the same meaning in this Accession Letter unless given a different meaning in this Accession Letter.

2. The Company agrees to become an Additional [Borrower]/[Guarantor) and to be bound by the terms of the Agreement as an Additional [Borrower]/[Guarantor] pursuant to Clause [31.2 (*Additional Borrowers*)]/[31.4 (*Additional Guarantor*)] of the Agreement. The Company is a company duly incorporated under the laws of [*name of relevant jurisdiction*].

3. The Company's administrative details are as follows:

   Address:

   Fax No:

   Attention:

4. This Accession Letter is governed by English law.

This Accession Letter is entered into by deed.

[Borrower] [Kosmos Energy Finance]

Schedule 11
Form of Resignation Letter

From: [*resigning Obligor*] and [Kosmos Energy Finance]

To: [●] and [●] (the "**Facility Agents")**

Dated:

Dear Sirs

Kosmos Energy Finance — Common Terms Agreement
dated [ ] (the "Agreement")

1. We refer to the Agreement. This is a Resignation Letter. Terms defined in the Agreement have the same meaning in this Resignation Letter unless given a different meaning in this Resignation Letter.

2. Pursuant to Clause [31.3 (*Resignation of a Borrower*)] of the Agreement, we request that [*resigning Obligor*] be released from its obligations as a Borrower under the Agreement.

3. We confirm that:

   (a) no Default is continuing or would result from the acceptance of this request; and

   (b) [ ].

4. This Resignation Letter is governed by English law.

[*resigning Obligor*] [Kosmos Energy Finance]

Schedule 12
Form of Compliance Certificate

To: [●] as (the **"Facility Agent")**

From: [Kosmos Energy Finance] (the **"Borrower"**)

Date:

Dear Sirs

Kosmos Energy Finance — Common Terms Agreement
dated [ ] (the "Agreement")

1. We refer to the Agreement. This is Compliance Certificate. Terms defined in the Agreement have the same meaning in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

2. We confirm that as at [ ], being the last occurring Forecast Date:

   (A) the DSCR was [ ];

   (B) the Field Life Cover Ratio was [ ]; and

   (C) the Loan Life Cover Ratio was [ ],

   in each case, as demonstrated by the current Forecast Assumptions.

3. We set out below the calculations establishing the figures in paragraph 2 above: [ ]

4. We confirm that as at [ ], so far as we are aware having made diligent enquiries, no Default has occurred or is continuing.(5)

5. The balance of each Debt Service Reserve Account is as follows: [ ]

(5) Note — If this statement cannot be made, the certificate should identify any Default that has occurred or is continuing and the action taken, or proposed to be taken, to remedy it.

Yours faithfully

Authorised Signatory for
Kosmos Energy Finance

Authorised Signatory for
Kosmos Energy Finance

Schedule 13
Form of Letter of Credit

To: [Beneficiary] (the "**Beneficiary**")

Date:

Irrevocable Standby Letter of Credit no.[ ]

At the request and for the account of [ ], [LC Issuing Bank) (the **"LC Issuing Bank")** hereby establishes in your favour this irrevocable standby letter of credit (**"Letter of Credit")** not exceeding the Total L/C Amount on the following terms and conditions:

1. Definitions

In this Letter of Credit:

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are open for general business in London.

"Demand" means a demand for a payment under this Letter of Credit in the form of the schedule to this Letter of Credit.

"Expiry Date" *means*[ ].

"Total L/C Amount" means an aggregate amount not to exceed $[•] (USD [*insert amount in words*] only).

2. LC Issuing Bank's agreement

(A) The Beneficiary may request a drawing or drawings under this Letter of Credit by giving to the LC Issuing Bank a duly completed Demand. A Demand must be received by the LC Issuing Bank by [ ] p.m. (London time) on the Expiry Date. Multiple drawings are permitted.

(B) Subject to the terms of this Letter of Credit, the LC Issuing Bank unconditionally and irrevocably undertakes to the Beneficiary that, within [ten] Business Days of receipt by it of a Demand, it shall pay to the Beneficiary the amount demanded in that Demand.

(C) The LC Issuing Bank will not be obliged to make a payment under this Letter of Credit if as a result the aggregate of all payments made by it under this Letter of Credit would exceed the Total L/C Amount.

3. Expiry

(A) The LC Issuing Bank will be released from its obligations under this Letter of Credit on the date (if any) notified by the Beneficiary to the LC Issuing Bank as

the date upon which the obligations of the LC Issuing Bank under this Letter of Credit are released.

(B) Unless previously released under paragraph (a) above, on [ ] p.m. ([London] time) on the Expiry Date the obligations of the LC Issuing Bank under this Letter of Credit will cease with no further liability on the part of the LC Issuing Bank except for any Demand validly presented under the Letter of Credit that remains unpaid.

(C) When the LC Issuing Bank is no longer under any further obligations under this Letter of Credit, the Beneficiary must return the original of this Letter of Credit to the LC Issuing Bank.

4. Payments

All payments under this Letter of Credit shall be made in [ ] and for value on the due date to the account of the Beneficiary specified in the Demand.

5. Delivery of Demand

Each Demand shall be in writing, and, unless otherwise stated, may be made by letter, by registered mail or by courier on your letterhead, with the blanks appropriately completed, purportedly signed by your authorised officers bearing original handwritten signatures and must be received in legible form by the LC Issuing Bank at its address and by the particular department or officer (if any) as follows:

[ ]

6. Assignment

The Beneficiary's rights under this Letter of Credit may not be assigned or transferred.

7. Amendment

The Letter of Credit may be amended only by written instrument signed by the LC Issuing Bank and the Beneficiary.

8. ISP 98

Except to the extent it is inconsistent with the express terms of this Letter of Credit, this Letter of Credit is subject to the International Standby Practices (ISP 98), International Chamber of Commerce Publication No. 590.

9. Governing Law

This Letter of Credit is governed by English law.

10. Jurisdiction

The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Letter of Credit.

Yours faithfully,

[*LC Issuing Bank*]

By:

SCHEDULE

FORM OF DEMAND

To: [*LC Issuing Bank*]

Date:

Dear Sirs

Standby Letter of Credit no. [ ] issued In favour of [BENEFICIARY] (the "Letter of Credit")

We refer to the Letter of Credit. Terms defined in the Letter of Credit have the same meaning when used in this Demand.

1. We certify that the sum of [ ] is due [and has remained unpaid for at least [ ]Business Days] [under [set out underlying contract or agreement]]. We therefore demand payment of the sum of [ ].

2. The amount specified in paragraph 1 is not in excess of the Total L/C Amount.

3. Payment should be made to the following account:

Name:

Account Number:

Bank:

4. The date of this Demand is not later than the Expiry Date.

Yours faithfully

(Authorised Signatory) (Authorised Signatory)

For

[BENEFICIARY]

Schedule 14
Form of Confidentiality Undertaking

To: [*insert details of lender*]

Re:

Kosmos Energy Finance (the **"Company"**) and the Phase 1 development of the Jubilee Project offshore Ghana (the **"Project")**

[*insert date*]

Dear Sirs

We understand that you are considering participating in the financing of the Project. In consideration of us agreeing to make available to you certain information, by your signature of a copy of this letter you agree as follows:

1. *Confidentiality Undertaking:* You undertake:

(A) to keep the Confidential Information confidential and not to disclose it to anyone except as provided for by paragraph 2 below and to ensure that the Confidential Information is protected with security measures with a degree of care not less than that which you would apply to your own confidential information;

(B) to keep confidential and not disclose to anyone except as provided for by paragraph 2 below the fact that the Confidential Information has been made available or that discussions or negotiations are taking place or have taken place between us;

(C) to use the Confidential Information only for the Permitted Purpose;

(D) to ensure that any person to whom you pass any Confidential Information in accordance with paragraph 2 (unless disclosed under paragraph 2(B) below) acknowledges and complies with the provisions of this letter as if that person were also a party to it; and

(E) not to make enquiries in relation to the Confidential Information of any other person, whether a third party or any member of the Group or any of their officers, directors, employees or professional advisers, save for such officers, directors, employees or professional advisers as may be expressly nominated by us for this purpose.

2. *Permitted Disclosure:* We agree that you may disclose Confidential Information:

(A) to members of the Participant Group and your officers, directors, employees, consultants and professional advisers but only to the extent necessary for the proper fulfilment of the Permitted Purpose, provided that:

(i) such information is disclosed strictly on a need to know basis and provided that the Confidential Information may not be disclosed to any person in the Participant Group who is working or otherwise connected with the financing of the Project (other than where the Company is Kosmos); and

(ii) appropriate information barriers or other procedures as may be necessary are in place to ensure there can be no unauthorised disclosure of, or access to, the Confidential Information to any such person referred to in subparagraph (i) above;

(B) (i) where required by any court of competent jurisdiction or any competent judicial, governmental, supervisory or regulatory body, (ii) where required by the rules of any stock exchange on which the shares or other securities of any member of the Participant Group are listed or (iii) where required by the laws or regulations of any country with jurisdiction over the affairs of any member of the Participant Group; or

(C) with our prior written consent.

3. *Notification of Required or Unauthorised Disclosure:* You agree (to the extent permitted by law) to inform us of the full circumstances of any disclosure under paragraph 2(b) (in advance where reasonable and practicable) or immediately upon becoming aware that Confidential Information has been disclosed in breach of this letter.

4. *Return of Copies:* If we so request in writing, you shall return all Confidential Information supplied to you by us or any member of the Group and destroy or permanently erase all copies of Confidential Information made by you and use all reasonable endeavours to ensure that anyone to whom you have supplied any Confidential Information destroys or permanently erases such Confidential Information and any copies made by them, in each case save to the extent that you or the recipients are required to retain any such Confidential Information by any applicable law, rule or regulation or by any competent judicial, governmental, supervisory or regulatory body, or where the Confidential Information has been disclosed in accordance with paragraph 2(B) above.

5. *Continuing Obligations:* The obligations in the preceding paragraphs of this letter are continuing and, in particular, shall survive the termination of any discussions or negotiations between you and us, irrespective of their outcome. Notwithstanding the previous sentence, the obligations in this letter shall cease twelve months after you have returned all Confidential Information and destroyed or permanently erased all

copies of Confidential Information made by you to the extent required pursuant to paragraph 4 above.

6. *No Representation; Consequences of Breach,* etc: You acknowledge and agree that:

(A) neither we nor any of our officers, employees or advisers, and no other member of the Group and none of the officers, employees or advisers of any member of the Group (each a **"Relevant Person"**), (i) make any representation or warranty, express or implied, as to, or assume any responsibility for, the accuracy, reliability or completeness of any of the Confidential Information or any other information supplied by us or any member of the Group or the assumptions on which it is based or (ii) shall be under any obligation to update or correct any inaccuracy in the Confidential Information or any other information supplied by us or any other member of the Group or be otherwise liable to you or any other person in respect of the Confidential Information or any such information; and

(B) we and other members of the Group may be irreparably harmed by the breach of the terms of this letter and damages may not be an adequate remedy; each Relevant Person may be granted an injunction or specific performance for any threatened or actual breach of the provisions of this letter by you or any other person.

7. *Inside Information:* You acknowledge that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation relating to insider dealing and you undertake not to use any Confidential Information for any unlawful purpose. As a result of being given the Confidential Information you may well become insiders and, therefore, be unable to take certain actions which you would otherwise be able to take.

8. *No Waiver; Amendments, etc:* This letter shall not affect any other obligation owed by you to any member of the Group. No failure or delay in exercising any right, power or privilege under this letter will operate as a waiver thereof nor will any single or partial exercise of any right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privileges under this letter. The terms of this letter and your obligations under this letter may only be amended or modified by written agreement between us and you.

9. *Nature of Undertakings:* The undertakings and acknowledgements given by you under this letter are given to us and (without implying any fiduciary obligations on our part) are also given for the benefit of each other member of the Group.

10. *Third party rights:*

(A) Each other member of the Group and each Relevant Person (each a **"Third Party")** may enforce the terms of this letter by virtue of the Contracts (Rights of Third Parties) Act 1999 (the **"Third Parties Act")**. This paragraph 10(A) confers a benefit on each Third Party, and, subject to the remaining provisions of this

paragraph 10, is intended to be enforceable by each Third Party by virtue of the Third Parties Act.

(B) Subject to paragraph 10(a), a person who is not a party to this letter has no right under the Third Parties Act to enforce or enjoy the benefit of any term of this letter.

(C) Notwithstanding any provisions of this letter, the parties to this letter do not require the consent of any person (other than the Company) to rescind or vary this letter at any time.

11. *Governing Law and Jurisdiction:* Any matter, claim or dispute, whether contractual or non-contractual, arising out of or in connection with this letter (including the agreement constituted by your acknowledgement of its terms), is to be governed by and determined in accordance with English law, and the parties submit to the non-exclusive jurisdiction of the English courts.

12. *Definitions:* In this letter (including the acknowledgement set out below):

"Confidential Information" means any and all information relating to the Company, the Group, the Project and the proposed financing of the Project, provided to you by us or any member of the Group or any of our affiliates or advisers, in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information and information regarding all discussions and negotiations between us (including information regarding the outcome of such discussions or negotiations), but excludes information that (a) is or becomes public knowledge other than as a direct or indirect result of any breach of this letter or (b) is known by you before the date the information is disclosed to you by us or any member of the Group or any of our affiliates or advisers or is lawfully obtained by you after that date, other than from a source which is connected with the Group and which, in either case, as far as you are aware, has not been obtained in violation of, and is not otherwise subject to, any obligation of confidentiality;

"Group" means the Company, its Holding Companies and each of their respective Subsidiaries;

"Holding Company" means, in relation to a company, any other company in respect of which it is a Subsidiary;

"Participant Group" means you, and each of your Holding Companies and Subsidiaries;

"Permitted Purpose" means considering and evaluating whether to enter into contracts with us in relation to the financing of the Project; and

"Subsidiary" means a subsidiary within the meaning of section 1159 of the Companies Act 2006.

Please acknowledge your agreement to the above by signing and returning the enclosed copy.

Yours faithfully

For and on behalf of Kosmos Energy Finance

To: Kosmos Energy Finance and each other member of the Group

We acknowledge and agree to the above:

For and on behalf of [*insert details of lender*]

Schedule 15
Form of Deed of Subordination

THIS DEED is dated [ ] 2009 and made between:

(1) **[●]** (the **"Obligor"**);

(2) **[●]** in its capacity as Security Trustee for the Secured Parties on the terms and conditions set out in the Intercreditor Agreement (the **"Security Trustee "**) which expression includes its successors in title and assigns or any person appointed as an additional trustee for the purpose of and in accordance with the Intercreditor Agreement; and

(3) **[●]** (the **"Subordinated Party"**).

BACKGROUND:

(1) Under the Senior Facilities, the Senior Lenders have agreed to make available $[600] million loan facilities to the Borrower.

(2) Under the Junior Facilities, the Junior Lenders have agreed to make available $[150] million loan facilities to the Borrower.

(3) The Subordinated Party has agreed to make, or may in the future make, loans available to the Obligor.

(4) The Obligor and the Subordinated Party have agreed that the Subordinated Debt (as defined below) shall be subordinated to the claims of the Secured Parties on the terms of this Deed.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed:

"Permitted Payment" means any payment or receipt expressly permitted by Clause 4 (*Permitted Payments*) so long as it is so permitted.

"Subordinated Debt" means all present and future moneys, debts, obligations and liabilities which are, or are expressed to be, or may become due, owing or payable by the Obligor to the Subordinated Party (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently, and whether as principal, surety or otherwise) together with any related Additional Debt.

"Subordinated Documents" means any document evidencing or recording the terms of any Subordinated Debt.

"Subordination Period" means the period beginning on the date of this Deed and ending on the date on which all the Secured Liabilities have been unconditionally and irrevocably paid or discharged or satisfied in full and all commitments of the Secured Parties have expired or been cancelled.

1.2 Incorporation of defined terms

Terms defined in clause 1 (*Definitions*) of the definitions agreement made on or about the date of this Deed (the **"Definitions Agreement")** by, inter alios, the parties to this Deed shall have the same meaning and construction when used herein.

1.3 Construction of particular terms

The rules of construction and interpretation set out in clause 2 (*Interpretation and Construction*) of the Definitions Agreement shall apply to this Deed as if expressly set out herein.

1.4 Third Party Rights

(a) Subject to Clause 1.4(b), the parties to this Deed do not intend that any term of this Deed should be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Deed.

(b) Each of the Secured Parties shall have the right to enforce the terms of this Deed.

2. RANKING

(a) The Secured Liabilities shall rank senior in priority to the Subordinated Debt.

(b) Except as provided in this Deed, any payment in respect of the Subordinated Debt is conditional upon the expiry of the Subordination Period.

(c) As between the Secured Parties, nothing in this Deed shall prejudice the ranking of the Secured Liabilities as set forth in the Intercreditor Agreement.

3. UNDERTAKINGS

3.1 Undertakings of the Obligor

(a) During the Subordination Period the Obligor shall not, and the Subordinated Party shall not require the Obligor to:

(i) pay, repay or prepay any principal, interest or other amount on or in respect of, or make any distribution in respect of, or redeem, purchase,

acquire or defease, any of the Subordinated Debt whether in cash or in kind;

(ii) exercise any set-off against any Subordinated Debt;

(iii) create or permit to subsist any Security over any of its assets, or give any guarantee, for, or in respect of, any Subordinated Debt;

(iv) amend, terminate or give any waiver or consent under the Subordinated Documents, other than any amendment, termination, waiver or consent purely of a technical or administrative nature; or

(v) take or omit to take any action whereby the ranking and/or subordination contemplated by this Deed might be impaired or terminated.

(b) Notwithstanding paragraph (a) above, the Obligor may:

(i) do anything prohibited by paragraph (a) above with the prior written consent of the Security Trustee; and

(ii) make any Permitted Payment.

3.2 Undertakings of the Subordinated Party

(a) During the Subordination Period, the Subordinated Party shall not:

(i) demand or receive payment, repayment or prepayment of any principal, interest or other amount on or in respect of, or any distribution in respect of, the Subordinated Debt in cash or in kind or apply any money or property in or towards discharge of the Subordinated Debt;

(ii) exercise any set-off against the Subordinated Debt;

(iii) permit to subsist or receive any Security, or any guarantee, for, or in respect of, the Subordinated Debt;

(iv) amend, terminate or give any waiver or consent under any Subordinated Document, other than any amendment, termination, waiver or consent purely of a technical or administrative nature; or

(v) take or omit to take any action whereby the ranking and/or subordination contemplated by this Deed might be impaired;

(vi) take any Enforcement Action in relation to the Subordinated Debt; or

(vii) assign, transfer or otherwise dispose of any of its rights, benefit, title or interest in or to the Subordinated Debt.

(b) Notwithstanding paragraph (a) above, the Subordinated Party may:

(i) do anything prohibited by paragraph (a) above with the prior written consent of the Security Trustee; and

(ii) receive and retain a Permitted Payment.

4. PERMITTED PAYMENTS

Subject to Clause 6 (*Turnover*) and Clause *7* (*Subordination on Insolvency*), unless:

(a) a Default is continuing; or

(b) an Insolvency Event or Insolvency Proceedings have occurred in which case Clause *7* (*Subordination on Insolvency*) applies; or

(c) the aggregate of the outstandings under the Senior Facilities on the most recent Forecast Date exceeds the Borrowing Base Amount pursuant to clause 10.3 (*Aggregate outstandings exceed the Borrowing Base Amount*) of the CTA and the earlier of the date of the mandatory prepayment to cure the deficiency or the date which is 90 days following that Forecast Date has not occurred, (in which case the provisions of Clause *7* (*Subordination on Insolvency*) shall apply); or

(d) a Deficiency Funding Period under clause 29.2 (*Breach of financial covenant*) of the CTA has occurred in which case Clause *7* (*Subordination on Insolvency*) applies,

the Obligor may pay and the Subordinated Party may receive and retain payments of [of interest and principal) on the Subordinated Debt in accordance with clause 21.2 (*Withdrawals — No Default Outstanding*) of the Common Terms Agreement, such payment or receipt to include payment or receipt by way of set-off.

5. REPRESENTATIONS

5.1 Representations of the Subordinated Party

The Subordinated Party makes the representations and warranties set out in this Clause 5.1 on the date of this Deed:

(a) It is duly incorporated (if a corporate person) or duly established (in any other case except for a natural person) and validly existing under the law of its jurisdiction of incorporation or formation.

(b) It has the power to own its assets and carry on its business as it is being and is proposed to be, conducted, and it has the power to enter into and perform all its obligations under this Deed and the transactions contemplated by this Deed.

(c) The obligations expressed to be assumed by it under this Deed are legal, valid, binding and enforceable obligations.

(d) The entry into and performance by it of, and the transactions contemplated by, this Deed does not and will not conflict with:

(i) any law applicable to it;

(ii) its constitutional documents; or

(iii) any agreement or instrument binding upon it or any of its assets.

(e) It has (or had at the relevant time) the power and authority to execute and deliver this Deed and it has the power and authority to perform its obligations under this Deed and the transactions contemplated thereby.

(f) All Required Approvals have been obtained or effected and are in full force and effect where a failure to do so has or could reasonably be expected to have a Material Adverse Effect.

(g) It is the sole beneficial owner of the Subordinated Debt owed to it.

5.2 Repetition

Each of the representations and warranties in clause 5.1 (*representations of the subordinated party*) will be repeated on the date of each utilisation date and on the first day of each interest period. Where a representation is repeated, it is applied to the facts and circumstances existing at the time of repetition.

6. TURNOVER

During the Subordination Period, if the Subordination Party received or recovers:

(a) a payment (other than a Permitted Payment) in cash or in kind or distribution in respect of any of the Subordinated Debt from the Obligor or any other source; Or

(b) the proceeds of any enforcement of any Security or any guarantee or other assurance against financial loss for any Subordinated Debt,

in each case, in contravention of Clause 2 (*Ranking*) or 3 (*Undertakings*), the Subordinated Party shall:

(i) within three (3) Business Days notify details of the receipt or recovery to the Security Trustee;

(ii) hold any such assets and moneys received or recovered by it (up to a maximum of an amount equal to the Secured Liabilities on trust for the

Security Trustee for application against the Secured Liabilities in accordance with the order and priority set forth in the Intercreditor Agreement; and

(iii) within three (3) Business Days of demand by the Security Trustee, pay an amount equal to such receipt or recovery (up to a maximum of an amount equal to the Secured Liabilities) to the Security Trustee for application against the Secured Liabilities in accordance with the order and priority set forth in the Intercreditor Agreement.

7. SUBORDINATION ON INSOLVENCY

7.1 Subordination

If an Insolvency Event or Insolvency Proceedings occur, the Subordinated Debt will be subordinate to the Secured Liabilities.

7.2 Filing of Claims

(a) If an Insolvency Event or Insolvency Proceedings occur or any Event of Default is continuing, the Security Trustee may, and is hereby irrevocably authorised on behalf of the Obligor and the Subordinated Party to:

(i) take any Subordinated Debt Enforcement Action;

(ii) demand, claim, enforce and prove for the Subordinated Debt;

(iii) file claims and proofs, give receipts and take any proceedings in respect of filing such claims or proofs and do anything which the Security Trustee reasonably considers necessary or desirable to recover the Subordinated Debt; and

(iv) receive all distributions of the Subordinated Debt for application first against the Secured Liabilities in accordance with the order and priority set forth in the Intercreditor Agreement.

(b) If and to the extent that the Security Trustee is not entitled, or elects not, to take any of the action mentioned in paragraph (a) above, the Subordinated Party will do so promptly on request by the Security Trustee.

7.3 Distributions

If an Insolvency Event or Insolvency Proceedings occur, the Subordinated Party will:

(a) hold all payments and distributions in cash or in kind received or receivable by it in respect of the Subordinated Debt on trust for the Security Trustee and promptly pay the same for application first against the Secured Liabilities in accordance with the order and priority set forth in the Intercreditor Agreement;

(b) within three Business Days of demand by Security Trustee, pay an amount equal to any Subordinated Debt owing to it and discharged by set-off or otherwise to the Security Trustee for application in accordance first against the Secured Liabilities in accordance with the order and priority set fourth in the Intercreditor Agreement;

(c) promptly direct the trustee in bankruptcy, liquidator, assignee or other person distributing the assets of the Obligor or their proceeds to pay any and all distributions in respect of the Subordinated Debt directly to the Security Trustee; and

(d) promptly undertake any action requested by the Security Trustee to give effect to this Clause 7.3.

7.4 Voting

(a) If an Insolvency Event or Insolvency Proceedings occur:

(i) the Security Trustee may, and is hereby irrevocably so authorised on behalf of the Subordinated Party, to exercise [all powers of convening meetings, voting and representation in respect of the Subordinated Debt; and

(ii) the Subordinated Party shall promptly execute and/or deliver to the Security Trustee such forms of proxy and representation as it may require to facilitate any such action.

(b) If and to the extent that the Security Trustee is not entitled, or elects not, to exercise a power under paragraph (a) above, the Subordinated Party will:

(i) exercise that power in such manner as the Security Trustee directs; and

(ii) exercise that power so as not to impair the ranking and/or subordination contemplated by this Deed.

8. PROTECTION OF SUBORDINATION

8.1 Continuing subordination

The subordination provisions in this Deed shall remain in full force and effect by way of continuing subordination and shall not be affected in any way by any intermediate payment or discharge in whole or in part of the Secured Liabilities.

8.2 Waiver of defences

Neither the subordination in this Deed nor the obligations of the Obligor or the Subordinated Party shall be affected in any way by an act, omission, matter or thing

which, but for this Clause 8, would reduce, release or prejudice the subordination or any of those obligations in whole or in part, including, without limitation, the following:

(a) any time, waiver or consent granted to, or composition with, any person;

(b) the release of any person under the terms of any composition or arrangement with any creditor of any person;

(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any person;

(e) any amendment, novation, supplement, extension (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatever nature) or replacement of any Finance Document or any other document or security;

(f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security;

(g) any insolvency or similar proceedings; or

(h) any postponement, discharge, reduction, non-provability or other similar circumstance affecting any obligation of any person under any Finance Document resulting from any insolvency, liquidation or dissolution proceedings or from any law, regulation or order.

8.3 Immediate recourse

The Subordinated Party waives any right it may have of first requiring the Security Trustee (or any other trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person claiming the benefit of this Deed. The Security Trustee may refrain from applying or enforcing any money, rights or security.

8.4 Appropriations

The Security Trustee (or any trustee or agent on its behalf) may, subject to its obligations under this Deed:

(a) apply any moneys or other assets received or recovered by it under this Deed or from any person against the Secured Liabilities, in accordance with the order and priority set forth in the Intercreditor Agreement;

(b) apply any moneys or other assets received or recovered by it from any person (other than any moneys or other assets received or recovered under the applicable Finance Documents or under this Deed) against any liability of the relevant person to it other than the Secured Liabilities owed to it; and

(c) unless or until such moneys or other assets received or recovered by it under the applicable Finance Documents or under this Deed in aggregate are sufficient to end the Subordination Period if otherwise applied in accordance with the provisions of this Deed, hold in an interest-bearing suspense account any moneys or other assets received from any person.

9. PRESERVATION OF DEBT

9.1 Preservation of Subordinated Debt

Notwithstanding any term of this Deed postponing, subordinating or preventing the payment of all or any part of the Subordinated Debt, the Subordinated Party shall, as between the Obligor and the Subordinated Party, be deemed to remain owing or due and payable (and interest, default interest or indemnity payments shall continue to accrue) in accordance with the Subordinated Documents.

9.2 No liability

The Security Trustee will have no liability to the Obligor or to the Subordinated Party for any act, default, or omission in relation to the manner of exercise or any non-exercise of its rights, remedies, powers, authorities or discretions under this Deed or any failure to collect or preserve any Subordinated Debt or delay in doing so.

10. SUBROGATION

If any of the Secured Liabilities are wholly or partially paid out of any proceeds received in respect of or on account of the Subordinated Debt, the Subordinated Party will to that extent be subrogated to the Secured Liabilities so paid (and all securities and guarantees for those Secured Liabilities), but not before the expiry of the Subordination Period.

11. NO OBJECTION BY SUBORDINATED PARTY

The Subordinated Party is deemed to consent to, and the Subordinated Party shall not have any claim or remedy against the Obligor or any Secured Party by reason of.

(a) the entry by any of them into any Finance Document or any other agreement between any Secured Party and the Obligor;

(b) any waiver or consent given by any Secured Party under any Finance Document or any such other agreement; or

(c) any requirement or condition imposed by or on behalf of any Secured Party under any Finance Document or any such other agreement,

from time to time which breaches or causes an event of default or potential event of default (however described) under any Subordinated Document

12. POWER OF ATTORNEY

(a) During the Subordination Period, the Subordinated Party, by way of security for the obligations of the Subordinated Party under this Deed, irrevocably appoints Security Trustee as its attorney (with full power of substitution and delegation), on its behalf and in its name or otherwise as its act and deed, and in such manner as the attorney thinks fit to do anything which the Subordinated Party is obliged to do under this Deed but has not done, and the taking of action by the attorney shall (as between it and any third party) be conclusive evidence of its right to take such action.

(b) The Subordinated Party ratifies and confirms and agrees to ratify and confirm everything that such attorney does or purports to do in the exercise or purported exercise of the power of attorney granted by it in this Clause 12.

13. NEW MONEY

The Subordinated Party agrees and acknowledges that the Secured Parties may, at their discretion, increase any amounts payable or make further advances under the Finance Documents and/or make further facilities available to the Borrower. Any such increased payments, further advances and/or additional facilities will be deemed to be made under the terms of the Finance Documents.

14. FAILURE OF TRUSTS

If any trust intended to arise pursuant to any provision of this Deed fails or for any reason (including the laws of any jurisdiction in which any assets, moneys, payments or distributions may be situated) cannot be given effect to, the Subordinated Party will pay to the Security Trustee for application against the Secured Liabilities an amount equal to the amount (or the value of the relevant assets) intended to be so held on trust for the Security Trustee.

15. TRUSTS

(a) The Security Trustee shall hold the benefit of this Deed upon trust for itself and the other relevant Secured Parties.

(b) The perpetuity period of the trusts created under this Deed shall be 80 years.

16. NON-CREATION OF CHARGE

No provision of this Deed is intended to or shall create a charge or other security.

17. CERTIFICATES AND DETERMINATIONS

Any certification or determination by the Security Trustee of a rate or amount under this Deed will be, in the absence of manifest error, conclusive evidence of the matters to which it relates.

18. CHANGES TO THE PARTIES

18.1 The Obligor and the Subordinated Party

Neither the Obligor nor the Subordinated Party may assign or transfer any of its rights or obligations under this Deed without prior written consent of the Security Trustee.

18.2 The Security Trustee

(a) The Security Trustee may assign or otherwise dispose of all or any of its rights under this Deed as permitted under the Finance Documents.

(b) References in this Deed to the Security Trustee include any successor in title and assigns or any person appointed as an additional trustee for the purposes of and in accordance with the Intercreditor Agreement.

19. INFORMATION

19.1 Defaults

The Subordinated Creditor will notify the Security Trustee, of the occurrence of an event of default or potential event of default (however described) under or breach of any Subordinated Document, promptly upon becoming aware of it.

19.2 Amounts of Subordinated Debt

The Subordinated Creditor will, on request by the Security Trustee from time to time notify it of details of the amount of outstanding Subordinated Debt.

20. NOTICES

20.1 Communications in writing

Any communication or document to be made or delivered under or in connection with this Deed shall be made in writing and, unless otherwise stated, may be made or delivered by fax or letter.

20.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each party for any communication or document to be made or delivered under or in connection with this Deed is that identified in

accordance with the terms of the CTA (or in the case of the Subordinated Party, the Finance Documents to which it is a party) or otherwise as notified to the other parties on the date of this Deed, or any substitute address, fax number or department or officer as the party notifies to the other parties by not less than five Business Days' notice.

20.3 Delivery

Any communication or document made or delivered by one person to another under or in connection with this Deed will only be effective:

(a) if by way of fax, when received in legible form; or

(b) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 20.2 (*Addresses*), if addressed to that department or officer.

20.4 English language

Any notice given under or in connection with this Deed must be in English.

21. REMEDIES AND WAIVERS

No delay or omission by the Security Trustee in exercising any right provided by law or under this Deed shall impair, affect, or operate as a waiver of, that or any other right. The single or partial exercise by the Security Trustee of any right shall not, unless otherwise expressly stated, preclude or prejudice any other or further exercise of that, or the exercise of any other, right. The rights of the parties under this Deed are in addition to and do not affect any other rights available to them by law.

22. PARTIAL INVALIDITY

(a) If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions under the law of that jurisdiction or any other jurisdiction will in any way be affected or impaired.

(b) The parties shall enter into good faith negotiations, but without any liability whatsoever in the event of no agreement being reached, to replace any illegal, invalid or unenforceable provision with a view to obtaining the same commercial effect as this Deed would have had if such provision had been legal, valid and enforceable.

23. AMENDMENTS

No amendment may be made to this Deed (whether in writing or otherwise) without the prior written consent of the parties to this Deed.

24. COUNTERPARTS

This Deed may be executed in any number of counterparts, and by the parties on separate counterparts, but will not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this Deed, but all the counterparts will together constitute one and the same instrument.

25. EXECUTION AS A DEED

Each of the parties to this Deed intends it to be a deed and confirms that it is executed and delivered as a deed, in each case notwithstanding the fact that any one or more of the parties may only execute it under hand.

26. ENFORCEMENT

26.1 Jurisdiction

(a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute regarding the existence, validity or termination of this Deed) (a "**Dispute**").

(b) The parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no party will argue to the contrary.

(c) This clause 26.1 is for the benefit of the Security Trustee only. As a result but subject to paragraph (d) below, the Security Trustee shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Security Trustee may take concurrent proceedings in any number of jurisdictions.

(d) The Subordinated Party agrees that it will not take proceedings relating to a Dispute in relation to the Subordinated Debt in any other courts with jurisdiction.

26.2 Service of process

(a) Without prejudice to any other mode of service allowed under any relevant law the Subordinated Party (which is not incorporated in England and Wales) irrevocably appoints [*name*] of [*address*] as its agent for service of process in relation to any proceedings before the English courts in connection with this Deed.

(b) The Subordinated Party agrees that failure by a process agent to notify the relevant party of the process will not invalidate the proceedings concerned.

27. FURTHER ASSURANCE

Each of the Obligor and the Subordinated Party agrees that it will promptly, at the direction of the Security Trustee (acting reasonably), execute and deliver at its own expense any document (to be executed as a deed or under hand) and do any act or thing in order to confirm or establish the validity and enforceability of the subordination effected by, and the obligations of the Obligor and the Subordinated Party under, this Deed.

28. GOVERNING LAW

This Deed is governed by and is to be construed in accordance with English law. Any matter, claim or dispute arising out of or in connection with this Deed, whether contractual or non-contractual, is to be governed by and construed in accordance with English law.

IN WITNESS of which this document has been executed as a deed and delivered on the date stated at the beginning of this Deed.

Executed and Delivered as a Deed by)
[name of Obligor] in the presence of:)
)

Per: _____
Title: Director/Attorney-in-Fact
Name:

_____
Witness's Signature

(Name) _____

(Address) _____

(Occupation) _____

Executed as a deed **[name of Security Trustee]**
acting by [a director and its
[secretary/two directors]]

_____
Director

_____
[Secretary/Director]

[Address:

Fax Number:

Department:

Attention:]

Executed as a deed **[name of Subordinated Party]** acting by [a director and its [secretary/two directors]]

Director

[Secretary/Director]

[Address:

Fax Number:

Department:

Attention:]

Schedule 16
Lenders' Reliability Test

1.1 Test Procedures and Criteria

1.1.1 The Borrower shall prepare in good faith test procedures to determine whether technical completion has occurred in respect of the Project Facilities (the **"Test Procedures")** during the conduct of a prescribed test (the **"Lenders' Reliability Test").** The Test Procedures shall document how the requirements of the Lenders' Reliability Test will be met.

1.1.2 The **Lenders' Reliability Test** is a prescribed period of 60 continuous days during which the First Oil Project Infrastructure has:

(A) been operated by the OpCo's Normal Operating Staff;

(B) produced an average daily rate of production of Unit Substances which is not less than the average daily rate of production for the first three years of commercial production as assumed in calculating the Borrowing Base Amount in the Forecast produced as at the Signing Date;

(C) the Entitlement of Kosmos has been lifted in accordance with the lifting arrangements referred to in paragraph (C) under the definition of Project Completion; and

(D) exhibited downtime of less than 72 hours in the aggregate, where downtime is defined as an inability to deliver treated Crude Oil to the storage tanks of the FPSO.

The Borrower shall submit the Test Procedures to each of the Facility Agent and Technical Consultant 6 (six) months prior to the date on which the Borrower wishes to commence the Test Period. The Test Procedures shall each be prepared in accordance with good international oil industry practice and reflect normal operation of the Project.

1.1.3 If the Technical Consultant acting reasonably and in consultation with the Technical and Modelling Bank determines within 20 (twenty) Business Days from receipt of the relevant Test Procedures that the Borrower's Test Procedures are not adequate to demonstrate the performance required by paragraph 2.1.5, the Borrower, the Technical and Modelling Bank and the Technical Consultant shall meet to discuss the views of the Technical Consultant and agree any changes required to the Test Procedures.

1.1.4 If agreement between the Borrower and the Technical Consultant (in consultation with the Technical and Modelling Bank) on such matter(s) is not reached within a further period of 20 (twenty) Business Days, the matter shall be referred to an independent expert for determination. Such independent expert shall be appointed by the President of the Energy Institute in accordance with the Rules for Expertise of the International Chamber of Commerce. The decision of the independent expert shall be final and binding on the parties.

1.1.5 The Technical Consultant and the Technical and Modelling Bank shall be entitled to witness any part of any Test on behalf of the Finance Parties upon giving reasonable notice to the Borrower of its intention to attend. Borrower shall facilitate the Technical Consultant's attendance at such tests.

1.1.6 The Borrower shall provide the Facility Agents, the Technical and Modelling Bank and the Technical Consultant at least 15 (fifteen) Business Days written notice of the intention to commence the conduct of the Lenders' Reliability Test.

1.2 Testing

Prior to the commencement of the Test Period, the Borrower shall give each of the Facility Agents, the Technical and Modelling Bank and the Technical Consultant a certificate, signed by the Operations Director, which states:

1.2.1 that the First Oil Project Infrastructure has been in the operational phase during at least the one calendar month period preceding the date of the certificate, without any Material Failure which will remain outstanding at the start of the Test Period;

1.2.2 that all First Oil Project Infrastructure has been Accepted;

1.2.3 the number and sizes of cargos per month of Crude Oil loaded by the Project since First Oil Date;

1.2.4 that the OpCo and lessor of the FPSO are fully-staffed with the operations and maintenance personnel required for the safe and reliable operation of the Project during all reasonably foreseeable operating conditions, and the First Oil Project Infrastructure is otherwise ready for the Test.

1.3 Certification and Acknowledgement of Data

1.3.1 During the Test Period the Borrower will measure a number of operating parameters as set out in paragraphs 2.1 below and in the relevant Test Procedures (the "Test"). After conclusion of the Test Period, the Borrower will certify the measurements set out in paragraphs 1.1.2 and 2.1 below and issue a certificate (an **"Operations Certificate")** to each of the Facility Agent and the Technical Consultant. If the Technical Consultant agrees with the certifications in the Operations Certificate and is satisfied that there is no Material Failure as referred to in paragraphs 2.2, it will acknowledge such certifications or confirmation in a certificate (an **"Acknowledgement Certificate")** to the Borrower (with a copy to the Facility Agent).

1.3.2 If the Technical Consultant and the Technical and Modelling Bank do not agree with the certifications in the Operations Certificate and the Borrower, the Facility Agents, the Technical and Modelling Bank and the Technical Consultant are unable to resolve the matter within a period of 20 (twenty) Business Days, the matter shall be referred to an independent expert for determination. Such independent expert shall be appointed by the President of the Energy Institute in accordance with the Rules for Expertise of the

International Chamber of Commerce. The decision of the independent expert shall be final and binding on the parties.

2 Test Requirements

2.1 Crude Oil Requirements

During the Test Period the First Oil Project Infrastructure must satisfy each of the following requirements:

2.1.1 the First Oil Project Infrastructure shall produce the quantity of Crude Oil required under paragraph 1.1.2(B);

2.1.2 the First Oil Project Infrastructure shall load no less than 4.5 million barrels of Crude Oil over the 60-day Test Period;

2.1.3 the First Oil Project Infrastructure shall operate concurrently for a period of not less than 72 (seventy two) consecutive hours to demonstrate its ability to process Crude Oil at a rate equivalent to at least 95% (ninety five per cent) of the Design Capacity, subject to the aggregate production well capacity at the time of the Test being able to support this rate. In the event that the aggregate well capacity does not support this rate, the Borrower and Technical Consultant shall agree a revised rate. Such revised rate shall not be less than 90% of the Design Capacity;

2.1.4 all Crude Oil produced by the Project during the Test Period shall meet the minimum quality requirements specified in the FPSO Agreement;

2.1.5 the First Oil Project Infrastructure shall have operated throughout the Test period in accordance with the requirements of the environmental licences without benefit of waiver.

2.2 No Material Failure

If there is a Material Failure in respect of the First Oil Project Infrastructure during the Test Period, the Borrower shall stop the Test Period and re start in accordance with paragraph 2.3.2.

2.3 Extension of Test Period

2.3.1 Without prejudice to paragraph 2.3.2, in the event that the requirement specified in paragraph 1.1.2(D) is not satisfied for any reason other than a Material Failure during the Test Period, the Test Period may be extended to a period of 90 (ninety) consecutive days. In such case, the exhibited downtime over the 90-day extended period of the Test shall be less than 108 hours in the aggregate, where downtime is defined as an inability to deliver treated Crude Oil to the storage tanks of the FPSO.

2.3.2 The Borrower can stop the Test Period at any time. The Borrower shall notify the Technical Consultant at least 15 (fifteen) Business Days in advance of a re start of the

Test Period. If the Borrower stops the Test Period for any reason, or at any time during the Test Period there is a Material Failure, the Borrower shall be required to re perform in their entirety the tests set out in paragraph 2.1, provided always that where (i) paragraph 4.1.1 applies and (ii) the provisions of paragraph 2.1.3 have already been satisfied, as modified by the requirements of paragraph 2.1.1, during the Test Period, the requirements of paragraph 2.1.1 do not need to be repeated. For the avoidance of doubt, the Borrower shall not be required to satisfy the pre conditions set out in paragraph 1.2 prior to any restart of the Test Period.

3 Force Majeure

If Force Majeure occurs during the Test Period, the Test Period shall be extended on a "day for day" basis in respect of the period of Force Majeure, up to an aggregate extension of 10 (ten) days. For this purpose Force Majeure has the meaning given to it in the Petroleum Agreements as at the date of the CTA.

4 Normal Operating Staff

The Normal Operating Staff shall operate the First Oil Project Infrastructure during the Test Period and will perform the tests required in connection with Technical Completion, provided always that nothing in this Schedule 15 shall prevent the OpCo using, in the operation and maintenance of any part or parts of the Project (i) vendors and contractors, whether under long term or ad hoc contracts for the maintenance or to support the operation of equipment and/or (ii) personnel contracted in relation to the training of Ghanaian nationals.

SIGNATURES

Original Borrower

KOSMOS ENERGY FINANCE

By: W. Greg Dunlevy

Name: W. Greg Dunlevy
Title: Director

Original Guarantors

KOSMOS ENERGY GHANA HC

By: W. Greg Dunlevy

Name: W. Greg Dunlevy
Title: Director

KOSMOS ENERGY DEVELOPMENT

By: W. Greg Dunlevy

Name: W. Greg Dunlevy
Title: Director

KOSMOS ENERGY FINANCE

By: W. Greg Dunlevy

Name: W. Greg Dunlevy
Title: Director

SIGNATURES

Global Co-ordinator

STANDARD CHARTERED BANK

By:	J.H. Courtenay	By:	Ade Adeola
Name:	J.H. Courtenay	Name:	Ade Adeola
Title:	Global Head of Project Finance	Title:	Managing Director Project and Export Finance

SIGNATURES

Senior Mandated Lead Arrangers

STANDARD CHARTERED BANK

By: J.H. Courtenay

Name: J.H. Courtenay
Title: Global Head of Project Finance

By: Ade Adeola

Name: Ade Adeola
Title: Managing Director Project and Export Finance

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

SOCIÉTÉ GÉNÉRALE

By: Kevin Price

Name: Kevin Price
Title: MD RBF

CALYON

By: L. Renard

Name: L. Renard
Title: Associate Director

By: F. Pluta

Name: F. Pluta
Title: Head of RBC

ABSA BANK LIMITED

By: J.H. de la Pasture

Name: J.H. de la Pasture
Title: Principal

By: N. Balgobind

Name: N. Balgobind
Title: Associate Principal

AFRICA FINANCE CORPORATION

By: Andrew Alli

Name: Andrew Alli
Title: CEO

INTERNATIONAL FINANCE CORPORATION

By: Delanson Crist

Name: Delanson Crist

Title: Senior Manager

CORDIANT EMERGING LOAN FUND III, L.P.

By: Bertrand Millot

Name: Bertrand Millot
Title: VP Portfolio Management

SIGNATURES

Junior Mandated Lead Arrangers

STANDARD CHARTERED BANK

By: J.H. Courtenay

Name: J.H. Courtenay
Title: Global Head of Project Finance

By: Ade Adeola

Name: Ade Adeola
Title: Managing Director Project and Export Finance

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

INTERNATIONAL FINANCE CORPORATION

By: Delanson Crist

Name: Delanson Crist
Title: Senior Manager

AFRICA FINANCE CORPORATION

By: Andrew Alli

Name: Andrew Alli
Title: CEO

SIGNATURES

Original Senior Lenders

STANDARD CHARTERED BANK

By: J.H. Courtenay

Name: J.H. Courtenay
Title: Global Head of Project Finance

By: Ade Adeola

Name: Ade Adeola
Title: Managing Director Project and Export Finance

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

SOCIÉTÉ GÉNÉRALE

By: Kevin Price

Name: Kevin Price
Title: MD RBF

CALYON

By: L. Renard

Name: L. Renard
Title: Associate Director

By: F. Pluta

Name: F. Pluta
Title: Head of RBC

ABSA BANK LIMITED

By: J.H. de la Pasture

Name: J.H. de la Pasture
Title: Principal

By: N. Balgobind

Name: N. Balgobind
Title: Associate Principal

AFRICA FINANCE CORPORATION

By: Andrew Alli

Name: Andrew Alli
Title: CEO

CORDIANT EMERGING LOAN FUND III, L.P.

By: Bertrand Millot

Name: Bertrand Millot
Title: VP Portfolio Management

By: Donald S. McKelvie

Name: Donald S. McKelvie
Title: Treasurer

SIGNATURES

IFC (as Original Senior Lender under the Senior IFC Facility Agreement)

INTERNATIONAL FINANCE CORPORATION

By: Delanson Crist

Name: Delanson Crist
Title: Senior Manager

SIGNATURES

Original Junior Lenders

STANDARD CHARTERED BANK

By: J.H. Courtenay

Name: J.H. Courtenay
Title: Global Head of Project Finance

By: Ade Adeola

Name: Ade Adeola
Title: Managing Director Project and Export Finance

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

AFRICA FINANCE CORPORATION

By: Andrew Alli

Name: Andrew Alli
Title: CEO

SIGNATURES

IFC (as Original Junior Lender under the Junior IFC Facility Agreement)

INTERNATIONAL FINANCE CORPORATION

By: Delanson Crist

Name: Delanson Crist
Title: Senior Manager

SIGNATURES

Lead Technical and Modelling Bank

SOCIÉTÉ GÉNÉRALE

By: Kevin Price

Name: Kevin Price
Title: MD RBF

SIGNATURES

Co-Technical and Modelling Bank

STANDARD CHARTERED BANK

By: J.H. Courtenay

Name: J.H. Courtenay
Title: Global Head of Project Finance

By: Ade Adeola

Name: Ade Adeola
Title: Managing Director Project and Export Finance

SIGNATURES

Onshore Account Bank

STANDARD CHARTERED BANK

By: J.H. Courtenay

Name: J.H. Courtenay
Title: Global Head of Project Finance

By: Ade Adeola

Name: Ade Adeola
Title: Managing Director Project and Export Finance

SIGNATURES

Offshore Account Bank

STANDARD CHARTERED BANK

By:	J.H. Courtenay	By:	Ade Adeola
Name:	J.H. Courtenay	Name:	Ade Adeola
Title:	Global Head of Project Finance	Title:	Managing Director Project and Export Finance

SIGNATURES

Senior Facility Agent

STANDARD CHARTERED BANK

By: J.H. Courtenay

Name: J.H. Courtenay
Title: Global Head of Project Finance

By: Ade Adeola

Name: Ade Adeola
Title: Managing Director Project and Export Finance

SIGNATURES

Junior Facility Agent

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

SIGNATURES

Security Trustee

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

Exhibit 10.18

CONFORMED COPY

DATED 13 July 2009

KOSMOS ENERGY FINANCE
as Original Borrower

- and -

KOSMOS ENERGY GHANA HC

-and -

KOSMOS ENERGY DEVELOPMENT

-and -

KOSMOS ENERGY INTERNATIONAL

-and -

THE FINANCIAL INSTITUTIONS LISTED IN SCHEDULE 2 TO THE CTA
as Original Lenders

-and -

Others

DEFINITIONS AGREEMENT
(as amended on 29 October 2009 and 24 December 2009)

Slaughter and May
One Bunhill Row
London
EC1Y 8YY
(SRG/JRR)
CF093570076

Contents

THIS AGREEMENT is dated 13 July 2009 (as amended on 29 October 2009 and 24 December 2009) and made between:

(1) **KOSMOS ENERGY FINANCE** a company incorporated under the laws of the Cayman Islands with registered number 225882 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands (the **"Original Borrower")**;

(2) **KOSMOS ENERGY GHANA HC** a company incorporated under the laws of the Cayman Islands with registered number 135710 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands **("KEG")**;

(3) **KOSMOS ENERGY DEVELOPMENT** a company incorporated under the laws of the Cayman Islands with registered number 225879 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands **("KED")**;

(4) **KOSMOS ENERGY INTERNATIONAL** a company incorporated under the laws of the Cayman Islands with registered number 218274 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands **("KEI")**;

(5) **KOSMOS ENERGY HOLDINGS** a company incorporated under the laws of the Cayman Islands with registered number 133483 and having its registered office at PO Box 32332, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands **("KEH")**;

(6) **KOSMOS ENERGY OPERATING** a company incorporated under the laws of the Cayman Islands with registered number 231417 and having its registered office at PO Box 32332, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands **("KEO")**.

(7) **STANDARD CHARTERED BANK** as global co-ordinator (the **"Global Co-ordinator")**;

(8) **STANDARD CHARTERED BANK, BNP PARIBAS SA, SOCIÉTÉ GÉNÉRALE, CALYON, ABSA BANK LIMITED, AFRICA FINANCE CORPORATION, INTERNATIONAL FINANCE CORPORATION** and **CORDIANT EMERGING LOAN FUND III, L.P.** as mandated lead arrangers of the Senior Facilities (each a **"Senior Mandated Lead Arranger"** and together, the **"Senior Mandated Lead Arrangers"**);

(9) **STANDARD CHARTERED BANK, BNP PARIBAS, INTERNATIONAL FINANCE CORPORATION** and **AFRICA FINANCE CORPORATION** as mandated lead arrangers of the Junior Facilities (each a **"Junior Mandated Lead Arranger"** and together, the **"Junior Mandated Lead Arrangers"**);

(10) **THE FINANCIAL INSTITUTIONS** listed in Schedule 2 *(Original Lenders)* of the CTA as original senior lenders (the **"Original Senior Lenders")**;

(11) **INTERNATIONAL FINANCE CORPORATION,** an international organization established by Articles of Agreement among its member countries including Ghana (the **"IFC"**), as lender under the Senior IFC Facility Agreement;

(12) **THE FINANCIAL INSTITUTIONS** listed in Schedule 2 *(Original Lenders)* of the CTA as original junior lenders (the **"Original Junior Lenders")**;

(13) **INTERNATIONAL FINANCE CORPORATION,** as lender under the Junior IFC Facility Agreement;

(14) **SOCIÉTÉ GÉNÉRALE** as the lead technical and modelling bank (the **"Lead Technical and Modelling Bank")**;

(15) **STANDARD CHARTERED BANK** as the co-technical and modelling bank (the **"Co-Technical and Modelling Bank")**;

(16) **STANDARD CHARTERED BANK** as onshore account bank on the terms and conditions set out in the Onshore Project Accounts Agreement (the **"Onshore Account Bank")**;

(17) **STANDARD CHARTERED BANK** as offshore account bank on the terms and conditions set out in the Offshore Project Accounts Agreement (the **"Offshore Account Bank")**;

(18) **STANDARD CHARTERED BANK** as agent of the Senior Finance Parties (other than IFC) under this Agreement and under the Senior Bank Facility Agreement (the **"Senior Facility Agent")**;

(19) **BNP PARIBAS SA** as agent of the Junior Finance Parties (other than IFC) under this Agreement and under the Junior Bank Facility Agreement (the **"Junior Facility Agent")**; and

(20) **BNP PARIBAS SA** in its capacity as Security Trustee for the Secured Parties on the terms and conditions set out in the Intercreditor Agreement (the **"Security Trustee"** which expression includes its successors in title and assigns or any person appointed as an additional trustee for the purpose of and in accordance with the Intercreditor Agreement).

INTRODUCTION

The parties have agreed to enter into this Agreement in order to set out the definitions and rules of interpretation to be used in the Finance Documents (as defined in this Agreement).

IT IS AGREED as follows:

1. DEFINITIONS

Each of the defined terms and interpretative provisions set out below and in the above list of parties to this Agreement shall apply to this Agreement and each Finance Document, unless an express contrary intention appears in that Finance Document.

"1992 ISDA Master Agreement" means the 1992 Master Agreement (Multicurrency – Cross Border) as published by the International Swaps and Derivatives Association, Inc.

"2002 ISDA Master Agreement" means the 2002 Master Agreement as published by the International Swaps and Derivatives Association, Inc.

"Aban Abraham Drilling Contracts" means:

(a) the drilling contract for the use of the drill ship "Aban Abraham"; and

(b) the drilling services sharing agreement;

each dated 3 February 2006 and entered into between Pioneer Natural Resources USA, Inc., Longhom Offshore Drilling Ltd. and Aban Singapore Pte. Ltd (as amended, varied, novated or supplemented from time to time).

"Absa Bank Limited'' means Absa Bank Limited acting as Lender through its London Branch and acting as Senior Mandated Lead Arranger, through its division, Absa Capital (as the context may apply).

"Accepted" means in relation to the relevant First Oil Project Infrastructure that:

(a) OpCo has issued Completion Certificates in respect of such relevant Facilities under the Material Contracts;

(b) the relevant Performance Test Runs have been passed and the relevant Test Certificate has been issued;

(c) a Deemed Test Certificate has been issued; or

(d) OpCo has accepted Performance LDs (if applicable) under the Material Contract(s).

"Accession and Amendment Deed" means the deed of accession and amendment dated 29 October 2009 executed by KEO, KEH, KEI, KED, KEG and KEF and evidencing the accession of KEO to the Deed of Acknowledgment and Release and its amendment.

"Accession and Amendment Letter" means a letter entered into between, among others, the Senior Facility Agent, the Junior Facility Agent and each of the Obligors

pursuant to which certain provisions of the CTA and the Definitions Agreement were amended in accordance with their terms for the purposes of creating an alternative structure for the grant of certain Security Interests in relation to the Project.

"Accession Letter" means a document substantially in the form set out in Schedule 9 *(Form of Accession Letter)* of the CTA.

"Account Bank" means, as the context so requires, either the Onshore Account Bank, the Offshore Account Bank, or both of them.

"Accounting Reference Date" means 31 December.

"Acknowledgement Certificate" has the meaning given to such term in paragraph 1.3 of Schedule 15 of the CTA.

"Action Plan" shall have the meaning given to that term in the Senior IFC Facility Agreement and the Junior IFC Facility Agreement.

"Additional Borrower" means a company which accedes to the terms of this Agreement as an Additional Borrower in accordance with clause 31 *(Changes to the Obligors)* of the CTA.

"Additional Commitment" means, in respect of an Additional S1 Lender, the amount stated as its Additional Commitment in any S1 Lender Accession Notice in respect of that Additional S1 Commitment, to the extent not cancelled, reduced or transferred by it.

"Additional Cost Rate" has the meaning given to that term in Schedule 7 *(Mandatory Cost Formulae)* of the CTA.

"Additional Debt" means, in relation to any debt, any money, debt or liability due, owing or incurred under or in connection with:

(A) any refinancing, deferral, novation or extension of that debt;

(B) any further advance which may be made under any document agreement or instrument supplemental to any relevant Finance Document together with any related interest, fees and costs;

(C) any claim for damages or restitution in the event of rescission of that debt or otherwise in connection with any relevant Finance Document;

(D) any claim against Kosmos flowing from any recovery by Kosmos or any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer of a payment or discharge in respect of that debt on the grounds of preference or otherwise; and

(E) any amount (such as post-insolvency interest) which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowability of the same in any insolvency or other proceedings.

"Additional Guarantor" means a company which accedes to the terms of this Agreement as an Additional Guarantor in accordance with clause 31 *(Changes to the Obligors)* of the CTA.

"Additional Obligor" means an Additional Borrower or an Additional Guarantor.

"Additional Oil Entitlement" shall have the meaning given to that term in the relevant Petroleum Agreement.

"Additional S1 Commitment" has the meaning given to that term in Clause 3.3 (*Additional S1 Commitment*) of the CTA.

"Additional S1 Commitment Date" has the meaning given to that term in Clause 3.3 (*Additional S1 Commitment*) of the CTA.

"Additional S1 Lender" has the meaning given to that term in Clause 3.3 (*Additional S1 Commitment*) of the CTA.

"Additional S2 Commitment" has the meaning given to that term in paragraph (I) of Clause 3.3 (*Additional S1 Commitment and Additional S2 Commitment*) of the CTA.

"Additional S2 Commitment Date" has the meaning given to that term in paragraph (J) of Clause 3.3 (*Additional S1 Commitment and Additional S2 Commitment*) of the CTA.

"Additional S2 Lender" means any person making available an Additional S2 Commitment to the Borrower.

"Adjusted Amount" means the amount calculated as the difference between (i) the Excess Equity Figure and (ii) the aggregate total of Sponsor Equity spent on Project Costs in excess of USD375 million since 31 March 2009 until the Excess Equity Redetermination Date, as such amount is calculated by the Technical and Modelling Bank and the Technical Consultant (each acting reasonably and in good faith following consultation with the Borrower and having regard to the Project Model and any evidence of payment of such amounts).

"Adjusted Excess Equity Figure" means the Excess Equity Figure minus the Adjusted Amount, if that amount is a positive number, or plus the Adjusted Amount if that amount is a negative number.

"AFC" means Africa Finance Corporation, an international finance corporation established by an agreement amongst sovereign states with its headquarters at 3A Osborne Road, Ikoyi, Lagos, Nigeria.

"AFC Inconvertibility Payment" means any payment received by, or for the account of, AFC from, or on account of the obligations of, any Obligor in a Convertible Currency during an Inconvertibility Event as a consequence of any AFC Preferential Treatment.

"AFC Preferential Treatment" means AFC being afforded preferential treatment by a Relevant Authority by foreign exchange being made available to AFC for the purpose of paying obligations owed to it.

"Affected Administrative Party" has the meaning given to that term in clause 32.12 *(Replacement of Administrative Parties)* of the CTA.

"Affiliate" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"Agent" means each of the Facility Agents, the Security Trustee and for the purposes of clause 34 *(Payment Mechanics)* and clause 41.2(B) *(Exceptions)* of the CTA, the Technical and Modelling Bank and **"Agents"** shall be construed accordingly.

"Agreed Form" means in a form agreed between the Borrower (and/or KEG) and the Facility Agent.

"Agreed Insurances" means the insurances to be implemented and maintained by the Obligors in accordance with the Schedule of Insurances, but excluding any insurances to the extent that the cover to be maintained is not available on reasonable commercial terms or no longer reflects insurance which would be implemented and maintained in accordance with good oil industry practice or ceases to be generally available in the market.

"Amendment Date" means the date on which the Accession and Amendment Letter was signed and delivered by each of the parties thereto.

"Amortisation Schedule" means the amortisation schedule set out in Schedule 6 *(Amortisation Schedule)* of the CTA, as amended, supplemented or replaced from time to time.

"Approved Accounting Principles" means US generally accepted accounting principles to the extent applicable to the relevant financial statements.

"Approved Auditor" means any one of Deloitte LLP, Ernst & Young, Pricewaterhouse Coopers LLP or such other internationally recognised auditor as the Majority Lenders may approve from time to time (acting reasonably).

"Assignment of Reinsurance Rights" means the deed of reinsurance assignment, to be entered into in accordance with the terms of the CTA, between, the insurers, the Security Trustee and KEG.

"Assignments" means the Offshore Security Assignment, the Onshore Security Assignment and the Assignment of Reinsurance Rights (to the extent that these have been executed by all parties other than Security Trustee).

"Atwood Hunter Drilling Contracts" means:

(A) the drilling contract "Atwood Hunter" dated 23 June 2008; and

(B) the rig sharing agreement dated 24 June 2008,

each entered into between KEG, Noble Energy Limited and Alpha Offshore Drilling Services Company (as amended, varied, novated or supplemented from time to time).

"Authority" means any governmental, provincial or local government, department, authority, court, tribunal or other judicial or regulatory body, instrumentality or agency in any of the countries where the Borrower operates its assets.

"Authorisation" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"Authorised Investment" means, at any time (subject to such being available), any of the following:

(A) a US Dollar denominated institutional money market fund with at least USD 1 billion of funds and an average rate of maturity not exceeding one year;

(B) a US Dollar denominated freely negotiable and marketable bond, treasury bill or debt security of a remaining maturity not exceeding one year issued by the United States of America or any agency or instrumentality thereof, or by any other sovereign government with a long-term credit rating of at least A2 by Moody's or A by Standard & Poor's at such time;

(C) a US Dollar denominated time deposit (of an original maturity not exceeding six months) made in London or New York or any other place agreed between the Borrower and the Senior Facility Agent (or, after the Senior Discharge Date, the Junior Facility Agent) with a bank authorised to carry on business there whose long-term debt securities are, at such time, rated at least A2 by Moody's or A by Standard & Poor's;

(D) a US Dollar denominated instrument with a maturity of less than one year which has a short-term rating at such time of at least P1 by Moody's or A1 by Standard & Poor's or instruments with a maturity of less than one year issued by, or guaranteed by, entities whose short-term securities are rated at such time at least P1 by Moody's or A1 by Standard & Poor's; or

(E) any other investment agreed between the Senior Facility Agent (or, after the Senior Discharge Date, the Junior Facility Agent) and the Borrower.

"Authorised Signatory" means, in relation to a company or other legal person:

(A) one or more directors who are duly authorised whether singly or jointly, to act to bind that company or other legal person; or

(B) a person or persons duly authorised by that company or other legal person to act to bind that company or other legal person.

"Availability Period" means, in respect of the Senior Facilities, the Senior Availability Period, and in respect of the Junior Facilities, the Junior Availability Period.

"Available Commitment" means, at any time, in respect of a Facility or, as the case may be, Tranche S1, (and/or a Lender) the Commitments under that Facility including, as the case may be, Tranche S1 or, as the case may be, the Commitment under that Facility or Tranche S1 of that Lender which may be utilised (and has not been utilised).

"Available Funding" means, for the period commencing on the relevant Calculation Date and ending on the Assumed Completion Date (as defined in the definition of "Total Costs" below), the sum of (without double counting):

(A) the Total Available Commitments under all the Facilities;

(B) the balance of the Onshore Working Capital Accounts, any KEG GPS Account, the Offshore Proceeds Accounts, the Reserve Equity Account, (to the extent it is able to be used in accordance with clause 10.4 *(Insurance Receipts)),* the Insurance Proceeds Account, or any additional equity commitment (committed on terms acceptable to the Majority Lenders (acting reasonably)); and

(C) the amount of any committed Permitted Financial Indebtedness.

"Bank Acceleration Trigger Event" means:

(A) a Payment Event of Default under the Senior Bank Facility or the Junior Bank Facility; or

(B) a General Covenant Event of Default

"Blocks" means the WCTP Block and the DWT Block.

"Borrower" means the Original Borrower or an Additional Borrower unless it has ceased to be a Borrower in accordance with clause 31 *(Changes to the Obligors).*

"Borrowing Base Amount" means the amount determined on a Forecast Date in accordance with clause 19 *(Forecasts and Calculations)* of the CTA.

"Borrowing Base Assets" means Kosmos's interest in, and all rights in respect of, the Project including its Entitlement to all Unit Substances produced by the Project.

"Break Costs" means the amount (if any) by which:

(A) the interest which a Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, ha the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

(B) the amount which that Lender would be able to obtain by placing an amount equal to the total sum received by it on deposit with a leading bank in the London interbank market for a period starting on the date of receipt or recovery and ending on the last day of the current Interest Period.

The calculation of interest for the purposes of paragraph (A) shall exclude an amount equal to the Margin for the period referred to in that paragraph where Kosmos prepays a Loan in any of the following circumstances:

(1) under clause 10.1 *(General)* of the CTA or if clause 10.10 *(Right of repayment and cancellation in relation to a single Lender)* of the CTA applies; or

(2) a Market Disruption Event has occurred in relation to that Loan and no substitute basis for determining the rate of interest has been agreed.

"Brent Forward Curve" means a Brent Crude Oil five-year forward curve as quoted Ft, T by Intercontinental Exchange.

"Bridge Repayment Date" means the date falling 364 days after the date of this Agreement.

"Business Day" means a day (other than a Saturday or Sunday) when banks are open for business in London and New York.

"Calculation Date" means any Forecast Date, and prior to Project Completion, any drawdown date and, if the Funding Sufficiency Ratio has not been calculated within the previous three months, on the date of the expiration of any such three month period.

"Capital Spares" means the spare parts and equipment, as provided for as a separate line item in the relevant Development Work Program and Budget which are intended to be used to maintain or replace existing equipment.

"Cash Call Period" has the meaning given to that term in clause 24.6 *(Project Information)* subparagraph (C)(iii) of the CTA.

"Cash Waterfall" means the order of priority for application of amounts withdrawn from the Offshore Proceeds Accounts as set out in clause 21.2 *(Withdrawals – No Default Outstanding)* of the CTA.

"Cash Sweep" means prepayment of the Facilities in accordance with clause 10.6 *(Cash Sweep)* of the CTA.

"Change of Control" has the meaning given to that term in clause 10.5 *(Change of Control)* of the CTA.

"Charge over Shares in the Original Borrower" means the charge over shares in the Original Borrower dated on or about the date of this Agreement between KED and the Security Trustee.

"Charge over Shares in KEG" means the charge over shares in KEG dated on or about the date of this Agreement between KED and the Security Trustee.

"Charge over Shares in KED" means the limited recourse charge over shares in KED dated on or about the date of this Agreement between KEI and the Security Trustee.

"Charge over Shares in KEO" means the charge over shares in KEO dated 29 October 2009 between KEH as chargor, KEO and the Security Trustee.

"Commitment" means a Senior Commitment or a Junior Commitment.

"Companies Registry" or **"Register"** means a division of the Registrar General's department of the Ministry of Justice of Ghana mandated under section 112 of the Companies Act, 1963 (Act 179) to maintain a register of charges.

"Completion Certificate" has the meaning given to such term under each of the relevant Material Contracts.

"Compliance Certificate" means a certificate, substantially in the form set out in Schedule 11 *(Form of Compliance Certificate)* of the CTA.

"Conditions Precedent" means the conditions precedent to initial utilisation of the Facilities as set out in Part I of Schedule 3 *(Conditions Precedent)* of the CTA.

"Conditions Subsequent" means the conditions precedent to initial utilisation of the Facilities (oth er than Tranche S1) as set out in Part II of Schedule 3 *(Conditions Precedent)* of the CTA.

"Confidentiality Undertaking" means a confidentiality undertaking substantially in the form of Schedule 13 *(Form of Confidentiality Undertaking)* of the CTA or in any other form agreed between Kosmos and the Senior Mandated Lead Arrangers and/or the Junior Mandated Lead Arrangers, as the case may be.

"Consultants" means the Technical Consultant, Environmental Consultant the Reserves Consultant and the Insurance Consultant.

"Contractor" means, the contractor under the WCTP PA and the DWT PA respectively from time to time.

"Convertible Currency" means any freely convertible and transferable currency.

"Crude Oil" shall have the meaning given to that term in the UUOA.

"CTA" means the common terms agreement dated 13 July 2009 (as may be amended from time to time) entered into between, *inter alios,* the Original Borrower, KEG, KED and the financial institutions named therein.

"CTA Amendment Fee Letter" means the fee letter entered into between the Facility Agents, the IFC and Kosmos and dated on or about the date of the Fourth Amendment Letter relating to the fees payable by Kosmos to the Facility Agents and IFC in consideration for the amendments and waivers under the Fourth Amendment Letter.

"Debt Service Coverage Ratio" or **"DSCR"** means, as at any Forecast Date falling on or after 15 December 2009, the ratio of (1) Net Cash Flow for the period from, prior to Project Completion, the date falling three months prior to Project Completion, and after Project Completion, from that Forecast Date to the immediately following Forecast Date (calculated on the basis of the Forecast Assumptions) to (2) the aggregate of Financing Costs in respect of the Senior Facilities for such period.

"Debt Service Reserve Account" or **"DSRA"** means each of the Senior DSRA and the Junior DSRA.

"Deed of Acknowledgement and Release" means a deed of acknowledgement and release dated 13 July 2009 (as amended by the Accession and Amendment Deed and as may be amended from time to time) between the Sponsor, KEI, KED, KEF **,** KEG and KEO.

"Deed of Subordination" means each deed of subordination in respect of Financial Indebtedness of either (i) the Obligors owed to KEI, (ii) KEI owed to KEO, or (iii) KEO owed to KEH, in each case substantially in the form of Schedule 15 *(Form of Deed of Subordination)*.

"Default" means an Event of Default or any event which, with the giving of notice, lapse of time, or fulfilment of any condition, would constitute an Event of Default.

"Deficiency Funded Period" has the meaning given to that term in clause 29.2 *(Breach of financial covenant)* of the CTA.

"Deficiency Funding Criteria" means, in relation to a Deficiency Funded Period, that Project Costs shall be funded, during the Deficiency Funded Period only, from the following sources and in the following order:

(A) first, the balance on the J1 Reserve Account;

(B) secondly, on a US Dollar for US Dollar basis, by drawings of Tranche J2 and releases from the Reserve Equity Account;

(C) thirdly, releases from the Offshore Proceeds Accounts, provided that the balance on such account is not reduced below the required minimum balance under clause 20.1(E) *(Project Accounts)* at that time; and

(D) fourthly, by drawings of Tranche J2,

but on the basis that Tranche J2 shall not be drawn after the end of the Deficiency Funded Period.

"Derivative Instrument" means any financial derivative agreement including any forward rate agreement, option, swap, cap, floor and any combination of the foregoing.

"Design Capacity" means the capacity specified in the Plan of Development and associated bases of design for the FPSO.

"Development Work Program and Budget" shall have the meaning given to that term in the UUOA.

"Disruption Event" means either or both of.

(A) a material disruption to those payment or communications systems or to those financial markets which.are, in each case, required to operate in order for payments to be made in connection with the Facilities (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or

(B) the occurrence of any other event which results in a disruption (including, without limitation, disruption of a technical or systems-related nature) to the treasury or payments operations of a Party preventing or severely inhibiting that or any other Party:

(i) from performing its payment obligations under the Finance Documents; or

(ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

"Distributions Reserve Account" means each account which is established and maintained by an Obligor pursuant to clause 20.6 *(Distributions Reserve Account)* of the CTA, with any bank and in any jurisdiction (and to the extent such account is held by Standard Chartered Bank, it is not held in its capacity as Account Bank).

"Dividend Release Test" means the conditions to be satisfied under clause 28.24 *(Distributions)* of the CTA for the payment of a Shareholder Distribution.

"DWT Block" means the Deep Water Tano area offshore Ghana, being the area described in Annex 1 of the DWT PA, but excluding any portions of such area in respect of which Contractor's rights thereunder are from time to time relinquished or surrendered pursuant to the DWT PA.

"DWT JOA" means the joint operating agreement dated 15 August 2006 between Tullow Ghana Limited, Sabre Oil and Gas Limited and KEG in respect of the Deepwater Tano Contract Area (and all amendments and supplements thereto).

"DWT PA" means the petroleum agreement dated 10 March 2006 between the Government, represented by the Minister, the GNPC, Tullow Ghana Limited, Sabre Oil and Gas Limited and KEG in respect of the Deepwater Tano Contract Area (and all amendments and supplements thereto).

"Economic Assumptions" means the economic assumptions agreed or determined in accordance with clause 19.1 *{Forecast Procedures)* of the CTA.

"EHS Guidelines" shall have the meaning given to that term in the Senior IFC Facility Agreement and the Junior IFC Facility Agreement.

"Enforcement Action" shall have the meaning given to that term in the Intercreditor Agreement.

"Entitlement" shall have the meaning given to that term in the UUOA.

"Environmental Consultant" means Shaw Consultants International, Inc., (or any other reputable environmental consultant agreed to by the Technical and Modelling Bank (acting reasonably)) as may be appointed from time to time in accordance with a scope of work and budget for fees and expenses agreed between the Borrower, the Facility Agents and the Technical and Modelling Bank.

"EO" means the EO Group Limited, a Cayman Islands company whose registered office is at PMB CT 123, Cantonments, 112A Adole Crescent Way, Airport, Accra, Ghana.

"ESER" shall have the meaning given to that term in the Senior IFC Facility Agreement and the Junior IFC Facility Agreement.

"Event of Default" means any event or circumstance specified as such in clause 29 *(Events of Default)* of the CTA.

"Excess Equity" means:

(A) on and from Financial Close until the Satisfaction Date, an amount equal to Sponsor Equity less (i) USD 375 million and (ii) any amount of Sponsor Equity spent otherwise than in payment of Project Costs since 31 March 2009;

(B) on and from the Satisfaction Date until the Excess Equity Redetermination Date, the Excess Equity Figure;

(C) on and from the Excess Equity Redetermination Date, the Adjusted Excess Equity Figure.

"Excess Equity Costs" means costs of the Group (including any subsidiaries of KEO) that are not Project Costs or non-Jubilee Related Costs, provided that such costs shall not, individually or in aggregate, exceed the Excess Equity.

"Excess Equity Figure" means USD 367,800,000.

"Excess Equity Redetermination Date" means the date falling ninety (90) days after the Satisfaction Date.

"Facility" means each of the facilities made available under each of the Facility Agreements as described in clause 3 *(The Facilities)* of the CTA.

"Facility Agents" means the Senior Facility Agent and the Junior Facility Agent.

"Facility Agreements" means the Senior Facility Agreements and the Junior Facility Agreements.

"Facility Increase Request Notice" means a notice, substantially in the form of Schedule 4 *(Form of Facility Increase Request Notice)* of the CTA, delivered by Kosmos to the Senior Facility Agent pursuant to clause 3.3 *(Increase in Total Senior Facilities Amount)* of the CTA.

"Facility Office" means the office or offices notified by a Lender to the Senior Facility Agent (or, as the case may be, the Junior Facility Agent) in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days' written notice where notice is required under clause 32.14 *(Facility Agents relationship with the Lenders)* of the CTA) as the office or offices through which it will perform its obligations under this Agreement.

"Fee Letter" means any letter or letters dated on or about the date of this Agreement or the CTA Amendment Fee Letter between any Finance Party and Kosmos setting out any of the fees referred to in clause 14 *(Fees)* of the CTA and or any other fees payable by Kosmos to a Finance Party, including fees under the CTA or the Facility Agreements.

"Field Depletion Date" means the projected date on which it is determined (in accordance with the Forecast Assumptions) that Project Costs will exceed Net Revenues on each remaining Forecast Date following that projected date.

"Field Life Cover Ratio" or **"FLCR"** means, as at any Forecast Date falling on or after 15 December 2009, the ratio of (i) the net present value of Net Cash Flow (calculated on the basis of the Forecast Assumptions) from, prior to Project Completion, the date falling three months prior to Project Completion, and after Project Completion, from that Forecast Date until the Field Depletion Date plus the net present value of Relevant Capital Expenditure to (ii) the aggregate of all Loans outstanding under the Senior Facilities on that Forecast Date.

"Final Completion Date" means 31 December 2011.

"Final Information Memorandum" means the information memorandum in the Agreed Form provided by Kosmos to the Mandated Lead Arrangers and the Original Lenders.

"Final Maturity Date" means:

(A) in respect of Tranche S1, the earlier to occur of (i) the Satisfaction Date and (ii) the Bridge Repayment Date;

(B) if the Satisfaction Date occurs on or before the Bridge Repayment Date, in respect of each of the Senior Facilities, the earlier to occur of (i) seven years from the date of Financial Close, (ii) the Reserve Tail Date and (iii) 15 December 2015; and

(C) in respect of each of the Junior Facilities, the earlier to occur of (i) seven and a half years from the date of Financial Close (ii) six months after the Reserve Tail Date and (iii) 15 June 2016.

"Final Repayment Date" means, in respect of the Senior Facilities, the final repayment date for that Facility including, as the case may be, Tranche S1 determined in accordance with clause 9 *(Repayment)* and/or the Amortisation Schedule, and references to the Final Repayment Date shall be construed as a reference to any Revised Final Repayment Date which may be determined in accordance with clause 9.4 *(Amendment to Amortisation Schedule)* of the CTA.

"Final Reports" means the reports prepared by the Insurance Consultant, the Reserves Consultant and the Technical Consultant and the Environmental Consultant in relation to the Project.

"Finance Document" means this Agreement, the CTA, the Facility Agreements, the Intercompany Loan Agreement between the Original Borrower and KEG, each Security Document, each Hedging Agreement, the Intercreditor Agreement, any Deed of Subordination, Deed of Acknowledgement and Release, each Utilisation Request, any Accession Letter, any Resignation Letter and each Fee Letter and any other document designated as such by Kosmos and the Facility Agents.

"Finance Party" means each Senior Finance Party and each Junior Finance Party, and **"Finance Parties"** shall be construed accordingly.

"Financial Close" means the date on which each of the Facility Agents and IFC notify Kosmos and the Lenders that it has received all of the Conditions Precedent (other than the Conditions Subsequent) in form and substance satisfactory to it and/or waived receipt of those Conditions Precedent in accordance with clause 2.1 *(Conditions Precedent to first Utilisation)*.

"Financial Completion Date" means the date on which each DSRA is first fully funded to the Required Balance on or after Project Completion and the Assignments are executed, stamped, registered and in full force and effect.

"Financial Covenants" means the financial covenants listed under clause 27 *(Financial Covenants)* of this Agreement.

"Financial Indebtedness" means any indebtedness for or in respect of:

(A) moneys borrowed;

(B) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(C) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(D) the amount of any liability in respect of any lease or hire purchase contract which would be treated in the accounts of the relevant entity as a finance or capital lease;

(E) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(F) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the market to market value shall be taken into account);

(G) any amount raised under any other transaction (including any forward sale or purchase agreement) of a type not referred to in any other paragraph of this definition but which is classified as a borrowing in the accounts of the relevant entity;

(H) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of an entity which is not a member of the Group and which underlying liability would fall within one of the other paragraphs of this definition if it were a liability of a member of the Group; and

(I) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (A) to (H) above (but only to the extent that the Financial Indebtedness supported thereby is or is at any time in the future capable of being outstanding).

"Financing Costs" means all amounts of interest, fees, commitment fees, or other costs and scheduled principal instalments payable by the Obligors under the Finance

Documents (but excluding (i) for the avoidance of doubt, any mandatory prepayments or prepayments under the Facilities required as a result of the Cash Sweep and (ii) any payments due under an Intercompany Loan Agreement pursuant to which the Borrower makes advances to KEG from the proceeds of a drawdown under the Facility).

"First Oil Date" means the date, following successful completion of any applicable commissioning and testing periods, on which Hydrocarbons (as such term is defined in the UUOA) are first introduced into the topside process equipment on the FPSO.

"First Oil Project Infrastructure" means the Project Infrastructure with the exception of those wells scheduled to be completed after the date of Project Completion.

"First Repayment Date" means the first repayment date under each of the Senior Facilities set out under clauses 9.1 *(Repayment of Tranche S1)* and 9.2 *(Repayment under the Senior Facilities)* of the CTA and the first repayment date under each of the Junior Facilities set out under clause 9.3 *(Repayment under the Junior Facilities)* of the CTA, as appropriate.

"First Repayment Period" means the period commencing on the date of first Utilisation of the Facility and ending on the First Repayment Date.

"Fixed Price Deck" means USD45 per barrel.

"Forecast" means each Forecast prepared in accordance with clause 19 *(Forecasts and Calculations)* of the CTA.

"Forecast Assumptions" means the assumptions used in the production of a Forecast.

"Forecast Date" means:

(A) the Satisfaction Date;

(B) the date on which Project Completion occurs;

(C) 15 June and 15 December in each year commencing on and from 15 December 2009 or, if later, the Satisfaction Date;

(D) any other date after the Satisfaction Date which falls not more than 90 days after the date on which the Reserves Consultant has, at the request of Kosmos, produced a new or updated reserves report; and

(E) any date after the Satisfaction Date on which the Majority Senior Lenders determine that an event (or series of events) or circumstance (including a fluctuation in Crude Oil prices) or any effect or consequence thereof, has occurred that could reasonably be expected to have a Material Adverse Effect provided always that:

(i) prior to making any such determination, the Majority Lenders shall consult with Kosmos in good faith for a period of not less than 5 Business Days; and

(i) the Majority Senior Lenders shall be entitled to make any such determination, unless a Default is continuing (other than a Default in respect of a Material Adverse Effect):

(a) once only between any two Forecast Dates; and

(b) not prior to 15 December 2009.

"Forecast Period" means, in the case of the first Forecast Period, the period commencing on the date of Financial Close and ending at close of business on the first Forecast Date and, in the case of any subsequent Forecast Period, the period commencing on the expiry of the immediately preceding Forecast Period and ending at close of business on the next Forecast Date.

"Forecasting Procedures" means the procedures set out under clause 19 (*Forecasts and Calculations*) of the CTA for preparing a Forecast.

"Fourth Amendment Letter" means the letter of amendment entered into between, among others, the Facility Agents and the Obligors prior to the Satisfaction Date that amends certain provisions of the CTA, the Definitions Agreement and the Senior Bank Facility Agreement.

"FPSO" means a floating production, storage and offloading vessel.

"FPSO Agreement" means an agreement to be entered into by OpCo in relation to the Project for the construction, installation, lease, operations and maintenance of a FPSO.

"FPSO Construction Financing" means any financing arrangements in relation to the construction of the FPSO to which an Obligor or member of

the Group is a party and which gives rise to an FPSO Funding Deficiency.

"FPSO Event" means any event that constitutes either an FPSO Purchase Event or an FPSO Construction Financing.

"FPSO Funding Deficiency" means, following an FPSO Event only, an event arising under Clause 28.29 or Clause 28.22 in which (i) a Funding Shortfall arises and (ii) the Funding Sufficiency Ratio is less than 1:1.

"FPSO Funding Plan" means a detailed funding plan prepared by Kosmos as approved by the Technical and Modelling Bank (in consultation with the Borrower and acting reasonably) which (i) is in form and substance satisfactory to the Majority Lenders (such approval not to be unreasonably withheld if the plan has been approved by the Technical and Modelling Bank) and (ii) demonstrates that the Borrower has at its

disposal the necessary funds to maintain the Funding Sufficiency Ratio at a minimum of 1:1 and to cover any Funding Shortfall resulting from the FPSO Event.

"FPSO Purchase Event" means, if it occurs, the date on which either: (i) the Unit Operator (in accordance with a vote of the Unit Operating Committee (as defined in the UUOA)), or (ii) one or more of the Jubilee Partners (including Kosmos), agrees to acquire, whether directly or indirectly, all or part of the equity in the FPSO for the purposes of the Project.

"FPSO Related Excess Cash" means any monies that accrue to the benefit of an Obligor in any given month that are attributable to:

(A) reduced Project Costs as a result of KEG not being required to make payments in respect of arrangements for leasing the FPSO; and

(B) sums payable to any Obligor under any Participation Agreement and/or any other financing arrangement entered into by an Obligor in respect of the FPSO.

"FSR Breach Date" has the meaning given to that term in clause 29.2 (*Breach of financial covenant*) of the CTA.

"Funding Shortfall" means a situation where Kosmos has insufficient funding (including the Total Facility Amount but taking account of forecast Financing Costs) available to it to pay Project Costs so that Project Completion is achieved on or before the Final Completion Date.

"Funding Sufficiency Ratio" means, as at any Calculation Date, the ratio of Available Funding to Total Costs.

"General Covenant Event of Default" means an Event of Default under clause 29.3 (*Breach of other obligations*) of the CTA in relation to any obligation under this Agreement.

"Ghanaian Cedi" means the lawful currency of Ghana.

"Ghana" means the Republic of Ghana, West Africa.

"Ghana Working Capital Cedi Account" means a Ghanaian Cedi account designated "Kosmos - Onshore Working Capital Account" established by Kosmos with the Onshore Account Bank in Ghana pursuant to clause 20 (Bank Accounts and Cash Management) of the CTA which is secured in favour of the Secured Parties.

"Ghana Working Capital USD Account" means a USD account designated "Kosmos - Onshore Working Capital Account" established by Kosmos with the Onshore Account Bank in Ghana pursuant to clause 20 (Bank Accounts and Cash Management) of the CTA which is secured in favour of the Secured Parties.

"GNPC" means the Ghana National Petroleum Corporation, a public corporation established by Provisional National Defence Council Law 64 of 1983.

"Government" means the government of Ghana.

"Gross Revenues" means, for the relevant period of determination and without double counting, the USD equivalent of each of the following amounts to the extent received (or projected to be received or which are credits to a Unit Account) by or on behalf of an Obligor (including the USD equivalent of any payment in kind) during that period from or in respect of the Borrowing Base Assets (other than any amount received or held on behalf of an Interested Third Party which is not related to any carried interest in a Borrowing Base Asset whether in cash or in kind):

(A) amounts received or to be received from the sale of Unit Substances or otherwise received or to be received pursuant to any Project Agreement;

(B) amounts representing interest on the Project Accounts and interest or distributions or income of any kind in respect of Authorised Investments;

(C) all refunds of tax of any kind;

(D) all Insurance Proceeds;

(E) all damages or other payments for termination or non-performance or failure to perform or variation under any contract;

(F) all net amounts received under any Derivative Instrument or other Hedging Agreement;

(G) all amounts received in respect of any Permitted Disposal; and

(H) all other amounts which fall to be credited to the profit and loss account of an Obligor for the financial year in which the relevant period falls.

"Group" means KED and its Subsidiaries, KEI and KEO.

"Guarantor" means the Original Guarantor or an Additional Guarantor.

"Hedging Agreement" means each Derivative Instrument entered into with a Hedging Counterparty pursuant to and in accordance with the Hedging Policy.

"Hedging Coordinator Bank" means BNP Paribas S.A.

"Hedging Counterparty" means a counterparty being a Lender and having, at the date of entry into any relevant Derivative Instrument, a long term debt rating of at least A- by Standard and Poor's or A3 by Moody's, for the purpose of managing or hedging interest rate risk and Crude Oil price fluctuations, in each case, in accordance with the Hedging Policy.

"Hedging Policy" means the policy in the Agreed Form (and initialled by the Borrower and/or KEG and the Facility Agents) for the hedging of Kosmos's exposure to Crude Oil price fluctuations and interest rates delivered as a Condition Precedent under paragraph 8 of Part 1 of Schedule 3 (*Conditions Precedent*) of the CTA.

"Holding Company" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

"IFC Acceleration Trigger Event" means:

(A) a Payment Event of Default under the Senior IFC Facility or the Junior IFC Facility;

(B) an IFC Covenant Event of Default; or

(C) a General Covenant Event of Default.

"IFC Covenant Event of Default" means an Event of Default under clause 29.3 (*Breach of other obligation*s) of the CTA in relation to clause 13 of the Senior IFC Facility or clause 12 (*Covenants*) of the Junior IFC Facility.

"IFC Inconvertibility Payment" means any payment received by, or for the account of, IFC from, or on account of the obligations of, any Obligor in a Convertible Currency during an Inconvertibility Event as a consequence of any IFC Preferential Treatment.

"IFC Preferential Treatment" means IFC being afforded preferential treatment by a Relevant Authority by foreign exchange being made available to IFC for the purpose of paying obligations owed to it.

"Illegality Lender" has the meaning given to that term in clause 10.2 (*Illegality*) of the CTA.

"Inconvertibility Event" means circumstances in which a Relevant Authority is not generally permitting the conversion of local currency into Convertible Currencies or the remittance of Convertible Currencies in order to pay obligations denominated in Convertible Currencies.

"Increased Costs" has the meaning given to that term in paragraph (B) of clause 16.1 (*Increased costs*) of the CTA.

"Insolvency Event" means, in relation to any Obligor or KEI, any circumstances described in clause 29.6 (*Insolvency*) of the CTA.

"Insolvency Proceedings" means, in relation to any Obligor, any circumstances described in clause 29.7 (*Insolvency proceedings*) of the CTA.

"Insurance" or **"Insurances"** means any or all of the contracts of insurance which Kosmos is required from time to time to purchase or procure and maintain pursuant to the Schedule of Insurances.

"Insurance Consultant" means the appointed insurance consultant, currently Moore-McNeil, LLC, appointed in accordance with a scope of work and budget for expenses agreed between the Borrower, the Facility Agents and the Technical and Modelling Bank.

"Insurance Consultant Appointment Letter" means the letter between Kosmos, the Facility Agents and the Insurance Consultant setting out the terms of appointment of the Insurance Consultant, in the Agreed Form.

"Insurance Proceeds" means all moneys which may at any time be or become payable to or received by an Obligor (other than proceeds in respect of third party liability insurances) under or pursuant to the Agreed Insurances and any reinsurance contract in which the relevant Obligor has an interest

"Insurance Proceeds Account" means an account designated "Kosmos - Insurance Proceeds Account" established by Kosmos with the Offshore Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of the CTA which is secured in favour of the Secured Parties.

"Intercompany Borrower" means a borrower under an Intercompany Loan Agreement.

"Intercompany Loan Agreement" means each loan agreement in Agreed Form pursuant to which either (i) the Borrower makes advances to KEG from the proceeds of a drawdown under the Facility or a capital contribution from KED, (ii) KEO makes advances to KEI, (iii) KEH makes advances to KEO, (iv) members of the Group make advances to one another.

"Intercreditor Agreement" means the intercreditor agreement, entered into on or about the date of this Agreement, between, amongst others, the Facility Agents, the Senior Lenders, the Hedging Counterparties, the Junior Lenders, the Original Borrower and the Security Trustee.

"Interest Period" means, in relation to a Loan, each period determined in accordance with clause 12 (*Interest Periods)* of the CTA and, in relation to an Unpaid Sum, each period determined in accordance with clause 11.4 (*Default interest*) of the CTA.

"Interested Third Party" has the meaning given to the term in clause 20.2(A)(iii) (*Other bank accounts*) of the CTA.

"IPO" means in relation to a company, a transaction in which shares in that company are sold or issued to investors and in connection with such sale or issue are admitted to trading on a regulated market or other stock exchange.

"**IPT**" shall have the meaning given to that term in the UUOA.

"ISDA Master Agreement" means a 1992 ISDA Master Agreement or a 2002 ISDA Master Agreement.

"Joint Operating Agreements" means the DWT JOA and the WCTP JOA.

"Jubilee Field" means the hydrocarbon accumulation so named that is located approximately 63km offshore Ghana and which extends across the Blocks.

"Jubilee Partners" means any party to the UUOA that holds a Unit Interest (as defined in the UUOA).

"Junior Availability Period" means the availability period in respect of the Junior Facilities as specified in clause 6.1(B) (*Availability Periods*) of the CTA.

"Junior Bank Facility" means the secured junior loan facility made available by the Junior Lenders (apart from IFC) under the Junior Bank Facility Agreement..

"Junior Bank Facility Agreement" means the junior bank facility agreement made on or about the date of this Agreement by the Original Borrower, KED, KEG the Junior Facility Agent, the Junior Mandated Lead Arrangers and the Junior Lenders (apart from IFC).

"Junior Commitment" means:

(A) in relation to an Original Lender, or as the case may be, IFC, the amount set opposite its name under the heading "Junior Commitment" in Schedule 2 (*The Original Lenders*) of the CTA and the amount of any other Junior Commitment transferred to it; and

(B) in relation to any other Lender, the amount of any Junior Commitment transferred to it,

to the extent not cancelled, reduced or transferred by it.

"Junior Discharge Date" means the first date on which all liabilities (whether actual or contingent) owed to the Junior Finance Parties has finally been discharged and such Junior Finance Parties are under no further obligation to provide financial accommodation under the Finance Documents.

"Junior DSRA" means an account designated "Kosmos - Junior DSRA" established by Kosmos in respect of the Junior Facilities with the Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of the CTA which is secured in favour of the Secured Parties.

"Junior Facilities" means the Junior Bank Facility and the Junior IFC Facility.

"Junior Facility Agreements" means the Junior Bank Facility Agreement and the Junior IFC Facility Agreement.

"Junior Finance Party" means each of the Junior Mandated Lead Arrangers, the Junior Lenders, IFC (in its capacity as Lender under the Junior IFC Facility) and the Junior Facility Agent.

"Junior IFC Facility" means the secured junior IFC loan facility made available by IFC under the Junior IFC Facility Agreement.

"Junior IFC Facility Agreement" means the junior IFC facility agreement made on or about the date of this Agreement by the Original Borrower, KED, KEG and IFC.

"Junior Lenders" means the Original Junior Lenders, IFC and any bank or financial institution which has become a party as a lender to either of the Junior Facility Agreements in accordance with clause 30 (*Changes to the Lenders*) of the CTA.

"Junior Loan" means each Utilisation made or to be made under the Junior Facility Agreements or the principal amount outstanding for the time being of that Utilisation.

"Junior Payment Stop Event" shall have the meaning given to that term in the Intercreditor Agreement.

"J1 Reserve Account" has the meaning given to that term in clause 3.8 (*Available Commitment under the Junior Facilities*) of the CTA.

"KECI" means Kosmos Energy Cote d'lvoire, a company incorporated under the laws of the Cayman Islands with registered number 214578 and having its registered office at PO Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman, KYI-1209, Cayman Islands.

"KECM" means Kosmos Energy Cameroon, a company incorporated under the laws of the Cayman Islands with registered number 153548 and having its registered office at PO Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman, KY1-1209, Cayman Islands.

"KED Offshore Security Assignment" means the English law security assignment and debenture, dated on or about the date of this Agreement, between KED and the Security Trustee.

"KEF Offshore Proceeds Account" means an account designated "Kosmos Energy Finance - Offshore" established by the Original Borrower with the Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of the CTA which is secured in favour of the Secured Parties.

"KEF Offshore Project Accounts Agreement" means the offshore project accounts agreement, dated on or about the date of this Agreement, between the Original Borrower, the Offshore Account Bank, the Facility Agents and the Security Trustee.

"KEF Offshore Security Assignment" means the English law security assignment and debenture, dated on or about the date of this Agreement, between the Original Borrower and the Security Trustee.

"KEG Branch" means the branch registered by KEG in Ghana as an external company pursuant to the Companies Act, 1963 (Act 179).

"KEG GPS Account" means any global payments solutions offshore account opened in the name of KEG in London, England and designated as such by the Account Bank for the purposes of, amongst other things, making payments in onshore currency.

"KEG Offshore Proceeds Account" means an account or accounts where the designated name includes the words "Kosmos Energy Ghana HC - Offshore" established by KEG with the Account Bank in London pursuant to clause 20 (Bank Accounts and Cash Management) of the CTA which is secured in favour of the Secured Parties.

"KEH" means Kosmos Energy Holdings, a company incorporated under the laws of the Cayman Islands with registered number 133483 and having its registered office at PO Box 32332, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands.

"KEI and KEO Offshore Security Assignment" means the English law security assignment dated 29 October 2009 between KEI, KEO and the Security Trustee.

"KEM" means Kosmos Energy Offshore Morocco HC, a company incorporated under the laws of the Cayman Islands with registered number 137299 and having its registered office at PO Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman, KY1-1209, Cayman Islands.

"KEO" means Kosmos Energy Operating, a company incorporated under the laws of the Cayman" Islands with registered number 133483 and having its registered office at PO Box 32332, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands.

"Key Man" means each of James Musselman, Brian Maxted, Greg Dunlevy, Marvin Garrett and Dennis McLaughlin.

"Kosmos" means KEG or the Borrower, as the context so requires.

"LC Issuing Bank" means the Senior Lender or Senior Lenders (each a LC Issuing Bank) appointed to such role from time to time and who issue, pursuant to clause 7.6 (*Issue of Letters of Credit*) of the CTA, a Letter of Credit.

"LC Lender" means each Senior Lender, unless otherwise agreed.

"Lender" means:

(A) any Original Lender;

(B) any bank or financial institution which has become a Party as a lender in accordance with clause 30 (Changes to the Lenders) of the CTA; and

(C) any entity which has become a Party as a lender in accordance with clause 3.3 (Additional S1 Commitment and Additional S2 Commitment) of the CTA.

which in each case has not ceased to be a Party in accordance with the terms of this Agreement " **Lenders' Reliability Test**" means the test set out in Schedule 15 (*Lenders' Reliability Test*) of the CTA.

"Letter of Credit" means a letter of credit, substantially in the form set out in Schedule 12 (*Form of Letter of Credit*) of the CTA or in any other form requested by Kosmos and agreed by the Senior Facility Agent (pursuant to instructions from the Senior Majority Lenders (acting reasonably)) and each LC Lender.

"LIBOR" means, in relation to any Loan:

(A) the applicable Screen Rate; or

(B) (if no Screen Rate is available for US Dollars for the Interest Period of that Loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the relevant Facility Agent at its request quoted by the Reference Banks to leading banks in the London interbank market,

as of the Specified Time on the Quotation Day for the offering of deposits in US Dollars and for a period comparable to the Interest Period for that Loan.

"Loan" means a Junior Loan and/or a Senior Loan, as the case may be.

"Loan Life Cover Ratio" or **"LLCR"** means, as at any Forecast Date falling on or after 15 December 2009, the ratio of (i) the net present value of Net Cash Flow (calculated on the basis of the Forecast Assumptions) from, prior to Project Completion, the date falling three months prior to Project Completion, and after Project Completion, from that Forecast Date until the Final Maturity Date plus the net present value of Relevant Capital Expenditure to (ii) the aggregate of all Loans outstanding under the Senior Facilities on that Forecast Date.

"LOI" means any relevant letter of intent relating to Material Contract.

"Longhorn" means Longhom Offshore Drilling Ltd, a company incorporated under the laws of the Cayman Islands with registered number 160449 and having its registered office at PO Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman, KY1-1209, Cayman Islands.;

"Majority Junior Lenders" means those Lenders whose Junior Commitments then aggregate at least 70 per cent, until Project Completion, after which time shall be $66^{2}/_{3}$

per cent, of the Total Junior Commitments (or, if the Total Junior Commitments have been reduced to zero, aggregated more than 70, or as the case may be, 66 2/3 per cent. of the Total Junior Commitments immediately prior to such time).

"Majority Lenders" means at any time:

(A) prior to the Senior Discharge Date, the Majority Senior Lenders; and

(B) on or after the Senior Discharge Date, the Majority Junior Lenders.

"Majority Senior Lenders" means those Lenders whose Senior Commitments then aggregate at least 66 2/3 per cent. of the Total Senior Commitments (or, if the Total Senior Commitments have been reduced to zero, aggregated more than 66 2/3 per cent. of the Total Senior Commitments immediately prior to such time).

"Mandated Lead Arrangers" means the Senior Mandated Lead Arrangers and the Junior Mandated Lead Arrangers.

"Mandatory Cost" means the percentage rate per annum calculated by the relevant Facility Agent in accordance with Schedule 7 (*Mandatory Cost Formulae*) of the CTA.

"Margin" means the percentage rate per annum determined in accordance with clause 11.2 (*Margin*) of the CTA.

"Market Disruption Event" has the meaning given to that term in paragraph (B) of clause 13.2 (*Market disruption*) of the CTA.

"Marketing Policy" means the marketing policy in the Agreed Form (and initialled by the Borrower and/or KEG and the Facility Agents) relating to the marketing and sale of Crude Oil from the Project delivered as a Condition Precedent under paragraph 17 of Part I of Schedule 3 (*Conditions Precedent*) of the CTA.

"Material Adverse Effect" means, in relation to any event (or series of events) or circumstance which occurs or arises (other than fluctuations in Crude Oil prices), that event (or events) or circumstance (or any effect or consequence thereof), in the opinion of the Majority Lenders, would reasonably be expected to materially and adversely affect the financial condition, operations, or business of any Obligor or the Project, or the ability of any Obligor to perform its obligations under the Finance Documents in full and on the basis contemplated therein in a way which is materially prejudicial to the interests of the Lenders or results in the Obligors being unable to pay any amounts when due and payable under the Finance Documents.

"Material Contracts" means the following contracts and agreements in Agreed Form at the Signing Date:

(A) The Drilling Contract for the provision of a semi-submersible drilling unit 'Eirik Raude' and associated drilling services between Tullow Oil plc and Ocean Rig 2 AS (as contractor) dated 15 February 2008.

(B) The Aban Abraham Drilling Contract for the use of the drill ship Aban Abraham between Pioneer Natural Resources USA, Inc., Longhorn Offshore Drilling Ltd and Aban Singapore Pte. Ltd. (as contractor) and dated 3 February 2006 (and as amended by the Aban Abraham Novation and Amendment Agreement).

(C) The Aban Abraham Drilling Services Sharing Agreement between Pioneer Natural Resources USA Inc, Longhorn Offshore Drilling Ltd and Aban Singapore Pte. Ltd. dated 3 February 2006.

(D) The Atwood Hunter Offshore Drilling Contract made between Kosmos Energy Ghana HC, Noble Energy EG Ltd and Alpha Offshore Drilling Services Company dated 23 June 2008

(E) The Atwood Hunter Rig Sharing Agreement between Kosmos Energy Ghana HC, Noble Energy EG Ltd and Alpha Offshore Drilling Services Company dated June 24, 2008.

(G) The agreement for the construction, installation, lease, operations and maintenance of a floating, production, storage and offloading facility to be signed between Tullow Ghana Limited and Jubilee Ghana MV21 B.V. as the contractor.

(H) The agreement for URF installation between Tullow Ghana Limited and Technip UK.

(I) The agreement for the supply of flexible risers between Tullow Ghana Limited and Technip France.

(J) The agreement for the supply of umbilicals between Tullow Ghana Limited and Aker Subsea Inc.

(K) The agreement for the supply of manifolds, riser bases, small bore valves and controls between Tullow Ghana Limited and FMC Technologies.

(L) The agreement for supply of Subsea Trees between Tullow Ghana Limited and FMC Technologies.

(M) The agreement or purchase order for the purchase of the Connectors between Tullow Ghana Limited and Aker Subsea Inc.

"Material Failure" means any failure or persistent unplanned shutdown of all or a material part of the Project Facilities that:

(A) has a material adverse impact on the Project's long term operations and maintenance regarding availability and/or reliability; and

(B) would result (as appropriate) in the First Oil Project Infrastructure being unable to produce and load the sales volumes of Crude Oil required to meet the production profile in the banking case;

"Mechanical Completion" means the point in time at which all systems associated with the relevant facility in question have been constructed, pre-commissioned and are ready for the introduction of hydrocarbons provided that minor items may be outstanding where such punchlist items are not vital to compliance in all material respects by the Facility with applicable law and requirements of the Project Agreements.

"Minister" means the Government's Minister for Energy.

"Model Auditor" means Operis Business Engineering Limited appointed in accordance with a scope of work and budget for expenses agreed with the Borrower, the Facility Agents and the Technical and Modelling Bank.

"Model Auditor Appointment Letter" means the letter between Kosmos, the Facility Agents, and the Model Auditor setting out the terms of appointment of the Model Auditor in the Agreed Form.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation and any successor thereto and if such corporation shall for any reason no longer perform the functions of a securities rating agency, Moody's shall be deemed to refer to any other internationally recognised rating agency agreed by the Facility Agent and Kosmos (both acting reasonably).

"Net Cash Flow" means, for any relevant period (but without any double counting):

(A) Gross Revenues; minus

(B) Project Costs,

projected to be paid or received during that period converted if necessary into USD at the rate of exchange in the relevant finally determined Forecast Assumptions on the date of projected receipt or payment.

"Net Revenues" means gross revenues minus Royalty Payments and Additional Oil Entitlement payments.

"Non-Funding Lender" means:

(A) any Lender who fails to participate in any Utilisation in the amount and at the time required;

(B) any Lender who has indicated publicly or to the relevant Facility Agent or an Obligor that it does not intend to participate in all or part of any Utilisation;

(C) any Lender which has repudiated its obligations under the Facilities; or

(D) any Lender in respect of which or in respect of whose holding company any of the events specified in clause 29.6 (*Insolvency*) or clause 29.7 (*Insolvency proceedings*) of the CTA (disregarding paragraph (B) of that clause) applies or has occurred.

"Non-Jubilee Related Costs" means committed payment obligations under the Project Agreements other than in respect of the Project.

"Normal Operating Staff" means the Borrower's normal operations staff employed by the OpCo or engaged by the OpCo under long term support contracts including those with the Sponsors and their affiliates, vendors, contractors and sub contractors including those provided under long-term contract, working normal shift rotations.

"Obligors" means the Borrowers and the Guarantors.

"Offshore Proceeds Accounts" means any of the KEF Offshore Proceeds Account, the KEG Offshore Proceeds Accounts and any KEG GPS Accounts deemed to be an "Offshore Proceeds Account" in accordance with paragraph (A) of Clause 21.2 (Withdrawals - No Default Outstanding), or any other account designated "Kosmos - Offshore Proceeds Account" established by Kosmos with the Account Bank in London pursuant to clause 20 (Bank Accounts and Cash Management) of the CTA and which are secured in favour of the Secured Parties, each an "Offshore Proceeds Account".

"Offshore Project Accounts Agreement" means the offshore project accounts agreement, dated on or about the date of this Agreement, between KEG, the Offshore Account Bank, the Facility Agent and the Security Trustee.

"Offshore Security Assignment" means the English law security assignment and debenture, to be entered into in accordance with the terms of the CTA, between KEG and the Security Trustee.

"Onshore Project Accounts Agreement" means the onshore project account agreement, dated on or about the date of this Agreement, between KEG, the Onshore Account Bank, the Facility Agents and the Security Trustee.

"Onshore Security Assignment" means the Ghanaian law debenture agreement, to be entered into in accordance with the terms of the CTA, between KEG and the Security Trustee.

"Onshore Working Capital Accounts" means the Ghana Working Capital Cedi Account and the Ghana Working Capital USD Account.

"OpCo" or **"Operator"** means Tullow Ghana Limited and its successors as operator of the Project under the UUOA.

"Operator Report" means the semi-annual report prepared by the Operator in relation to the Jubilee Field.

"Original Lenders" means IFC, the Original Senior Lenders and the Original Junior Lenders.

"Original Guarantor" means, the Original Borrower, KEG or KED, or any of them, as the context may require.

"Participating Interest" means as defined in the relevant Petroleum Agreement, the details of which interests are set out in clause 26.14 (*Assets*) of the CTA.

"Participating Member State" means any member state of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union.

"Participation Agreements" means each of the participation agreements dated 12 August 2009 (as amended and restated on 12 November 2009), 27 August 2009 (as amended and restated on 12 November 2009), 29 October 2009, 24 November 2009 and in each case entered into between, among others, KEG as participant, Tullow Group Services Limited as lender and Anadarko Petroleum Corporation as participant, including any other agreement entered into between the same parties and substantially in the same form for the purposes of financing the FPSO (as may be amended from time to time), and a "**Participation Agreement**" shall mean each and any one of them.

"**Party"** means a party to a Finance Document.

"Payment Event of Default" means an Event of Default under clause 29 (*Events of Default*) of the CTA relating to the failure to pay interest or principal on a Facility.

"Performance Standards" shall have the meaning given to that term in the Senior IFC Facility Agreement and the Junior IFC Facility Agreement.

"Permitted Acquisition" means any acquisitions or investments:

(A) which are made in the ordinary course of the day to day business of the acquiring company;

(B) which are funded by equity or debt subordinated on terms acceptable to the Majority Lenders (acting reasonably);

(C) which are in respect of the implementation and development of the Project;

(D) which are included within a Forecast;

(E) in respect of which the aggregate consideration paid (which shall exclude the amount of any debt assumed) does not in any calendar year exceed USD 10 million, or such higher figure as the Majority Lenders may agree (acting reasonably); or

(F) which are approved by the Majority Lenders (acting reasonably).

"Permitted Disposals" means any:

(A) disposal permitted in accordance with clause 28.8 (*Disposals*) of the CTA;

(B) disposals made in the ordinary course of the day to day business of undertaking the Project;

(C) disposals expressly permitted under any Project Agreement;

(D) disposals of cash for purposes not prohibited by the Finance Documents;

(E) disposals expressly required in order to comply with its obligations under the Project Agreements;

(F) disposals of assets in exchange for other assets of comparable, or superior as to, type, value and quality;

(G) disposals of obsolete assets;

(H) disposals from one Obligor to another or from a Subsidiary to an Obligor;

(I) disposals on arms length terms for market value of its Entitlements from a Jubilee Field or petroleum products to which an Obligor is entitled by virtue of its ownership or investment in petroleum assets;

(J) disposals on arms length terms with a net market value not exceeding USD 5 million in any calendar year or, from the date of this Agreement, USD 10 million in aggregate; and

(K) disposals not falling within (A) to (J) above which are consented to by the Majority Lenders.

"Permitted Financial Indebtedness" means:

(A) any Financial Indebtedness arising under or contemplated by the Finance Documents;

(B) any Financial Indebtedness the proceeds of which are applied, promptly on receipt by Kosmos, in making or procuring the making of a prepayment of all amounts outstanding under the Finance Documents in full;

(C) any Financial Indebtedness subordinated to the Lenders on terms approved by the Majority Senior Lenders and the Majority Junior Lenders (each acting reasonably) provided that there shall be no subordination in respect of amounts held in any Distributions Reserve Account;

(D) any Financial Indebtedness owed to an Obligor;

(E) any Financial Indebtedness arising under finance or capital leases of vehicles, plant equipment or computers, provided that the aggregate capital value of all such items so leased under outstanding leases by members of the Group does not exceed USD 10 million (or its equivalent in other currencies) at any time;

(F) any Financial Indebtedness arising under any Derivative Instrument that Kosmos may enter further to the Hedging Policy; or

(G) any Financial Indebtedness otherwise approved by the Majority Senior Lenders and the Majority Junior Lenders (such approval not to be unreasonably withheld or delayed).

"Permitted Security" means:

(A) any netting or set-off arrangement entered into in the ordinary course of financing arrangements for the purpose of netting or setting off debit and credit balances;

(B) any lien securing obligations no more than 90 days overdue arising by operation of law;

(C) any Security Interest arising under or contemplated by the Finance Documents or pursuant to the express terms of any Project Agreement;

(D) any title retention provisions in a supplier's standard conditions of supply of goods;

(E) any Security Interest created over or in respect of any Distributions Reserve Accounts; and

(F) any Security Interest not falling within (A) to (E) above which is consented to by the Majority Lenders.

"Permitted Transferee" shall have the meaning given to that term in clause 10.5(C) (*Change of Control*) of the CTA.

"Petroleum Agreements" means the DWT PA and the WCTP PA.

"Phase 1 Plan of Development for the Jubilee Field" means the relevant plan for the development of the Jubilee Field (Phase 1) approved by the Government.

"Pre-Unitization Agreement" means the pre-unitization agreement, entered into on or about 20 August 2008 between KEG, Tullow Ghana Limited, Anadarko WCTP Company, Sabre Oil and Gas Limited and EO.

"Project" means the Phase 1 development of the Jubilee Field, as described in Phase 1 Plan of Development for the Jubilee Field, including the Project Infrastructure and all appraisal, exploration, construction, operations, maintenance and exploitation works

and activities, and the treatment, processing, storage, delivery, lifting and sale of Unit Substances therefrom.

"Project Accounts" means any or all of each Debt Service Reserve Account, the Reserve Equity Account, the J1 Reserve Account, the Offshore Proceeds Accounts, the Onshore Working Capital Accounts, any KEG GPS Account and the Insurance Proceeds Account, in each case, as established pursuant to clause 20 (*Bank Accounts and Cash Management*) of the CTA and any account established further to clause 10.3 (*Aggregate outstandings exceed the Borrowing Base Amount*) of the CTA, with such accounts being secured in favour of the Secured Parties.

"Project Accounts Agreements" means the Offshore Project Accounts Agreement, the Onshore Project Accounts Agreement and the KEF Offshore Project Accounts Agreement.

"Project Agreements" means (when entered into by the relevant Obligor) the Petroleum Agreements, the Joint Operating Agreements, the Pre-Unitization Agreement (so long as the UUOA is not in full force and effect) and the UUOA (when signed) and any agreement relating to the financing of the FPSO to which an Obligor or member of the Group is a party (including any Participation Agreement).

"Project Completion" shall occur in relation to the Project on the date when the following conditions are each satisfied:

(A) there is no Default outstanding;

(B) Kosmos has in place a prudent Marketing Policy for the marketing and sale of its Entitlement (as approved by the Facility Agent (acting reasonably)) which is consistent with good international oil industry practice and which sets out the qualifying criteria for acceptable offtakers; an acceptable offtaker shall include investment grade companies or an offtaker whose obligations are backed by a letter of credit or other credit support (the form of which is designated in the Marketing Policy) from an investment grade entity or whose obligations are secured by a cash deposit or where the terms of sale provide for payment in advance or any other offtaker which meets the criteria as set out in the Marketing Policy;

(C) the lifting agreement referred to under clause 11.2 of the UUOA is in full force and effect, or if no such lifting agreement is in place, the parties to the UUOA are nevertheless lifting Crude Oil produced by the Project in accordance with the alternative arrangements provided for in that clause, or such other alternative arrangements as may be approved by the Technical and Modelling Bank (acting reasonably) are then in place for the lifting of Crude Oil produced by the First Oil Project Infrastructure;

(D) the First Oil Project Infrastructure has achieved Mechanical Completion. Such requirement shall be satisfied by the Technical Consultant (acting reasonably) certifying that the First Oil Project Infrastructure has been constructed such that

it is sufficient and suitable to enable each other test for Project Completion to be met;

(E) the OpCo has executed the Turnover Certificate issued by the IPT, or all conditions for the execution of the Turnover Certificate have otherwise been met subject only to the execution and issue of the Takeover Certificate, and the Technical Consultant (acting reasonably) has issued a certificate confirming that any associated exception list contains nothing that does or could reasonably be expected to constitute a Material Adverse Effect and that the First Oil Project Infrastructure is not inconsistent in any material respect with the Project description provided in the Phase 1 Plan of Development for the Jubilee Field;

(F) a Forecast has been produced (including an updated reserves report prepared by the Reserves Consultant not earlier than three (3) months after the First Oil Date) not later than six months prior to the relevant date and which confirms that the Reserve Tail Date therein shall not be earlier than 30 June 2016;

(G) all Required Approvals have been obtained which would, if not obtained, prevent the First Oil Project Infrastructure from being operated;

(H) the Technical Consultant has confirmed in writing that the requirements of the Lenders' Reliability Test have been satisfied (which the Technical Consultant will be required to do promptly once the relevant requirements have been met);

(I) the Environmental Consultant has confirmed in writing that the OpCo is operating the Project in all material respects with all applicable environmental regulations (without benefit of temporary waiver subject to conditions) (which the Environmental Consultant will be required to do promptly if this condition is met);

(J) the Technical Consultant, acting reasonably and promptly, has confirmed in writing that the then current warehouse inventory of Capital Spares held by and on behalf of the OpCo is reasonably consistent with the practice of a Reasonable and Prudent Operator in the context of the requirements of the Project;

(K) contracts have been executed for the provision of supply base, supply boat and helicopter support services consistent with the practice of a Reasonable and Prudent Operator in the context of the requirements of the Project;

(L) Kosmos has provided evidence that it has sold its Entitlement to the relevant date of Project Completion in accordance with the Marketing Policy referred to in paragraph (B) above, or has otherwise made appropriate arm's length arrangements for the disposal of its Entitlement, and the proceeds, if any, received therefrom have been deposited into the relevant Project Account;

(M) the aggregate of the outstandings under the Senior Facilities do not exceed the Borrowing Base Amount; and

(N) the Facility Agents (acting reasonably) have confirmed in writing that the condition in paragraph (A) has been satisfied, the Senior Facility Agent has confirmed in writing that the condition in paragraph (M) has been satisfied, and the Technical and Modelling Bank (acting reasonably and following consultation with the Borrower, the Facility Agents and the Technical Consultant) has confirmed in writing that the conditions in paragraphs (B) through (L) have been satisfied. The Facility Agents and the Technical and Modelling Bank shall each provide the requisite confirmations as soon as reasonably practicable upon the satisfaction of each of the relevant conditions, and shall do so within 5 Business Days of written request from the Borrower (provided that the Facility Agents and the Technical and Modelling Bank are satisfied that the conditions are met), and shall procure that the Technical Consultant and the Environmental Consultant shall promptly deliver any confirmation upon the satisfaction of the relevant conditions for so doing.

"Project Costs" means, for the relevant period of determination and without double counting, the USD equivalent of each of the following amounts to the extent paid (or projected to be paid or which are debits to a Unit Account) by or on behalf of an Obligor (including the USD equivalent of any payment in kind) during that period for or in respect of the Borrowing Base Assets (other than, except in relation to any carried interest in a Borrowing Base Asset, any cost or liability of an Interested Third Party or any amount paid or held and to be used to make a payment on behalf of an Interested Third Party whether in cash or in kind):

(A) all costs and expenses incurred or to be incurred by an Obligor in connection with the ownership, investment in, operation, management, implementation, development and maintenance of the Project including (without limitation):

(i) capital expenditure and operating costs;

(ii) any amount payable under any Project Agreement (including all surface rental and training payments under the Petroleum Agreements whether or not related to the Borrowing Base Assets or the Project) or any Material Contract (including, for the avoidance of doubt, any amount payable under or in relation to the FPSO Agreement or any credit extended under an agreement relating to the financing of the FPSO (including any Participation Agreement)), general overheads and administration costs for Kosmos' offices in Ghana, EO and Ghana National Petroleum Corporation carry costs;

(iii) fees and costs of any professional adviser; and

(iv) the cost of any Authorisations and Required Approvals;

(B) abandonment and demobilisation costs;

(C) early termination costs payable in accordance with any Project Agreement or any Material Contract (if any);

(D) premia payable in respect of the insurance, including the cost of the reinstatement, purchase, replacement or the amelioration of the loss to a Borrowing Base Asset;

(E) administrative, management and employee costs;

(F) Additional Oil Entitlement payments, royalties, duties and taxes (including payments of any Stamp Duty Reserve Amount) and any amount in respect of value added tax, tax on goods or services, sales tax or similar tax in respect of any of the above; and

(G) any other costs and expenses agreed by the Facility Agents (acting reasonably),

but excluding Financing Costs.

"Project Facilities" means the Project Infrastructure and the First Oil Project Infrastructure.

"Project Infrastructure" means:

(A) the floating storage, production and offloading vessel for the Project;

(B) a taut-leg mooring system for that vessel;

(C) seven production wells;

(D) five production drill centers;

(E) five production manifolds;

(F) four water injection wells;

(G) two water-injection drill centers;

(H) two water injection manifolds;

(I) three gas-injection wells;

(J) one gas-injection drill center;

(K) one gas-injection manifold;

(L) two riser bases;

(M) six subsea distribution units; and

(N) associated flowlines, risers, umbilicals and jumpers.

"Project Model" means the computer model, stored on computer discs, and consisting of algorithms as set out in the print-out from such discs in the Agreed Form at the Signing Date, as such model may be updated from time to time pursuant to clause 19 (*Forecasts and Calculations*) of the CTA.

"Qualifying Bank" means a bank which:

(A) is not on a sanctions list or subject to a sanctions regime issued, imposed or administered by the United States or any member country of the European Union, or the European Union itself or the United Nations (or any agency of any of them) (a " **Sanctions Regime**"); or

(B) does not have its principal place of business in a country which is subject to a Sanctions Regime; or

(C) is not a bank whose principal place of business is in a country notified by Kosmos to the relevant Facility Agent prior to signing of this Agreement.

"Quotation Day" means, in relation to any period for which an interest rate is to be determined two Business Days before the first day of that period.

"Reasonable and Prudent Operator" means an operator exhibiting the prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the construction, supervision, management, operation and maintenance of offshore oil and gas production facilities with characteristics comparable and under similar circumstances and conditions to those of the Project while complying with all applicable laws and contractual obligations.

"Reference Banks" means the principal London offices of Standard Chartered Bank, BNP Paribas SA, Société Générale, Calyon and Barclays, or such other Reference Banks appointed under clause 32.16 (*Reference Banks*) of the CTA.

"Relevant Authority" means the central bank of the country in which any Obligor is formed or operates, or any other governmental entity or government in any such country having the power to regulate foreign exchange.

"Relevant Capital Expenditure" means capital expenditure incurred or to be incurred in relation to the Project as determined pursuant to a Forecast and which is or will be funded by the Facilities or by contributions to the capital of Kosmos (including loans subordinated on terms acceptable to the Facility Agents (acting reasonably)).

"Relevant Standstill Period" means, in relation to:

(A) a Payment Event of Default under a Facility, a period of 30 days from the date such Payment Event of Default occurred;

(B) an IFC Covenant Event of Default and the exercise of IFC's rights under Clause 29.21 (*Acceleration - IFC and Banks*) of the CTA in relation to:

(i) the Senior IFC Facility, a period of 30 days from the date such IFC Covenant Event of Default occurred; and

(ii) the Junior IFC Facility, a period of 12 months and 30 days, or, if the Senior Discharge Date has occurred, 30 days from the date such IFC Covenant Event of Default occurred; and

(C) a General Covenant Event of Default and the exercise of IFC's or the other Lenders rights under clause 29.21 (*Acceleration - IFC and Banks*) of the CTA in relation to:

(i) a Senior Facility, a period of 90 days from the date such General Covenant Event of Default occurred; and

(ii) a Junior Facility, the period until the Senior Discharge Date, or, if the Senior Discharge Date has occurred, 90 days from the date such General Covenant Event of Default occurred.

"Repayment Date" means the date specified as such in the Amortisation Schedule, as may be adjusted in accordance with clause 34.8 (*Business Days*) of the CTA.

"Repayment Instalment" means each repayment instalment required pursuant to the Amortisation Schedule (as adjusted from time to time).

"Repayment Period" means the First Repayment Period and thereafter each subsequent six month period commencing on the day following each successive Repayment Date and ending at close of business in London on the next Repayment Date to occur.

"Repeating Representations" means the representations set out under:

(A) clauses 26.1 (*Status*), 26.2 (*Legal validity*), 26.3 (*Non-conflict*), 26.4 (*Powers and authority*) of the CTA, each as at the time the power or authority was exercised only; and

(B) Clauses 26.5 (*Authorisations*), 26.9 (*Financial Statements and other factual information*), 26.10 (*Proceedings pending or threatened*), 26.11 (*Breach of laws*), 26.12 (*Ranking of security*), 26.13 (*Pari passu ranking*), 26.14 (*Assets*), 26.15 (*Project Agreements*), 26.16 (*No Immunity*) and 26.17 (*Ownership of Obligors*) of the CTA.

"Replacement Lender" has the meaning given to that term in clause 10.10 (*Right of repayment and cancellation in relation to a single Lender*) of the CTA.

"Required Approvals" means all material approvals, licenses, consents and Authorisations necessary in connection with the execution, delivery, performance or enforcement of any Finance Document or the development, construction and ownership of the Kosmos interest in the Project.

"Required Balance" means a balance which is sufficient to meet the payment of Financing Costs due and payable in the next six months on the relevant Facilities.

"Reserve Equity" means the Reserve Equity Amount to be contributed to the Borrower on or before the Satisfaction Date by payment into the Reserve Equity Account.

"Reserve Equity Account" means the account established with the Account Bank in London into which the Reserve Equity Amount will be paid on or before the Satisfaction Date.

"Reserve Equity Amount'' means an amount equal to not less than USD 50 million.

"Reserve Tail Date" means the semi-annual date for the payment of a Repayment Instalment immediately preceding the date on which a Forecast projects that the aggregate proved (1P) reserves remaining to be produced from the Borrowing Base Assets is equal to or less than 25 per cent. of the aggregate of proved (1P) reserves of the Borrowing Base Assets as at Financial Close (as shown in the Agreed Form Project Model), as adjusted by reference to the latest Forecast from time to time where such date shall be re-determined by each Forecast by reference to the aggregate of proved (1P) reserves adjusted for any reserves upgrades or downgrades and for any disposal of reserves as provided for in that Forecast.

"Reserves Consultant" means Netherland Sewell & Associates, Inc., (or any other reputable consultant agreed to by the Technical and Modelling Bank (acting reasonably)) as may be appointed from time to time in accordance with a scope of work and budget for fees and expenses agreed between the Borrower, the Facility Agents and the Technical and Modelling Bank.

"Reserves Consultant Appointment Letter" means the letter between Kosmos, the Facility Agents and the Reserves Consultant setting out the terms of appointment of the Reserves Consultant, in the Agreed Form.

"Resignation Letter" means a letter substantially in the form set out in Schedule 10 (*Form of Resignation Letter*),

"Revised Final Repayment Date" has the meaning given to that term in clause 9.4 (*Amendment to Amortisation Schedule*) of the CTA.

"Royalty Payments" means royalties payable to the Government by a contractor out of, or calculated by reference to, petroleum to which such contractor is entitled under the terms and conditions of the relevant Petroleum Agreement.

"S1 Commitment Notice" has the meaning given to that term in Clause 3.3 (*Additional S1 Commitment*) of the CTA.

"S2 Lender Accession Notice" means a notice substantially in the form set out under Schedule 9 Part B (*Form of S2 Lender Accession Notice*) to be delivered by an

Additional S2 Lender pursuant to and in accordance with paragraph (H) of clause 3.3 (*Additional S1 Commitment and Additional S2 Commitment*) of the CTA.

"S&E Management System" means the Project's social and environmental management system for the identification, assessment and management of Project risks on an ongoing basis.

"Satisfaction Date" means the date on which each of the Facility Agents and IFC notify Kosmos and the Lenders that they have received all of the Conditions Subsequent in form and substance satisfactory to them (acting reasonably) and/or waived receipt of those Conditions Subsequent in accordance with clause 2 of the CTA.

"Schedule of Insurances" means the schedule of insurances in the Agreed Form (and initialled by the Borrower and/or KEG and the Facility Agents) setting out the insurances to be maintained by the Obligors and delivered as a Condition Subsequent under paragraph 16 of Part 2 of Schedule 3 of the CTA.

"Screen Rate" means, in relation to LIBOR, the British Bankers' Association Interest Settlement Rate for the relevant Interest Period, as displayed on the appropriate page of the Reuters screen and, if the agreed page is replaced or service ceases to be available, the Facility Agent may specify a reasonable alternative page or service displaying such rate after consultation with the Borrower and the Lenders.

"Secured Liabilities" means at any time and without double counting, all present and future obligations and liabilities (actual or contingent) of each Obligor (whether or not for the payment of money and including any obligation to pay damages for breach of contract) which are, or are expressed to be, or may become due, owing or payable to any or all of the Secured Parties under or in connection with any of the Finance Documents, together with all costs, charges and expenses incurred by the Security Trustee or any Secured Party which any Obligor is obliged to pay under any Finance Document.

"Secured Party" means each party to a Finance Document (other than an Obligor or Intercompany Borrower).

"Security Documents" means each of the following documents:

(A) the Offshore Security Assignment;

(B) the Onshore Security Assignment;

(C) the Charge over Shares in the Original Borrower;

(D) the Charge over Shares in KEG;

(E) the Charge over Shares in KED;

(F) the Charge over Shares in KEO;

(G) the Assignment of Reinsurance Rights;

(H) the Offshore Project Accounts Agreement;

(I) the Onshore Project Accounts Agreement;

(J) KEF Offshore Project Accounts Agreement;

(K) KEF Offshore Security Assignment;

(L) KED Offshore Security Assignment; and

(M) KEI and KEO Offshore Security Assignment

subject to the provisions of the Intercreditor Agreement, each other document evidencing or creating any Security Interest held or obtained from an Obligor for or in respect of any Secured Liabilities.

"Security Interest" means a mortgage, charge, pledge, lien or other security interest or any other agreement or arrangement having a similar effect.

"Senior Availability Period" means the availability period in respect of the Senior Facilities (including, as applicable, Tranche S1) as specified in clause 6.1(A) (*Availability Periods*) of the CTA.

"Senior Bank Facility" means the secured senior loan facility comprising Tranche S1 and Tranche S2 prior to the Satisfaction Date and thereafter consolidated into a single senior facility made available by the Senior Lenders (apart from IFC) under the Senior Bank Facility Agreement.

"Senior Bank Facility Agreement" means the senior bank facility agreement made on or about the date of this Agreement by the Original Borrower, KED, KEG, the Senior Facility Agent, the Senior Mandated Lead Arrangers, the LC Issuing Banks and the Senior Lenders (apart from IFC).

"Senior Commitment" means:

(A) in relation to an Original Lender, or as the case may be, IFC and such Senior Facilities, the amount set opposite its name under the heading "Senior Commitment" in Schedule 2 (*The Original Lenders*) of the CTA and the amount of any other Senior Commitment transferred to it; and

(B) in relation to any other Lender, the amount of any Senior Commitment transferred to it,

to the extent not cancelled, reduced or transferred by it.

"Senior Discharge Date" means the first date on which all liabilities (whether actual or contingent) owed to the Senior Finance Parties (other than the Hedge Counterparties) has finally been discharged and such Senior Finance Parties are under no further obligation to provide financial accommodation under the Finance Documents.

"Senior DSRA" means an account designated "Kosmos - Senior DSRA" established by Kosmos in respect of the Senior Facilities with the Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of the CTA which is secured in favour of the Secured Parties.

"Senior Facilities" means the Senior Bank Facility and the Senior IFC Facility.

"Senior Facilities Repayment Date" means each of the dates for repayment as set out in clause 9 (*Repayment*) of the CTA and/or as set out in the Amortisation Schedule in respect of the Senior Bank Facility or, as the context requires, the Senior IFC Facility.

"Senior Facility Agreements" means the Senior Bank Facility Agreement and the Senior IFC Facility Agreement.

"Senior Finance Party" means each of the Senior Arrangers, the Senior Lenders, the Hedge Counterparties, the LC Issuing Banks, the LC Lenders, the Account Bank, the Senior Facility Agent, the Security Trustee and the Technical and Modelling Bank.

"Senior IFC Facility" means the secured senior IFC loan facility made available by IFC under the Senior IFC Facility Agreement.

"Senior IFC Facility Agreement" means the Senior IFC Facility Agreement made on or about the date of this Agreement by the Original Borrower, KED, KEG and IFC.

"Senior Lenders" means the Original Senior Lenders, IFC, any Additional S1 Lender, any Additional S2 Lender, and any bank or financial institution which has become a party as a lender to either of the Senior Facility Agreements in accordance with clause 30 (*Changes to the Lenders*) of the CTA.

"Senior Loan" means each Utilisation made or to be made under the Senior Facility Agreements (including in respect of Tranche S1) or the principal amount outstanding for the time being of that Utilisation.

"Senior Repayment Instalment" means the relevant amount payable in respect of the Senior Bank Facility or, as the context required, the Senior IFC Facility on the relevant Senior Facilities Repayment Date as set out clause 9 (*Repayment*) of the CTA and/or in the Amortisation Schedule, as applicable.

"Shareholder" means Blackstone Capital Partners (Cayman) IV LP, Warburg Pincus Private Equity VIII, L.P. and Warburg Pincus International Partners, L.P. (together, the "**Shareholders**").

"Shareholder Affiliate" means any Affiliate of a Shareholder, any trust of which a Shareholder or any of their Affiliates is a trustee, any partnership of which a Shareholder or any of the their Affiliates is a partner and any trust, fund or other entity which is managed by, or is under the control of, a Shareholder or any of their Affiliates provided that any such trust, fund or other entity which has been established for at least 6 months solely for the for the purpose of making, purchasing or investing in loans or debt securities and which is managed or controlled independently from all other trusts, funds or other entities managed or controlled by a Shareholder or any of their Affiliates which have been established for the primary or main purpose of investing in the share capital of companies shall constitute a Shareholder Affiliate.

"Shareholder Distribution" means a shareholder distribution as calculated and defined in clause 28.24 (*Distributions*) of the CTA.

"Signing Date" means the date on which each of the Finance Documents referred to in paragraph 1 of Part I of Schedule 3 of the CTA have been signed.

"Specified Time" means 11.00 am on a Quotation Day.

"Sponsor" means KEH.

"Sponsor Base Equity" means the aggregate amount of funding contributed by the Sponsor, directly or indirectly, to KED or Kosmos on or before the Signing Date or, as the case may be, the Satisfaction Date (whether in the form of capital subscription or funding subordinated in terms acceptable to the Majority Lenders) as confirmed by the Technical Consultant in accordance with clause 2.1 (*Conditions Precedent to first Utilisation*) of the CTA as at the Signing Date and included in the Forecast and Project Model prepared as at the Signing Date and the Satisfaction Date.

"Sponsor Equity" means the aggregate amount of funding contributed by the Sponsor, directly or indirectly, to KED or Kosmos as confirmed by the Technical and Modelling Bank and included in the Forecast and Project Model prepared as at the Satisfaction Date.

"Stamp Duty Reserve Amount" means (a) as at the date of the Fourth Amendment Letter USD 9,000,000 and, thereafter, (b) the minimum amount of stamp duty that Kosmos and the Security Trustee, in consultation with Bentsi-Enchill, Letsa & Ankomah and Reindorf Chambers (or any such other leading counsel in Ghana consulted by the Lenders and Kosmos), agree (acting reasonably) is necessary in order to meet any payment of stamp duty in Ghana on the Assignments under the laws of Ghana at such time (provided that if Kosmos and the Technical Bank are unable to agree on a minimum amount of payable stamp duty, the higher of the amounts considered necessary by the relevant counsel consulted by each of Kosmos and the Security Trustee shall be accepted by Kosmos and the Lenders as the minimum payable stamp duty amount).

"Stamp Duty Reserve Sub-Account" means a sub-account of the Reserve Equity Account in which the Stamp Duty Reserve Amount is deposited and which is maintained

by Kosmos from the Satisfaction Date for the purposes of making payments of any necessary stamp duty for the Assignments.

"Standard and Poor's" means Standard & Poor's Ratings Service, a division of the McGraw-Hill Companies, Inc., and any successor thereto and if such corporation shall for any reason no longer perform the functions of a securities rating agency, Standard & Poor's shall be deemed to refer to any other internationally recognised rating agency agreed by the Facility Agents and Kosmos (both acting reasonably).

"Subordinated Debt" means all present and future moneys, debts, obligations and liabilities which are, or are expressed to be, or may become due, owing or payable by any Obligor to any Affiliate (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently, and whether as principal, surety or otherwise) together with any related Additional Debt.

"Subsidiary" means a subsidiary undertaking of KED within the meaning of Section 1162 of the Companies Act 2006.

"Super Majority Junior Lenders" means those Lenders whose Junior Commitments then aggregate at least 85 per cent of the Total Junior Commitments (or, if the Total Junior Commitments have been reduced to zero, aggregated more than 85 per cent of the Total Junior Commitments immediately prior to such time).

"Super Majority Lenders" means at any time:

(A) prior to the Senior Discharge Date, the Super Majority Senior Lenders; and

(B) on or after the Senior Discharge Date, the Super Majority Junior Lenders.

"Super Majority Senior Lenders" means those Lenders whose Senior Commitments then aggregate at least 85 per cent of the Total Senior Commitments (or, if the Total Senior Commitments have been reduced to zero, aggregated more than 85 per cent of the Total Senior Commitments immediately prior to such time).

"Tax" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"Takeover Certificate" means the document which will be used by the Unit Operator to certify that various subsystems encompassing the overall production system have been commissioned, tested and are ready to accept the system from the IPT and commence introduction of hydrocarbons from the wells through the production facility.

"Technical and Modelling Bank" means the Lead Technical and Modelling Bank and the Co-Technical and Modelling Bank, provided that if the Lead Technical and Modelling Bank and the Co-Technical and Modelling Bank cannot reach agreement on a certain issue, then the decision of the Technical Consultant will apply (to the extent a Technical Consultant is not already appointed and the parties do not agree on a replacement

within 5 Business Days of notification of the failure to reach agreement, the Lead Technical and Modelling Bank and Co-Technical and Modelling Banks shall request the President of the Energy Institute of London to appoint an independent consultant within 5 Business Days).

"Technical Consultant" means Shaw Consultants International, Inc. (or any other reputable technical consultant agreed to by the Technical and Modelling Bank (acting reasonably)), as may be appointed from time to time in accordance with a scope of work and budget for fees and expenses agreed between the Borrower, the Facility Agents, the Technical and Modelling Bank.

"Technical and Environmental Consultant Appointment Letter" means the letter between Kosmos, the Facility Agents and the Technical Consultant and Environmental Consultant setting out the terms of appointment of the Technical Consultant and Environmental Consultant, in the Agreed Form.

"Technical Assumptions" means the technical assumptions agreed or determined in accordance with clause 19.1 (*Forecast Procedures*) of the CTA.

"Test" has the meaning given to such term in paragraph 1.3 of Schedule 15 of the CTA.

"Test Period" means the period of 60 (sixty) days commencing in accordance with paragraph 1.2 of Schedule 15 of the CTA as such period may be extended pursuant to paragraphs 2.3 (*Extension of Test Period*) or paragraph 3 (*Force Majeure*) of Schedule 15 of the CTA.

"Test Procedures" has the meaning given to such term in paragraph 1.1.1 of Schedule 15 of the CTA.

"Total Additional S1 Commitments" means the difference (if any) between USD 250 million (or such greater amount, not exceeding USD 300 million, as results from any oversubscription for Additional S1 Commitments) and the Total Tranche S1 Commitments.

"Total Available Commitments" means, at any time, in respect of a Facility or, as the case may be, Tranche S1, the aggregate of the Commitments under that Facility or Tranche S1 which may be utilised (and which have not been utilised).

"Total Available Senior Facility Amount" means at any time the amount calculated as such pursuant to clause 3.2 (*Total Available Senior Facilities Amount*) of the CTA.

"Total Commitments" means the Total Senior Commitments and the Total Junior Commitments.

"Total Costs" means, for the period commencing on the relevant Calculation Date and ending on the Assumed Completion Date (defined below), the sum of (without double counting):

(A) the aggregate of Project Costs forecast to be incurred (calculated on the basis of a Project Completion date as determined by the Technical and Modelling Bank (acting reasonably) after giving due and proper consideration to any information provided (including representations made by the Technical Consultant and Kosmos) provided always that in making its determination, the Technical and Modelling Bank shall not apply any predetermined delay buffer to the anticipated Project Completion Date as estimated by the Technical Consultant (the **"Assumed Completion Date"**);

(B) the aggregate of all interest payments (after taking into account the impact of the Hedging Agreements) forecast to be payable in relation to the Facilities;

(C) the aggregate of scheduled principal repayments forecast to be payable in relation to the Facilities and all scheduled payments under any Hedging Agreement entered into under the Hedging Policy forecast to be payable;

(D) the aggregate of all other Financing Costs forecast to be payable;

(E) the aggregate of all Tax payments forecast to be payable; and

(F) any other costs, expenses and fees forecast to be incurred by Kosmos in the performance of its obligations under the Project Agreements and the carrying out of all its activities, in each case, in relation to the Project.

"Total Facility Amount" means, in respect of:

(A) the Senior Bank Facility, the Total Senior Bank Facility Amount,

(B) the Senior IFC Facility, the Total Senior IFC Facility Amount;

(C) the Junior Bank Facility, the Total Junior Bank Facility Amount; and

(D) the Junior IFC Facility, the Total Junior IFC Facility Amount,

or as the context requires, in respect of the Facilities, the aggregate of the Total Senior Facilities Amount and the Total Junior Facilities Amount, being USD825 million as at the date of this Agreement.

"Total Junior Bank Facility Amount" means, at any time, the total facility made available under the Junior Bank Facility, being USD100 million as at the date of this Agreement but as reduced by (i) the aggregate amount of Loans under such Facility that are repaid or prepaid and (ii) the amount of any cancellation of such Facility.

"Total Junior Commitments" means the aggregate of the Junior Commitments of the Lenders.

"Total Junior Facilities Amount" means, at any time, the aggregate of the Total Junior Bank Facility Amount and the Total Junior IFC Facility Amount.

"Total Junior IFC Facility Amount" means, at any time, the total facility made available under the Junior IFC Facility, being USD50 million as at the date of this Agreement but as reduced by (i) the aggregate amount of Loans under such Facility that are repaid or prepaid and (ii) the amount of any cancellation of such Facility.

"Total Senior Bank Facility Amount" means, at any time, the total facility made available under the Senior Bank Facility but as reduced by (i) the aggregate amount of Loans under such Facility that are repaid or prepaid and (ii) the amount of any cancellation of such Facility. **"Total Senior Commitments"** means the aggregate of the Senior Commitments of the Lenders.

"Total Senior Facilities Amount" means, at any time, the aggregate of the Total Senior Bank Facility Amount and the Total Senior IFC Facility Amount.

"Total Senior IFC Facility Amount" means, at any time, the total facility made available under the Senior IFC Facility being USD 50 million as at the date of this Agreement (comprising of USD 50 million in Tranche S1 and subsequently, USD 50 million in tranche S2) but as reduced by (i) the aggregate amount of Loans under such Facility that are repaid or prepaid and (ii) the amount of any cancellation of such Facility.

"Total Tranche S1 Commitments" means the aggregate of the Tranche S1 Commitments of the Senior Lenders.

"Total Tranche S2 Commitments" means the aggregate of the Tranche S2 Commitments of the Senior Lenders.

"Tranche J1" means a tranche of USD 50 million under the Junior IFC Facility.

"Tranche J2" means a tranche of USD 100 million of the Junior Bank Facility.

"Tranche S1" means the aggregate of (a) tranche S1 of USD235 million of the Senior Bank Facility and (b) tranche S1 of USD 50 million of the Senior IFC Facility. **"Tranche S1 Commitment"** means:

(A) in relation to an Original Senior Lender, the amount of its Senior Commitment set opposite its name under the heading "Tranche S1 Commitment" in Schedule 2 (*The Original Lenders*) and the amount of any other Tranche S1 Commitment transferred to it;

(B) in relation to any other Senior Lender, the amount of any Tranche S1 Commitment transferred to it; and

(C) in relation to an Additional S1 Lender, the amount of Additional Commitment contained in a S1 Lender Accession Notice delivered by that Additional S1 Lender in accordance with Clause 3.3(C) (*Additional S1 Commitments*),

to the extent not cancelled, reduced or transferred by it.

For the avoidance of doubt, a Tranche S1 Commitment of a Senior Lender is the part of such Senior Lender's Senior Commitment made available under Tranche S1.

"Tranche S1 Lender" means a Senior Lender with a Tranche S1 Commitment.

"Tranche S1 Majority Lenders" means those Tranche S1 Lenders whose Tranche S1 Commitments then aggregate at least 66 2/3 per cent of all the Total Tranche S1 Commitments (or if the Total Tranche S1 Commitments have been reduced to zero, aggregated more than 667 2/3 per cent, of the Total Tranche S1 Commitments immediately prior to such time).

"Tranche S2" means the aggregate of (a) tranche S2 of the Senior Bank Facility and (b) tranche S2 of the Senior IFC Facility. **"Tranche S2 Commitments"** means:

(A) in relation to an Original Senior Lender, the amount of its Senior Commitment set opposite its name under the heading "Senior Bank Facility" in Schedule 2 (The Original Lenders) and the amount of any other Tranche S2 Commitment transferred to it;

(B) in relation to any other Senior Lender, the amount of any Tranche S2 Commitment transferred to it

to the extent not cancelled, reduced or transferred by it.

"Transaction Document" means each Finance Document and each Project Agreement.

"Transfer Certificate" means a certificate substantially in the form set out in Schedule 8 (*Form of Transfer Certificate*) of the CTA or any other form agreed between the relevant Facility Agent and Kosmos.

"Transfer Date" means, in relation to a transfer, the later of:

(A) the proposed Transfer Date specified in the Transfer Certificate; and

(B) the date on which the Facility Agent executes the Transfer Certificate.

"Turnover Certificate" means the document used by the IPT to certify that installation, pre-commissioning, commissioning and testing of the various subsystems are ready for introduction of hydrocarbons through the overall production system.

"Unit Account" shall have the meaning given to that term in the UUOA.

"Unit Development Plan" shall have the meaning given to that term in the UUOA.

"Unit Operator" shall have the meaning given to that term in the UUOA.

"Unit Substances" shall have the meaning given to that term in the UUOA.

"Unpaid Sum" means any sum due and payable but unpaid by an Obligor under the Finance Documents.

"Updated Fixed Price Deck" means the price of Crude Oil as determined by Majority Senior Lenders in accordance with the procedure set out in clause 19.4 (*Forecast Prior to Project Completion*) of the CTA.

"USD" or "US Dollar" means the lawful currency of the United States of America.

"Utilisation" means a utilisation of a Facility by way of a Loan or, in the case of a Senior Facility, a Letter of Credit.

"Utilisation Date" means the date of a Utilisation, being the date on which the relevant Loan is to be made.

"Utilisation Request" means a notice substantially in the form set out in Schedule 5 (*Utilisation Request*) of the CTA or in the Agreed Form.

"UUOA" means the unitization and unit operating agreement in the Agreed Form (or otherwise amended in a form as would comply with the requirements of clause 28.18 (*Project Agreements*)) to be entered into between GNPC, Tullow Ghana Limited, KEG, Anadarko WCTP Company, Sabre Oil and Gas Holdings Limited and EO covering The Jubilee Field Unit located offshore in the Republic of Ghana.

"VAT"means value added tax as provided for in the Value Added Tax Act 1994 or any regulations promulgated thereunder and any other tax of a similar nature.

"Waiver Agreement" means the agreement dated on or about the date of this Agreement between the Senior Facility Agent, the Junior Facility Agent, IFC, the Original Senior Lenders and the Original Junior Lenders, relating to the satisfaction and waiver of Conditions Precedent and Conditions Subsequent under the CTA.

"WCTP Block" means West Cape Three Points area offshore Ghana, being the area described in Annex 1 of the WCTP PA, but excluding any portions of such area in respect of which Contractor's rights thereunder are from time to time relinquished or surrendered pursuant to the WCTP PA.

"WCTP JOA" means the joint operating agreement dated 27 July 2004 between KEG and EO in respect of the West Cape Three Points Block Off-shore Ghana (and all amendments and supplements thereto).

"WCTP PA" means the petroleum agreement dated 22 July 2004 between the Government, represented by the Minister, the GNPC, KEG and EO in respect of the West Cape Three Points Block Off-shore Ghana (and all amendments and supplements thereto).

2. INTERPRETATION AND CONSTRUCTION

2.1 Construction of particular terms

Unless a contrary indication appears, any reference in this Agreement to:

(A) **"this Agreement"** shall be construed as a reference to the agreement or document in which such reference appears together with ail recitals and Schedules thereto;

(B) a reference to **"assets"** includes properties, revenues and rights of every description;

(C) an **"authorisation"** or **"consent"** shall be construed as including any authorisation, consent, approval, resolution, licence, exemption, permission, recording, notarisation, filing or registration;

(D) an **"authorised officer"** shall be construed, in relation to any Party, as a reference to a Director or other person duly authorised by such Party as notified by such Party to the Facility Agent as being authorised to sign any agreement, certificate or other document or to take any decision or action, as applicable. The provision of any certificate or the making of any certification by any authorised officer of Kosmos shall not create for that authorised officer any personal liability to the Finance Parties;

(E) a **"calendar year"** is a reference to a period starting on (and including) 1 January and ending on (and including) the immediately following 31 December;

(F) a **"certified copy"** shall be construed as a reference to a copy of that document, certified by an authorised officer of the relevant Party delivering it to be a complete, accurate and up-to-date copy of the original document;

(G) a **"clause"** shall, subject to any contrary indication, be construed as a reference to a clause of the agreement or document in which such reference appears;

(H) **"continuing"** shall, in relation to any Default or Event of Default, be construed as meaning that such Default or Event of Default has not been remedied or waived;

(I) the **"equivalent"** on any given date in any currency (the "first currency") of an amount denominated in another currency (the "second currency") is a reference to the amount of the first currency which could be purchased with the amount of the second currency at the spot rate of exchange quoted by the Facility Agent in the normal course of business at or about 11.00 a.m. on such date for the purchase of the first currency with the second currency in the London foreign exchange markets for delivery on the second Business Day thereafter;

(J) the **"group"** of any person, shall be construed as a reference to that person, its subsidiaries and any holding company of that person and all other subsidiaries of any such holding company, from time to time;

(K) a **"holding company"** of a company or corporation shall be construed as a reference to any company or corporation of which the first-mentioned company or corporation is a subsidiary;

(L) **"include"** or **"including"** shall be deemed to be followed by "without limitation" or "but not limited to" whether or not they are followed by such phrase or words of like import;

(M) a **"month"** or **"Month"** is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next succeeding calendar month save that, where any such period would otherwise end on a day which is not a Business Day, it shall end on the next succeeding Business Day, unless that day falls in the calendar month succeeding that in which it would otherwise have ended, in which case it shall end on the immediately preceding Business Day provided that, if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month (and references to **"months"** and **"Months"** shall be construed accordingly);

(N) a **"person"** shall be construed as a reference to any person, trust, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

(O) a reference to a **"regulation"** includes any regulation, rule, official directive, request or guideline (whether or not having the force of Law but, if not having the force of Law, being a regulation, rule, official directive, request or guideline with which a prudent person carrying on the same or a similar business to Kosmos would comply) of any governmental body, Agency, department or regulatory, self-regulatory or other authority or organisation;

(P) a **"right"** shall be construed as including any right, title, interest, claim, remedy, discretion, power or privilege, in each case whether actual, contingent, present or future;

(Q) a **"Schedule"** shall, subject to any contrary indication, be construed as a reference to a schedule of the agreement or document in which such reference appears;

(R) a **"subsidiary"** of a company or corporation shall be construed as a reference to any company or corporation;

(i) which is controlled, directly or indirectly, by the first-mentioned company or corporation;

(ii) more than half the issued share capital of which is beneficially owned, directly or indirectly, by the first-mentioned company or corporation; or

(iii) which is a subsidiary of another subsidiary of the first-mentioned company or corporation,

and, for these purposes, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

(S) the **"winding-up"**, **"dissolution"** or **"administration"** of a company or corporation shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company or corporation is incorporated or any jurisdiction in which such company or corporation carries on business including the seeking of liquidation, bankruptcy, winding-up, reorganisation, dissolution, administration, receivership, judicial custodianship, administrative receivership, arrangement, adjustment, protection or relief of debtors; and

(T) a **"year"** is a reference to a period starting on one day in a month in a calendar year and ending on the numerically corresponding day in the same month in the next succeeding calendar year, save that, where any such period would otherwise end on a day which is not a Business Day, it shall end on the next succeeding Business Day, unless that day falls in the month succeeding that in which it would otherwise have ended, in which case it shall end on the immediately preceding Business Day Provided that, if a period starts on the last Business Day in a month, that period shall end on the last Business Day in that later month (and references to **"years"** shall be construed accordingly).

2.2 Interpretation

(A) Words importing the singular shall include the plural and vice versa.

(B) Words indicating any gender shall include each other gender.

(C) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document to:

(i) any party or person shall be construed so as to include its and any subsequent successors, permitted transferees and permitted assigns in accordance with their respective interests;

(ii) such agreement or document or any other agreement or document shall be construed as a reference to each such agreement or document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented, in each case to the extent permitted under the Finance Documents;

(iii) a time of day shall, save as otherwise provided in any agreement or document, be construed as a reference to London time.

(D) Section, Part, Clause and Schedule headings contained in, and any index or table of contents to, any agreement or document are for ease of reference only.

3. THIRD PARTY RIGHTS

A person who is not a Party has no right by virtue of the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

4. AMENDMENTS

All amendments to the provisions of this Agreement shall be made in accordance with clause 41 of the CTA (*Amendments and Waivers*) and be in writing, signed by the Facility Agents, Kosmos and the Security Trustee and shall bind each of the parties to this Agreement.

5. GOVERNING LAW AND JURISDICTION

This Definitions Agreement is governed by, and shall be construed in accordance with, the Laws of England and the parties hereto irrevocably submit to the jurisdiction of the courts of England.

The provisions of clause 44 (*Jurisdiction*) of the CTA shall apply to this Definitions Agreement as if expressly set out herein.

SIGNATURES

Original Borrower

KOSMOS ENERGY FINANCE

By: W. Greg Dunlevy

Name: W. Greg Dunlevy
Title: Director

Original Guarantors

KOSMOS ENERGY GHANA HC

By: W. Greg Dunlevy

Name: W. Greg Dunlevy
Title: Director

KOSMOS ENERGY DEVELOPMENT

By: W. Greg Dunlevy

Name: W. Greg Dunlevy
Title: Director

KOSMOS ENERGY FINANCE

By: W. Greg Dunlevy

Name: W. Greg Dunlevy
Title: Director

SIGNATURES

KEI

KOSMOS ENERGY INTERNATIONAL

By: W. Greg Dunlevy

Name: W. Greg Dunlevy
Title: Director

SIGNATURES

Global Co-ordinator

STANDARD CHARTERED BANK

By: Panos Benos

Name: Panos Benos
Title: A. Director

By: Olivier Mussat

Name: Olivier Mussat
Title: Director

SIGNATURES

Senior Mandated Lead Arrangers

STANDARD CHARTERED BANK

By: Panos Benos

Name: Panos Benos
Title: A. Director

By: Olivier Mussat

Name: Olivier Mussat
Title: Director

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

SOCIÉTÉ GÉNÉRALE

By: Kevin Price

Name: Kevin Price
Title: MD RBF

CALYON

By: L. Renard

Name: L. Renard
Title: Associate Director

By: F. Pluta

Name: F. Pluta
Title: Head of RBC

ABSA BANK LIMITED

By: J.H. de la Pasture

Name: J.H. de la Pasture
Title: Principal

By: N. Balgobind

Name: N. Balgobind
Title: Associate Principal

AFRICA FINANCE CORPORATION

By: Andrew Alli

Name: Andrew Alli
Title: CEO

INTERNATIONAL FINANCE CORPORATION

By: Delanson Crist

Name: Delanson Crist
Title: Senior Manager

CORDIANT EMERGING LOAN FUND III, L.P.

By: Bertrand Millot

Name: Bertrand Millot
Title: VP Portfolio Management

By: Donald S. McKelvie

Name: Donald S. McKelvie
Title: Treasurer

SIGNATURES

Junior Mandated Lead Arrangers

STANDARD CHARTERED BANK

By:	Panos Benos	By:	Olivier Mussat
Name:	Panos Benos	Name:	Olivier Mussat
Title:	A. Director	Title:	Director

BNP PARIBAS SA

By:	S. Cantoia	By:	Olivier Warnan
Name:	S. Cantoia	Name:	Olivier Warnan
Title:	Attorney	Title:	Vice President

INTERNATIONAL FINANCE CORPORATION

By:	Delanson Crist
Name:	Delanson Crist
Title:	Senior Manager

AFRICA FINANCE CORPORATION

By:	Andrew Alli	By:	
Name:	Andrew Alli	Name:	
Title:	CEO	Title:	

SIGNATURES

Original Senior Lenders

STANDARD CHARTERED BANK

By: Panos Benos

Name: Panos Benos
Title: A. Director

By: Olivier Mussat

Name: Olivier Mussat
Title: Director

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

SOCIÉTÉ GÉNÉRALE

By: Kevin Price

Name: Kevin Price
Title: MD RBF

CALYON

By: L. Renard

Name: L. Renard
Title: Associate Director

By: F. Pluta

Name: F. Pluta
Title: Head of RBC

ABSA BANK LIMITED

By:	J.H. de la Pasture	By:	N. Balgobind
Name:	J.H. de la Pasture	Name:	N. Balgobind
Title:	Principal	Title:	Associate Principal

AFRICA FINANCE CORPORATION

By:	Andrew Alli	By:	
Name:	Andrew Alli	Name:	
Title:	CEO	Title:	

CORDIANT EMERGING LOAN FUND III, L.P.

By:	Bertrand Millot	By:	Donald S. McKelvie
Name:	Bertrand Millot	Name:	Donald S. McKelvie
Title:	VP Portfolio Management	Title:	Treasurer

SIGNATURES

IFC (as Original Senior Lender under the Senior IFC Facility Agreement)

INTERNATIONAL FINANCE CORPORATION

By: Delanson Crist

Name: Delanson Crist
Title: Senior Manager

SIGNATURES

Original Junior Lenders

STANDARD CHARTERED BANK

By: Panos Benos

Name: Panos Benos
Title: A. Director

By: Olivier Mussat

Name: Olivier Mussat
Title:

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

AFRICA FINANCE CORPORATION

By: Andrew Alli

Name: Andrew Alli
Title: CEO

SIGNATURES

IFC (as Original Junior Lender under the Junior IFC Facility Agreement)

INTERNATIONAL FINANCE CORPORATION

By: Delanson Crist

Name: Delanson Crist
Title: Senior Manager

SIGNATURES

Lead Technical and Modelling Bank

SOCIÉTÉ GÉNÉRALE

By: Kevin Price

Name: Kevin Price
Title: MD RBF

SIGNATURES

Co-Technical and Modelling Bank

STANDARD CHARTERED BANK

By: Panos Benos

Name: Panos Benos
Title: A. Director

By: Olivier Mussat

Name: Olivier Mussat
Title:

SIGNATURES

Onshore Account Bank

STANDARD CHARTERED BANK

By: Panos Benos

Name: Panos Benos
Title: A. Director

SIGNATURES

Offshore Account Bank

STANDARD CHARTERED BANK

By: Panos Benos

Name: Panos Benos
Title: A. Director

SIGNATURES

Senior Facility Agent

STANDARD CHARTERED BANK

By: Panos Benos

Name: Panos Benos
Title: A. Director

SIGNATURES

Junior Facility Agent

BNP PARIBAS SA

By:	S. Cantoia	By:	Olivier Warnan
Name:	S. Cantoia	Name:	Olivier Warnan
Title:	Attorney	Title:	Vice President

SIGNATURES

Security Trustee

BNP PARIBAS SA

By:	S. Cantoia	By:	Olivier Warnan
Name:	S. Cantoia	Name:	Olivier Warnan
Title:	Attorney	Title:	Vice President

Exhibit 10.19

CONFORMED COPY

DATED 13 July 2009

KOSMOS ENERGY FINANCE
as Borrower

-and-

KOSMOS ENERGY GHANA HC and KOSMOS ENERGY DEVELOPMENT
as Original Guarantors

- and -

STANDARD CHARTERED BANK, BNP PARIBAS SA, SOCIÉTÉ GÉNÉRALE, CALYON, ABSA BANK LIMITED, LONDON BRANCH, AFRICA FINANCE CORPORATION and CORDIANT EMERGING LOAN FUND III, LLP
as Senior Mandated Lead Arrangers

- and -

THE FINANCIAL INSTITUTIONS LISTED IN SCHEDULE 2 TO THE CTA
as Original Senior Lenders

- and -

Others

USD 550 MILLION SENIOR BANK FACILITY AGREEMENT

relating to Phase 1 development of the Jubilee Field
(as amended on 24 December 2009)

Slaughter and May
One Bunhill Row
London
EC1Y 8YY
(SRG/JRR)

Contents

THIS SENIOR BANK FACILITY AGREEMENT is dated 13 July 2009 (as amended on 24 December 2009) and made between:

(1) **KOSMOS ENERGY FINANCE**, a company incorporated under the laws of the Cayman Islands with registered number 225882 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KYI-1209, Cayman Islands (**"Kosmos"** or the **"Borrower"**);

(2) **KOSMOS ENERGY GHANA HC** a company incorporated under the laws of the Cayman Islands with registered number 135710 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands (**"KEG"**);

(3) **KOSMOS ENERGY DEVELOPMENT** a company incorporated under the laws of the Cayman Islands with registered number 225879 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands (**"KED"**)*;*

(4) **STANDARD CHARTERED BANK, BNP PARIBAS SA, SOCIÉTÉ GÉNÉRALE, CALYON, ABSA BANK LIMITED, AFRICA FINANCE CORPORATION** and **CORDIANT EMERGING LOAN FUND III, LLP** as mandated lead arrangers of the Senior Bank Facility (each a **"Senior Mandated Lead Arranger"** and together, the **"Senior Mandated Lead Arrangers"**);

(5) **THE FINANCIAL INSTITUTIONS** listed in Schedule 2 to the CTA as original senior lenders (except for IFC) (the **"Original Senior Lenders"**); and

(6) **STANDARD CHARTERED BANK** as agent of the other Senior Finance Parties (other than IFC) under this Agreement and the CTA (the **"Senior Facility Agent"**).

WHEREAS

(A) KEG has entered into the Project Agreements for the purposes of implementing the Project.

(B) The Senior Lenders have agreed to provide the Borrower with a senior facility in an amount not exceeding USD 625, comprising Tranche S1 in an amount of USD 235 million and Tranche S2 of USD 390 million, including an option to issue Letters of Credit and with all Utilisations of the facility to be used in connection with the financing of the Project, on the terms and subject to the conditions set out in this Agreement, the CTA and the Intercreditor Agreement.

(C) KEG and KED are parties to the CTA as Original Guarantors.

(D) This is the Senior Bank Facility Agreement as defined in the Definitions Agreement.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Unless otherwise defined herein, terms defined in clause 1 *(Definitions)* of the definitions agreement made on or about the date of this Agreement (the **"Definitions Agreement")** by, *inter alios,* the parties to this Agreement shall have the same meaning and construction when used herein, and the following terms have the following meanings:

"Senior Bank Commitment" means in respect of the Senior Bank Facility:

(A) in relation to an Original Senior Lender and such Senior Bank Facility (including, as the case may be, Tranche S1), the amount set opposite its name in the relevant Part of Schedule 2 (*The Original Lenders*) of the CTA in respect of the Senior Bank Facility and the amount of any other Senior Bank Commitment transferred to it; and

(B) in relation to any other Lender, the amount of any Senior Bank Commitment transferred to it (including under any tranche),

to the extent not cancelled, reduced or transferred by it.

"Senior Bank Lenders" means the Original Senior Lenders and any bank or financial institution which has become a party as a Lender to this Agreement in accordance with clause 30 (*Changes to the Lenders*) of the CTA.

"Total Senior Bank Commitments" means the aggregate of the Senior Bank Commitments of the Lenders.

1.2 Construction

The rules of construction and interpretation set out in clause 2 (*Interpretation and Construction*) of the Definitions Agreement shall apply to this Agreement as if expressly set out herein.

1.3 Third Party Rights

(A) Unless expressly provided to the contrary in a Finance Document, a person who is not a Party to this Agreement has no right by virtue of the Contracts (Rights of Third Parties) Act 1999 (the **"Third Parties Act")** to enforce or to enjoy the benefit of any term of this Agreement.

(B) Notwithstanding any term of any Finance Document, this Agreement may be rescinded or varied without the consent of any person who is not a Party to this Agreement.

1.4 Common Terms Agreement and Intercreditor Agreement

All the provisions of the CTA that relate to this Agreement are incorporated into this Agreement as if repeated in this Agreement. This Agreement and the rights and obligations of the parties hereto are subject to the terms and conditions of the Intercreditor Agreement and the CTA including, without limitation, those provisions relating to representations, warranties, covenants and events of default. In the event of any inconsistency between the terms of this Agreement, the Intercreditor Agreement and the CTA, the terms of the Intercreditor Agreement or the CTA shall prevail.

2. THE SENIOR BANK FACILITY

2.1 The Senior Bank Facility

Subject to the terms of this Agreement, the CTA and the Intercreditor Agreement, the Senior Bank Lenders shall make available to Kosmos a secured senior term loan facility with an option for the issue of letters of credit as detailed under clause 3 (*The Facilities*) of the CTA.

2.2 Finance Parties' rights and obligations

(A) Each Senior Bank Lender's liability to participate in a Loan under the Senior Bank Facility, or as the case may be, Tranche S1 is limited to its Available Commitment in respect of the Senior Facilities or, as the case may be, Tranche S1.

(B) The obligations of each Senior Bank Lender under this Agreement are several. Failure by a Senior Bank Lender to perform its obligations under this Agreement does not affect the obligations of any other Senior Bank Lender under this Agreement or any other Finance Party under the Finance Documents. If a Senior Bank Lender fails to carry out its obligations, Kosmos will have rights solely against that Lender. No Senior Bank Lender is responsible for the obligations of any other Senior Bank Lender under this Agreement.

(C) The rights of each Senior Bank Lender under or in connection with this Agreement are separate and independent rights and any debt arising under this Agreement to a Senior Bank Lender from Kosmos shall be a separate and independent debt.

(D) A Senior Bank Lender may, except as otherwise stated in the Finance Documents, separately enforce its rights under this Agreement.

3. PURPOSE

Kosmos shall apply all amounts borrowed by it under the Senior Bank Facility only towards the purposes stated in clause 5 (*Purpose*) of the CTA, and for no other purpose.

4. CONDITIONS OF UTILISATION

(A) The obligations of each Senior Bank Lender to make its participation in any Utilisation of the Senior Bank Facility available to the Borrower is subject to the fulfilment prior to or concurrently with the making of that first Utilisation of the Conditions Precedent and, other than in respect of a Utilisation of Tranche S1, the Conditions Subsequent, in each case as set out in Schedule 3 (*Conditions Precedent*) of the CTA.

(B) The obligation on the Senior Bank Lenders to make any Utilisation of the Senior Bank Facility is subject to the satisfaction, prior to or concurrently with the making of that Utilisation of the Borrower of the applicable conditions set out in clause 2.3 (*Conditions Precedent to each Utilisation*) of the CTA.

5. UTILISATION

(A) Subject to clause 4 (*Conditions of Utilisation*) above, Kosmos may utilise the Senior Bank Facility by delivering a duly completed Utilisation Request to the Senior Facility Agent in accordance with clause 6.2 (*Delivery of a Utilisation Request*) of the CTA.

(B) If the applicable conditions set out in this Agreement and CTA have been met, each Senior Bank Lender shall make its participation in the relevant Loan available by the Utilisation Date through its Facility Office in accordance with the terms of this Agreement and the CTA.

6. LETTERS OF CREDIT

On and from the Satisfaction Date the Senior Bank Facility may be utilised by way of the issue of Letters of Credit subject to and in accordance with the provisions set out in clauses *7* (*Letters of Credit — Utilisation*) and 8 (*Letter of Credit — General Provisions*) of the CTA.

7. REPAYMENT

Kosmos shall repay the loans made under this Agreement subject to and in accordance with the relevant provisions of clause 9 (*Repayment*) of the CTA.

8. **PREPAYMENT AND CANCELLATION**

Subject to the provisions of clause 10 (*Prepayment and Cancellation*) of the CTA, Kosmos shall be required to, or as the case requires, may voluntarily:

(A) prepay any Loan under this Agreement, or any part of it; or

(B) cancel all or any part of the Total Senior Bank Commitments under the Senior Bank Facility,

in each case, only where required or permitted to do so by the provisions of the CTA.

9. PAYMENTS

All payments to be made by Kosmos under this Agreement shall be made in accordance with the terms of the CTA.

10. INTEREST AND LETTER OF CREDIT FEE

(A) The rate of interest, including calculation, margin and default interest, on each Loan made under this Agreement shall be determined and shall be payable by the Borrower in accordance with clause 11 *(Interest)* of the CTA.

(B) In relation to each Letter of Credit the Borrower shall pay fees in accordance with clause 8.2 *(Fee payable in respect of Letters of Credit)* of the CTA.

11. FEES

The Borrower shall pay to the Senior Facility Agent, in respect of the Senior Bank Facility, (for the account of each Lender to such Facility) a commitment fee computed in accordance with clause 14 *(Fees)* of the CTA.

12. REPRESENTATIONS AND WARRANTIES

12.1 Representations and Warranties

Kosmos confirms that each of the representations and warranties set out in clause 26 *(Representations)* of the CTA is true as at the date of this Agreement.

12.2 Repetition

Kosmos confirms that each Repeating Representation is deemed to be repeated on each of the dates specified in clause 26.18(B) *(Times for making representations)* of the CTA as applied to the facts and circumstances existing at the time of repetition.

13. SENIOR FACILITY AGENT

Each Senior Bank Lender appoints the Senior Facility Agent for the purpose of performing the functions of the Senior Facility Agent expressly mentioned in this Agreement and the other Finance Documents on the same terms and subject to the same conditions as apply to the appointment of any other Agent in clause 32 *(Role of the Agents and the Arranger)* of the CTA and the provisions set out in clause 32 *(Role of the Agents and the Arranger)* of the CTA shall apply in relation to the Senior Facility Agent as if expressly repeated in this clause 13, substituting references to the Agent with references to the Senior Facility Agent and substituting references to the Finance Parties with references to the Senior Finance Parties.

14. GUARANTEE

Each of the Original Guarantors acknowledges that, pursuant to the CTA, they have guaranteed the obligations of the Borrower under this Agreement on the terms and conditions set out in the CTA.

15. TERM

This Agreement shall continue in full force until all monies payable under it have been irrevocably and fully paid in accordance with its provisions and the Senior Bank Lenders have no further obligations under this Agreement or the CTA.

16. ASSIGNMENT AND TRANSFER

The Senior Bank Lenders may assign and transfer their rights or obligations under this Agreement in accordance with the terms of the CTA and the Intercreditor Agreement.

17. COUNTERPARTS

(A) This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each Party has executed at least one counterpart.

(B) Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute one and the same instrument.

18. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with English law.

19. JURISDICTION

The provisions of clause 44 *(Jurisdiction)* of the CTA shall be deemed to apply *mutatis mutandis* to this Agreement as if set out herein in full.

SIGNATURES

Original Borrower

KOSMOS ENERGY FINANCE

By: W. Greg Dunlevy

Name: W. Greg Dunlevy
Title: Director

Original Guarantors

KOSMOS ENERGY GHANA HC

By: W. Greg Dunlevy

Name: W. Greg Dunlevy
Title: Director

KOSMOS ENERGY DEVELOPMENT

By: W. Greg Dunlevy

Name: W. Greg Dunlevy
Title: Director

SIGNATURES

Senior Mandated Lead Arrangers

STANDARD CHARTERED BANK

By: Ade Adeola

Name: Ade Adeola
Title: Managing Director Project and Export Finance

By: Panos Benos

Name: Panos Benos
Title: A. Director

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

SOCIÉTÉ GÉNÉRALE

By: Kevin Price

Name: Kevin Price
Title: MD RBF

CALYON

By: L. Renard

Name: L. Renard
Title: Associate Director

By: F. Pluta

Name: F. Pluta
Title: Head of RBL

ABSA BANK LIMITED

By: J.H. de la Pasture

Name: J.H. de la Pasture
Title: Principal

By: N. Balgobind

Name: N. Balgobind
Title: Associate Principal

AFRICA FINANCE CORPORATION

By: Andrew Alli

Name: Andrew Alli
Title: CEO

CORDIANT EMERGING LOAN FUND III, L.P.

By: Bertrand Millot

Name: Bertrand Millot

By: Donald S. McKelvie

Name: Donald S. McKelvie

Title: VP Portfolio Management Title: Treasurer

SIGNATURES

Original Senior Lenders

STANDARD CHARTERED BANK

By: Ade Adeola

Name: Ade Adeola
Title: Managing Director Project and Export Finance

By: Panos Benos

Name: Panos Benos
Title: A. Director

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

SOCIÉTÉ GÉNÉRALE

By: Kevin Price

Name: Kevin Price
Title: MD RBF

CALYON

By: L. Renard

Name: L. Renard
Title: Associate Director

By: F. Pluta

Name: F. Pluta
Title: Head of RBL

SIGNATURES

ABSA BANK LIMITED

By: J.H. de la Pasture

Name: J.H. de la Pasture
Title: Principal

By: N. Balgobind

Name: N. Balgobind
Title: Associate Principal

AFRICA FINANCE CORPORATION

By: Andrew Alli

Name: Andrew Alli
Title: CEO

CORDIANT EMERGING LOAN FUND III, L.P.

By: Bertrand Millot

Name: Bertrand Millot
Title: VP Portfolio Management

By: Donald S. McKelvie

Name: Donald S. McKenzie
Title: Treasurer

SIGNATURES

Senior Facility Agent

STANDARD CHARTERED BANK

By: Ade Adeola

Name: Ade Adeola
Title: Managing Director Project and Export Finance

Exhibit 10.20

CLIFFORD

CHANCE

CLIFFORD CHANCE LLP

CONFORMED COPY

DATED 13 JULY 2009

STANDARD CHARTERED BANK
as Senior Facility Agent

BNP PARIBAS SA
as Junior Facility Agent

The Senior Lenders
The Junior Lenders

KOSMOS ENERGY FINANCE
as Borrower

KOSMOS ENERGY DEVELOPMENT
AND
KOSMOS ENERGY GHANA HC
as Original Obligors

BNP PARIBAS SA
acting as Security Trustee

and others

INTERCREDITOR AGREEMENT

CONTENTS

THIS AGREEMENT is dated 13 July 2009 and made between:

(1) **STANDARD CHARTERED BANK** as Senior Facility Agent;

(2) **THE FINANCIAL INSTITUTIONS** named on the signing pages as Senior Lenders;

(3) **STANDARD CHARTERED BANK, BNP PARIBAS SA, SOCIÉTÉ GÉNÉRALE, CALYON, ABSA BANK LIMITED, AFRICA FINANCE CORPORATION, INTERNATIONAL FINANCE CORPORATION** and **CORDIANT EMERGING LOAN FUND III, L.P.** as mandated lead arrangers of the Senior Facilities (in such capacity, the **"Senior Arrangers"**);

(4) **BNP PARIBAS SA** as Junior Facility Agent;

(5) **THE FINANCIAL INSTITUTIONS** named on the signing pages as Junior Lenders;

(6) **STANDARD CHARTERED BANK, BNP PARIBAS, INTERNATIONAL FINANCE CORPORATION** and **AFRICA FINANCE CORPORATION** as mandated lead arrangers of the Junior Facilities (in such capacity, the "**Junior Arrangers**");

(7) **KOSMOS ENERGY DEVELOPMENT** (incorporated under the laws of the Cayman Islands with registration number 225879) (the **"KED"**);

(8) **KOSMOS ENERGY GHANA HC** (incorporated under the laws of the Cayman Islands with registration number 135710) (**"Kosmos"**);

(9) **KOSMOS ENERGY FINANCE** (incorporated under the laws of the Cayman Islands with registration number 225882) (the **"Borrower"**); and

(10) **BNP PARIBAS SA** as security trustee for the Secured Parties (the "**Security Trustee**").

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires or as otherwise defined in this Agreement, words and expressions defined in clause 1 of the definitions agreement (the **"Definitions Agreement"**) dated the date of this Agreement made between, among others, the parties to this Agreement have the same meanings when used herein. In addition:

"1992 ISDA Master Agreement" means the Master Agreement (Multicurrency - Cross Border) as published by the International Swaps and Derivatives Association, Inc.

"2002 ISDA Master Agreement" means the 2002 Master Agreement as published by the International Swaps and Derivatives Association, Inc.

"Acceleration Event" means a Senior Acceleration Event or a Junior Acceleration Event.

"Agent" means each of the Senior Facility Agent and the Junior Facility Agent.

"Agent Liabilities" means all present and future liabilities and obligations, actual and contingent, of any Obligor to any Agent under the Finance Documents.

"Arranger" means each Senior Arranger and each Junior Arranger.

"Borrowing Liabilities" means, in relation to an Obligor, the liabilities (not being Guarantee Liabilities) it may have as a principal debtor to a Creditor, or Obligor in respect of Financial Indebtedness arising under the Finance Documents (whether incurred solely or jointly).

"Charged Property" means all of the assets which from time to time are, or are expressed to be, the subject of the Transaction Security.

"Close-Out Netting" means:

(a) in respect of a Hedging Agreement based on a 1992 ISDA Master Agreement, any step involved in determining the amount payable in respect of an Early Termination Date (as defined in the 1992 ISDA Master Agreement) under section 6(e) of the 1992 ISDA Master Agreement before the application of any subsequent Set-off (as defined in the 1992 ISDA Master Agreement);

(b) in respect of a Hedging Agreement based on a 2002 ISDA Master Agreement, any step involved in determining an Early Termination Amount (as defined in the 2002 ISDA Master Agreement) under section 6(e) of the 2002 ISDA Master Agreement; and

(c) in respect of a Hedging Agreement not based on an ISDA Master Agreement, any step involved on a termination of the hedging transactions under that Hedging Agreement pursuant to any provision of that Hedging Agreement which has a similar effect to either provision referenced in paragraph (a) and paragraph (b) above.

"Common Assurance" means any guarantee, indemnity or other assurance against loss in respect of any of the Liabilities, the benefit of which (however conferred) is, to the extent legally possible, given to all the Secured Parties in respect of their Liabilities.

"Consent" means any consent, approval, release or waiver or agreement to any amendment.

"Creditor Conflict" means, at any time prior to the Senior Discharge Date, a conflict between:

(a) the interests of any Senior Creditor, and

(b) the interests of any Junior Lender.

"Creditor/Agent Accession Undertaking" means:

(a) an undertaking substantially in the form set out in Schedule 2 *(Form of Creditor/Agent Accession Undertaking);* or

(b) a Transfer Certificate.

"Creditors" means the Senior Lenders, the Junior Lenders and the Hedge Counterparties.

"Debt Purchase Transaction" means, in relation to a person, a transaction where such person:

(c) purchases by way of assignment or transfer;

(d) enters into any sub-participation in respect of; or

(e) enters into any other agreement or arrangement having an economic effect substantially similar to a sub-participation in respect of,

any Commitment or amount outstanding under the Senior Facility Agreements or the Junior Facility Agreements.

"Definitions Agreement" has the meaning ascribed above to such term.

"Delegate" means any delegate, agent, attorney or co-trustee appointed by the Security Trustee.

"Disposal Proceeds" has the meaning given to that term in Clause 10 *(Disposals)*.

"**Distress Event**" means any of:

(a) an Acceleration Event; or

(b) the enforcement of any Transaction Security in accordance with the terms of the Security Documents.

"**Distressed Disposal**" means a disposal of an asset of a member of the Group or KEI which is:

(a) being effected at the request of the Majority Senior Lenders or, as the case may be, the Majority Junior Lenders in circumstances where the Transaction Security has become enforceable in accordance with the terms of the Finance Documents;

(b) being effected by enforcement of the Transaction Security in accordance with the terms of the Security Documents; or

(c) being effected, after the occurrence of a Distress Event, by an Obligor to a person or persons which is not a member of the Group.

"Dollar Currency Amount" means, in relation to an amount, that amount converted (to the extent not already denominated in USD) into USD at the Security Trustee's Spot Rate of Exchange on the Business Day prior to the relevant calculation.

"Enforcement Action" means:

(a) in relation to any Liabilities:

(i) the acceleration of any Liabilities or the making of any declaration that any Liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Senior Lender or a Junior Lender to perform its obligations under, or of any voluntary or mandatory prepayment arising under, the Finance Documents);

(ii) the making of any declaration that any Liabilities are payable on demand;

(iii) the making of a demand in relation to a Liability that is payable on demand;

(iv) the making of any demand against any member of the Group in relation to any Guarantee Liabilities of that member of the Group;

(v) the exercise of any right to require any member of the Group to acquire any Liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any Liability);

(vi) the exercise of any right of set-off, account combination or payment netting against any member of the Group or KEI in respect of any Liabilities other than the exercise of any such right:

(A) as Close-Out Netting by a Hedging Counterparty;

(B) as Payment Netting by a Hedging Counterparty;

(C) as Inter-Hedging Agreement Netting by a Hedging Counterparty; or

(D) which is otherwise expressly permitted under the CTA, the Senior Facility Agreements or the Junior Facility Agreements to the extent that the exercise of that right gives effect to a Permitted Payment; and

(vii) the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group or KEI to recover any Liabilities;

(b) the premature termination or close-out of any hedging transaction under any Hedging Agreement;

(c) the taking of any steps to enforce or require the enforcement of any Transaction Security (including the crystallisation of any floating charge forming part of the Transaction Security);

(d) the entering into of any composition, compromise, assignment or arrangement with KEI or any member of the Group which owes any Liabilities, or has given any Security, guarantee or indemnity or other assurance against loss in respect

of the Liabilities (other than any action permitted under Clause 14 (*Changes to the Parties*)); or

(e) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, provisional liquidator, receiver, administrator or similar officer) in relation to, the winding up, dissolution, administration, reorganisation merger or consolidation of any member of the Group or KEI which owes any Liabilities, or has given any Security, guarantee, indemnity or other assurance against loss in respect of any of the Liabilities, or any of such member of the Group's or KEI's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Group or KEI, or any analogous procedure or step in any jurisdiction

except that the following shall not constitute Enforcement Action:

(i) the taking of any action falling within paragraphs (a)(vii) or (e) above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of Liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or

(ii) a Hedging Counterparty, LC Issuing Bank or Junior Lender bringing legal proceedings against any person solely for the purpose of:

(A) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any Finance Document to which it is party;

(B) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages; or

(C) requesting judicial interpretation of any provision of any Finance Document to which it is party with no claim for damages.

"Final Discharge Date" means the later to occur of the Senior Discharge Date and the Junior Discharge Date.

"Group" means KED and each of each subsidiaries from time to time.

"Guarantee Liabilities" means, in relation to a member of the Group, the liabilities under the Finance Documents (present or future, actual or contingent and whether incurred solely or jointly) it may have to a Creditor or Obligor as or as a result of its being a guarantor or surety (including, without limitation, liabilities arising by way of guarantee, indemnity, contribution or subrogation and in particular any guarantee or indemnity arising under or in respect of the Finance Documents).

"Hedging Counterparty" means:

(a) any person which is named on the signing pages as a Hedging Counterparty and;

(b) any person which becomes Party as a Hedging Counterparty pursuant to Clause 14.5 *(Creditor/Agent Accession Undertaking)*.

"Hedging Liabilities" means the Liabilities owed by any Obligor to the Hedge Counterparties under or in connection with the Hedging Agreements.

"Insolvency Event" means, in relation to any member of the Group or KEI:

(a) any resolution is passed or order made for the winding up, dissolution or administration of that member of the Group or KEI or a moratorium is declared in relation to any indebtedness of that member of the Group or KEI;

(b) any composition, compromise, assignment or arrangement is made with any of its creditors;

(c) the appointment of any liquidator, provisional liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of that member of the Group or KEI or any of its assets; or

(d) any analogous procedure or step is taken in any jurisdiction.

"Instructing Group" means at any time:

(a) prior to the Senior Discharge Date, the Majority Senior Creditors; and

(b) on or after the Senior Discharge Date, the Majority Junior Lenders.

"Intercreditor Amendment" means any amendment or waiver which is subject to Clause 20 (*Consents, Amendments and Override*).

"Inter-Hedging Agreement Netting" means the exercise of any right of set-off, account combination, close-out netting or payment netting (whether arising out of a cross agreement netting agreement or otherwise) by a Hedging Counterparty against liabilities owed to an Obligor by that Hedging Counterparty under a Hedging Agreement in respect of Hedging Liabilities owed to that Hedging Counterparty by that Obligor under another Hedging Agreement.

"ISDA Master Agreement" means a 1992 ISDA Master Agreement or a 2002 ISDA Master Agreement.

"Junior Acceleration Event" means the Junior Facility Agent exercising any of its rights under clause 29.20 (*Acceleration - all Lenders*) or 29.21 (*Acceleration - IFC and the Banks*) of the CTA.

"Junior Discharge Date" means the first date on which all Junior Liabilities have been fully and finally discharged, whether or not as a result of an enforcement, and the Junior

Lenders are under no further obligation to provide financial accommodation to any of the Obligors under the Finance Documents.

"Junior Facility Agent Liabilities" means the Agent Liabilities owed by the Obligors to the Junior Facility Agent under or in connection with the Finance Documents.

"Junior Enforcement Notice" has the meaning given to that term in Clause 5.11 (*Permitted Enforcement: Junior Lenders*).

"Junior Liabilities" means the Liabilities owed by the Obligors to the Junior Lenders under or in connection with the Finance Documents (other than the Hedging Agreements).

"Junior Mandatory Prepayment" means a mandatory prepayment of any of the Junior Liabilities pursuant to clause 10.4 or 10.6 of the CTA.

"Junior Mandatory Prepayment Waiver" means, in relation to a Senior Mandatory Prepayment Waiver, any amendment or waiver of the corresponding requirement to make the Junior Mandatory Prepayment which corresponds with, and is in the same amount as, the Senior Mandatory Prepayment which is the subject of that Senior Mandatory Prepayment Waiver.

"Junior Payment Event of Default" means an Event of Default arising under clause 29.1 (B) (*Non-payment*) of the CTA in respect of the Junior Liabilities.

"Junior Payment Stop Event" means an Event of Default under the CTA (other than an Event of Default arising under clause 29.1 (A) (*Non-payment*) of the CTA) which is notified to the Security Trustee by the Senior Facility Agent (acting on the instructions of the Majority Senior Creditors).

"Junior Payment Stop Notice" has the meaning given to that term in Clause 5.3 (*Issue of Junior Payment Stop Notice*).

"Liabilities" means all present and future liabilities and obligations at any time of any Obligor or KEI to any Creditor under the Finance Documents, both actual and contingent and whether incurred solely or jointly or in any other capacity together with any of the following matters relating to or arising in respect of those liabilities and obligations:

(a) any refinancing, novation, deferral or extension;

(b) any claim for breach of representation, warranty or undertaking or on an event of default or under any indemnity given under or in connection with any document or agreement evidencing or constituting any other liability or obligation falling within this definition;

(c) any claim for damages or restitution; and

(d) any claim as a result of any recovery by any Obligor of a Payment on the grounds of preference or otherwise,

and any amounts which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings.

"Liabilities Acquisition" means, in relation to a person and to any Liabilities, a transaction where that person:

(a) purchases by way of assignment or transfer;

(b) enters into any sub-participation in respect of; or

(c) enters into any other agreement or arrangement having an economic effect substantially similar to a sub-participation in respect of,

the rights and benefits in respect of those Liabilities.

"Majority Senior Creditors" means, at any time, prior to a Distress Event occurring, the Majority Senior Lenders and thereafter those Senior Creditors whose Senior Credit Participations at that time aggregate more than 66 $^{2}/_{3}$ per cent of the total Senior Credit Participations at that time.

"Mandatory Prepayment" means a Senior Mandatory Prepayment or a Junior Mandatory Prepayment.

"Non-Distressed Disposal" has the meaning given to such term in Clause 10.1 of this Agreement.

"Obligor" means each Original Obligor and any person which becomes a Party as an Obligor in accordance with the terms of Clause 14 (*Changes to the Parties*).

"Obligor Accession Deed" means a deed substantially in the form set out in Schedule 1 *(Form of Obligor Accession Deed)*.

"Obligor Liabilities" means, in relation to any Obligor or KEI, any liabilities owed to any Obligor (whether actual or contingent and whether incurred solely or jointly) by that Obligor or KEI.

"Original Obligors" means the Borrower, KEG and KED.

"Party" means a party to this Agreement.

"Payment" means, in respect of any Liabilities (or any other liabilities or obligations), a payment, prepayment, repayment, redemption, defeasance or discharge of those Liabilities (or other liabilities or obligations).

"Payment Netting" means:

(a) in respect of a Hedging Agreement or a Hedging Ancillary Document based on an ISDA Master Agreement, netting under section 2(c) of the relevant ISDA Master Agreement; and

(b) in respect of a Hedging Agreement or a Hedging Ancillary Document not based on an ISDA Master Agreement, netting pursuant to any provision of that Hedging Agreement or a Hedging Ancillary Document which has a similar effect to the provision referenced in paragraph (a) above.

"**Permitted Hedge Payments**" means the Payments permitted by Clause 4.3 (*Permitted Payments: Hedging Liabilities)*.

"**Permitted Junior Payments**" means the Payments permitted by Clause 5.2 (*Permitted Payments: Junior Liabilities)*.

"**Permitted Payment**" means a Permitted Hedge Payment, a Permitted Junior Payment or a Permitted Senior Lender Payment.

"**Permitted Senior Lender Payments**" means the Payments permitted by Clause 3.1 (*Payment of Senior Lender Liabilities)*.

"**Receiver**" means a receiver or receiver and manager or administrative receiver of the whole or any part of the Charged Property.

"**Recoveries**" has the meaning given to that term in Clause 11.1 (*Order of Application)*.

"**Relevant LC Issuing Bank**" means, in respect of any SFA Cash Cover, the LC Issuing Bank (if any) for which that SFA Cash Cover is provided.

"**Relevant Liabilities**" means:

(a) in the case of a Creditor:

(i) the Liabilities owed to Creditors ranking (in accordance with the terms of this Agreement) *pari passu* with or in priority to that Creditor (as the case may be) together with all Agent Liabilities owed to the Agent of those Creditors; and

(ii) all present and future liabilities and obligations, actual and contingent, of the Obligors to the Security Trustee; and

(b) in the case of an Obligor, the Liabilities owed to the Creditors together with the Agent Liabilities owed to the Agent of those Creditors and all present and future liabilities and obligations, actual and contingent, of the Obligors to the Security Trustee.

"**Retiring Security Trustee**" has the meaning given to that term in Clause 13 (*Change of Security Trustee and Delegation).*

"**Secured Obligations**" means all the Liabilities and all other present and future obligations at any time due, owing or incurred by any member of the Group or KEI to any Secured Party under the Finance Documents, both actual and contingent and whether incurred solely or jointly and as principal or surety or in any other capacity.

"**Secured Parties**" means the Security Trustee, any Receiver or Delegate and each of the Agents, the Arrangers and the Creditors from time to time but, in the case of each Agent,

Arranger or Creditor, only if it is a party to this Agreement or (in the case of an Agent or a Creditor) has acceded to this Agreement, in the appropriate capacity, pursuant to Clause 14.5 (*Creditor/Agent Accession Undertaking)*.

"**Security**" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Security Trustee's Spot Rate of Exchange**" means, in respect of the conversion of one currency (the " **First Currency**") into another currency (the "**Second Currency**") the Security Trustee's spot rate of exchange for the purchase of the Second Currency with the First Currency in the London foreign exchange market at or about 11:00 am (London time) on a particular day, which shall be notified by the Security Trustee in accordance with paragraph (d) of Clause 12.6 (*Security Trustee's obligations).*

"**Security Documents**" means:

(a) each of the Security Documents (as defined in the Definitions Agreement);

(b) any other document entered into at any time by any of the Obligors creating any guarantee, indemnity, Security or other assurance against financial loss in favour of any of the Secured Parties as security for any of the Secured Obligations; and

(c) any Security granted under any covenant for further assurance in any of the documents set out in paragraphs (a) and (b) above.

"**Security Property**" means:

(a) the Transaction Security expressed to be granted in favour of the Security Trustee as trustee for the Secured Parties and all proceeds of that Transaction Security;

(b) all obligations expressed to be undertaken by an Obligor to pay amounts in respect of the Liabilities to the Security Trustee as trustee for the Secured Parties and secured by the Transaction Security together with all representations and warranties expressed to be given by an Obligor in favour of the Security Trustee as trustee for the Secured Parties;

(c) the Security Trustee's interest in any trust fund created pursuant to Clause 7 *(Turnover of Receipts);*

(d) any other amounts or property, whether rights, entitlements, choses in action or otherwise, actual or contingent, which the Security Trustee is required by the terms of the Finance Documents to hold as trustee on trust for the Secured Parties.

"**Senior Acceleration Event**" means the Senior Facility Agent exercising any of its rights under clause 29.20 (*Acceleration - all Lenders)* or 29.21 (*Acceleration - IFC and the Banks)* of the CTA.

"**Senior Creditors**" means the Senior Lenders and the Hedge Counterparties.

"**Senior Credit Participation**" means, in relation to a Senior Creditor, the aggregate of:

(a) all amounts actually and contingently accrued to it under the Senior Facility Agreements and the CTA, if any; and

(b) in respect of any hedging transaction of that Senior Creditor under any Hedging Agreement that has, as of the date the calculation is made, been terminated or closed out in accordance with the terms of this Agreement, the amount, if any, payable to it under any Hedging Agreement in respect of that termination or close-out as of the date of termination or close-out (and before taking into account any interest accrued on that amount since the date of termination or close-out) to the extent that amount is unpaid (that amount to be certified by the relevant Senior Creditor and as calculated in accordance with the relevant Hedging Agreement); and

(c) after the Senior Lender Discharge Date only, in respect of any hedging transaction of that Senior Creditor under any Hedging Agreement that has, as of the date the calculation is made, not been terminated or closed out:

(i) if the relevant Hedging Agreement is based on an ISDA Master Agreement the amount, if any, which would be payable to it under that Hedging Agreement in respect of that hedging transaction, if the date on which the calculation is made was deemed to be an Early Termination Date (as defined in the relevant ISDA Master Agreement) for which the relevant Obligor is the Defaulting Party (as defined in the relevant ISDA Master Agreement); or

(ii) if the relevant Hedging Agreement is not based on an ISDA Master Agreement, the amount, if any, which would be payable to it under that Hedging Agreement in respect of that hedging transaction, if the date on which the calculation is made was deemed to be the date on which an event similar in meaning and effect (under that Hedging Agreement) to an Early Termination Date (as defined in any ISDA Master Agreement) occurred under that Hedging Agreement for which the relevant Obligor is in a position similar in meaning and effect (under that Hedging Agreement) to that of a Defaulting Party (under and as defined in the same ISDA Master Agreement),

that amount, in each case, to be certified by the relevant Senior Creditor and as calculated in accordance with the relevant Hedging Agreement.

"**Senior Deferral**" means, at any time, a deferral (by more than twelve months of the relevant due date) of any scheduled repayment which would have fallen due to the Senior Lenders under the Finance Documents prior to that time but for that deferral, to the extent that, at that time, that scheduled repayment has not been made.

"**Senior Deferral Amount**" means, in relation to a Senior Deferral, the amount of the scheduled repayment subject to that Senior Deferral.

"**Senior Discharge Date**" means the first date on which all Senior Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Senior Creditors are under no further obligation to provide financial accommodation to any of the Obligors under the Finance Documents.

"**Senior Facility Agent Liabilities**" means the Agent Liabilities owed by the Obligors to the Senior Facility Agent under or in connection with the Finance Documents.

"**Senior Headroom**" means, at any time and in relation to:

(a) a Senior Mandatory Prepayment Waiver (the "**Relevant Senior Mandatory Prepayment Waiver**"); and

(b) a Senior Deferral Amount (the "**Relevant Senior Deferral Amount**"),

USD 75,000,000 less:

(a) the Dollar Currency Amount of an amount equal to the aggregate amount which would have been required to be prepaid as a Senior Mandatory Prepayment prior to that time but which has not been prepaid because of one or more Senior Mandatory Prepayment Waivers, other than:

(i) the Relevant Senior Mandatory Prepayment Waiver;

(ii) to the extent that there has been a Junior Mandatory Prepayment Waiver in relation to the Senior Mandatory Prepayment Waiver(s); and

(iii) any Senior Mandatory Prepayment Waiver which has been agreed to by the Majority Junior Lenders; and

(b) the Dollar Currency Amount of an amount equal to the aggregate Senior Deferral Amounts other than:

(i) the Relevant Senior Deferral Amount; and

(ii) any Senior Deferral Amount relating to a Senior Deferral which has been agreed to by the Majority Junior Lenders.

"**Senior Lender Discharge Date**" means the first date on which all Senior Lender Liabilities have been fully and finally discharged to the satisfaction of the Senior Facility Agent, whether or not as the result of an enforcement, and the Senior Lenders are under no further obligation to provide financial accommodation to any of the Obligors under any of the Finance Documents.

"**Senior Lender Liabilities**" means the Liabilities owed by the Obligors to the Senior Lenders under the Finance Documents (other than the Hedging Agreements).

"**Senior Lender Refinancing**" means a refinancing (or repayment) and cancellation in full of the Senior Lender Liabilities.

"**Senior Liabilities**" means the Senior Lender Liabilities and the Hedging Liabilities.

"**Senior Mandatory Prepayment**" means a mandatory prepayment of any of the Senior Lender Liabilities pursuant to clause 10 of the CTA.

"**Senior Mandatory Prepayment Waiver**" means any amendment or waiver of the requirement to make a Senior Mandatory Prepayment.

"**Senior Payment Default**" means an Event of Default under clause 29.1(A) (*Non-payment)* of the CTA relating to amounts payable to the Senior Lenders under the Finance Documents.

"**SFA Cash Cover**" has the meaning given to the term "cash cover" in clause 7.1(B)(viii) of the CTA.

"**Sponsor Affiliate**" means each of Blackstone Capital Partners (Cayman) IV LP, Warburg Pincus Private Equity VIII, L.P. and Warburg Pincus International Partners, L.P. (each a "**Sponsor Management Company**"), each of their Affiliates, any trust of which a Sponsor Management Company or any of their Affiliates is a trustee, any partnership of which a Sponsor Management Company or any of their Affiliates is a partner and any trust, fund or other entity which is managed by, or is under the control of, a Sponsor Management Company or any of their Affiliates **provided that** any such trust, fund or other entity which has been established for at least 6 months solely for the purpose of making, purchasing or investing in loans or debt securities and which is managed or controlled independently from all other trusts, funds or other entities managed or controlled by a Sponsor Management Company or any of their Affiliates which have been established for the primary or main purpose of investing in the share capital of companies shall not constitute a Sponsor Affiliate.

"**Transaction Security**" means the Security created or evidenced or expressed to be created or evidenced under or pursuant to the Security Documents.

1.2 **Construction**

(a) Unless a contrary indication appears, the rules of construction and interpretation set out in clause 2 (*Interpretation and Construction)* of the Definitions Agreement. In addition a reference in this Agreement to:

(i) any **"Agent", "Arranger", "Borrower", "Creditor", "Hedging Counterparty", "LC Issuing Bank", "Junior Facility Agent", "Junior Arranger", "Junior Lender", "KEI" "Obligor", "Party", "Security Trustee", "Senior Facility Agent", "Senior Arranger", "Senior Creditor" or "Senior Lender"** shall, subject to paragraph (iii) below, be construed to be a reference to it in its capacity as such and not in any other capacity;

(ii) any **"Agent", "Arranger", "Creditor", "Obligor", "Hedging Counterparty", "LC Issuing Bank",** any **"Party",** or the **"Security Trustee"** or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees and, in the case of the Security Trustee, any person for the time being appointed as Security Trustee or Security Trustees in accordance with this Agreement;

(iii) any reference to a Lender includes a reference to such Lender in its capacity as LC Issuing Bank, Technical Bank or Account Bank;

(iv) "**assets**" includes present and future properties, revenues and rights of every description;

(v) a "**Finance Document**" or any other agreement or instrument is (other than a reference to a " **Finance Document**" or any other agreement or instrument in "**original form**") a reference to that Finance Document, or other agreement or instrument, as amended, novated, supplemented, extended or restated as permitted by this Agreement;

(vi) "**enforcing**" (or any derivation) the Transaction Security shall include the appointment of an administrator of an Obligor by the Security Trustee;

(vii) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

(viii) the "**original form**" of a "**Finance Document**" or any other agreement or instrument is a reference to that Finance Document, agreement or instrument as originally entered into;

(ix) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);

(x) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation; and

(xi) a provision of law is a reference to that provision as amended or re-enacted.

(b) Section, Clause and Schedule headings are for ease of reference only.

(c) A Default is **"continuing"** if it has not been remedied or waived.

(d) The determination that a Junior Payment Stop Notice is **"outstanding"** is to be made by reference to the provisions of Clause 5.3 (*Issue of Junior Payment Stop Notice).*

(e) A Junior Lender providing "**cash cover**" for a Letter of Credit means a Junior Lender paying an amount in the currency of the Letter of Credit to an interest-bearing account in the name of the Junior Lender and the following conditions being met:

(i) the account is with the LC Issuing Bank that issued such Letter of Credit;

(ii) until no amount is or may be outstanding under that Letter of Credit withdrawals from the account may only be made to pay such LC Issuing Bank amounts due and payable to it under the Senior Facility Agreements in respect of that Letter of Credit; and

(iii) the Junior Lender has executed a security document over the account, in form and substance satisfactory to such LC Issuing Bank with which that account is held, creating a first ranking security interest over that account.

1.3 **Third Party Rights**

(a) Unless expressly provided to the contrary in this Agreement, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Rights Act**") to enforce or to enjoy the benefit of any term of this Agreement.

(b) Notwithstanding any term of this Agreement, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

(c) Any Receiver, Delegate or any other person described in Clause 12.9 (*No Proceedings)* may, subject to this Clause 1.3 (*Third Party Rights)* and the Third Parties Rights Act, rely on any Clause of this Agreement which expressly confers rights on it.

2. **RANKING AND PRIORITY**

2. l **Creditor Liabilities**

Each of the Parties agrees that the Liabilities owed by the Obligors to the Creditors shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking Liabilities as follows:

(a) **first,** the Senior Lender Liabilities and the Hedging Liabilities *pari passu* and without any preference between them; and

(b) **second,** the Junior Liabilities.

2.2 **Transaction Security**

Each of the Parties agrees that the Transaction Security shall rank and secure the following Liabilities (but only to the extent that such Transaction Security is expressed to secure those Liabilities) in the following order:

(a) **first,** the Senior Lender Liabilities and the Hedging Liabilities *pari passu* and without any preference between them; and

(b) **second,** the Junior Liabilities.

3. **SENIOR LENDERS AND SENIOR LENDER LIABILITIES**

3.1 **Payment of Senior Lender Liabilities**

The Obligors may make Payments of the Senior Lender Liabilities at any time in accordance with the Finance Documents.

3.2 **Amendments and Waivers: Senior Lenders**

(a) Subject to paragraphs (b) and (c) below, the Majority Senior Lenders may amend or waive the terms of the Finance Documents in accordance with the terms of the CTA at any time.

(b) The Majority Senior Lenders may not amend or waive the terms of the Finance Documents if the amendment or waiver is, in relation to the original form of the Finance Documents:

(i) an amendment or waiver constituting an increase in the Margin, or the inclusion of an additional margin, relating to the Senior Lender Liabilities other than such an increase or addition which is:

(A) contemplated by the original form of the Finance Documents; or

(B) not so contemplated but which is made pursuant to an agreement with the relevant Obligors prior to completion of primary syndication of the Senior Facilities and is intended to enhance the prospects of a successful syndication of the Senior Facilities.

(ii) an amendment or waiver constituting an increase in, or addition of, any fees or commission other than such an increase or addition which is:

(A) contemplated by the original form of the Finance Documents;

(B) not so contemplated but which is made pursuant to an agreement with the relevant Obligors prior to completion of primary syndication of the Senior Facilities and is intended to enhance the prospects of a successful syndication of the Senior Facilities; or

(C) described in paragraph (a)(i) of Clause 3.3 (*Increase of margin or fees: Senior Lenders);*

(iii) a Senior Mandatory Prepayment Waiver unless:

(A) there is, in relation to that Senior Mandatory Prepayment Waiver, a Junior Mandatory Prepayment Waiver, or

(B) the amount of the Senior Mandatory Prepayment which is the subject of that Senior Mandatory Prepayment Waiver does not exceed the Senior Headroom at that time;

(iv) an amendment or waiver which results in a Senior Deferral unless the Senior Deferral Amount of that Senior Deferral does not exceed the Senior Headroom at that time;

(v) an amendment or waiver which results in any deferral of any scheduled repayment of the Senior Lender Liabilities to a date more than 150 days after the Final Maturity Date for the Senior Facilities; or

(vi) an amendment or waiver the effect of which is to make any Obligor liable to make additional or increased payments not:

(A) provided for under the original form of the Finance Documents;

(B) described in Clause 33 (*Increase of principal, margin or fees: Senior Lenders*); or

(C) permitted as a consequence of paragraphs (i) to (v) above,

unless the prior consent of the Majority Junior Lenders is obtained.

(c) Without prejudice to Clause 10.2 (*Distressed Disposals*), the Majority Senior Lenders may not:

(i) amend or waive the terms of the Finance Documents if the amendment or waiver:

(A) would have the effect of changing, or relates to, the nature or scope of the guarantee and indemnity granted under clause 25 (*Guarantee and Indemnity*) of the CTA; or

(B) relates to the release of any guarantee and indemnity granted under clause 25 (*Guarantee and Indemnity*) of the CTA unless expressly envisaged by the original form of a Senior Finance Document or relating to a sale or disposal of an asset which is a Non-Distressed Disposal; or

(ii) consent to the resignation of an Obligor which has granted a guarantee and indemnity under clause 25 (*Guarantee and Indemnity*) of the CTA unless each Hedging Counterparty has notified the Security Trustee that no payment is due to it from that member of the Group under clause 25 (*Guarantee and Indemnity*) of the CTA,

unless the prior consent of the Hedge Counterparties is obtained.

3.3 **Increase of margin or fees: Senior Lenders**

(a) The Majority Senior Lenders may from time to time if permitted under the terms of the CTA):

(i) increase (in aggregate over the duration of the Senior Facilities) the applicable Margin relating to the Senior Facilities such that the effect of that increase (when aggregated with any increase or addition pursuant to paragraph (ii)(B) below) is that the Margin relating to the Senior Facilities is increased by up to 2 per cent. per annum;

(ii) increase, or add, fees or commission relating to the Senior Facilities if:

(A) that increase or addition is in consideration for the amendment or waiver of, or the giving of a consent under, any term of a Finance Document; or

(B) the effect of that increase or addition (in aggregate over the duration of the Senior Facilities), when amortised (on a straight line basis) over the period ending on the Final Maturity Date in respect of the Senior Facilities and aggregated with any increase in Margin pursuant to paragraph (i) above is no greater than the effect of the maximum increase in Margin permitted under paragraph (i) above.

(b) Paragraphs (a)(i) and (a)(ii) above shall not restrict any variation which is:

(i) described in paragraphs (b)(i)(A) or (b)(i)(B) of Clause 3.2 (*Amendments and Waivers: Senior Lenders*); or

(ii) described in paragraphs (b)(ii)(A) or (b)(ii)(B) of Clause 3.2 (*Amendments and Waivers: Senior Lenders*).

3.4 **Designation of Finance Documents**

The Senior Facility Agent and Kosmos shall not designate a document a "Finance Document" without the prior consent of the Hedge Counterparties if the terms of that document effect a change which would otherwise require the consent of the Hedge Counterparties under Clause 3.2 (*Amendments and Waivers: Senior Lenders*).

3.5 **Security: Senior Lenders**

Other than as set out in Clause 3.6 (*Security: LC Issuing Banks*), the Senior Lenders may take, accept or receive the benefit of:

(a) any Security in respect of the Senior Lender Liabilities in addition to the Transaction Security if (except for any Security, permitted under Clause 3.6 (*Security: Ancillary Lenders and LC Issuing Banks*)) and to the extent legally possible, at the same time it is also offered either:

(i) to the Security Trustee as trustee for the other Secured Parties in respect of their Liabilities; or

(ii) in the case of any jurisdiction in which effective Security cannot be granted in favour of the Security Trustee as trustee for the Secured Parties:

(A) to the other Secured Parties in respect of their Liabilities; or

(B) to the Security Trustee under a parallel debt structure for the benefit of the other Secured Parties

and ranks in the same order of priority as that contemplated in Clause 2.2 *(Transaction Security);* and

(b) any guarantee, indemnity or other assurance against loss in respect of the Senior Lender Liabilities in addition to those in:

(i) the CTA;

(ii) this Agreement; or

(iii) any Common Assurance,

if (except for any guarantee, indemnity or other assurance against loss permitted under Clause 3.6 *(Security: LC Issuing Banks))* and to the extent legally possible, at the same time it is also offered to the other Secured Parties in respect of their Liabilities and ranks in the same order of priority as that contemplated in Clause 2 *(Ranking and Priority).*

3.6 **Security: LC Issuing Banks**

No LC Issuing Bank will, unless the prior consent of the Majority Senior Creditors is obtained, take, accept or receive from any member of the Group or KEI the benefit of any Security, guarantee, indemnity or other assurance against loss in respect of any of the Liabilities owed to it other than:

(a) the Transaction Security;

(b) each guarantee, indemnity or other assurance against loss contained in:

(i) the CTA;

(ii) this Agreement; or

(iii) any Common Assurance;

(c) indemnities and assurances against loss contained in any ancillary documents no greater in extent than any of those referred to in paragraph (b) above; or

(d) any SFA Cash Cover permitted under the CTA for any Letter of Credit issued by an LC Issuing Bank.

3.7 **Restriction on Enforcement: LC Issuing Banks**

Subject to Clause 3.8 *(Permitted Enforcement: Issuing Banks),* so long as any of the Senior Liabilities (other than any Liabilities owed to the Issuing Banks) are or may be outstanding, none of the Issuing Banks shall be entitled to take any Enforcement Action in respect of any of the Liabilities owed to it.

3.8 **Permitted Enforcement: LC Issuing Banks**

The LC Issuing Banks may take Enforcement Action if:

(a) at the same time as, or prior to, that action, Enforcement Action has been taken in respect of the Senior Lender Liabilities (excluding the Liabilities owing to the LC Issuing Banks), in which case the LC Issuing Banks may take the same Enforcement Action as has been taken in respect of those Senior Lender Liabilities;

(b) that action is contemplated by clause 8 of the CTA *(Letter of Credit - General Provisions)* or Clause 3.6 *(Security: LC Issuing Banks);*

(c) that Enforcement Action is taken in respect of SFA Cash Cover which has been provided in accordance with the Senior Facility Agreements;

(d) at the same time as or prior to, that action, the consent of the Majority Senior Creditors to that Enforcement Action is obtained; or

(e) an Insolvency Event has occurred in relation to any Obligor or KEI, in which case after the occurrence of that Insolvency Event, each LC Issuing Bank shall be entitled (if it has not already done so) to exercise any right it may otherwise have in respect of that Obligor to:

(i) accelerate any of that Obligor's Senior Lender Liabilities or declare them prematurely due and payable on demand;

(ii) make a demand under any guarantee, indemnity or other assurance against loss given by that Obligor in respect of any Senior Lender Liabilities;

(iii) exercise any right of set-off or take or receive any Payment in respect of any Senior Lender Liabilities of that Obligor; or

(iv) claim and prove in the liquidation of that Obligor for the Senior Lender Liabilities owing to it.

4. HEDGE COUNTERPARTIES AND HEDGING LIABILITIES

4.1 Identity of Hedge Counterparties

No person providing hedging arrangements to any Obligor shall be entitled to share in any of the Transaction Security or in the benefit of any guarantee or indemnity in respect of any of the liabilities arising in relation to those hedging arrangements nor shall those liabilities be treated as Hedging Liabilities unless that person is or becomes a party to this Agreement as a Hedging Counterparty.

4.2 Restriction on Payment: Hedging Liabilities

The Obligors shall not make any Payment of the Hedging Liabilities at any time unless:

(a) that Payment is permitted under Clause 4.3 *(Permitted Payments: Hedging Liabilities);* or

(b) the taking or receipt of that Payment is permitted under paragraph (c) of Clause 4.9 *(Permitted Enforcement: Hedge Counterparties).*

4.3 Permitted Payments: Hedging Liabilities

The Obligors may make Payments to any Hedging Counterparty in respect of the Hedging Liabilities then due to that Hedging Counterparty under any Hedging Agreement in accordance with the terms of that Hedging Agreement and clause 21.2 of the CTA:

4.4 Payment obligations continue

No Obligor shall be released from the liability to make any Payment (including of default interest, which shall continue to accrue) under any Finance Document by the operation of Clauses 4.2 *(Restriction on Payment: Hedging Liabilities).*

4.5 No acquisition of Hedging Liabilities

The Obligors shall not, and shall procure that no other member of the Group will:

(a) enter into any Liabilities Acquisition; or

(b) beneficially own all or any part of the share capital of a company that is party to a Liabilities Acquisition,

in respect of any of the Hedging Liabilities unless the prior consent of the Majority Senior Creditors is obtained.

4.6 **Amendments and Waivers: Hedging Agreements**

(a) Subject to paragraph (b) below, the Hedge Counterparties may not, at any time, amend or waive any term of the Hedging Agreements.

(b) A Hedging Counterparty may amend or waive any term of a Hedging Agreement in accordance with the terms of that Hedging Agreement if:

(i) that amendment or waiver does not breach another term of this Agreement:, and

(ii) that amendment or waiver would not result in a breach of the Hedging Policy.

4.7 **Security: Hedge Counterparties**

The Hedge Counterparties may not take, accept or receive the benefit of any Security, guarantee, indemnity or other assurance against loss from any member of the Group or KEI in respect of the Hedging Liabilities other than:

(a) the Transaction Security;

(b) any guarantee, indemnity or other assurance against loss contained in:

(i) the CTA;

(ii) this Agreement;

(iii) any Common Assurance; or

(iv) the relevant Hedging Agreement no greater in extent than any of those referred to in paragraphs (i) to (iii) above;

(c) as otherwise contemplated by Clause 3.5 *(Security: Senior Lenders)*; and

(d) the indemnities contained in the ISDA Master Agreements (in the case of a Hedging Agreement which is based on an ISDA Master Agreement) or any indemnities which are similar in meaning and effect to those indemnities (in the case of a Hedging Agreement which is not based on an ISDA Master Agreement).

4.8 **Restriction on Enforcement: Hedge Counterparties**

Subject to Clause 4.9 *(Permitted Enforcement: Hedge Counterparties)* and Clause 4.10 *(Required Enforcement: Hedge Counterparties)* and without prejudice to each Hedging Counterparty's rights under Clauses 9.2 *(Enforcement Instructions)* and 9.3 *(Manner of enforcement),* the Hedge Counterparties shall not take any Enforcement Action in respect of any of the Hedging Liabilities or any of the hedging transactions under any of the Hedging Agreements at any time.

4.9 **Permitted Enforcement: Hedge Counterparties**

(a) To the extent it is able to do so under the relevant Hedging Agreement, a Hedging Counterparty may terminate or close-out in whole or in part any hedging transaction under that Hedging Agreement prior to its stated maturity:

(i) if, prior to a Distress Event, Kosmos has certified to that Hedging Counterparty that that termination or close-out would not result in a breach of the relevant Hedging Policy;

(ii) if a Distress Event has occurred;

(iii) if:

(A) in relation to a Hedging Agreement which is based on the 1992 ISDA Master Agreement:

(1) an Illegality or Tax Event or Tax Event Upon Merger (each as defined in the 1992 ISDA Master Agreement); or

(2) an event similar in meaning and effect to a "Force Majeure Event" (as defined in paragraph (B) below),

has occurred in respect of that Hedging Agreement

(B) in relation to a Hedging Agreement which is based on the 2002 ISDA Master Agreement, an Illegality or Tax Event, Tax Event Upon Merger or a Force Majeure Event (each as defined in the 2002 ISDA Master Agreement) has occurred in respect of that Hedging Agreement; or

(C) in relation to a Hedging Agreement which is not based on an ISDA Master Agreement, any event similar in meaning and effect to an event described in paragraphs (A) or (B) above has occurred under and in respect of that Hedging Agreement;

(iv) if an Event of Default has occurred under either clause 29.6 *(Insolvency)* or clause 29.7 *(Insolvency proceedings)* of the CTA in relation to the Borrower;

(v) if the Majority Senior Creditors give prior consent to that termination or close-out being made;

(vi) following a Senior Lender Refinancing;

(vii) to the extent that that termination or close-out is necessary to comply with the Hedging Policy; or

(viii) if the Senior Discharge Date has occurred.

(b) If the Borrower has defaulted on any Payment due under a Hedging Agreement (after allowing any applicable notice or grace periods) and the default has continued unwaived for more than 15 Business Days after notice of that default

has been given to the Security Trustee pursuant to paragraph (i) of Clause 17.3 *(Notification of prescribed events),* the relevant Hedging Counterparty:

(i) may, to the extent it is able to do so under the relevant Hedging Agreement, terminate or close-out in whole or in part any hedging transaction under that Hedging Agreement; and

(ii) until such time as the Security Trustee has given notice to that Hedging Counterparty that the Transaction Security is being enforced (or that any formal steps are being taken to enforce the Transaction Security), shall be entitled to exercise any right it might otherwise have to sue for, commence or join legal or arbitration proceedings against any Obligor to recover any Hedging Liabilities due under that Hedging Agreement.

(c) After the occurrence of an Insolvency Event in relation to an Obligor or KEI, each Hedging Counterparty shall be entitled to exercise any right it may otherwise have in respect of that member of the Group to:

(i) prematurely close-out or terminate any Hedging Liabilities of that Obligor;

(ii) make a demand under any guarantee, indemnity or other assurance against loss given by that Obligor in respect of any Hedging Liabilities;

(iii) exercise any right of set-off or take or receive any Payment in respect of any Hedging Liabilities of that Obligor; or

(iv) claim and prove in the liquidation of that Obligor for the Hedging Liabilities owing to it.

4.10 **Required Enforcement: Hedge Counterparties**

(a) Subject to paragraph (b) below, a Hedging Counterparty shall promptly terminate or close-out in full any hedging transaction under all or any of the Hedging Agreements to which it is party prior to their stated maturity, following:

(i) the occurrence of a Senior Acceleration Event and delivery to it of a notice from the Security Trustee that that Senior Acceleration Event has occurred; and

(ii) delivery to it of a subsequent notice from the Security Trustee (acting on the instructions of an Instructing Group) instructing it to do so.

(b) Paragraph (a) above shall not apply to the extent that that Senior Acceleration Event occurred as a result of an arrangement made between any Obligor and any Creditor with the purpose of bringing about that Senior Acceleration Event.

(c) If a Hedging Counterparty is entitled to terminate or close-out any hedging transaction under paragraph (b) of Clause 4.9 *(Permitted Enforcement: Hedge Counterparties)* (or would have been able to if that Hedging Counterparty had given the notice referred to in that paragraph) but has not terminated or closed

out each such hedging transaction, that Hedging Counterparty shall promptly terminate or close-out in full each such hedging transaction following a request to do so by the Security Trustee (acting on the instructions of an Instructing Group).

4.11 **Treatment of Payments due to Obligors on termination of hedging transactions**

(a) If, on termination of any hedging transaction under any Hedging Agreement occurring after a Distress Event, a settlement amount or other amount (following the application of any Close-Out Netting, Payment Netting or Inter- Hedging Agreement Netting in respect of that Hedging Agreement) falls due from a Hedging Counterparty to the relevant Obligor then that amount shall be paid by that Hedging Counterparty to the Security Trustee, treated as the proceeds of enforcement of the Transaction Security and applied in accordance with the terms of this Agreement.

(b) The payment of that amount by the Hedging Counterparty to the Security Trustee in accordance with paragraph (a) above shall discharge the Hedging Counterparty's obligation to pay that amount to that Obligor.

4.12 **Terms of Hedging Agreements**

The Hedge Counterparties (to the extent party to the Hedging Agreement in question) and the Borrower shall ensure that, at all times each Hedging Agreement documents only hedging arrangements which comply with the Hedging Policy.

5. **JUNIOR LENDERS AND JUNIOR LIABILITIES**

5.1 **Restriction on Payment: Junior Liabilities**

The Obligors shall not make any Payments of the Junior Liabilities at any time unless:

(a) that Payment is permitted under Clause 5.2 *(Permitted Payments: Junior Liabilities);* or

(b) the taking or receipt of that Payment is permitted under paragraph (b)(iii) of Clause 5.11 *(Permitted Enforcement: Junior Lenders)*.

5.2 **Permitted Payments: Junior Liabilities**

The Obligors may:

(a) prior to the Senior Discharge Date, make Payments to the Junior Lenders in respect of the Junior Liabilities then due in accordance with the Junior Facility Agreements:

(i) if:

(A) the Payment is of:

(1) any of the principal amount of the Junior Liabilities in accordance with:

(AA) clause 10.2 *(Illegality)* of the CTA;

(BB) clause 10.10 *(Right of cancellation and repayment in relation to a single Lender)* of the CTA; or

(CC) (only after the discharge in full of the Senior Lender Liabilities), clause 10 of the CTA; or

(2) any other amount which is not an amount of principal or capitalised interest;

(B) no Junior Payment Stop Notice is outstanding; and

(C) no Senior Payment Default has occurred and is continuing; or

(ii) if the Majority Senior Creditors give prior consent to that Payment being made; or

(iii) the Payment is funded from an amount withdrawn from the Junior DSRA, in accordance with the terms of the CTA; and

(b) on or after the Senior Discharge Date, make Payments to the Junior Lenders in respect of the Junior Liabilities in accordance with the Finance Documents.

5.3 **Issue of Junior Payment Stop Notice**

(a) A Junior Payment Stop Notice is **"outstanding"** during the period from the date on which, following the occurrence of a Junior Payment Stop Event, the Security Trustee (acting on the instructions of the Majority Senior Creditors) issues a notice (a **"Junior Payment Stop Notice"**) to the Junior Facility Agent (with a copy to Kosmos) advising that that Junior Payment Stop Event has occurred and is continuing and suspending Payments of the Junior Liabilities until the first to occur of:

(i) the date which is 365 days after the date of issue of the Junior Payment Stop Notice;

(ii) the date on which the Junior Payment Stop Event in respect of which that Junior Payment Stop Notice was issued is no longer continuing;

(iii) the date on which the Security Trustee (acting on the instructions of the Majority Senior Creditors) cancels that Junior Payment Stop Notice by notice to the Junior Facility Agent (with a copy to the Kosmos); and

(iv) the Senior Discharge Date.

(b) No Junior Payment Stop Notice may be served by the Security Trustee in reliance on a particular Junior Payment Stop Event more than six months after the Senior Facility Agent receives a notice under the CTA advising of the occurrence of the Event of Default constituting that Junior Payment Stop Event.

(c) No more than one Junior Payment Stop Notice may be served with respect to the same event or set of circumstances.

5.4 **Effect of Junior Payment Stop Event or Senior Payment Default**

(a) Any failure to make a Payment due to the Junior Lenders under the Finance Documents as a result of the issue of a Junior Payment Stop Notice or the occurrence of a Senior Payment Default shall not prevent

(i) the Junior Lenders withdrawing any outstanding Payments from the Junior DSRA (in accordance with the terms of the CTA);

(ii) the occurrence of an Junior Payment Event of Default as a consequence of any failure to make a Payment in relation to the Junior Facility Agreements (to the extent such Payment is not satisfied by a withdrawal from the Junior DSRA under (i) above); or

(iii) the issue of a Junior Enforcement Notice on behalf of the Junior Lenders.

(b) For the avoidance of doubt, notwithstanding a Senior Payment Default or the issue of a Junior Payment Stop Notice, amounts may be withdrawn from the Junior DSRA in accordance with the CTA to fund the making of Payments to the Junior Lenders.

5.5 **Payment obligations and capitalisation of interest continue**

(a) No Obligor shall be released from the liability to make any Payment (including of default interest, which shall continue to accrue) under any Junior Finance Document by the operation of Clauses 5.1 *(Restriction on Payment: Junior Liabilities)* to 5.4 *(Effect of Junior Payment Stop Event or Senior Payment Default)* even if its obligation to make that Payment is restricted at any time by the terms of any of those Clauses.

(b) The accrual and capitalisation of interest in accordance with the Junior Facility Agreements shall continue notwithstanding the issue of a Junior Payment Stop Notice.

5.6 **Cure of Payment Stop: Junior Lenders**

If:

(a) at any time following the issue of a Junior Payment Stop Notice or the occurrence of a Senior Payment Default, that Junior Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Payment Default ceases to be continuing; and

(b) the relevant Obligor then promptly pays to the Junior Lenders an amount equal to any Payments which had accrued under the Junior Facility Agreements and which would have been Permitted Junior Payments but for that Junior Payment Stop Notice or Senior Payment Default,

then any Event of Default which may have occurred as a result of that suspension of Payments shall be waived and any Junior Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Junior Lenders.

5.7 **Junior Debt Purchase Transactions**

(a) Subject to paragraph (b) below, the Obligors shall not, and shall procure that KEI shall not, enter into any Debt Purchase Transaction or beneficially own all or any part of the share capital of a company that is a Junior Lender, a Junior Lender can be a Junior Lender or a party to a Debt Purchase Transaction of the type referred to in paragraphs (b) or (c) of the definition of Debt Purchase Transaction.

(b) Paragraph (a) above shall not apply in respect of any action which occurs:

(i) on or after the Senior Discharge Date; or

(ii) with the prior consent of the Majority Senior Creditors.

5.8 **Amendments and Waivers: Junior Lenders**

The Junior Lenders may only amend or waive the terms of the Finance Documents (other than this Agreement) in accordance with the terms of the CTA or with the prior consent of the Majority Senior Creditors.

5.9 **Security: Junior Lenders**

At any time prior to the Senior Discharge Date, the Junior Lenders may not take, accept or receive from any member of the Group or KEI the benefit of any Security, guarantee, indemnity or other assurance against loss in respect of the Junior Liabilities other than:

(a) the Transaction Security;

(b) any guarantee, indemnity or other assurance against loss contained in:

(i) the original form of the CTA;

(ii) this Agreement; or

(iii) any Common Assurance; and

(c) as otherwise contemplated by Clause 3.5 *(Security: Senior Lenders),*

unless the prior consent of the Majority Senior Creditors is obtained.

5.10 **Restriction on Enforcement: Junior Lenders**

Subject to Clause 5.11 *(Permitted Enforcement: Junior Lenders),* no Junior Lender shall be entitled to take any Enforcement Action in respect of any of the Junior Liabilities prior to the Senior Discharge Date.

5.11 **Permitted Enforcement: Junior Lenders**

(a) Each Junior Lender may take Enforcement Action available to it but for Clause 5.10 *(Restriction on Enforcement: Junior Lenders)* in respect of any of the Junior Liabilities if at the same time as, or prior to, that action and subject to Clause 5.12 *(Restriction on Enforcement against Obligors: Junior Lenders):*

(i) a Senior Acceleration Event has occurred in which case each Junior Lender may take the same Enforcement Action (but in respect of the Junior Liabilities) as constitutes that Senior Acceleration Event;

(ii) the Junior Facility Agent has given notice **(a "Junior Enforcement Notice")** to the Security Trustee and the Senior Facility Agent specifying that a Junior Payment Event of Default has occurred and is continuing; or

(iii) the Majority Senior Creditors have given their prior consent.

(b) After the occurrence of an Insolvency Event, each Junior Lender may (unless otherwise directed by the Security Trustee or unless the Security Trustee has taken, or has given notice that it intends to take, action on behalf of that Junior Lender in accordance with Clause 6.5 *(Filing of Claims))* exercise any right they may otherwise have against that Obligor to:

(i) accelerate any of that Obligor's Junior Liabilities or declare them prematurely due and payable or payable on demand;

(ii) make a demand under any guarantee, indemnity or other assurance against loss given by that Obligor in respect of any Junior Liabilities;

(iii) exercise any right of set-off or take or receive any Payment in respect of any Junior Liabilities of that Obligor; or

(iv) claim and prove in the liquidation of that Obligor for the Junior Liabilities owing to it.

5.12 **Restriction on Enforcement against Obligors: Junior Lenders**

(a) Subject to paragraph (b) below, if the Security Trustee (or any Receiver or Delegate appointed under any of the Security Documents) has given notice to the Junior Facility Agent that the Transaction Security over shares in an Obligor is being enforced (or that any formal steps are being taken to enforce that Transaction Security) by the sale of shares which are subject to that Transaction Security, the Junior Lenders may not take Enforcement Action against that Obligor or KEI or against any asset of that Obligor or KEI in respect of any of the Junior Liabilities until the earlier of:

(i) the date which is 210 days after the date on which the Security Trustee (or that Receiver or Delegate) gave that notice; and

(ii) the Security Trustee (or that Receiver or Delegate) notifying the Junior Facility Agent (which it shall do promptly) that such action is no longer being taken.

(b) Paragraph (a) above shall not apply:

(i) to the extent that the Security Trustee is taking that action on the instructions of the Majority Junior Lenders pursuant to Clause 9.3 *(Manner of enforcement)*; and

(ii) to action taken pursuant to paragraph (b) of Clause 5.11 *(Permitted Enforcement: Junior Lenders).*

5.13 **Option to purchase: Junior Lenders**

(a) Subject to paragraph (b) below, all the Junior Lenders (acting as a whole) may at any time after a Distress Event by giving not less than 10 Business Days' notice to the Security Trustee, require the transfer to them (or to a nominee or nominees), in accordance with Clause 14.2 (*Change of Senior Lender or Junior Lender*), of all, but not part, of the rights, benefits and obligations in respect of the Senior Lender Liabilities if:

(i) that transfer is lawful and subject to paragraph (ii) below, otherwise permitted by the terms of the CTA;

(ii) any conditions relating to such a transfer contained in the CTA are complied with, other than:

(A) any requirement to obtain the consent of, or consult with, any Obligor relating to such transfer, which consent or consultation shall not be required; and

(B) to the extent to which all the Junior Lenders (acting as a whole) provide cash cover for any Letter of Credit, the consent of the Relevant LC Issuing Bank relating to such transfer;

(iii) the Senior Facility Agent, on behalf of the Senior Lenders, is paid an amount equal to the aggregate of:

(A) any amounts provided as cash cover by the Junior Lenders for any Letter of Credit (as envisaged in paragraph (ii)(B) above);

(B) all of the Senior Liabilities (other than the Hedging Liabilities) at that time (whether or not due), including all amounts that would have been payable under the Senior Facility Agreements if the Senior Facilities were being prepaid by the relevant Obligors on the date of that payment; and

(C) all costs and expenses (including legal fees) incurred by the Senior Facility Agent and/or the Senior Lenders as a consequence of giving effect to that transfer;

(iv) as a result of that transfer the Senior Lenders have no further actual or contingent liability to any Obligor under the relevant Finance Documents;

(v) an indemnity is provided from each Junior Lender (or from another third party acceptable to all the Senior Lenders) in a form satisfactory to each Senior Lender in respect of all losses which may be sustained or incurred by any Senior Lender in consequence of any sum received or recovered by any Senior Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Lender for any reason; and

(vi) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders, except that each Senior Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorise the making by it of that transfer.

(b) The Senior Facility Agent shall, at the request of all the Junior Lenders (acting as a whole) notify the Junior Lenders of:

(i) the sum of the amounts described in paragraphs (a)(iii)(B) and (C) above; and

(ii) the amount of each Letter of Credit for which cash cover is to be provided by all the Junior Lenders (acting as a whole).

6. EFFECT OF INSOLVENCY EVENT

6.1 SFA Cash Cover

This Clause 6 is subject to Clause 11.3 (*Treatment of SFA Cash Cover*).

6.2 Payment of distributions

(a) After the occurrence of an Insolvency Event in relation to KEI or an Obligor, any Party entitled to receive a distribution out of the assets of KEI or that Obligor in respect of Liabilities owed to that Party shall, to the extent it is able to do so, direct the person responsible for the distribution of the assets of that Obligor to pay that distribution to the Security Trustee until the Liabilities owing to the Secured Parties have been paid in full.

(b) The Security Trustee shall apply distributions paid to it under paragraph (a) above in accordance with Clause 11 (*Application of Proceeds*).

6.3 Set-Off

(a) Subject to paragraph (b) below, to the extent that any Obligor's Liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that Obligor, any Creditor which benefited from that set-off shall pay an amount equal to the amount of the Liabilities owed to it which are discharged by that set-off to the Security Trustee for application in accordance with Clause 11 (*Application of Proceeds*).

(b) Paragraph (a) above shall not apply to:

(i) any Close-Out Netting by a Hedging Counterparty;

(ii) any Payment Netting by a Hedging Counterparty; and

(iii) any Inter-Hedging Agreement Netting by a Hedging Counterparty.

6.4 Non-cash distributions

If the Security Trustee or any other Secured Party receives a distribution in a form other than in cash in respect of any of the Liabilities, the Liabilities will not be reduced by that

distribution until and except to the extent that the realisation proceeds are actually applied towards the Liabilities.

6.5 **Filing of claims**

After the occurrence of an Insolvency Event in relation to any Obligor or KEI, each Creditor irrevocably authorises the Security Trustee (acting in accordance with Clause 6.7 (*Security Trustee instructions*)), on its behalf, to:

(a) take any Enforcement Action (in accordance with the terms of this Agreement) against that Obligor, or, as the case may be, KEI;

(b) demand, sue, prove and give receipt for any or all of that Obligor's Liabilities or, as the case may be, KEI's Liabilities;

(c) collect and receive all distributions on, or on account of, any or all of that Obligor's Liabilities or, as the case may be, KEI's Liabilities; and

(g) file claims, take proceedings and do all other things the Security Trustee considers reasonably necessary to recover that Obligor's Liabilities or, as the case may be, KEI's Liabilities.

6.6 **Creditors' actions**

Save as prohibited by any applicable law or regulation, each Creditor will:

(a) do all things that the Security Trustee (acting in accordance with Clause 6.7 (*Security Trustee instructions*)) requests in order to give effect to this Clause 6; and

(b) if the Security Trustee is not entitled to take any of the actions contemplated by this Clause 6 or if the Security Trustee (acting in accordance with Clause 6.7 (*Security Trustee instructions*)) requests that a Creditor take that action, undertake that action itself in accordance with the instructions of the Security Trustee (acting in accordance with Clause 6.7 (*Security Trustee instructions*)) or grant a power of attorney to the Security Trustee (on such terms as the Security Trustee (acting in accordance with Clause *6.7* (*Security Trustee instructions*)) may reasonably require) to enable the Security Trustee to take such action.

6.7 **Security Trustee instructions**

For the purposes of Clause 6.5 (*Filing of claims*) and Clause 6.6 (*Creditors' actions*) the Security Trustee shall act:

(a) on the instructions of the group of Creditors entitled, at that time, to give instructions under Clause 9.2 (*Enforcement Instructions*) or Clause 9.3 (*Manner of enforcement*); or

(b) in the absence of any such instructions, as the Security Trustee sees fit.

7. **TURNOVER OF RECEIPTS**

7.1 **SFA Cash Cover**

This Clause 7 is subject to Clause 11.3 (*Treatment of SFA Cash Cover*).

7.2 **Turnover by the Creditors**

Subject to Clause 7.3 (*Exclusions*) and to Clause 7.4 (*Permitted assurance and receipts*), if at any time prior to the Final Discharge Date, any Creditor receives or recovers:

(a) any Payment or distribution of, or on account of or in relation to, any of the Liabilities which is not either:

(i) a Permitted Payment; or

(ii) made in accordance with Clause 11 (*Application of Proceeds*);

(b) other than where Clause 6.3 (*Set-Off*) applies, any amount by way of set-off in respect of any of the Liabilities owed to it which does not give effect to a Permitted Payment;

(c) notwithstanding paragraphs (a) and (b) above, and other than where Clause 6.3 (*Set-Off*) applies, any amount:

(i) on account of, or in relation to, any of the Liabilities:

(A) after the occurrence of a Distress Event; or

(B) as a result of any other litigation or proceedings against an Obligor (other than after the occurrence of an Insolvency Event in respect of that Obligor); or

(ii) by way of set-off in respect of any of the Liabilities owed to it after the occurrence of a Distress Event;

(d) the proceeds of any enforcement of any Transaction Security except in accordance with Clause 11 (*Application of Proceeds*); or

(e) other than where Clause 6.3 (*Set-Off*) applies, any distribution in cash or in kind or Payment of, or on account of or in relation to, any of the Liabilities owed by any Obligor which is not in accordance with Clause 11 (*Application of Proceeds*) and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that Obligor,

that Creditor will:

(i) in relation to receipts and recoveries not received or recovered by way of set-off:

(A) hold an amount of that receipt or recovery equal to the Relevant Liabilities (or if less, the amount received or recovered) on trust for the Security Trustee and promptly pay that amount to the Security Trustee for application in accordance with the terms of this Agreement; and

(B) promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the Relevant Liabilities to the Security

Trustee for application in accordance with the terms of this Agreement; and

(ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Trustee for application in accordance with the terms of this Agreement.

7.3 **Exclusions**

Clause 7.2 (*Turnover by the Creditors*) shall not apply to any receipt or recovery by way of:

(a) Close-Out Netting by a Hedging Counterparty;

(b) Payment Netting by a Hedging Counterparty; or

(c) Inter-Hedging Agreement Netting by a Hedging Counterparty.

7.4 **Permitted assurance and receipts**

Nothing in this Agreement shall restrict the ability of any Creditor to:

(a) arrange with any person which is not a member of the Group any assurance against loss in respect of, or reduction of its credit exposure to, an Obligor (including assurance by way of credit based derivative or sub-participation); or

(b) make any assignment or transfer permitted by Clause 14 (*Changes to the Parties*),

which:

(i) is permitted by:

(A) the CTA and the Senior Facility Agreements; or

(B) the CTA and the Junior Facility Agreements; and

(ii) is not in breach of:

(A) Clause 4.5 (*No acquisition of Hedging Liabilities*); or

(B) Clause 5.7 (*Junior Debt Purchase Transactions*),

and that Creditor shall not be obliged to account to any other Party for any sum received by it as a result of that action.

7.5 **Sums received by Obligors**

If any of the Obligors receives or recovers any sum which, under the terms of any of the Finance Documents, should have been paid to the Security Trustee, that Obligor will:

(a) hold an amount of that receipt or recovery equal to the Relevant Liabilities (or if less, the amount received or recovered) on trust for the Security Trustee and promptly pay that amount to the Security Trustee for application in accordance with the terms of this Agreement and

(b) promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the Relevant Liabilities to the Security Trustee for application in accordance with the terms of this Agreement.

7.6 **Saving provision**

If, for any reason, any of the trusts expressed to be created in this Clause 7 (*Turnover of Receipts*) should fail or be unenforceable, the affected Creditor or Obligor will promptly pay an amount equal to that receipt or recovery to the Security Trustee to be held on trust by the Security Trustee for application in accordance with the terms of this Agreement.

8. **REDISTRIBUTION**

8.1 **Recovering Creditor's rights**

(a) Any amount paid by a Creditor (a "**Recovering Creditor**") to the Security Trustee under Clause 6 (*Effect of Insolvency Event*) or Clause 7 (*Turnover of Receipts*) shall be treated as having been paid by the relevant Obligor and distributed to the Security Trustee, Agents, Arrangers and Creditors (each a **"Sharing Creditor"**) in accordance with the terms of this Agreement.

(b) On a distribution by the Security Trustee under paragraph (a) above of a Payment received by a Recovering Creditor from an Obligor, as between the relevant Obligor and the Recovering Creditor an amount equal to the amount received or recovered by the Recovering Creditor and paid to the Security Trustee (the **"Shared Amount"**) will be treated as not having been paid by that Obligor.

8.2 **Reversal of redistribution**

(a) If any part of the Shared Amount received or recovered by a Recovering Creditor becomes repayable to an Obligor and is repaid by that Recovering Creditor to that Obligor, then:

(i) each Sharing Creditor shall, upon request of the Security Trustee, pay to the Security Trustee for the account of that Recovering Creditor an amount equal to the appropriate part of its share of the Shared Amount (together with an amount as is necessary to reimburse that Recovering Creditor for its proportion of any interest on the Shared Amount which that Recovering Creditor is required to pay) (the "**Redistributed Amount**"); and

(ii) as between the relevant Obligor and each relevant Sharing Creditor, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by that Obligor.

(b) The Security Trustee shall not be obliged to pay any Redistributed Amount to a Recovering Creditor under paragraph (a)(i) above until it has been able to establish to its satisfaction that it has actually received that Redistributed Amount from the relevant Sharing Creditor.

8.3 **Deferral of Subrogation**

(a) No Creditor or Obligor will exercise any rights which it may have by reason of the performance by it of its obligations under the Finance Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights under the Finance Documents of any Creditor which ranks ahead of it in accordance with the priorities set out in Clause 2 (*Ranking and Priority*) until such time as all of the Liabilities owing to each prior ranking Creditor (or, in the case of any Obligor, owing to each Creditor) have been irrevocably paid in full.

(b) No Subordinated Creditor will exercise any rights which it may have to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights under the Finance Documents of any Creditor until such time as all of the Liabilities owing to each Creditor have been irrevocably paid in full.

9. **ENFORCEMENT OF TRANSACTION SECURITY**

9.1 **SFA Cash Cover**

This Clause 9 is subject to Clause 11.3 (*Treatment of SFA Cash Cover*).

9.2 **Enforcement Instructions**

(a) The Security Trustee may refrain from enforcing the Transaction Security unless instructed otherwise by:

(i) the Instructing Group; or

(ii) if required under paragraph (c) below, the Majority Junior Lenders.

(b) Subject to the Transaction Security having become enforceable in accordance with the terms of the Security Documents:

(i) the Instructing Group; or

(ii) to the extent permitted to enforce or to require the enforcement of the Transaction Security prior to the Senior Discharge Date under Clause 5.11 (*Permitted Enforcement: Junior Lenders*), the Majority Junior Lenders,

may give or refrain from giving instructions to the Security Trustee to enforce or refrain from enforcing the Transaction Security as they see fit.

(c) Prior to the Senior Discharge Date:

(i) if the Instructing Group has instructed the Security Trustee not to enforce or to cease enforcing the Transaction Security; or

(ii) in the absence of instructions from the Instructing Group

and, in each case, the Instructing Group has not required any Obligor to make a Distressed Disposal, the Security Trustee shall give effect to any instructions to enforce the Transaction Security in accordance with the terms of the Security Documents which the Majority Junior Lenders are then entitled to give to the Security Trustee under Clause 5.11 (*Permitted Enforcement: Junior Lenders*).

(d) The Security Trustee is entitled to rely on and comply with instructions given in accordance with this Clause 9.2 (*Enforcement Instructions*).

9.3 **Manner of enforcement**

If the Transaction Security is being enforced in accordance with the terms of the Security Documents pursuant to Clause 9.2 (*Enforcement Instructions*), the Security Trustee shall enforce the Transaction Security in such manner (including, without limitation, the selection of any administrator of any Obligor to be appointed by the Security Trustee) as:

(a) the Instructing Group; or

(b) prior to the Senior Discharge Date, if:

(i) the Security Trustee has, pursuant to paragraph (c) of Clause 9.2 (*Enforcement Instructions*), given effect to instructions given by the Majority Junior Lenders to enforce the Transaction Security; and

(ii) the Instructing Group has not given instructions as to the manner of enforcement of the Transaction Security,

the Majority Junior Lenders,

shall instruct or, in the absence of any such instructions, as the Security Trustee sees fit.

9.4 **Exercise of voting rights**

(a) Each Creditor agrees with the Security Trustee that it will cast its vote in any proposal put to the vote by or under the supervision of any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any Obligor as instructed by the Security Trustee.

(b) The Security Trustee shall give instructions for the purposes of paragraph (a) of this Clause 9.4 (*Exercise of voting rights*) as directed by an Instructing Group.

9.5 **Waiver of rights**

To the extent permitted under applicable law and subject to Clause 9.2 (*Enforcement Instructions*), Clause 9.3 (*Manner of enforcement*), paragraph (c) of Clause 10.2 (*Distressed Disposals*) and Clause 11 (*Application of Proceeds*), each of the Secured Parties and the Obligors waives all rights it may otherwise have to require that the Transaction Security be enforced in any particular order or manner or at any particular time or that any sum received or recovered from any person, or by virtue of the enforcement of any of the Transaction Security or of any other security interest, which is capable of being applied in or towards discharge of any of the Secured Obligations is so applied.

9.6 **Duties owed**

Each of the Secured Parties and the Obligors acknowledges that, in the event that the Security Trustee enforces or is instructed to enforce the Transaction Security prior to the Senior Discharge Date, the duties of the Security Trustee and of any Receiver or Delegate owed to the Junior Finance Parties in respect of the method, type and timing of

that enforcement or of the exploitation, management or realisation of any of that Transaction Security shall, subject to paragraph (c) of Clause 10.2 (*Distressed Disposals*), be no different to or greater than the duty that is owed by the Security Trustee, Receiver or Delegate to the Obligors under general law.

10. DISPOSALS

10.1 Non-Distressed Disposals

(a) In this Clause 10.1:

"**Disposal Proceeds**" means the proceeds of a Non-Distressed Disposal (as defined in paragraph (b) below).

(b) If, in respect of a disposal of:

(i) an asset by an Obligor, or

(ii) an asset which is subject to the Transaction Security

to a person or persons which are not members of the Group:

(A) that disposal is permitted under the CTA; and

(B) that disposal is not a Distressed Disposal,

(a "**Non-Distressed Disposal**"),

the Security Trustee is irrevocably authorised (at the cost of the relevant Obligor and without any consent, sanction, authority or further confirmation from any Creditor or Obligor) but subject to paragraph (c) below:

(i) to release the Transaction Security or any other claim (relating to a Finance Document) over that asset;

(ii) where that asset consists of shares in the capital of an Obligor, to release the Transaction Security or any other claim (relating to a Finance Document) over that Obligor's assets;

(iii) to execute and deliver or enter into any release of the Transaction Security or any claim described in paragraphs (iii) and (iv) above and issue any certificates of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Trustee, be considered necessary or desirable.

(c) If that Non-Distressed Disposal is not made, each release of Transaction Security or any claim described in paragraph (b) above shall have no effect and the Transaction Security or claim subject to that release shall continue in such force and effect as if that release had not been effected.

(d) Any Disposal Proceeds required by the CTA to be applied in mandatory prepayment of the Senior Lender Liabilities or the Junior Liabilities shall be so applied in accordance with the terms of the CTA:

10.2 **Distressed Disposals**

(a) Subject to paragraph (d) below, if a Distressed Disposal is being effected the Security Trustee is irrevocably authorised (at the cost of the relevant Obligor or KEI and without any consent, sanction, authority or further confirmation from any Creditor, any Obligor or KEI):

(i) *release of Transaction Security/non-crystallisation certificates*: to release the Transaction Security or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security or claim and issue any letters of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Trustee, be considered necessary or desirable;

(ii) *release of liabilities and Transaction Security on a share sale (Obligor)*: if the asset which is disposed of consists of shares in the capital of an Obligor, to release:

(A) that Obligor and any Subsidiary of that Obligor from all or any part of:

(1) its Borrowing Liabilities; and

(2) its Guarantee Liabilities.

(B) any Transaction Security granted by that Obligor or any Subsidiary of that Obligor over any of its assets; and

(C) any other claim of another Obligor over that Obligor's assets or over the assets of any Subsidiary of that Obligor,

on behalf of the relevant Creditors, Obligors, the Junior Facility Agent and the Junior Arrangers;

(iii) *disposal of liabilities on a share sale*: if the asset which is disposed of consists of shares in the capital of an Obligor and the Security Trustee (acting in accordance with paragraph (e) below) decides to dispose of all or any part of:

(A) the Liabilities; or

(B) the Obligor Liabilities,

owed by that Obligor or KEI or any Subsidiary of that Obligor or Holding Company:

(C) (if the Security Trustee (acting in accordance with paragraph (e) below) does not intend that any transferee of those Liabilities or

Obligor Liabilities (the "**Transferee**") will be treated as a Creditor or a Secured Party for the purposes of this Agreement) to execute and deliver or enter into any agreement to dispose of all or part of those Liabilities or Obligor Liabilities **provided that** notwithstanding any other provision of any Finance Document the Transferee shall not be treated as a Creditor or a Secured Party for the purposes of this Agreement;and

(D) (if the Security Trustee (acting in accordance with paragraph (e) below) does intend that any Transferee will be treated as a Creditor or a Secured Party for the purposes of this Agreement) to execute and deliver or enter into any agreement to dispose of:

(1) all (and not part only) of the Liabilities owed to the Creditors; and

(2) all or part of any other Liabilities and the Obligor Liabilities,

on behalf of, in each case, the relevant Creditors and Obligors;

(iv) transfer of obligations in respect of liabilities on a share sale: if the asset which is disposed of consists of shares in the capital of an Obligor (the "**Disposed Entity**") and the Security Trustee (acting in accordance with paragraph (e) below) decides to transfer to another Obligor (the "**Receiving Entity**") all or any part of the Disposed Entity's obligations or any obligations of any Subsidiary of that Disposed Entity in respect of the Obligor Liabilities to execute and deliver or enter into any agreement to:

(A) agree to the transfer of all or part of the obligations in respect of those Obligor Liabilities on behalf of the relevant Obligors to which those obligations are owed and on behalf of the Obligors which owe those obligations; and

(B) to accept the transfer of all or part of the obligations in respect of those Obligor Liabilities on behalf of the Receiving Entity or

Receiving Entities to which the obligations in respect of those Obligor Liabilities are to be transferred.

(b) The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of Liabilities or Obligor Liabilities pursuant to paragraph (a)(iv) above) shall be paid to the Security Trustee for application in accordance with Clause 11 *(Application of Proceeds) as* if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of Liabilities or Obligor Liabilities has occurred pursuant to paragraph (a)(iv)(D) above, as if that disposal of Liabilities or Obligor Liabilities had not occurred.

(c) In the case of a Distressed Disposal (or a disposal of Liabilities pursuant to paragraph (a)(iv)(D) above) effected by or at the request of the Security Trustee (acting in accordance with paragraph (e) below), the Security Trustee shall take

reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Trustee shall have no obligation to postpone any such Distressed Disposal or disposal of Liabilities in order to achieve a higher price).

(d) If a Distressed Disposal is being effected at a time when the Majority Junior Lenders are entitled to give, and have given, instructions under Clause 9.3 *(Manner of Enforcement),* the Security Trustee is not authorised to release any Obligor, Subsidiary or the Holding Company from any Borrowing Liabilities or Guarantor Liabilities owed to any Senior Creditor unless those Borrowing Liabilities or Guarantor Liabilities and any other Senior Lender Liabilities and Hedging Liabilities will be paid (or repaid) in full following that release.

(e) For the purposes of paragraphs (a)(ii), (a)(iii), (a)(iv), (a)(v) and (c) above, the Security Trustee shall act:

(i) if the relevant Distressed Disposal is being effected by way of enforcement of the Transaction Security, in accordance with Clause 9.3 *(Manner of enforcement);* and

(ii) in any other case:

(A) on the instructions of the Instructing Group; or

(B) in the absence of any such instructions, as the Security Trustee sees fit.

11. APPLICATION OF PROCEEDS

11.1 Order of application

Subject to Clause 11.2 *(Prospective liabilities)* and Clause 11.3 *(Treatment of SFA Cash Cover),* all amounts from time to time received or recovered by the Security Trustee pursuant to the terms of any Finance Document or in connection with the realisation or enforcement of all or any part of the Transaction Security (for the purposes of this Clause 11, the "**Recoveries**") shall be held by the Security Trustee on trust to apply them at any time as the Security Trustee (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this Clause 11 *(Application of Proceeds)),* in the following order of priority:

(a) in discharging any sums owing to the Security Trustee, any Receiver or any Delegate;

(b) in payment of all costs and expenses incurred by any Agent or Creditor in connection with any realisation or enforcement of the Transaction Security taken in accordance with the terms of this Agreement or any action taken at the request of the Security Trustee under Clause 6.6 *(Creditors' actions);*

(c) in payment to the Senior Facility Agent on its own behalf for the Senior Facility Agent Liabilities and the Junior Facility Agent on its own behalf for the Junior Facility Agent Liabilities (to the extent such liabilities relate to the non-payment of fees due to the Junior Facility Agent);

(d) in payment to:

(i) the Senior Facility Agent on behalf of the Senior Lenders; and

(ii) the Hedge Counterparties

for application towards the discharge of:

(A) the Senior Lender Liabilities (on a *pro rata* basis between the Senior Lender Liabilities of each Senior Lender); and

(B) the Hedging Liabilities (on a *pro rata* basis between the Hedging Liabilities of each Hedging Counterparty);

on a *pro rata* basis between paragraph (A) above and paragraph (B) above and provided that such payments shall be deemed to be paid firstly, *pro rata* towards any interest payments under the Senior Facilities due but unpaid and any scheduled payments due but unpaid under a Hedging Agreement and secondly, *pro rata* towards the remaining Senior Lender Liabilities and Hedging Liabilities:

(e) in payment to the Junior Facility Agent on its own behalf for the Junior Facility Agent Liabilities (other than the payments in (c) above);

(f) in payment to the Junior Facility Agent on behalf of the Junior Lenders for application towards the discharge of the Junior Liabilities (on a *pro rata* basis between the Junior Liabilities of each Junior Lender);

(g) if none of the Obligors is under any further actual or contingent liability under any Senior Finance Document, Hedging Agreement or Junior Finance Document, in payment to any person to whom the Security Trustee is obliged to pay in priority to any Obligor; and

(h) the balance, if any, in payment to the relevant Obligor.

11.2 **Prospective liabilities**

Following a Distress Event the Security Trustee may, in its discretion, hold any amount of the Recoveries in an interest bearing suspense or impersonal account(s) in the name of the Security Trustee with such financial institution (including itself) and for so long as the Security Trustee shall think fit (the interest being credited to the relevant account) for later application under Clause 11.1 *(Order of Application)* in respect of:

(a) any sum to any Security Trustee, any Receiver or any Delegate; and

(b) any part of the Liabilities or the Agent Liabilities,

that the Security Trustee reasonably considers, in each case, might become due or owing at any time in the future.

11.3 **Treatment of SFA Cash Cover**

(a) Nothing in this Agreement shall prevent any LC Issuing Bank taking any Enforcement Action in respect of any SFA Cash Cover which has been provided for it in accordance with the Senior Facility Agreements.

(b) To the extent that any SFA Cash Cover is not held with the Relevant LC Issuing Bank, all amounts from time to time received or recovered in connection with the realisation or enforcement of that SFA Cash Cover shall be paid to the Security Trustee and shall be held by the Security Trustee on trust to apply them at any time as the Security Trustee (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority:

(i) to the Relevant LC Issuing Bank towards the discharge of the Senior Lender Liabilities for which that SFA Cash Cover was provided; and

(ii) the balance, if any, in accordance with Clause 11.1 (*Order of Application*).

11.4 **Investment of proceeds**

Prior to the application of the proceeds of the Security Property in accordance with Clause 11.1 (*Order of Application*) the Security Trustee may, in its discretion, hold all or part of those proceeds in an interest bearing suspense or impersonal account(s) in the name of the Security Trustee with such financial institution (including itself) and for so long as the Security Trustee shall think fit (the interest being credited to the relevant account) pending the application from time to time of those monies in the Security Trustee's discretion in accordance with the provisions of this Clause 11.

11.5 **Currency Conversion**

(a) For the purpose of, or pending the discharge of, any of the Secured Obligations the Security Trustee may convert any moneys received or recovered by the Security Trustee from one currency to another, at the Security Trustee's Spot Rate of Exchange.

(b) The obligations of any Obligor to pay in the due currency shall only be satisfied to the extent of the amount of the due currency purchased after deducting the costs of conversion.

11.6 **Permitted Deductions**

The Security Trustee shall be entitled, in its discretion, (a) to set aside by way of reserve amounts required to meet and (b) to make and pay, any deductions and withholdings (on account of taxes or otherwise) which it is or may be required by any applicable law to make from any distribution or payment made by it under this Agreement, and to pay all Taxes which may be assessed against it in respect of any of the Charged Property, or as a consequence of performing its duties, or by virtue of its capacity as Security Trustee under any of the Finance Documents or otherwise (other than in connection with its remuneration for performing its duties under this Agreement).

11.7 **Good Discharge**

(a) Any payment to be made in respect of the Secured Obligations by the Security Trustee:

(i) may be made to the relevant Agent on behalf of its Creditors;

(ii) may be made to the Relevant LC Issuing Bank in accordance with paragraph (b)(i) of Clause 11.3 (*Treatment of SFA Cash Cover*)*;* or

(iii) shall be made directly to the Hedge Counterparties,

and any payment made in that way shall be a good discharge, to the extent of that payment, by the Security Trustee.

(b) The Security Trustee is under no obligation to make the payments to the Agents or the Hedge Counterparties under paragraph (a) of this Clause 11.7 in the same currency as that in which the Liabilities owing to the relevant Creditor are denominated.

11.8 **Calculation of Amounts**

For the purpose of calculating any person's share of any sum payable to or by it, the Security Trustee shall be entitled to:

(a) notionally convert the Liabilities owed to any person into a common base currency (decided in its discretion by the Security Trustee), that notional conversion to be made at the spot rate at which the Security Trustee is able to purchase the notional base currency with the actual currency of the Liabilities owed to that person at the time at which that calculation is to be made; and

(b) assume that all moneys received or recovered as a result of the enforcement or realisation of the Security Property are applied in discharge of the Liabilities in accordance with the terms of the Finance Documents under which those Liabilities have arisen.

12. **THE SECURITY TRUSTEE**

12.1 **Trust**

(a) The Security Trustee declares that it shall hold the Security Property on trust for the Secured Parties on the terms contained in this Agreement.

(b) Each of the parties to this Agreement agrees that the Security Trustee shall have only those duties, obligations and responsibilities expressly specified in this Agreement or in the Security Documents to which the Security Trustee is expressed to be a party (and no others shall be implied).

12.2 **No independent power**

Subject to Clause 11.3 (*Treatment of SFA Cash Cover*), the Secured Parties shall not have any independent power to enforce, or have recourse to, any of the Transaction Security or to exercise any rights or powers arising under the Security Documents except through the Security Trustee.

12.3 **Instructions to Security Trustee and exercise of discretion**

(a) Subject to paragraphs (d) and (e) below, the Security Trustee shall act in accordance with any instructions given to it by an Instructing Group or, if so instructed by an Instructing Group, refrain from exercising any right, power, authority or discretion vested in it as Security Trustee and shall be entitled to assume that (i) any instructions received by it from an Agent, the Creditors or a group of Creditors are duly given in accordance with the terms of the Finance Documents and (ii) unless it has received actual notice of revocation, that those instructions or directions have not been revoked.

(b) The Security Trustee shall be entitled to request instructions, or clarification of any direction, from an Instructing Group (or from the Majority Junior Lenders (to the extent they are entitled to give instructions to the Security Trustee pursuant to Clause 9 (*Enforcement of Transaction Security*))) *as* to whether, and in what manner, it should exercise or refrain from exercising any rights, powers, authorities and discretions and the Security Trustee may refrain from acting unless and until those instructions or clarification are received by it.

(c) Save as provided in Clause 9 (*Enforcement of Transaction Security*), any instructions given to the Security Trustee by an Instructing Group shall override any conflicting instructions given by any other Parties.

(d) Paragraph (a) above shall not apply:

(i) where a contrary indication appears in this Agreement;

(ii) where this Agreement requires the Security Trustee to act in a specified manner or to take a specified action;

(iii) in respect of any provision which protects the Security Trustee's own position in its personal capacity as opposed to its role of Security Trustee for the Secured Parties including, without limitation, the provisions set out in Clauses 12.5 (*Security Trustee's discretions*) to Clause 12.21 (*Disapplication*)*;*

(iv) in respect of the exercise of the Security Trustee's discretion to exercise a right, power or authority under any of:

(A) Clause 10.1 (*Non-Distressed Disposals*)*;*

(B) Clause 11.1 (*Order of application*)*;*

(C) Clause 11.2 (*Prospective liabilities*)*;*

(D) Clause 11.3 (*Treatment of SFA Cash Cover*)*;* and

(E) Clause 11.6 (*Permitted Deductions*).

(e) If giving effect to instructions given by an Instructing Group would (in the Security Trustee's opinion) have an effect equivalent to an Intercreditor Amendment, the Security Trustee shall not act in accordance with those

instructions unless consent to it so acting is obtained from each Party (other than the Security Trustee) whose consent would have been required in respect of that Intercreditor Amendment.

(f) In exercising any discretion to exercise a right, power or authority under this Agreement where either:

(i) it has not received any instructions from an Instructing Group as to the exercise of that discretion; or

(ii) the exercise of that discretion is subject to paragraph (d)(iv) above,

the Security Trustee shall:

(A) other than where paragraph (B) below applies, do so having regard to the interests of all the Secured Parties; or

(B) if (in its opinion) there is a Creditor Conflict in relation to the matter in respect of which the discretion is to be exercised, do so having primary regard to the interests of all the Senior Creditors.

12.4 **Security Trustee's Actions**

Without prejudice to the provisions of Clause 9 (*Enforcement of Transaction Security*) and Clause 12.3 (*Instructions to Security Trustee and exercise of discretion*), the Security Trustee may (but shall not be obliged to), in the absence of any instructions to the contrary, take such action in the exercise of any of its powers and duties under the Finance Documents as it considers in its discretion to be appropriate.

12.5 **Security Trustee's discretions**

The Security Trustee may:

(a) assume (unless it has received actual notice to the contrary from a Hedging Counterparty or from one of the Agents) that (i) no Default has occurred and no Obligor is in breach of or default under its obligations under any of the Finance Documents and (ii) any right, power, authority or discretion vested by any Finance Document in any person has not been exercised;

(b) if it receives any instructions or directions under Clause 9 (*Enforcement of Transaction Security*) to take any action in relation to the Transaction Security, assume that all applicable conditions under the Finance Documents for taking that action have been satisfied;

(c) engage, pay for and rely on the advice or services of any legal advisers, accountants, tax advisers, surveyors or other experts (whether obtained by the Security Trustee or by any other Secured Party) whose advice or services may at any time seem necessary, expedient or desirable;

(d) rely upon any communication or document believed by it to be genuine and, as to any matters of fact which might reasonably be expected to be within the knowledge of a Secured Party, any Creditor or an Obligor, upon a certificate signed by or on behalf of that person; and

(e) refrain from acting in accordance with the instructions of any Party (including bringing any legal action or proceeding arising out of or in connection with the Finance Documents) until it has received any indemnification and/or security that it may in its discretion require (whether by way of payment in advance or otherwise) for all costs, losses and liabilities which it may incur in so acting.

12.6 **Security Trustee's obligations**

The Security Trustee shall promptly:

(a) copy to (i) each Agent and (ii) each Hedging Counterparty the contents of any notice or document received by it from any Obligor under any Finance Document;

(b) forward to a Party the original or a copy of any document which is delivered to the Security Trustee for that Party by any other Party **provided that**, except where a Finance Document expressly provides otherwise, the Security Trustee is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party;

(c) inform (i) each Agent and (ii) each Hedging Counterparty of the occurrence of any Default or any default by an Obligor in the due performance of or compliance with its obligations under any Finance Document of which the Security Trustee has received notice from any other party to this Agreement; and

(d) to the extent that a Party (other than the Security Trustee) is required to calculate a Dollar Currency Amount, and upon a request by that Party, notify that Party of the relevant Security Trustee's Spot Rate of Exchange.

12.7 **Excluded obligations**

Notwithstanding anything to the contrary expressed or implied in the Finance Documents, the Security Trustee shall not:

(a) be bound to enquire as to (i) whether or not any Default has occurred or (ii) the performance, default or any breach by an Obligor of its obligations under any of the Finance Documents;

(b) be bound to account to any other Party for any sum or the profit element of any sum received by it for its own account;

(c) be bound to disclose to any other person (including but not limited to any Secured Party) (i) any confidential information or (ii) any other information if disclosure would, or might in its reasonable opinion, constitute a breach of any law or be a breach of fiduciary duty;

(d) have or be deemed to have any relationship of trust or agency with, any Obligor.

12.8 **Exclusion of liability**

None of the Security Trustee, any Receiver nor any Delegate shall accept responsibility or be liable for:

(a) the adequacy, accuracy or completeness of any information (whether oral or written) supplied by the Security Trustee or any other person in or in connection with any Finance Document or the transactions contemplated in the Finance Documents, or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;

(b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document, the Security Property or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document or the Security Property;

(c) any losses to any person or any liability arising as a result of taking or refraining from taking any action in relation to any of the Finance Documents, the Security Property or otherwise, whether in accordance with an instruction from an Agent or otherwise unless directly caused by its gross negligence or wilful misconduct (and in the case of the Security Trustee under the Onshore Security Assignment directly caused by its breach of trust or the duty of care and diligence required of it as trustee under this Agreement);

(d) the exercise of, or the failure to exercise, any judgment, discretion or power given to it by or in connection with any of the Finance Documents, the Security Property or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, the Finance Documents or the Security Property; or

(e) any shortfall which arises on the enforcement or realisation of the Security Property.

12.9 **No proceedings**

No Party (other than the Security Trustee, that Receiver or that Delegate) may take any proceedings against any officer, employee or agent of the Security Trustee, a Receiver or a Delegate in respect of any claim it might have against the Security Trustee, a Receiver or a Delegate or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document or any Security Property and any officer, employee or agent of the Security Trustee, a Receiver or a Delegate may rely on this Clause subject to Clause 1.3 (*Third Party Rights*) and the provisions of the Third Parties Rights Act.

12.10 **Own responsibility**

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Secured Party confirms to the Security Trustee that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

(a) the financial condition, status and nature of each Obligor;

(b) the legality, validity, effectiveness, adequacy and enforceability of any Finance Document, the Security Property and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document or the Security Property;

(c) whether that Secured Party has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the Security Property, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document or the Security Property;

(d) the adequacy, accuracy and/or completeness of any information provided by the Security Trustee or by any other person under or in connection with any Finance Document, the transactions contemplated by any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and

(e) the right or title of any person in or to, or the value or sufficiency of any part of the Charged Property, the priority of any of the Transaction Security or the existence of any Security affecting the Charged Property,

and each Secured Party warrants to the Security Trustee that it has not relied on and will not at any time rely on the Security Trustee in respect of any of these matters.

12.11 **No responsibility to perfect Transaction Security**

The Security Trustee shall not be liable for any failure to:

(a) require the deposit with it of any deed or document certifying, representing or constituting the title of any Obligor to any of the Charged Property;

(b) obtain any licence, consent or other authority for the execution, delivery, legality, validity, enforceability or admissibility in evidence of any of the Finance Documents or the Transaction Security;

(c) register, file or record or otherwise protect any of the Transaction Security (or the priority of any of the Transaction Security) under any applicable laws in any jurisdiction or to give notice to any person of the execution of any of the Finance Documents or of the Transaction Security;

(d) take, or to require any of the Obligors to take, any steps to perfect its title to any of the Charged Property or to render the Transaction Security effective or to secure the creation of any ancillary Security under the laws of any jurisdiction; or

(e) require any further assurances in relation to any of the Security Documents.

12.12 **Insurance by Security Trustee**

(a) The Security Trustee shall not be under any obligation to insure any of the Charged Property, to require any other person to maintain any insurance or to verify any obligation to arrange or maintain insurance contained in the Finance Documents. The Security Trustee shall not be responsible for any loss which may be suffered by any person as a result of the lack of or inadequacy of any such insurance.

(b) Where the Security Trustee is named on any insurance policy as an insured party, it shall not be responsible for any loss which may be suffered by reason of, directly or indirectly, its failure to notify the insurers of any material fact relating to the risk assumed by such insurers or any other information of any kind, unless an Agent shall have requested it to do so in writing and the Security Trustee shall have failed to do so within fourteen days after receipt of that request.

12.13 **Custodians and nominees**

The Security Trustee may appoint and pay any person to act as a custodian or nominee on any terms in relation to any assets of the trust as the Security Trustee may determine, including for the purpose of depositing with a custodian this Agreement or any document relating to the trust created under this Agreement and the Security Trustee shall not be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any person appointed by it under this Agreement or be bound to supervise the proceedings or acts of any person.

12.14 **Acceptance of title**

The Security Trustee shall be entitled to accept without enquiry, and shall not be obliged to investigate, any right and title that any of the Obligors may have to any of the Charged Property and shall not be liable for or bound to require any Obligor to remedy any defect in its right or title.

12.15 **Refrain from illegality**

Notwithstanding anything to the contrary expressed or implied in the Finance Documents, the Security Trustee may refrain from doing anything which in its opinion will or may be contrary to any relevant law, directive or regulation of any jurisdiction and the Security Trustee may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.

12.16 **Business with the Obligors**

The Security Trustee may accept deposits from, lend money to, and generally engage in any kind of banking or other business with any of the Obligors.

12.17 **Winding up of trust**

If the Security Trustee, with the approval of each of the Agents and each Hedging Counterparty, determines that (a) all of the Secured Obligations and all other obligations secured by the Security Documents have been fully and finally discharged and (b) none of the Secured Parties is under any commitment, obligation or liability (actual or contingent) to make advances or provide other financial accommodation to any Obligor pursuant to the Finance Documents:

(a) the trusts set out in this Agreement shall be wound up and the Security Trustee shall release, without recourse or warranty, all of the Transaction Security and the rights of the Security Trustee under each of the Security Documents; and

(b) any Retiring Security Trustee shall release, without recourse or warranty, all of its rights under each of the Security Documents.

12.18 **Perpetuity period**

The perpetuity period under the rule against perpetuities, if applicable to this Agreement, shall be the period of eighty years from the date of this Agreement.

12.19 **Powers supplemental**

The rights, powers and discretion conferred upon the Security Trustee by this Agreement shall be supplemental to the Trustee Act 1925 and the Trustee Act 2000 and in addition to any which may be vested in the Security Trustee by general law or otherwise.

12.20 **Trustee division separate**

(a) In acting as trustee for the Secured Parties, the Security Trustee shall be regarded as acting through its trustee division which shall be treated as a separate entity from any of its other divisions or departments.

(b) If information is received by another division or department of the Security Trustee, it may be treated as confidential to that division or department and the Security Trustee shall not be deemed to have notice of it.

12.21 **Disapplication**

Section 1 of the Trustee Act 2000 shall not apply to the duties of the Security Trustee in relation to the trusts constituted by this Agreement. Where there are any inconsistencies between the Trustee Act 1925 or the Trustee Act 2000 and the provisions of this Agreement, the provisions of this Agreement shall, to the extent allowed by law, prevail and, in the case of any inconsistency with the Trustee Act 2000, the provisions of this Agreement shall constitute a restriction or exclusion for the purposes of that Act.

12.22 **Obligors: Power of Attorney**

Each Obligor by way of security for its obligations under this Agreement irrevocably appoints the Security Trustee to be its attorney to do anything which that Obligor has authorised the Security Trustee or any other Party to do under this Agreement or is itself required to do under this Agreement but has failed to do (and the Security Trustee may delegate that power on such terms as it sees fit).

13. CHANGE OF SECURITY TRUSTEE AND DELEGATION

13.1 Resignation of the Security Trustee

(a) The Security Trustee may resign and appoint one of its affiliates as successor by giving notice to Kosmos, the Senior Creditors and Junior Lenders.

(b) Alternatively the Security Trustee may resign by giving notice to the other Parties in which case the Majority Senior Creditors (or, after the Senior Discharge Date, the Majority Junior Lenders) may appoint a successor Security Trustee.

(c) If the Majority Senior Creditors (or, after the Senior Discharge Date, the Majority Junior Lenders) have not appointed a successor Security Trustee in accordance with paragraph (b) above within 30 days after the notice of resignation was given, the Security Trustee (after consultation with the Agents) may appoint a successor Security Trustee.

(d) The retiring Security Trustee (the **"Retiring Security Trustee"**) shall, at its own cost, make available to the successor Security Trustee such documents and records and provide such assistance as the successor Security Trustee may reasonably request for the purposes of performing its functions as Security Trustee under the Finance Documents.

(e) The Security Trustee's resignation notice shall only take effect upon (i) the appointment of a successor and (ii) the transfer of all of the Security Property to that successor.

(f) Upon the appointment of a successor, the Retiring Security Trustee shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under paragraph (b) of Clause 12.17 (*Winding up of trust*) and under paragraph (d) above) but shall, in respect of any act or omission by it whilst it was the Security Trustee, remain entitled to the benefit of Clauses 12 (*The Security Trustee*), 16.1 (*Obligors' indemnity*) and 16.3 (*Creditors' indemnity*). Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if that successor had been an original Party.

(g) The Majority Senior Creditors (or, after the Senior Discharge Date, the Majority Junior Lenders) may, by notice to the Security Trustee, require it to resign in accordance with paragraph (b) above. In this event, the Security Trustee shall resign in accordance with paragraph (b) above but the cost referred to in paragraph (d) above shall be for the account of the Kosmos.

13.2 Delegation

(a) Each of the Security Trustee, any Receiver and any Delegate may, at any time, delegate by power of attorney or otherwise to any person for any period, all or any of the rights, powers and discretions vested in it by any of the Finance Documents.

(b) That delegation may be made upon any terms and conditions (including the power to sub-delegate) and subject to any restrictions that the Security Trustee, that Receiver or that Delegate (as the case may be) may, in its discretion, think fit in the interests of the Secured Parties and it shall not be bound to supervise, or be in any way responsible for any loss incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate.

13.3 **Additional Security Trustees**

(a) The Security Trustee may at any time appoint (and subsequently remove) any person to act as a separate trustee or as a co-trustee jointly with it (i) if it considers that appointment to be in the interests of the Secured Parties or (ii) for the purposes of conforming to any legal requirements, restrictions or conditions which the Security Trustee deems to be relevant or (iii) for obtaining or enforcing any judgment in any jurisdiction, and the Security Trustee shall give prior notice to the Kosmos and each of the Agents of that appointment.

(b) Any person so appointed shall have the rights, powers and discretions (not exceeding those conferred on the Security Trustee by this Agreement) and the duties and obligations that are conferred or imposed by the instrument of appointment.

(c) The remuneration that the Security Trustee may pay to that person, and any costs and expenses (together with any applicable VAT) incurred by that person in performing its functions pursuant to that appointment shall, for the purposes of this Agreement, be treated as costs and expenses incurred by the Security Trustee.

14. CHANGES TO THE PARTIES

14.1 Assignments and transfers

No Party may assign any of its rights and benefits or transfer any of its rights, benefits and obligations in respect of any Finance Documents or the Liabilities except as permitted by this Clause 14.

14.2 Change of Senior Lender or Junior Lender

(a) A Senior Lender or Junior Lender may assign any of its rights and benefits or transfer by novation any of its rights, benefits and obligations in respect of any Finance Documents or the Liabilities if:

(i) that assignment or transfer is in accordance with the terms of the CTA;

(ii) that assignment or transfer is not in breach of Clause 5.7 (*Junior Debt Purchase Transactions*)*;* and

(iii) any assignee or transferee has (if not already party to this Agreement as a Senior Lender or Junior Lender (as the case may be)) acceded to this Agreement, as a Senior Lender or a Junior Lender (as the case may be), pursuant to Clause 14.5 (*Creditor/Agent Accession Undertaking*).

(b) For the avoidance of doubt, a person that is party to this Agreement as a Lender and a Hedging Counterparty, shall not cease to be a Hedging Counterparty solely by ceasing to be a Lender.

14.3 **Change of Hedging Counterparty**

A Hedging Counterparty may (in accordance with the terms of the relevant Hedging Agreement and subject to any consent required under that Hedging Agreement) transfer any of its rights and benefits or obligations in respect of the Hedging Agreements to which it is a party if any transferee has (if not already party to this Agreement as a Hedging Counterparty) acceded to:

(a) this Agreement; and

(b) the Senior Facility Agreements,

as a Hedging Counterparty pursuant to Clause 14.5 (*Creditor/Agent Accession Undertaking*).

14.4 **Change of Agent**

No person shall become an Agent unless at the same time, it accedes to this Agreement as a Senior Facility Agent or Junior Facility Agent (as the case may be), pursuant to Clause 14.5 (*Creditor/Agent Accession Undertaking*).

14.5 **Creditor/Agent Accession Undertaking**

With effect from the date of acceptance by the Security Trustee and, in the case of a Hedging Counterparty or an Affiliate of a Senior Lender, the Senior Facility Agent of a Creditor/Agent Accession Undertaking duly executed and delivered to the Security Trustee by the relevant acceding party or, if later, the date specified in that Creditor/Agent Accession Undertaking:

(a) any Party ceasing entirely to be a Creditor or Agent shall be discharged from further obligations towards the Security Trustee and other Parties under this Agreement and their respective rights against one another shall be cancelled (except in each case for those rights which arose prior to that date); and

(b) as from that date, the replacement or new Creditor or Agent shall assume the same obligations, and become entitled to the same rights, as if it had been an original Party to this Agreement in that capacity; and

(c) any party acceding to this Agreement as a Hedging Counterparty shall also become party to the CTA as a Hedging Counterparty (as the case may be) and shall assume the same obligations and become entitled to the same rights as if it had been an original party to the CTA as a Hedging Counterparty.

14.6 **New Obligor**

(a) If any member of the Group:

(i) incurs any Liabilities; or

(ii) gives any security, guarantee, indemnity or other assurance against loss in respect of any of the Liabilities

Kosmos will procure that the person incurring those Liabilities or giving that assurance accedes to this Agreement as an Obligor, in accordance with paragraph (c) below, no later than contemporaneously with the incurrence of those Liabilities or the giving of that assurance.

(b) With effect from the date of acceptance by the Security Trustee of an Obligor Accession Deed duly executed and delivered to the Security Trustee by the new Obligor or, if later, the date specified in the Obligor Accession Deed, the new Obligor shall assume the same obligations and become entitled to the same rights as if it had been an original Party to this Agreement as an Obligor.

14.7 **Additional parties**

(a) Each of the Parties appoints the Security Trustee to receive on its behalf each Obligor Accession Deed and Creditor/Agent Accession Undertaking delivered to the Security Trustee and the Security Trustee shall, subject to paragraph (c) below, as soon as reasonably practicable after receipt by it, sign and accept the same if it appears on its face to have been completed, executed and, where applicable, delivered in the form contemplated by this Agreement or, where applicable, by the CTA.

(b) In the case of a Creditor/Agent Accession Undertaking delivered to the Security Trustee by any party acceding to this Agreement as a Hedging Counterparty:

(i) the Security Trustee shall, as soon as practicable after signing and accepting that Creditor/Agent Accession Undertaking in accordance with paragraph (a) above, deliver that Creditor/Agent Accession Undertaking to the Senior Facility Agent; and

(ii) the Senior Facility Agent shall, as soon as practicable after receipt by it, sign and accept that Creditor/Agent Accession Undertaking if it appears on its face to have been completed, executed and delivered in the form contemplated by this Agreement.

(c) The Security Trustee shall only be obliged to sign and accept an Obligor Accession Deed or Creditor/Agent Accession Undertaking received by it once it is satisfied that it has complied with all necessary "know your customer" or similar other checks under all applicable laws and regulations in relation to the accession by the prospective party to this Agreement.

(d) Each Party shall promptly upon the request of the Security Trustee supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Security Trustee (for itself) from time to time in order for the Security Trustee to carry out and be satisfied with the results of all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

15. COSTS AND EXPENSES

15.1 Security Trustee's ongoing costs

(a) In the event of (i) a Default or (ii) the Security Trustee considering it necessary or expedient or (iii) the Security Trustee being requested by an Obligor or an Instructing Group or the Majority Junior Lenders to undertake duties which the Security Trustee and the Borrower agree to be of an exceptional nature and/or outside the scope of the normal duties of the Security Trustee under the Finance Documents, the Borrower shall pay to the Security Trustee any additional remuneration (together with any applicable VAT) that may be agreed between them.

(b) If the Security Trustee and the Borrower fail to agree upon the nature of those duties or upon any additional remuneration, that dispute shall be determined by an investment bank (acting as an expert and not as an arbitrator) selected by the Security Trustee and approved by the Borrower or, failing approval, nominated (on the application of the Security Trustee) by the President for the time being of the Law Society of England and Wales (the costs of the nomination and of the investment bank being payable by the Borrower) and the determination of any investment bank shall be final and binding upon the parties to this Agreement.

15.2 Transaction expenses

The Borrower shall, within 15 Business Days, pay the Security Trustee the amount of all costs and expenses (including legal fees) (together with any applicable VAT) reasonably incurred by the Security Trustee and any Receiver or Delegate in connection with the negotiation, preparation, printing, execution, syndication and perfection of:

(a) this Agreement and any other documents referred to in this Agreement and the Transaction Security; and

(b) any other Finance Documents executed after the date of this Agreement.

15.3 Stamp taxes

The Borrower shall (in accordance with the terms of the other Finance Documents) pay and, within five Business Days of demand, indemnify the Security Trustee against any cost, loss or liability the Security Trustee incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

15.4 Interest on demand

If any Creditor or Obligor fails to pay any amount payable by it under this Agreement on its due date, interest shall accrue on the overdue amount (and be compounded with it) from the due date up to the date of actual payment (both before and after judgment and to the extent interest at a default rate is not otherwise being paid on that sum) at the rate which is one per cent. per annum over the rate at which the Security Trustee was being offered, by leading banks in the London interbank market, deposits in an amount comparable to the unpaid amounts in the currencies of those amounts for any period(s) that the Security Trustee may from time to time select.

15.5 **Enforcement and preservation costs**

Kosmos shall, within five Business Days of demand, pay to the Security Trustee the amount of all costs and expenses (including legal fees and together with any applicable VAT) incurred by it in connection with the enforcement of or the preservation of any rights under any Finance Document and the Transaction Security and any proceedings instituted by or against the Security Trustee as a consequence of taking or holding the Transaction Security or enforcing these rights.

16. **INDEMNITIES**

16.1 **Obligors' indemnity**

Each Obligor shall promptly indemnify the Security Trustee and every Receiver and Delegate against any cost, loss or liability (together with any applicable VAT) incurred by any of them:

(a) in relation to or as a result of:

(i) any failure by the Borrower to comply with obligations under Clause 15 (*Costs and Expenses*);

(ii) the taking, holding, protection or enforcement of the Transaction Security;

(iii) the exercise of any of the rights, powers, discretions and remedies vested in the Security Trustee, each Receiver and each Delegate by the Finance Documents or by law; or

(iv) any default by any Obligor in the performance of any of the obligations expressed to be assumed by it in the Finance Documents; or

(b) which otherwise relates to any of the Security Property or the performance of the terms of this Agreement (otherwise than as a result of its gross negligence or wilful misconduct and in the case of the Security Trustee under the Onshore Security Assignment as a result of its breach of trust or the duty of care and diligence required of it as trustee under this Agreement).

Each Obligor expressly acknowledges and agrees that the continuation of its indemnity obligations under this Clause 16.1 (*Obligors' indemnify*) will not be prejudiced by any release or disposal under Clause 10.2 (*Distressed Disposals*) taking into account the operation of that Clause 10.2.

16.2 **Priority of indemnity**

The Security Trustee and every Receiver and Delegate may, in priority to any payment to the Secured Parties, indemnify itself out of the Charged Property in respect of, and pay and retain, all sums necessgary to give effect to the indemnity in Clause 16.1 (*Obligors' indemnity*) and shall have a lien on the Transaction Security and the proceeds of the enforcement of the Transaction Security for all moneys payable to it.

16.3 **Creditors' indemnity**

(a) Each Creditor shall (in the proportion that the Liabilities due to it bears to the aggregate of the Liabilities due to all the Creditors for the time being (or, if the

Liabilities due to each of those Creditors is zero, immediately prior to their being reduced to zero)), indemnify the Security Trustee and every Receiver and every Delegate, within three Business Days of demand, against any cost, loss or liability incurred by any of them (otherwise than by reason of the relevant Security Trustee's, Receiver's or Delegate's gross negligence or wilful misconduct and in the case of the Security Trustee under the Onshore Security Assignment as a result of its breach of trust or the duty of care and diligence required of it as trustee under this Agreement) in acting as Security Trustee, Receiver or Delegate under the Finance Documents (unless the relevant Security Trustee, Receiver or Delegate has been reimbursed by an Obligor pursuant to a Finance Document) and the Obligors shall jointly and severally indemnify each Creditor against any payment made by it under this Clause 16.

(b) For the purposes only of paragraph (a) above, to the extent that any hedging transaction under a Hedging Agreement has not been terminated or closed-out, the Hedging Liabilities due to any Hedging Counterparty in respect of that hedging transaction will be deemed to be:

(i) if the relevant Hedging Agreement is based on an ISDA Master Agreement, the amount, if any, which would be payable to it under that Hedging Agreement in respect of those hedging transactions, if the date on which the calculation is made was deemed to be an Early Termination Date (as defined in the relevant ISDA Master Agreement) for which the relevant Obligor is the Defaulting Party (as defined in the relevant ISDA Master Agreement); or

(ii) if the relevant Hedging Agreement is not based on an ISDA Master Agreement, the amount, if any, which would be payable to it under that Hedging Agreement in respect of that hedging transaction, if the date on which the calculation is made was deemed to be the date on which an event similar in meaning and effect (under that Hedging Agreement) to an Early Termination Date (as defined in any ISDA Master Agreement) occurred under that Hedging Agreement for which the relevant Obligor is in a position similar in meaning and effect (under that Hedging Agreement) to that of a Defaulting Party (under and as defined in the same ISDA Master Agreement),

that amount, in each case, to be certified by the relevant Hedging Counterparty and as calculated in accordance with the relevant Hedging Agreement.

16.4 **Borrower's indemnity to Creditors**

The Borrower shall promptly and as principal obligor indemnify each Creditor against any cost, loss or liability (together with any applicable VAT), whether or not reasonably foreseeable, incurred by any of them in relation to or arising out of the operation of Clause 10.2 (*Distressed Disposals*).

17. INFORMATION

17.1 Information and dealing

(a) The Creditors shall provide to the Security Trustee from time to time (through their respective Agents in the case of a Senior Lender or a Junior Lender) any information that the Security Trustee may reasonably specify as being necessary or desirable to enable the Security Trustee to perform its functions as trustee.

(b) Each Senior Lender and Junior Lender shall deal with the Security Trustee exclusively through its Agent and the Hedge Counterparties shall deal directly with the Security Trustee and shall not deal through any Agent.

(c) No Agent shall be under any obligation to act as agent or otherwise on behalf of any Hedging Counterparty except as expressly provided for in, and for the purposes of, this Agreement.

17.2 Disclosure

Notwithstanding any agreement to the contrary, each of the Obligors consents, until the Final Discharge Date, to the disclosure by any of the Creditors, the Agents, the Arrangers and the Security Trustee to each other (whether or not through an Agent or the Security Trustee) of such information concerning the Obligors obtained by it in that capacity as any Creditor, any Agent, any Arranger or the Security Trustee shall see fit.

17.3 Notification of prescribed events

(a) If an Event of Default either occurs or ceases to be continuing the Senior Facility Agent shall, upon becoming aware of that occurrence or cessation, notify the Security Trustee and the Security Trustee shall, upon receiving that notification, notify each Hedging Counterparty.

(b) If a Junior Payment Stop Event either occurs or ceases to be continuing the Security Trustee shall notify the Junior Facility Agent.

(c) If a Senior Payment Default either occurs or ceases to be continuing the Senior Facility Agent shall notify the Security Trustee and the Security Trustee shall, upon receiving that notification, notify the Junior Facility Agent.

(d) If a Senior Acceleration Event occurs the Senior Facility Agent shall notify the Security Trustee and the Security Trustee shall, upon receiving that notification, notify each other Party.

(e) If a Junior Acceleration Event occurs the Junior Facility Agent shall notify the Security Trustee and the Security Trustee shall, upon receiving that notification, notify each other Party.

(f) If the Security Trustee receives a Junior Enforcement Notice under paragraph (a)(ii)(A) of Clause 5.11 (*Permitted Enforcement: Junior Lenders*) it shall, upon receiving that notice, notify, and send a copy of that notice to, the Senior Facility Agent and each Hedging Counterparty.

(g) If the Security Trustee enforces, or takes formal steps to enforce, any of the Transaction Security it shall notify each Party of that action.

(h) If any Creditor exercises any right it may have to enforce, or to take formal steps to enforce, any of the Transaction Security it shall notify the Security Trustee and the Security Trustee shall, upon receiving that notification, notify each Party of that action.

(i) If an Obligor defaults on any Payment due under a Hedging Agreement, the Hedging Counterparty which is party to that Hedging Agreement shall, upon becoming aware of that default, notify the Security Trustee and the Security Trustee shall, upon receiving that notification, notify the Senior Facility Agent, each other Hedging Counterparty and the Junior Facility Agent.

(j) If a Hedging Counterparty terminates or closes-out, in whole or in part, any hedging transaction under any Hedging Agreement under Clause 4.9 (*Permitted Enforcement: Hedge Counterparties*) it shall notify the Security Trustee and the Security Trustee shall, upon receiving that notification, notify each Agent and each other Hedging Counterparty.

(k) If a Senior Mandatory Prepayment is waived the Senior Facility Agent shall notify the Security Trustee of the amount of the Senior Mandatory Prepayment waived and the Security Trustee shall, upon receiving that notification, notify the Junior Facility Agent and each Hedging Counterparty.

(l) If a Junior Mandatory Prepayment is waived the Junior Facility Agent shall notify the Security Trustee of the amount of the Junior Mandatory Prepayment waived and the Security Trustee shall, upon receiving that notification, notify, the Senior Facility Agent and each Hedging Counterparty.

(m) If the Security Trustee receives a notice under paragraph (a) of Clause 5.13 (*Option to purchase: Junior Lenders*) it shall upon receiving that notice, notify, and send a copy of that notice to, the Senior Facility Agent.

18. **NOTICES**

18.1 **Communications in writing**

Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by fax or letter.

18.2 **Security Trustee's communications with Senior Lenders, Junior Lenders and Hedge Counterparties**

The Security Trustee shall be entitled to carry out all dealings:

(a) with the Senior Lenders, the Senior Arrangers, the Junior Lenders and the Junior Arrangers through their respective Agents and may give to the Agents, as applicable, any notice or other communication required to be given by the Security Trustee to a Senior Lender, Senior Arranger, Junior Lender or Junior Arranger; and

(b) with each Hedging Counterparty directly with that Hedging Counterparty.

18.3 **Addresses**

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with this Agreement is:

(a) in the case of the Original Obligors, that identified with its name below;

(b) in the case of the Security Trustee, that identified with its name below; and

(c) in the case of each other Party, that notified in writing to the Security Trustee on or prior to the date on which it becomes a Party

or any substitute address, fax number or department or officer which that Party may notify to the Security Trustee (or the Security Trustee may notify to the other Parties, if a change is made by the Security Trustee) by not less than five Business Days' notice.

18.4 **Delivery**

(a) Any communication or document made or delivered by one person to another under or in connection with this Agreement will only be effective:

(i) if by way of fax, when received in legible form; or

(ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 18.3 (*Addresses*), if addressed to that department or officer.

(b) Any communication or document to be made or delivered to the Security Trustee will be effective only when actually received by the Security Trustee and then only if it is expressly marked for the attention of the department or officer identified with the Security Trustee's signature below (or any substitute department or officer as the Security Trustee shall specify for this purpose).

(c) Any communication or document made or delivered to the Kosmos in accordance with this Clause 18.4 will be deemed to have been made or delivered to each of the Obligors.

18.5 **Notification of address and fax number**

Promptly upon receipt of notification of an address and fax number or change of address or fax number pursuant to Clause 18.3 (*Addresses*) or changing its own address or fax number, the Security Trustee shall notify the other Parties.

18.6 **Electronic communication**

(a) Any communication to be made between the Security Trustee and an Agent, an Arranger, a Senior Lender, a Hedging Counterparty or a Junior Lender under or in connection with this Agreement may be made by electronic mail or other electronic means, if the Security Trustee and the relevant Agent, Arranger, Senior Lender, Hedging Counterparty or Junior Lender

(i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;

(ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

(iii) notify each other of any change to their address or any other such information supplied by them.

(b) Any electronic communication made between the Security Trustee and an Agent, an Arranger, a Senior Lender, a Hedging Counterparty or a Junior Lender will be effective only when actually received in readable form and in the case of any electronic communication made by a Senior Lender, Hedging Counterparty, Junior Lender, Arranger or Agent to the Security Trustee only if it is addressed in such a manner as the Security Trustee shall specify for this purpose.

18.7 **English language**

(a) Any notice given under or in connection with this Agreement must be in English.

(b) All other documents provided under or in connection with this Agreement must be:

(i) in English; or

(ii) if not in English, and if so required by the Security Trustee, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

19. **PRESERVATION**

19.1 **Partial invalidity**

If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of that provision under the law of any other jurisdiction will in any way be affected or impaired.

19.2 **No impairment**

If, at any time after its date, any provision of a Finance Document (including this Agreement) is not binding on or enforceable in accordance with its terms against a person expressed to be a party to that Finance Document, neither the binding nature nor the enforceability of that provision or any other provision of that Finance Document will be impaired as against the other party(ies) to that Finance Document.

19.3 **Remedies and waivers**

No failure to exercise, nor any delay in exercising, on the part of any Party, any right 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. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

19.4 **Waiver of defences**

The provisions of this Agreement will not be affected by an act, omission, matter or thing which, but for this Clause 19.4, would reduce, release or prejudice the subordination and priorities expressed to be created by this Agreement including (without limitation and whether or not known to any Party):

(a) any time, waiver or consent granted to, or composition with, any Obligor or other person;

(b) the release of any Obligor or any other person under the terms of any composition or arrangement with any creditor of any Obligor,

(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any Security;

(d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any Obligor or other person;

(e) any amendment, novation, supplement, extension (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatsoever nature, and whether or not more onerous) or replacement of a Finance Document or any other document or security;

(f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security;

(g) any intermediate Payment of any of the Liabilities owing to the Creditors in whole or in part; or

(h) any insolvency or similar proceedings.

19.5 **Priorities not affected**

Except as otherwise provided in this Agreement the priorities referred to in Clause 2 (*Ranking and Priority*) will:

(a) not be affected by any reduction or increase in the principal amount secured by the Transaction Security in respect of the Liabilities owing to the Creditors or by any intermediate reduction or increase in, amendment or variation to any of the Finance Documents, or by any variation or satisfaction of, any of the Liabilities or any other circumstances;

(b) apply regardless of the order in which or dates upon which this Agreement and the other Finance Documents are executed or registered or notice of them is given to any person; and

(c) secure the Liabilities owing to the Creditors in the order specified, regardless of the date upon which any of the Liabilities arise or of any fluctuations in the amount of any of the Liabilities outstanding.

20. **CONSENTS, AMENDMENTS AND OVERRIDE**

20.1 **Required consents**

(a) Subject to paragraph (b) below, to Clause 20.4 (*Exceptions*), to Clause 20.5 (*Snooze/Lose*) and to Clause 20.7 (*Disenfranchisement of Sponsor Affiliates*), this Agreement may be amended or waived only with the consent of the Agents, the Majority Senior Lenders, the Majority Junior Lenders and the Security Trustee.

(b) An amendment or waiver that has the effect of changing or which relates to:

(i) Clause 8 (*Redistribution*), Clause 11 (*Application of Proceeds*) or this Clause 20 (*Consents, amendments and override*);

(ii) paragraphs (d)(iii), (e) and (f) of Clause 12.3 (*Instructions to Security Trustee and exercise of discretion*); or

(iii) the order of priority or subordination under this Agreement,

shall not be made without the consent of:

(A) the Agents;

(B) the Senior Lenders;

(C) the Junior Lenders;

(D) each Hedging Counterparty (to the extent that the amendment or waiver would adversely affect the Hedging Counterparty); and

(E) the Security Trustee.

20.2 **Amendments and Waivers: Transaction Security Documents**

(a) Subject to paragraph (b) below and to Clause 20.4 (*Exceptions*) and unless the provisions of any Finance Document expressly provide otherwise, the Security Trustee may, if authorised by an Instructing Group, and if the Borrower consents, amend the terms of, waive any of the requirements of or grant consents under, any of the Transaction Security Documents which shall be binding on each Party.

(b) Subject to paragraph (c) of Clause 20.4 (*Exceptions*), the prior consent of the Creditors is required to authorise any amendment or waiver of, or consent under, any Transaction Security Document which would affect the nature or scope of the Charged Property or the manner in which the proceeds of enforcement of the Transaction Security are distributed.

20.3 **Effectiveness**

Any amendment, waiver or consent given in accordance with this Clause 20 (*Consents, Amendments and Override*) will be binding on all Parties and the Security Trustee may effect, on behalf of any Agent, Arranger or Creditor, any amendment, waiver or consent permitted by this Clause 20 (*Consents, Amendments and Override*).

20.4 **Exceptions**

(a) Subject to paragraphs (c) below, if the amendment, waiver or consent may impose new or additional obligations on or withdraw or reduce the rights of any Party other than:

(i) in the case of a Creditor, in a way which affects or would affect Creditors of that Party's class generally; or

(ii) in the case of an Obligor, to the extent consented to by Kosmos under paragraph (a) of Clause 20.2 (*Amendments and Waivers: Transaction Security Documents*),

the consent of that Party is required.

(b) Subject to paragraphs (c) and (d) below, an amendment, waiver or consent which relates to the rights or obligations of an Agent, an Arranger, the Security Trustee (including, without limitation, any ability of the Security Trustee to act in its discretion under this Agreement) or a Hedging Counterparty may not be effected without the consent of that Agent or, as the case may be, that Arranger, the Security Trustee or that Hedging Counterparty.

(c) Neither paragraph (a) nor (b) above, nor paragraph (b) of Clause 20.2 (*Amendments and Waivers: Transaction Security Documents*) shall apply:

(i) to any release of Transaction Security, claim or Liabilities; or

(ii) to any consent

which, in each case, the Security Trustee gives in accordance with Clause 10 (*Disposals*).

20.5 **Enforcement Action**

For the avoidance of doubt, as between on the one hand, the Senior Creditors and the Junior Lenders, and, on the other hand, the Obligors, nothing in this Agreement shall give the Senior Creditors or Junior Lenders a greater or any additional right in relation to taking a particular Enforcement Action (including as to the time at which such Enforcement Action may be taken and/or the circumstances under which any Enforcement Action may be taken) than exists under the terms of the other Finance Documents or at law.

20.6 **Snooze/Lose**

(a) If in relation to:

(i) a request for a Consent in relation to any of the terms of this Agreement;

(ii) a request to participate in any other vote of Senior Creditors or Junior Lenders under the terms of this Agreement;

(iii) a request to approve any other action under this Agreement; or

(iv) a request to provide any confirmation or notification under this Agreement;

any Creditor:

(A) fails to respond to that request within 10 Business Days of that request being made; or

(B) (in the case of a Senior Creditor and paragraphs (i) to (iii) above and if so requested by the Security Trustee), fails to provide details of its Senior Credit Participation to the Security Trustee within the timescale specified by the Security Trustee:

(v) in the case of paragraphs (i) to (iii) above, that Creditor's Senior Credit Participation or Junior Commitment (as the case may be) shall be deemed to be zero for the purpose of calculating the Senior Credit Participations or Junior Commitments when ascertaining whether any relevant percentage of Senior Credit Participations or Junior Commitments has been obtained to give that Consent, carry that vote or approve that action;

(vi) in the case of paragraphs (i) to (iii) above, that Creditor's status as a Senior Creditor or Junior Lender shall be disregarded for the purposes of ascertaining whether the agreement of any specified group of Creditors has been obtained to give that Consent, carry that vote or approve that action; and

(vii) in the case of paragraph (iv) above, that confirmation or notification shall be deemed to have been given.

20.7 **Disenfranchisement of Sponsor Affiliates**

(a) For so long as a Sponsor Affiliate (i) beneficially owns a Commitment or (ii) has entered into a sub-participation agreement relating to a Commitment or

other agreement or arrangement having a substantially similar economic effect and such agreement or arrangement has not been terminated:

(i) in ascertaining:

(A) an Instructing Group; or

(B) whether:

(1) any relevant percentage of Commitments or Senior Credit Participations; or

(2) the agreement of any specified group of Creditors

has been obtained to approve any request for a Consent or to carry any other vote or approve any action under this Agreement,

that Commitment and any associated Senior Credit Participation shall be deemed to be zero and, subject to paragraph (ii) below, that Sponsor Affiliate (or the person with whom it has entered into that sub-participation, other agreement or arrangement (a **"Counterparty"**)) shall be deemed not to be:

(C) a Senior Lender (in the case of a Senior Commitment); or

(D) a Junior Lender (in the case of a Junior Commitment).

(ii) Paragraphs (i)(C) and (i)(D) above shall not apply to the extent that a Counterparty is a Senior Lender or Junior Lender, (as the case may be) by virtue otherwise than by beneficially owning the relevant Commitment.

(b) Each Sponsor Affiliate that is a Senior Lender or a Junior Lender agrees that:

(i) in relation to any meeting or conference call to which all the Senior Creditors, all the Creditors, all the Junior Lenders or any combination of those groups of Creditors are invited to attend or participate, it shall not attend or participate in the same if so requested by the Security Trustee or, unless the Security Trustee otherwise agrees, be entitled to receive the agenda or any minutes of the same; and

(ii) it shall not, unless the Security Trustee otherwise agrees, be entitled to receive any report or other document prepared at the behest of, or on the instructions of, the Security Trustee or one or more of the Creditors.

20.8 **Calculation of Senior Credit Participations**

For the purpose of ascertaining whether any relevant percentage of Senior Credit Participations has been obtained under this Agreement, the Security Trustee may notionally convert the Senior Credit Participations into their Dollar Currency Amounts.

20.9 **Junior administrative consents**

If the Senior Facility Agent or Majority Senior Lenders at any time in respect of the Finance Documents gives or give any Consent of a minor technical or administrative

nature which does not adversely affect the interests of the Junior Lenders or change the commercial terms contained in the Finance Documents then, if that action was permitted by the terms of this Agreement, the Junior Lenders will (or will be deemed to):

(a) give a corresponding Consent in equivalent terms in relation to each of the Finance Documents to which they are a party; and

(b) do anything (including executing any document) that the Senior Lenders may reasonably require to give effect to this Clause 20.9.

20.10 **No liability**

None of the Senior Lenders or the Senior Facility Agent will be liable to any other Creditor Agent or Obligor for any Consent given or deemed to be given under this Clause 20.

20.11 **Agreement to override**

Unless expressly stated otherwise in this Agreement, this Agreement overrides anything in the Finance Documents to the contrary.

21. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

22. **GOVERNING LAW**

This Agreement is governed by English law.

23. **ENFORCEMENT**

23.1 **Jurisdiction**

(a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or the consequences of its nullity) (**a "Dispute"**).

(b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

(c) This Clause 23.1 is for the benefit of the Secured Parties only. As a result, no Secured Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Secured Parties may take concurrent proceedings in any number of jurisdictions.

23.2 **Service of process**

(a) Without prejudice to any other mode of service allowed under any relevant law, each Obligor (unless incorporated in England and Wales):

(i) irrevocably appoints Trusec Limited of 2 Lambs Passage, London, EC1Y 8BB as its agent for service of process in relation to any proceedings before the English courts in connection with this Agreement; and

(ii) agrees that failure by a process agent to notify the relevant Obligor of the process will not invalidate the proceedings concerned;

(b) If any person appointed as an agent for service of process is unable for any reason to act as agent for service of process, the Borrower (in the case of an agent for service of process for an Obligor), must immediately (and in any event within 30 days of such event taking place) appoint another agent on terms acceptable to the Senior Facility Agent or, after the Senior Discharge Date, the Junior Facility Agent. Failing this, the Senior Facility Agent or the Junior Facility Agent (as the case may be) may appoint another agent for this purpose.

This Agreement has been entered into on the date stated at the beginning of this Agreement and executed as a deed by the Obligors and is intended to be and is delivered by them as a deed on the date specified above.

SCHEDULE I

FORM OF OBLIGOR ACCESSION DEED

THIS AGREEMENT is made on [●] and made between:

(1) *[Insert Full Name of New Obligor]* (registration number [●]) (the **"Acceding Obligor"**); and

(2) *[Insert Full Name of Current Security Trustee]* (the **"Security Trustee"**), for itself and each of the other parties to the Intercreditor Agreement referred to below.

This agreement is made on [date] by the Acceding Obligor in relation to an intercreditor agreement (the **"Intercreditor Agreement"**) dated [●] 2009 between, amongst others, [INSERT NAME OF SECURITY TRUSTEE] as Security Trustee, [INSERT NAME OF SENIOR AGENT] as Senior Facility Agent, [INSERT NAME OF JUNIOR AGENT] as Junior Facility Agent, the Creditors and the Obligors (each as defined in the Intercreditor Agreement).

The Acceding Obligor intends to [incur Liabilities under the following documents]/[give a guarantee, indemnity or other assurance against loss in respect of Liabilities under the following documents]:

[*Insert details (date, parties and description) of relevant documents*]

the **"Relevant Documents"**.

IT IS AGREED as follows:

1. Terms defined in the Intercreditor Agreement shall, unless otherwise defined in this Agreement, bear the same meaning when used in this Agreement.

2. The Acceding Obligor and the Security Trustee agree that the Security Trustee shall hold:

(a) [any Security in respect of Liabilities created or expressed to be created pursuant to the Relevant Documents;

(b) all proceeds of that Security; and]

(c) all obligations expressed to be undertaken by the Acceding Obligor to pay amounts in respect of the Liabilities to the Security Trustee as trustee for the Secured Parties (in the Relevant Documents or otherwise) and secured by the Transaction Security together with all representations and warranties expressed to be given by the Acceding Obligor (in the Relevant Documents or otherwise) in favour of the Security Trustee as trustee for the Secured Parties,

on trust for the Secured Parties on the terms and conditions contained in the Intercreditor Agreement.

3. The Acceding Obligor confirms that it intends to be party to the Intercreditor Agreement as an Obligor, undertakes to perform all the obligations expressed to be assumed by an Obligor under the Intercreditor Agreement and agrees that it shall be bound by all the

provisions of the Intercreditor Agreement as if it had been an original party to the Intercreditor Agreement.

4. This Agreement is governed by English law.

THIS AGREEMENT has been signed on behalf of the Security Trustee and executed as a deed by the Acceding Obligor and is delivered on the date stated above.

The Acceding Obligor

[EXECUTED AS A DEED)
By: [*Full Name of Acceding Obligor*])

_____ Director

_____ Director/Secretary

OR

[EXECUTED AS A DEED

By: [*Full name of Acceding Obligor*]

_____ Signature of Director

_____ Name of Director

in the presence of

_____ Signature of witness

_____ Name of witness

_____ Address of witness

_____

_____

_____

_____ Occupation of witness]

Address for notices:

Address:

Fax:

The Security Trustee

[*Full Name of Current Security Trustee*]

By:

Date:

SCHEDULE 2

FORM OF CREDITOR/AGENT ACCESSION UNDERTAKING

To: [*Insert full name of current Security Trustee*] for itself and each of the other parties to the Intercreditor Agreement referred to below.

[To: [*Insert full name of current Senior Facility Agent*] as Senior Facility Agent.]

From: [*Acceding Creditor/Agent*]

THIS UNDERTAKING is made on [date] by [*insert full name of new Senior Lender/Junior Lender/Hedging Counterparty/Senior Facility Agent/Junior Facility Agent/*[*Investor*]] (the **"Acceding [Senior Lender/Junior Lender/Hedging Counterparty/Senior Facility Agent/Junior Facility Agent"**) in relation to the intercreditor agreement (the **"Intercreditor Agreement"**) dated [●] 2009 between, among others, [INSERT NAME OF SECURITY TRUSTEE] as Security Trustee, [INSERT NAME OF SENIOR AGENT] as senior agent [INSERT NAME OF JUNIOR AGENT] as Junior Facility Agent, the Creditors and the Obligors (each as defined in the Intercreditor Agreement). Terms defined in the Intercreditor Agreement shall, unless otherwise defined in this Undertaking, bear the same meanings when used in this Undertaking.

In consideration of the Acceding [Senior Lender/Junior Lender/Hedging Counterparty/Agent being accepted as a [Senior Lender/Junior Lender/Hedging Counterparty/Senior Facility Agent/Junior Facility Agent] for the purposes of the Intercreditor Agreement, the Acceding [Senior Lender/Junior Lender/Hedging Counterparty/Senior Facility Agent/Junior Facility Agent] confirms that, as from [date], it intends to be party to the Intercreditor Agreement as a [Senior Lender/Junior Lender/Hedging Counterparty/Senior Facility Agent/Junior Facility Agent] and undertakes to perform all the obligations expressed in the Intercreditor Agreement to be assumed by a [Senior Lender/Junior Lender/Hedging Counterparty/Senior Facility Agent/Junior Facility Agent] and agrees that it shall be bound by all the provisions of the Intercreditor Agreement, as if it had been an original party to the Intercreditor Agreement.

[The Acceding Hedging Counterparty has become a provider of hedging arrangements to the [Borrower].

This Undertaking is governed by English law.

THIS UNDERTAKING has been entered into on the date stated above and is delivered on the date stated above].

Acceding [Creditor/Agent]

[EXECUTED as a **DEED]**
[*insert full name of Acceding Creditor/Agent*]

By:

Address:

Fax:

Accepted by the Security Trustee

for and on behalf of

[*Insert full name of current Security Trustee*]

Date:

[Accepted by the Senior Facility Agent]

for and on behalf of

[*Insert full name of Senior Facility Agent*]

Date:]

SIGNATURES

The Obligors

Borrower

Executed and Delivered as a Deed by)

KOSMOS ENERGY FINANCE)

in the presence of:)

) Per: W. Greg Dunlevy

) Title: Director

James Reeve Name: W. Greg Dunlevy

Witness's Signature

(Name) James Reeve

(Address) 2 Widehurst Cottages, Thorn Road, Marden, Kent TN1Z 9LL

(Occupation) Solicitor

(Note: The above details are to be completed in the witness's own handwriting.)

Address:	P.O. Box 32322 4th Floor Century Yard Cricket Square Elgin Avenue Georgetown Grand Cayman KY1 – 1209 Cayman Islands	Copy:	c/o Kosmos Energy LLC 8176 Park Lane Suite 500 Dallas Texas 75231 USA
Fax:	+1 345 946 4090	Fax:	+1 214 445 9705
Attention:	Andrew Johnson	Attention:	William S. Hayes

Kosmos

Executed and Delivered as a Deed by)

KOSMOS ENERGY GHANA HC)

in the presence of:)

) Per: W. Greg Dunlevy

) Title: Director

James Reeve Name: W. Greg Dunlevy

Witness's Signature

(Name) James Reeve

(Address) 2 Widehurst Cottages, Thorn Road, Marden, Kent TN1Z 9LL

(Occupation) Solicitor

(Note: The above details are to be completed in the witness's own handwriting.)

Address:	P.O. Box 32322 4th Floor Century Yard Cricket Square Elgin Avenue Georgetown Grand Cayman KY1 – 1209 Cayman Islands	Copy:	c/o Kosmos Energy LLC 8176 Park Lane Suite 500 Dallas Texas 75231 USA
Fax:	+1 345 946 4090	Fax:	+1 214 445 9705
Attention:	Andrew Johnson	Attention:	William S. Hayes

KED

Executed and Delivered as a Deed by)

KOSMOS ENERGY DEVELOPMENT)

in the presence of:)

) Per: W. Greg Dunlevy

) Title: Director

James Reeve Name: W. Greg Dunlevy

Witness's Signature

(Name) James Reeve

(Address) 2 Widehurst Cottages, Thorn Road, Marden, Kent TN1Z 9LL

(Occupation) Solicitor

(Note: The above details are to be completed in the witness's own handwriting.)

Address:	P.O. Box 32322 4th Floor Century Yard Cricket Square Elgin Avenue Georgetown Grand Cayman KY1 – 1209 Cayman Islands	Copy:	c/o Kosmos Energy LLC 8176 Park Lane Suite 500 Dallas Texas 75231 USA
Fax:	+1 345 946 4090	Fax:	+1 214 445 9705
Attention:	Andrew Johnson	Attention:	William S. Hayes

The Security Trustee

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

Address:

Fax:

Attention:

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

The Senior Facility Agent

STANDARD CHARTERED BANK

By: Olivier Mussat

Name: Olivier Mussat
Title: Director

The Senior Lenders

STANDARD CHARTERED BANK

By: Olivier Mussat

Name: Olivier Mussat
Title: Director

By: Ade Adeola

Name: Ade Adeola
Title: Managing Director Project and Export Finance

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

SOCIETE GENERALE

By: Kevin Price

Name: Kevin Price
Title: MD RBF

ABSA BANK LIMITED

By: JH De La Pasture

Name: JH De La Pasture
Title: Principal

By: N. Balgobind

Name: N. Balgobind
Title: Associate Principal

AFRICA FINANCE CORPORATION

By: Henry Morris

Name: Henry Morris
Title: Head, Project Finance

CORDIANT EMERGING LOAN FUND III, L.P.

By: Bertrand Millot

Name: Bertrand Millot
Title: VP Portfolio Management

By: Donald S. McKelvie

Name: Donald S. McKelvie
Title: Treasurer

CALYON

By: L. Renard

Name: L. Renard
Title: Associate Director

By: F. Pluta

Name: F. Pluta
Title: Head of RBL

INTERNATIONAL FINANCE CORPORATION

By: Delanson Crist

Name: Delanson Crist
Title: Senior Manager

The Senior Arrangers

STANDARD CHARTERED BANK

By: Olivier Mussat

Name: Olivier Mussat
Title: Director

By: Ade Adeola

Name: Ade Adeola
Title: Managing Director Project and Export Finance

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

SOCIETE GENERALE

By: Kevin Price

Name: Kevin Price
Title: MD RBF

ABSA BANK LIMITED

By: JH De La Pasture

Name: JH De La Pasture
Title: Principal

By: N. Balgobind

Name: N. Balgobind
Title: Associate Principal

AFRICA FINANCE CORPORATION

By: Henry Morris

Name: Henry Morris
Title: Head, Project Finance

INTERNATIONAL FINANCE CORPORATION

By: Delanson Crist

Name: Delanson Crist
Title: Senior Manager

CORDIANT EMERGING LOAN FUND III, L.P.

By: Bertrand Millot

Name: Bertrand Millot
Title: VP Portfolio Management

By: Donald S. McKelvie

Name: Donald S. McKelvie
Title: Treasurer

CALYON

By: L. Renard

Name: L. Renard
Title: Associate Director

By: F. Pluta

Name: F. Pluta
Title: Head of RBL

The Junior Lenders

STANDARD CHARTERED BANK

By: Olivier Mussat

Name: Olivier Mussat
Title: Director

By: Ade Adeola

Name: Ade Adeola
Title: Managing Director Project and Export Finance

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

AFRICA FINANCE CORPORATION

By: Henry Morris

Name: Henry Morris
Title: Head, Project Finance

INTERNATIONAL FINANCE CORPORATION

By: Delanson Crist

Name: Delanson Crist
Title: Senior Manager

The Junior Facility Agent

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

The Junior Arrangers

STANDARD CHARTERED BANK

By: Olivier Mussat

Name: Olivier Mussat
Title: Director

By: Ade Adeola

Name: Ade Adeola
Title: Managing Director Project and Export Finance

BNP PARIBAS SA

By: S. Cantoia

Name: S. Cantoia
Title: Attorney

By: Olivier Warnan

Name: Olivier Warnan
Title: Vice President

INTERNATIONAL FINANCE CORPORATION

By: Delanson Crist

Name: Delanson Crist
Title: Senior Manager

AFRICA FINANCE CORPORATION

By: Henry Morris

Name: Henry Morris
Title: Head, Project Finance

Exhibit 10.24

RETIREMENT AGREEMENT

This Retirement Agreement (this "Agreement") is entered into by and between Kosmos Energy, LLC, a Texas limited liability company (the "Company"), Kosmos Energy Holdings, a Cayman Islands Exempted Company limited by guarantee but not having a share capital (" Holdings"), and James C. Musselman ("Executive") as of December 17, 2010 (the "Effective Date"). Musselman-Kosmos, Ltd. a limited partnership with which Executive is affiliated (the "Executive Family Limited Partnership") also joins this Agreement as a party hereto, Warburg Pincus International Partners, L.P., Warburg Pincus Netherlands International Partners I, C.V., WP-WPIP Investors, L.P., Warburg Pincus Private Equity VIII, L.P., Warburg Pincus Netherlands Private Equity VIII I, C.V., WP-WP VIII Investors, L.P., Blackstone Capital Partners (Cayman) IV L.P., Blackstone Capital Partners (Cayman) 1V-A L.P., Blackstone Family Investment Partnership (Cayman) IV-A L.P., Blackstone Family Investment Partnership (Cayman) IV-A SMD L.P. and Blackstone Participation Partnership (Cayman) IV L.P. (collectively, such entities are referred to herein as the "Sponsors" and represent all members of the Blackstone Group and the Warburg Group, as defined in the Operating Agreement) join this Agreement solely for the purposes set forth in Section B.3, D.1, D.2, D.3, D.4 and D.5 and the other Sections of this Agreement necessary to interpret and implement them.

WHEREAS, Executive and the Company have entered into an Employment Agreement dated as of March 9, 2004 but effective as of January 1, 2004, as modified by a letter agreement dated June 3, 2009 (collectively, the "Employment Agreement"); and

WHEREAS, Executive and the Company have determined that Executive will retire from his employment with the Company effective as of December 31, 2010 (the "Separation Date"); and

WHEREAS, the Company wishes to provide Executive with certain severance payments and benefits to which he is not entitled but for his entry into this Agreement, and Executive wishes to receive such payments and benefits; and

WHEREAS, the Company and Executive wish to memorialize certain of their respective rights and obligations that they have agreed to and that shall apply after the Separation Date; and

WHEREAS, for the purposes of avoiding the uncertainty, expense, and burden associated with any dispute, the parties desire to settle any potential disputes, including those that may arise by virtue of either the employment relationship that existed between them or the termination of the employment relationship;

NOW, THEREFORE, in consideration of the promises, mutual releases and additional consideration herein, the sufficiency of which is hereby acknowledged by the parties, Executive the Executive Family Limited Partnership, Holdings and the Company agree as follows:

A. Retirement from Employment and Severance Benefits

1 Retirement from Employment; Resignations. Executive shall retire from his employment with the Company, and his employment relationship with the Company shall end, on the Separation Date. For purposes of clarity, Executive's employment is not being terminated

either for Cause or without Good Reason (as such terms are defined in the Employment Agreement, Contribution Agreement and Operating Agreement). Prior to the Separation Date, Executive agrees to comply with the applicable provisions of the Employment Agreement. Effective as of the Separation Date, Executive hereby resigns from all positions he may hold with the Company, Holdings and their respective subsidiaries and affiliates (each, a " Kosmos Entity," and collectively, the "Kosmos Entities"), including without limitation (i) any position as an officer or employee of any Kosmos Entity and (ii) as a manager or member of the board of directors (or similar governing body) of each Kosmos Entity, including as a manager of Holdings, and any corporation, limited liability entity or other entity in which any Kosmos Entity holds an equity interest and with respect to which board or similar governing body Executive serves as the Kosmos Entity's designee or other representative. Upon Executive's written request prior to the Separation Date, the Company shall issue a press release that is mutually acceptable to Executive and the Company that announces Executive's retirement from the Company. If the Executive does not so request a press release to be issued, the Company will not issue any press release regarding Executive's retirement from the Company.

2 Severance Benefits. In consideration of Executive's execution of this Agreement, and subject to Executive's execution and non-revocation of the Confirming Release (as defined below) for those payments and benefits payable or otherwise applicable on or after the Separation Date, Executive shall receive the following payments and benefits:

(a) Severance Payment. The Company will continue to pay Executive, following the Separation Date and as a severance benefit, an amount equivalent to his base salary at the annualized rate of $593,000 (less applicable taxes and withholdings) through December 31, 2011 (such payments collectively referred to as the "Severance Payments"); *provided, however,* that Executive's rights to future Severance Payments shall cease, and no further Severance Payments shall be provided from and after the occurrence of a Liquidity Event (as defined below) but in no event shall such rights cease earlier than March 31, 2011, it being understood that Executive shall be under no obligation to return any Severance Payments paid to him prior to the occurrence of a Liquidity Event. The Severance Payments shall he made on a monthly basis in arrears on the last business day of each calendar month; *provided, however,* that (i) no payments shall be made prior to January 31, 2011; and (ii) the first payment that shall be made on January 31, 2011 shall include all payments, if any, that would have otherwise been made between the Separation Date and January 31, 2011. As used herein, a "Liquidity Event" shall occur upon the earlier of (A) the consummation of a Qualified Public Offering (as defined in the Operating Agreement) if Executive or the Executive Family Limited Partnership sells, or is given the opportunity to sell, on terms consistent with, or more favorable than, those offered to other selling stockholders, securities in connection with such Qualified Public Offering for proceeds of at least $2 million (it being understood that Executive or the Executive Family Limited Partnership shall not be deemed to have been given the opportunity to sell if they elect to participate in a sale that is not consummated for reasons other than their revocation of such election) or if Executive and the Executive Family Limited Partnership does not sell and is not given the opportunity to sell such securities, then the expiration of the "lock-up" period following such Qualified Public Offering or (B) the consummation of a Qualified Private Placement (as defined below) and either (x) the consummation of a repurchase of Preferred Units (as

defined in the Operating Agreement) of Executive and the Executive Family Limited Partnership pursuant to Section A.2(f) hereof or (y) Executive or the Executive Family Limited Partnership failing to request the repurchase of any Preferred Units within the required time period specified in Section A.2(f) hereof. Each payment under this Section 2(a) will be treated as a separate payment for purposes of Section 409A of the Internal Revenue Code.

(b) Vesting of Management Units and Profits Units. As of the Separation Date, the Unvested Units (as defined in the Operating Agreement) of Executive and the Executive Family Limited Partnership listed on Exhibit B hereto shall become Vested Units (as defined in the Operating Agreement); *provided, however,* that if the Confirming Release Effective Date (as defined in Exhibit A) has not occurred on or before January 31, 2011, then Executive, the Executive Family Limited Partnership and Holdings agree that such Units (as defined in the Operating Agreement) shall be forfeited to Holdings as of January 31, 2011 notwithstanding such acceleration of vesting. Holdings agrees that none of the Awards (as defined in the Operating Agreement) of the Executive or the Executive Family Limited Partnership shall be amended pursuant to Section 10.7 of the Operating Agreement, without the written consent of Executive. Holdings further agrees that if, prior to a Qualified Public Offering, Holdings sells its equity securities (other than pursuant to the Contribution Agreement) and the Warburg Group (as defined in the Operating Agreement) and the Blackstone Group (as defined in the Operating Agreement) (including affiliates of either) collectively purchase more than 50% of such securities, then if Management Unitholders (as defined in the Operating Agreement) are issued additional equity securities in respect of their Units for no consideration which are not subject to forfeiture based on a future termination of employment based on a bona fide vesting schedule with the intent and effect of eliminating or mitigating the dilution resulting from such issuance (in contrast to the bona fide issuance of equity interests to incentivize then current employees of Holdings or its subsidiaries), then Executive and the Executive Family Limited Partnership shall be treated in the same manner as other Management Unitholders with respect to the issuance of such additional equity securities.

(c) Waiver of Repurchase Option. Holdings agrees not to exercise its right under Section 11.2 of the Fourth Amended and Restated Operating Agreement of Kosmos Energy Holdings dated as of October 9, 2009, as amended (the " Operating Agreement") to repurchase any Units (as defined in the Operating Agreement) of Executive or the Executive Family Limited Partnership, nor shall any Units of Executive or the Executive Family Limited Partnership be forfeited under such Section 11.2, but such Units shall remain subject to forfeiture pursuant to the proviso in the first sentence of Section 2(b), above. The Company also agrees it will not purchase any Units of Executive or the Executive Family Limited Partnership under Section 11.3 of the Operating Agreement or otherwise allow any such purchases under Section 11.3 of the Operating Agreement.

(d) Waiver of Mandatory Forfeiture of Founder Units. Holdings agrees not to exercise any right under Section 10.8 of the Operating Agreement that would result in the forfeiture of any of Units of Executive or the Executive Family Limited Partnership.

(e) Termination of Executive Commitment. Effective as of the Separation Date, neither Executive nor Executive Family Limited Partnership shall have any right or obligation to participate in future Capital Calls (as defined in the Contribution Agreement) or to purchase Units (as defined in the Operating Agreement) pursuant to the Kosmos Energy Holdings Second Amended and Restated Contribution Agreement dated as of October 9, 2009, as may be amended from time to time (the "Contribution Agreement") and shall have no other obligation to contribute capital to Holdings, provided that for purposes of clarity, Executive and the Executive Family Limited Partnership shall continue to have the ability to exercise any rights under, and in accordance with, Section 4.5 of the Operating Agreement. Accordingly, Holdings agrees that Section 7.1(b) of the Operating Agreement shall have no application to Executive or the Executive Family Limited Partnership in reducing amounts distributable to Executive or the Executive Family Limited Partnership. In furtherance of the foregoing, neither Executive nor the Executive Family Limited Partnership shall have any obligation to make contributions to, or to return any distributions from, the Company pursuant to the Operating Agreement or any other agreement except pursuant to the Company's Memorandum of Association or Articles of Association in an aggregate amount not to exceed $1.00.

(f) Option to Sell Preferred Units Upon Closing of Private Placement ; Release of Transfer Restrictions after a Qualified Public Offering. If Holdings completes a private placement of its equity securities prior to March 31, 2011 resulting in net cash proceeds to Holdings in excess of $250 million (a "Qualified Private Placement"), then Executive and the Executive Family Limited Partnership shall have the right to sell Preferred Units (as defined in the Operating Agreement) to Holdings at the price implied by such private placement (based on the net proceeds to Holdings and the "waterfall" liquidation distribution provisions in the Operating Agreement); *provided, however,* notwithstanding anything to the contrary herein Holdings shall not be required to effect any such repurchase during any period in which such repurchase would violate or breach any of Holdings' loan agreements. Executive and the Executive Family Limited Partnership will be limited to selling Preferred Units with an aggregate value equal to $2 million. Holdings agrees to notify Executive in writing within five days after the completion of a Qualified Private Placement and the imputed price of the Preferred Units of Executive and the Executive Family Limited Partnership. Executive and the Executive Family Limited Partnership must notify Holdings in writing within five days after their receipt of such notice if they elect to sell such Preferred Units and such notice must also indicate which Preferred Units they have elected to sell. If neither Executive nor the Executive Family Limited Partnership gives such notice on a timely basis, then no repurchase hereunder shall occur. If Executive or the Executive Family Limited Partnership does give timely notice, then such repurchase shall occur within 15 days after Holdings' receipt of such notice. The calculation of the imputed price applicable to Preferred Units of Executive and the Executive Family Limited Partnership shall be determined in good faith by the Board of Holdings. In calculating whether the net cash proceeds of a private placement exceed $250 million, the proceeds attributable to equity securities purchased by owners of Units as of the date hereof or their affiliates shall be disregarded. From and after the expiration of a "lock-up" period of not more than 180 days (which may be extended for 34 days pursuant to the terms of an underwriter "lock-

up" agreement) following a Qualified Public Offering (the "Lock-up Period"), neither Executive nor the Executive Family Limited Partnership shall be bound by any transfer or "lock-up" restrictions (including, without limitation, any rights of first refusal or co-sale) that otherwise exist in any agreement to which either is a party with Holdings, including without limitation the Operating Agreement or the Amended and Restated Registration Rights Agreement dated as of October 7, 2009 (the "Registration Rights Agreement") and Executive and Executive Family Limited Partnership agree that neither shall have any further rights under the Registration Rights Agreement after the expiration of the Lock-up Period, and hereby waive any such rights, that Executive or the Executive Family Limited Partnership would have pursuant to the Registration Rights Agreement (other than for rights under Section 9 of the Registration Rights Agreement), including without limitation any "piggyback" registration rights.

(g) Conversion of Units in an IPO; Lock-Up Agreement . Holdings agrees that if Holdings pursues a Qualified Public Offering and in connection therewith converts or exchanges Units into or for equity securities of an IPO Corporation (as defined in the Operating Agreement) (the "IPO Conversion"), then the Units owned by Executive and the Executive Family Limited Partnership will be converted or exchanged into the same class or series of equity securities (utilizing the same conversion or exchange ratio) as are the same Units (i.e. Units of the same series with the same issuance date in the case of Preferred Units and with the same Threshold Value (as defined in the Operating Agreement) in the case of Profits Units (as defined in the Operating Agreement) owned by other owners of such Units except that certain of such Units held by non-accredited investors (as such term is defined in Rule 501 promulgated under the Securities Act of 1933, as amended) may be exchanged for cash; provided, however, that Executive and the Executive Family Limited Partnership shall in no event be entitled for any more consideration in connection with such IPO Conversion than Executive or the Executive Family Limited Partnership would be entitled to under Section 5.9 of the Operating Agreement as amended as contemplated by this Agreement (but without regard to future amendments to the Operating Agreement that are adverse to Executive or the Executive Family Limited Partnership without the written consent of Executive and the Executive Family Limited Partnership). For the avoidance of doubt, Executive and Executive Family Limited Partnership agree that "out-of-the-money Profits Units" (as defined below) shall be cancelled for no consideration in connection with, or in anticipation of, an IPO Conversion, and Executive and the Executive Family Limited Partnership agree to execute such documents that Kosmos reasonably requests that are in accordance with this Section. "Out of the money Profits Units" shall mean Profits Units that would not, in connection with an IPO Conversion, be entitled to any shares of stock pursuant to Section 5.9 of the Operating Agreement (but without regard to future amendments to the Operating Agreement that are adverse to Executive or the Executive Family Limited Partnership without the written consent of Executive and the Executive Family Limited Partnership). Executive and the Executive Family Limited Partnership agree that, in connection with a Qualified Public Offering, they will each enter into a "lock-up" agreement, for a duration not to exceed the Lock-up Period, requested by the managing underwriter or underwriters as long as all other then-existing executive officers, directors and affiliates of Holdings agree to the same restrictions contained in such "lock-up" agreement.

(h) Legal Fee Reimbursement. The Company shall provide payment on behalf of Executive to Executive's legal counsel, Akin Gump Strauss Hauer & Feld LLP, for Executive's reasonable legal expenses incurred in negotiating, reviewing and drafting in an amount equal to $92,500, which such payment shall be provided by check on or before December 31, 2010.

(i) Non-Disparagement. Holdings shall refrain from publishing any oral or written statements about Executive that (i) are disparaging, slanderous, libelous or defamatory, (ii) disclose private or confidential information about Executive or any of his business affairs, (iii) constitute an intrusion into the seclusion or private life of Executive, (iv) give rise to unreasonable publicity about the private life of Executive, (v) place Executive in a false light before the public, or (vi) constitute a misappropriation of the name or likeness of Executive. In addition to all other rights afforded to Executive, a violation or threatened violation by the Company of its commitments set forth in this Section A.2(i) may be enjoined by the Courts and shall relieve Executive from his obligations toward the Released Parties under Section B.3(a) hereof. Notwithstanding the restrictions set forth in this Section A.2(i), Holdings may make any communication required by law or in response to any request by any governmental authority; *provided, however,* that any such communication shall only be permitted to the minimum extent necessary to satisfy any legal obligation and, prior to any such communication, Holdings shall provide Executive as much advance notice (except where such notice is prohibited by law) of any such communication as is practicable so that Executive may seek an appropriate protective order or other form of relief.

(j) Waiver of Right of First Refusal on Business Opportunities; No Non-Compete or Non-Solicit . The Company agrees that effective as of the Separation Date, the Company waives its right of first refusal under Section 15(b) of the Employment Agreement with respect to business opportunities referenced therein and the Company agrees that the non-competition obligations and non-solicitation obligations referred to in Section 15(a) of the Employment Agreement shall not be applicable to Executive after the Separation Date. Holdings further agrees that no Units held by Executive or the Executive Family Limited Partnership shall be forfeited pursuant to Section 10.6(d) of the Operating Agreement.

(k) Authority; Enforceability. The Company and Holdings each represent that they have all requisite power and authority to execute and deliver this Agreement, to perform their respective obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery by the Company and Holdings of this Agreement, and the performance by the Company and Holdings of their obligations hereunder, have been duly and validly authorized by all necessary Company and Holdings action. This Agreement has been duly and validly executed and delivered by the Company and Holdings and constitutes the legal, valid and binding obligation of the Company and Holdings, as applicable.

(l) No Conflicts; Consents and Approvals. The execution and delivery by the Company and Holdings of this Agreement does not, and the performance by the Company and Holdings of their obligations under this Agreement will not: (1) conflict

with or result in a violation or breach of any of the terms, conditions or provisions of any of their organizational documents or any other agreement to which they are a party; or (2) require any consent or approval of any governmental authority.

3 Other Employee Benefits. Executive expressly acknowledges and agrees that his employment will end as of the Separation Date and, accordingly, he shall not be eligible to participate in any Company-sponsored employee benefit plan after the Separation Date other than as expressly provided for in any such applicable plan or a required by law (including under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA")) or both.

B. Covenants of Executive

1 General Release As part of the consideration of the Company's and Holdings' provision of the payments and benefits to Executive and the Executive Family Limited Partnership in accordance with Section A.2 hereof, which such payments and benefits Executive and the Executive Family Limited Partnership were not entitled to but for their entry into this Agreement, Executive and the Executive Family Limited Partnership hereby release, discharge and forever acquits each of the Kosmos Entities, each Sponsor and their respective past, present and future equity holders, stockholders, members, partners, directors, managers, employees, agents, attorneys, heirs, legal representatives, successors and assigns (collectively, the " Released Parties"), from liability for, and hereby waive, any and all claims, rights, damages, or causes of action of any kind or nature whatsoever, including but not limited to those related to Executive's employment or other relationship with any Released Party, the termination of such employment or other relationship, and any other acts or omissions related to any matter on or prior to the time Executive signs this Agreement (collectively, the " Released Claims"). This Agreement is not intended to indicate that any such claims exist or that, if they do exist, they are meritorious. Rather, Executive and the Executive Family Limited Partnership are simply agreeing that, in exchange for the consideration recited in Section A.2 hereof, any and all potential claims of any nature that Executive and the Executive Family Limited Partnership may have against the Released Parties, regardless of whether they actually exist, are expressly settled, compromised and waived.

The Released Claims include without limitation those arising under or related to the following, to the extent that such released claims accrued prior to the time that Executive and the Executive Family Limited Partnership execute this Agreement: (a) Title VII of the Civil Rights Act of 1964, as amended; (b) the Civil Rights Act of 1991; (c) sections 1981 through 1988 of Title 42 of the United States Code, as amended; (d) the Employee Retirement Income Security Act of 1974 ("ERISA") as amended, including, but not limited to, sections 502(a)(1)(A), 502(a)(1)(B), 502(a)(2), and 502(a)(3) of ERISA to the extent the release of such claims is not prohibited by applicable law; (e) the Immigration Reform Control Act; (f) the Americans with Disabilities Act of 1990, as amended; (g) the National Labor Relations Act, as amended; (h) the Occupational Safety and Health Act, as amended; (i) the Family and Medical Leave Act of 1993, as amended; (j) any federal, state, local or foreign anti-discrimination law; (k) any federal, state, local or foreign wage and hour law; (l) any other federal, state, local or foreign law, regulation or ordinance; (m) any public policy, contract, tort, or common law; (n) costs, fees, or other expenses including attorneys' fees incurred in these matters; (o) the Employment Agreement or

any other employment contract, incentive compensation plan or (subject to the next succeeding paragraph) equity ownership plan with any Released Party or any ownership interest in any Released Party; (p) claims or causes of action under or related to the Operating Agreement, the Contribution Agreement, the Registration Rights Agreement and any other contract between Executive and/or the Executive Family Limited Partnership and a Released Party; and (q) compensation or benefits of any kind from any Released Party other than benefits vested as of the Separation Date.

Notwithstanding the foregoing, in no event shall the Released Claims include (a) any claim which arises after the time Executive and the Executive Family Limited Partnership sign this Agreement, (b) any rights to the equity interests (or the equity interests) in Holdings described on Exhibit B hereto which remain subject to the terms and conditions, as applicable, of the Operating Agreement (except to the extent otherwise provided herein), (c) any claims for the payments and benefits payable to Executive or the Executive Family Limited Partnership under this Agreement, including without limitation those payments and benefits set forth under Section A.2 hereof, (d) any rights to indemnification and insurance that Executive or the Executive Family Limited Partnership may have under Article 9 of the Operating Agreement, to the extent applicable, which such rights shall be governed by the terms of the Operating Agreement, or (e) any other rights that Executive or the Executive Family Limited Partnership has under the Operating Agreement, this Agreement, the Contribution Agreement, the Registration Rights Agreement and any specific equity award agreement between the Company or Holdings and Executive and/or the Executive Family Limited Partnership except to the extent otherwise provided herein. For the avoidance of doubt, the Released Claims shall include any claim or cause of action which accrued prior to the time that Executive and the Executive Family Limited Partnership execute this Agreement.

Nothing in this Agreement prevents Executive from filing any non-legally waivable claim (including a challenge to the validity of this Agreement) with the Equal Employment Opportunity Commission (the "EEOC") or comparable state or local agency or participating in any investigation or proceeding conducted by the EEOC or comparable state or local agency; *provided, however,* Executive understands and agrees that Executive is waiving any and all rights to recover any monetary or personal relief or recovery as a result of such EEOC or comparable state or local agency proceeding or subsequent legal actions.

By signing this Agreement, Executive and the Executive Family Limited Partnership are bound by it. Anyone who succeeds to Executive's or the Executive Family Limited Partnership's rights and responsibilities, such as heirs or the executor of Executive's estate, is also bound by this Agreement. This release also applies to any claims brought by any person or agency on behalf of any class with respect to which Executive or the Executive Family Limited Partnership may have a right or benefit. THIS RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE RELEASED PARTIES.

2 Covenant Not to Sue. Executive and the Executive Family Limited Partnership agree not to bring or join any lawsuit or arbitration against any of the Released Parties in any court or other forum relating to any of the Released Claims. Executive and the Executive Family Limited Partnership represent that they have not brought or joined any lawsuit or arbitration

against any of the Released Parties in any court or before any arbitral authority and has made no assignment of any rights Executive or the Executive Family Limited Partnership have asserted or may have against any of the Released Parties to any person or entity, in each case, with respect to any Released Claim.

3 Certain Continuing Obligations of Executive .

(a) Non-Disparagement. Executive's obligations under Section 13 of the Employment Agreement relating to " Statements Concerning the Related Parties" (the "Section 13 Obligations") shall remain in full force and effect and, in entering this Agreement, Executive expressly acknowledges the enforceability and continued effect of the Section 13 Obligations. Executive further agrees to expand the scope of individuals and entities to whom the Section 13 Obligations apply and Executive expressly covenants that he shall refrain from publishing certain oral or written statements (as described in the next sentence) about any Kosmos Entity, any known current or former officer, director, manager, shareholder or other known equity owner, employee, consultant, advisor, agent or representative of any Kosmos Entity, any known current or former participant in projects with or involving the Kosmos Entities including without limitation Anadarko Petroleum Corporation, Tullow Oil plc, Sabre Oil and Gas Limited, EO Group Limited and their respective known affiliates, any known current or former vendor to any Kosmos Entity and any federal, national, regional, state or local government located in Benin, Ghana, Nigeria, Cameroon and Morocco, those governments' subdivisions and controlled entities including their state-controlled oil companies and their respective known agents, civil servants, advisors, employees and other representatives, whether elected or not (collectively, the "Non-Disparagement Parties"). Specifically, Executive covenants that he shall refrain from publishing any oral or written statements about the Non- Disparagement Parties that (i) are disparaging, slanderous, libelous or defamatory, (ii) disclose private information about or confidential information about the Non- Disparagement Parties or any of their business affairs, (iii) constitute an intrusion into the seclusion or private lives of any current or former known officers, employees, consultants, agents or representatives of the Non-Disparagement Parties, (iv) give rise to unreasonable publicity about the private lives of any current or former known officers, employees, consultants, agents or representatives of the Non-Disparagement Parties, (v) place the Non-Disparagement Parties or any of their current or former known officers, employees, consultants, agents or representatives in a false light before the public, or (vi) constitute a misappropriation of the name or likeness of the Non-Disparagement Parties or any of their current or former known officers, employees, consultants, agents or representatives. In addition to all other rights afforded to Holdings and the Company hereunder, a violation or threatened violation by Executive of his commitments set forth in this Section B.3(a) may be enjoined by the Courts and shall relieve Holdings from its obligations under Section A.2(i) hereof. Notwithstanding the restrictions set forth in this Section B.3(a), Executive may make any communication required by law; *provided, however,* that any such communication shall only be permitted to the minimum extent necessary to satisfy any legal obligation and, prior to any such communication, Executive shall provide Holdings as much advance notice (except where such notice is prohibited by law) of any such communication as is practicable so that Holdings may seek an appropriate protective order or other form of relief. Further notwithstanding the

provisions set forth in this Section B.3(a), Executive may publish his personal opinion of a Non-Disparagement Party if: A) that Non-Disparagement Party first publishes a statement about Executive that Executive reasonably believes is disparaging, defamatory or places Executive in a false light; B) Executive provides Holdings with reasonable advance notice prior to publishing his personal opinion; C) Executive publishes his opinion only to the extent reasonably necessary to rebut the statement(s) published about him; and D) Executive's statement does not disclose, and is not based upon, any information obtained by him during the time that he was employed by any of the Kosmos Entities that is confidential as set forth in Section 14(d) of the Employment Agreement. Executive's obligations under this Section B.3(a) shall terminate and no longer be in effect as of the time that no Sponsor has a direct or indirect equity interest in Holdings and Executive's obligations with respect to a particular Non-Disparagement Party shall cease as of the time that a Kosmos Entity no longer has a business relationship or partnership with such Non-Disparagement Party; *provided, however* that Executive's obligations set forth in Section 13 of the Employment Agreement shall remain in full force and effect following the termination of his obligations under Section B.3(a) of this Agreement.

(b) Confidentiality; Intellectual Property. Executive's obligations under Section 14 of the Employment Agreement relating to "Ownership and Protection of Information; Intellectual Property" shall remain in full force and effect and unaffected by this Agreement and, in entering this Agreement, Executive expressly acknowledges the enforceability and continued effect of Section 14 of the Employment Agreement. The parties expressly acknowledge their understanding that the continuing effect of Section 14 of the Employment Agreement shall not prevent Executive from using his general experience or industry knowledge in the pursuit of employment or business opportunities after the Effective Date so long as Executive does not use or disclose the Company's trade secrets or confidential or proprietary information of the Kosmos Entities in doing so.

4 Cooperation. For a period of two (2) years after the Separation Date, Executive will, at a Kosmos Entity's reasonable request, reasonably cooperate with, and assist, the Kosmos Entities and in connection with any investigation and in defense of any actual or threatened claim, litigation or administrative proceeding brought against any Released Party, as reasonably requested by a Kosmos Entity, *provided* that the applicable Kosmos Entity shall reimburse Executive for the reasonable expenses he incurs in connection with such cooperation and assistance. Such cooperation and assistance may include, without limitation, participation in business meetings; communicating with government officials and meeting with the Company's legal advisors; *provided, however,* that nothing in this Section B.4 shall require Executive to take any action that, upon advice of Executive's legal counsel, is adverse to his personal legal interests or would violate any of Executive's legal obligations. For the avoidance of doubt, nothing in this Section B.4 is intended to cause Executive to testify other than truthfully in any proceeding or affidavit. Executive expressly acknowledges and agrees that his commitments pursuant to this Section B.4 may require him to travel to, and assist the Kosmos Entities in, West Africa at times that do not unreasonably interfere with Executive's business or personal interests. Executive shall not be deemed to be in violation of any provisions of any agreement with the Company for taking the actions contemplated by this Section B.4. Should Executive be required

to provide services under this Section B.4, the applicable Kosmos Entity shall as a condition precedent provide a level of indemnification, insurance and security arrangements such that Executive receives a level of indemnification, insurance and security protection attendant to his provision of such services that is substantially similar to the level of such protection provided to officers of the applicable Kosmos Entity. HOLDINGS AND THE COMPANY AGREE THAT EXECUTIVE SHALL HAVE NO LIABILITY FOR, AND HOLDINGS AND THE COMPANY SHALL INDEMNIFY (INCLUDING, WITHOUT LIMITATION, COSTS OF REASONABLE ATTORNEYS FEES, EXPENSES, JUDGMENTS AND APPROVED SETTLEMENT COSTS (WHICH SUCH APPROVAL WILL NOT BE UNREASONABLY WITHHELD)) AND HOLD EXECUTIVE HARMLESS FOR, HIS ACTIONS TAKEN OR OMISSIONS IN PROVIDING THE SERVICES SPECIFIED IN THIS SECTION B.4 SO LONG AS EXECUTIVE HAS ACTED IN GOOD FAITH AND NOT KNOWINGLY VIOLATED ANY LAW. IN FURTHERANCE OF, AND NOT IN LIMITATION OF THE FOREGOING, AND NOTWITHSTANDING ANYTHING 1N THIS AGREEMENT TO THE CONTRARY, IN NO EVENT SHALL EXECUTIVE BE LIABLE TO HOLDINGS, THE COMPANY OR ANY OTHER PARTY FOR DAMAGES, WITH RESPECT TO SERVICES OF EXECUTIVE PERFORMED OR EXECUTIVE'S OBLIGATIONS UNDER SECTION B.4 OR OTHERWISE RELATED TO SECTION B.4, REGARDLESS OF WHETHER THE CAUSE OF ACTION IS BASED ON CONTRACT, TORT, STRICT LIABILITY OR ANY OTHER LEGAL THEORY, SO LONG AS EXECUTIVE'S ACTIONS OR OMISSIONS WITH RESPECT TO THE SERVICES WERE PERFORMED IN GOOD FAITH AND EXECUTIVE DID NOT KNOWINGLY VIOLATE ANY LAW. Should Executive be required to provide services under this Section B.4, then the Company shall compensate Executive at a rate of $2,000 per day for each day that Executive provides services under this Section B.4. Such compensation shall be paid in arrears within thirty (30) days after Executive provides the Company with an invoice for such services; *provided that* Executive shall provide the Company with such invoice within fifteen (15) days after the applicable services have been performed.

5 Enforcement and Remedies. Executive expressly acknowledges and agrees that his covenants in Section B.3, Section B.4 and Section B.7 hereof are material inducements for the Company to enter this Agreement; that any breach of his obligations under Section B.3, Section B.4 or Section B.7 hereof shall constitute a material breach of his obligations hereunder. Executive further acknowledges that money damages would not be sufficient remedy for any breach of Section B.3, Section B.4 or Section B.7 hereof by Executive, and the Released Parties shall be entitled to enforce the provisions of such Sections by specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of Section B.3, Section B.4 or Section B.7 hereof, but, subject to the provisions of Section B.4, shall be in addition to all remedies available at law and equity to the Released Parties, including the recovery of damages from Executive and Executive's agents involved in such breach and remedies available to the Released Parties pursuant to other agreements with Executive.

6 Reaffirmation of the Release. On the Separation Date or within twenty-one (21) days thereafter, Executive shall execute the Release Agreement that is attached hereto as Exhibit A (the "Confirming Release"). Provided that Executive executes the Confirming Release in a timely fashion and does not revoke his acceptance of that Confirming Release in the time

provided to do so, Executive shall continue to receive the Severance Payments and other benefits owed to him pursuant to Section A.2 hereof on or after the Separation Date.

7 Covenant to Provide Consents. Executive and the Executive Family Limited Partnership covenant that, with respect to all of their Units (as defined in the Operating Agreement), they shall approve, consent to, and vote in favor of, any or all of the amendments in substantially the form attached at Exhibit C and Executive and the Executive Family Limited Partnership hereby grant an irrevocable proxy that provides such approval and consent, which such proxy is attached at Exhibit D.

C. Acknowledgements

In connection with the execution of this Agreement, Executive makes the following representations, acknowledgements and explicit statements of agreement:

1 Executive represents that Executive has the capacity to read this Agreement, understand its language, meaning and effect, and consents to the execution of this Agreement. Executive further represents that he has carefully read this Agreement.

2 Executive acknowledges that Executive would not otherwise have been entitled to the consideration described in Section A.2 hereof and that the Company and Holdings have agreed to provide such consideration in return for Executive's agreement to be bound by the terms of this Agreement.

3 Executive acknowledges and represents that the Company and Holdings have advised and hereby advise Executive in writing to discuss both the form and content of this Agreement with an attorney before Executive signs this Agreement, and that Executive has had adequate opportunity to do so and has done so.

4 Executive fully understands the final and binding effect of this Agreement; the only promises made to Executive to sign this Agreement are those stated herein; and Executive is signing this Agreement voluntarily and of Executive's own free will, and that Executive understands and agrees to each of the terms of this Agreement.

D. Covenants of the Company, Holdings, the Sponsors and the Executive Family Limited Partnership; Other Matters

1 General Release. In consideration of the commitments of Executive and the Executive Family Limited Partnership hereunder, effective as of the Confirming Release Effective Date, the Company, Holdings and Sponsors hereby release, discharge and forever acquit the Executive and the Executive Family Limited Partnership from liability for, and hereby waive, any and all claims, rights, damages, or causes of action of any kind or nature whatsoever, including but not limited to those related to Executive's employment or other relationship of Executive or the Executive Family Limited Partnership with the Company, Holdings and Sponsors, the termination of such employment or other relationship, and any other acts or omissions related to any matter on or prior to the time the Company, Holdings and Sponsors execute this Agreement (collectively, the "Company Released Claims"). This Agreement is not intended to indicate that any such claims exist or that, if they do exist, they are meritorious.

Rather, the Company, Holdings and Sponsors are simply agreeing that, in exchange for the consideration received hereunder, any and all potential claims of any nature that they may have against Executive and the Executive Family Limited Partnership, regardless of whether they actually exist, are expressly settled, compromised and waived.

The Company Released Claims include without limitation those arising under or related to the following, to the extent accrued prior to the time that the Company, Holdings and Sponsors execute this Agreement: (a) any federal, state, local or foreign law, regulation or ordinance; (b) any public policy, contract, tort, or common law; (c) costs, fees, or other expenses including attorneys' fees incurred in these matters; (d) the Employment Agreement or any other employment contract, incentive compensation plan or (subject to the next succeeding paragraph) equity ownership plan with Executive or the Executive Family Limited Partnership; and (e) claims or causes of action under or related to the Operating Agreement, the Contribution Agreement, the Registration Rights Agreement and any other contract between Executive and/or the Executive Family Limited Partnership and a Released Party.

Notwithstanding the foregoing, in no event shall the Company Released Claims include (a) any claim which arises after the time the Company, Holdings and Sponsors sign this Agreement, (b) any obligations of Executive or the Executive Family Limited Partnership arising or otherwise applicable after the time the Company, Holdings and Sponsors sign this Agreement under the Operating Agreement, the Contribution Agreement, the Employment Agreement, the Registration Rights Agreement and any specific equity award agreement between the Company or Holdings or Sponsors and Executive or the Executive Family Limited Partnership (except in each case to the extent otherwise provided herein), or (e) any claims relating to the obligations of Executive or the Executive Family Limited Partnership under this Agreement.

2 Covenant Not to Sue. The Company, Holdings and Sponsors agree not to bring or join any lawsuit or arbitration against Executive or the Executive or the Executive Family Limited Partnership in any court or other forum relating to any of the Company Released Claims. The Company, Holdings and Sponsors represent that neither of them has brought or joined any lawsuit or arbitration against Executive or the Executive Family Limited Partnership in any court or before any arbitral authority and has made no assignment of any rights they have asserted or may have against Executive or the Executive Family Limited Partnership to any person or entity, in each case, with respect to any Company Released Claim.

3 Arbitration. Except as otherwise provided in this Section D.3, any and all claims or disputes between Executive or the Executive Family Limited Partnership and a Released Party (including, without limitation, claims or disputes regarding the validity, scope, and enforceability of this Section D.3 and claims arising under any federal, state, local or foreign law) shall be submitted for final and binding arbitration before a single arbitrator in Dallas, Texas in accordance with the then-applicable rules for the resolution of employment disputes, including with respect to the selection of the arbitrator, of the American Arbitration Association. The arbitrator shall issue a reasoned decision and apply the substantive law of the State of Texas (excluding Texas choice-of-law principles that might call for the application of some other state's law), or federal law, or both as applicable to the claims asserted. The results of the arbitration and the decision of the arbitrator will be final and binding on the parties and each party agrees and acknowledges that these results shall be enforceable in a court of law. No

demand for arbitration may be made after the date when the institution of legal or equitable proceedings based on such claim or dispute would be barred by the applicable statute of limitations. In the event either party must resort to the judicial process to enforce the provisions of this Agreement, the award of an arbitrator or equitable relief granted by an arbitrator, the party seeking enforcement shall be entitled to recover from the other party all costs of litigation including, but not limited to, reasonable attorney's fees and court costs. All proceedings conducted pursuant to this agreement to arbitrate, including any order, decision or award of the arbitrator, shall be kept confidential by all parties. Executive, the Executive Family Limited Partnership Holdings, the Company, Holdings and Sponsors acknowledge and agree that this Section D.3 shall not require the arbitration of an application for emergency or temporary injunctive relief by either party pending arbitration; *provided, however,* that the remainder of any such dispute beyond the application for emergency or temporary injunctive relief shall be subject to arbitration under this Section D.3 except as otherwise provided in this Section D.3. **THE PARTIES ACKNOWLEDGE THAT, BY SIGNING THIS AGREEMENT, THEY ARE WAIVING ANY RIGHT THAT THEY MAY HAVE TO A JURY TRIAL OR, EXCEP AS EXPRESSLY PROVIDED HEREIN, A COURT TRIAL OF ANY CLAIM.**

4 Complete Agreement. This Agreement amends, modifies and supplements provisions of the Operating Agreement as applied to Executive and Executive Family Limited Partnership, as set forth herein. This Agreement represents the complete agreement between the parties regarding the subject matter hereof except as otherwise provided for herein, and may be modified only by a writing signed by Executive and an authorized officer of the Company and of Holdings and each Sponsor and an authorized representative of the Executive Family Limited Partnership. This Agreement supersedes all other prior agreements, written or oral, between the parties relating to the subject matter hereof. In the event of a conflict between this Agreement and any other agreement, including without limitation, the Operating Agreement and Contribution Agreement, the terms of this Agreement shall prevail.

5 Non-Admission. The Company, Holdings and Sponsors agree that this Agreement is not, and shall not be considered as, an admission of any wrongdoing on the part of Executive or the Executive Family Limited Partnership. Executive and the Executive Family Limited Partnership agree that this Agreement is not, and shall not be considered as, an admission of any wrongdoing on the part of any Released Party.

6 Governing Law; Venue and Jurisdiction. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Texas. Venue and jurisdiction of any act relating to this Agreement shall lie exclusively in Dallas County, Texas.

7 Successor and Assigns; Third-Party Beneficiaries. This Agreement is binding on and inures to the benefit of Executive and the Executive Family Limited Partnership and their respective heirs, executors, trustees, representatives and administrators, and the Company and Holdings and their respective successors and assigns. The Released Parties who are not parties to this Agreement are third-party beneficiaries of this Agreement and shall be entitled to enforce the terms and provisions of this Agreement.

8 Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which shall he an original Agreement and all of which together shall

constitute one and the same Agreement; *provided, however*, that the parties shall not be required to execute the same counterpart.

9 Genders and Numbers. Where permitted by the context, each pronoun used in this Agreement includes the same pronoun in other genders and numbers, and each noun used in this Agreement includes the same noun in other numbers.

[Signatures begin on the following page.]

EACH PARTY HAS CAREFULLY READ THIS AGREEMENT, FULLY UNDERSTANDS THEIR AGREEMENT, AND SIGNS IT AS THE PARTY'S OWN FREE ACT.

EXECUTIVE

/s/ James C. Musselman

MUSSELMAN – KOSMOS LTD.

By: Musselman – Kosmos Management, LLC,
General Partner

By: /s/ James C. Musselman
James C. Musselman, Manager

KOSMOS ENERGY HOLDINGS

By: _____
Name: _____
Title: _____

KOSMOS ENERGY, LLC

By: _____
Name: _____
Title: _____

WARBURG PINCUS INTERNATIONAL PARTNERS, L.P.

By: Warburg Pincus Partners LLC, its General Partner
By: Warburg Pincus & Co., its managing member

By: /s/ Jeffrey A. Harris
Name: Jeffrey A. Harris
Title: Partner

WARBURG PINCUS NETHERLANDS INTERNATIONAL PARTNERS I, C.V.

By: Warburg Pincus Partners LLC, its General Partner
By: Warburg Pincus & Co., its managing member

By: /s/ Jeffrey A. Harris
Name: Jeffrey A. Harris
Title: Partner

WP-WPIP INVESTORS, L.P.

By: Walburg Pincus Partners LLC, its General Partner
By: Warburg Pincus & Co., its managing member

By: /s/ Jeffrey A. Harris
Name: Jeffrey A. Harris
Title: Partner

WARBURG PINCUS PRIVATE EQUITY VIII, L.P.

By: Warburg Pincus Partners LLC, its General Partner
By: Warburg Pincus & Co., its managing member

By: /s/ Jeffrey A. Harris
Name: Jeffrey A. Harris
Title: Partner

WARBURG PINCUS NETHERLANDS PRIVATE EQUITY VIII I, C.V.

By: Warburg Pincus Partners LLC, its General Partner
By: Warburg Pincus & Co., its managing member

By: /s/ Jeffrey A. Harris
Name: Jeffrey A. Harris
Title: Partner

WP-WP VIII INVESTORS, L.P.

By: Warburg Pincus Partners LLC, its General Partner
By: Warburg Pincus & Co., its managing member

By: /s/ Jeffrey A. Harris
Name: Jeffrey A. Harris
Title: Partner

BLACKSTONE CAPITAL PARTNERS (CAYMAN) IV L.P.

By: Blackstone Management Associates (Cayman) IV L.P.
By: Blackstone LR Associates (Cayman) IV Ltd.

By: /s/ Prakash Melwani
Name: Prakash Melwani
Title: Member

BLACKSTONE CAPITAL PARTNERS (CAYMAN) IV-A L.P.

By: Blackstone Management Associates (Cayman) IV L.P.
By: Blackstone LR Associates (Cayman) IV Ltd.

By: /s/ Prakash Melwani
Name: Prakash Melwani

Title: Member

BLACKSTONE FAMILY INVESTMENT PARTNERSHIP (CAYMAN) IV-A L.P.

By: Blackstone Management Associates (Cayman) IV L.P.
By: Blackstone LR Associates (Cayman) IV Ltd.

By: /s/ Prakash Melwani
Name: Prakash Melwani
Title: Member

BLACKSTONE FAMILY INVESTMENT PARTNERSHIP (CAYMAN) IV-A SMD L.P.

By: Blackstone Management Associates (Cayman) IV L.P.
By: Blackstone LR Associates (Cayman) IV Ltd.

By: /s/ Prakash Melwani
Name: Prakash Melwani
Title: Member

BLACKSTONE PARTICIPATION PARTNERSHIP (CAYMAN) IV L.P.

By: Blackstone Management Associates (Cayman) IV L.P.
By: Blackstone LR Associates (Cayman) IV Ltd.

By: /s/ Prakash Melwani
Name: Prakash Melwani
Title: Member

EACH PARTY HAS CAREFULLY READ THIS AGREEMENT, FULLY UNDERSTANDS THEIR AGREEMENT, AND SIGNS IT AS THE PARTY'S OWN FREE ACT.

EXECUTIVE

_____

MUSSELMAN – KOSMOS LTD.

By: Musselman – Kosmos Management, LLC,
General Partner

By: /s/ James C. Musselman
James C. Musselman, Manager

KOSMOS ENERGY HOLDINGS

By: /s/ **KOSMOS ENERGY HOLDINGS**
Name: _____
Title: _____

KOSMOS ENERGY, LLC

By: /s/ **KOSMOS ENERGY, LLC**
Name: _____
Title: _____

WARBURG PINCUS INTERNATIONAL PARTNERS, L.P.

By: Warburg Pincus Partners LLC, its General Partner
By: Warburg Pincus & Co., its managing member

By: /s/ Jeffrey A. Harris
Name: Jeffrey A. Harris
Title: Partner

WARBURG PINCUS NETHERLANDS INTERNATIONAL PARTNERS I, C.V.

By: Warburg Pincus Partners LLC, its General Partner
By: Warburg Pincus & Co., its managing member

By: _____
Name: Jeffrey A. Harris
Title: Partner

RELEASE AGREEMENT

This Release Agreement (the "Confirming Release") is that certain Confirming Release referenced in Section B.6 of the Retirement Agreement (the "Retirement Agreement"), entered into by and between Kosmos Energy, LLC, a Texas limited liability company (the "Company"), Kosmos Energy Holdings, a Cayman Islands Exempted Company limited by guarantee but not having a share capital (" Holdings") and James C. Musselman ("Executive"). Unless sooner revoked by Executive pursuant to the terms of Section 4 below, Executive's acceptance becomes irrevocable and this Confirming Release becomes effective on the eighth (8th) day after Executive signs it (the "Confirming Release Effective Date"). Capitalized terms used herein that are not otherwise defined have the meanings assigned to them in the Retirement Agreement. In consideration of the promises, mutual releases and additional consideration herein, the sufficiency of which is hereby acknowledged, Executive agrees as follows:

1. General Release. As part of the consideration of the Company's provision of payments and benefits to Executive on or after the Separation Date in accordance with Section A.2 of the Retirement Agreement, which such payments and benefits Executive was not entitled to but for his entry into this Confirming Release, Executive hereby releases, discharges and forever acquits the Released Parties from liability for, and hereby waives, any and all claims, rights, damages, or causes of action of any kind or nature whatsoever, including but not limited to those related to Executive's employment or other relationship with any Released Party, the termination of such employment or other relationship, and any other acts or omissions related to any matter on or prior to the time Executive signs this Confirming Release (collectively, the "Released Claims"). This Confirming Release is not intended to indicate that any such claims exist or that, if they do exist, they are meritorious. Rather, Executive is simply agreeing that, in exchange for the consideration recited above, any and all potential claims of any nature that Executive may have against the Released Parties, regardless of whether they actually exist, arc expressly settled, compromised and waived.

The Released Claims include without limitation those arising under or related to the following, to the extent that such released claims accrued prior to the time that Executive executes this Confirming Release: (a) the Age Discrimination in Employment Act of 1967, as amended; (b) Title VII of the Civil Rights Act of 1964, as amended; (c) the Civil Rights Act of 1991; (d) sections 1981 through 1988 of Title 42 of the United States Code, as amended; (e) the Employee

Retirement Income Security Act of 1974 ("ERISA") as amended, including, but not limited to, sections 502(a)(l)(A), 502(a)(l)(B), 502(a)(2), and 502(a)(3) of ERISA to the extent the release of such claims is not prohibited by applicable law; (f) the Immigration Reform Control Act; (g) the Americans with Disabilities Act of 1990, as amended; (h) the National Labor Relations Act, as amended; (i) the Occupational Safety and Health Act, as amended; (j) the Family and Medical Leave Act of 1993, as amended; (k) any federal, state, local or foreign anti-discrimination law; (l) any federal, state, local or foreign wage and hour law; (m) any other federal, state, local or foreign law, regulation or ordinance; (n) any public policy, contract, tort, or common law; (o) costs, fees, or other expenses including attorneys' fees incurred in these matters; (p) the Employment Agreement or any other employment contract, incentive compensation plan or (subject to the next succeeding paragraph), equity ownership plan with any Released Party or

any ownership interest in any Released Party; (q) claims or causes of action under or related to the Operating Agreement, the Contribution Agreement, the Registration Rights Agreement and any other contract between Executive and a Released Party; and (r) compensation or benefits of any kind from any Released Party other than benefits vested as of the Separation Date.

Notwithstanding the foregoing, in no event shall the Released Claims include (a) any claim which arises after the time Executive signs this Confirming Release, (b) any rights to the equity interests (or the equity interests) in Holdings described on Exhibit B of the Retirement Agreement which remain subject to the terms and conditions, as applicable, of the Operating Agreement (except to the extent otherwise provided herein or in the Separation Agreement), (c) any claims for the payments and benefits payable to Executive or the Executive Family Limited Partnership under the Retirement Agreement, including without limitation those payments and benefits set forth under Section A.2 of the Retirement Agreement, (d) any rights to indemnification and insurance that Executive or the Executive Family Limited Partnership may have under Article 9 the Operating Agreement, to the extent applicable, which such rights shall be governed by the terms of the Operating Agreement, or (e) any other rights that Executive or the Executive Family Limited Partnership has under the Operating Agreement, the Retirement Agreement, the Contribution Agreement, the Registration Rights Agreement and any specific equity award agreement between the Company or Holdings and Executive or the Executive Family Limited Partnership except to the extent otherwise provided herein or in the Retirement Agreement. For the avoidance of doubt, the Released Claims shall include any claim or cause of action which accrued prior to the time that Executive executes this Confirming Release.

Nothing in this Confirming Release prevents Executive from filing any non-legally waivable claim (including a challenge to the validity of this Confirming Release) with the Equal Employment Opportunity Commission (the "EEOC") or comparable state or local agency or participating in any investigation or proceeding conducted by the EEOC or comparable state or local agency; *provided, however,* Executive understands and agrees that Executive is waiving any and all rights to recover any monetary or personal relief or recovery as a result of such EEOC or comparable state or local agency proceeding or subsequent legal actions.

By signing this Confirming Release, Executive is hound by it. Anyone who succeeds to Executive's rights and responsibilities, such as heirs or the executor of Executive's estate, is also bound by this Confirming Release. This release also applies to any claims brought by any person or agency on behalf of any class with respect to which Executive may have a right or benefit. THIS RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE RELEASED PARTIES,

2. Covenant Not to Sue. Executive agrees not to bring or join any lawsuit against any of the Released Parties in any court relating to any of the Released Claims. Executive represents that Executive has not brought or joined any lawsuit or arbitration against any of the Released Parties in any court or before any arbitral authority and has made no assignment of any rights Executive has asserted or may have against any of the Released Parties to any person or entity, in each case, with respect to any Released Claim. This covenant shall not prevent Executive from challenging the validity of his release of age discrimination claims hereunder.

3. Executive's Acknowledgements. In connection with the execution of this Confirming Release, Executive makes the following representations, acknowledgements and explicit statements of agreement:

(a) Executive represents that Executive has the capacity to read this Confirming Release, understand its language, meaning and effect, and consents to the execution of this Confirming Release. Executive further represents that he has carefully read this Confirming Release.

(b) Executive acknowledges that Executive would not otherwise have been entitled to the consideration described in Section A.2 of the Retirement Agreement that is payable or otherwise receivable on or alter the Separation Date but for his entry into this Confirming Release and that the Company and Holdings have agreed to provide such consideration in return for Executive's agreement to be bound by the terms of this Confirming Release.

(c) Executive acknowledges and represents that the Company and Holdings have advised and hereby advise Executive in writing to discuss both the form and content of this Confirming Release with an attorney before Executive signs this Agreement, and that Executive has had adequate opportunity to do so and has done so.

(d) Executive fully understands the final and binding effect of this Confirming Release; the only promises made to Executive to sign this Confirming Release are those stated herein and the Separation Agreement; and Executive is signing this Confirming Release voluntarily and of Executive's own free will, and that Executive understands and agrees to each of the terms of this Confirming Release.

(e) Executive has been offered the opportunity to consider this Confirming Release for twenty-one (21) days before executing it.

4. Revocation Right. Executive may revoke this Confirming Release within the seven-day period beginning on the date Executive signs this Confirming Release (such seven-day period being referred to herein as the " Confirming Release Revocation Period"). To be effective, such revocation must be in writing signed by Executive and must be delivered to the General Counsel of the Company before 11:59 p.m., Dallas, Texas time, on the last day of the Confirming Release Revocation Period. This Confirming Release is not effective, and no consideration shall be paid or provided to Executive on or after the Separation Date, until the expiration of the Release Revocation Period without Executive's revocation. If an effective revocation is delivered in the foregoing manner and timeframe, this Confirming Release shall be of no force or effect and shall be null and void ab initio.

EXECUTIVE HAS CAREFULLY READ THIS CONFIRMING RELEASE, FULLY UNDERSTANDS HIS AGREEMENT, AND SIGNS IT AS HIS OWN FREE ACT.

EXECUTIVE

/s/ James C. Musselman
James C. Musselman

Date: December 31, 2010

Exhibit B

Executive's equity interests in Holdings as of the Effective Date:

1. Management Units

Date of Issuance /Type of Unit	Total Number of Management Units	Number of Vested Management Units	Number of Unvested Management Units
3/9/04	910,000	910,000	0

2. Profits Units

Date of Grant /Type of Unit	Total Number of Profits Units	Number of Vested Profits Units	Number of Unvested Profits Units(1)
6/13/07 / $.85	287,368	229,894	57,474
6/11/08 / $15.00 A	32,225	19,335	12,890
6/11/08 / $15.00 B	798,247	478,948	319,299
6/11/08 / $27.50	428,772	257,263	171,509
6/11/08 / $40.00	513,158	307,895	205,263
6/11/08 / $65.00	513,158	307,895	205,263
6/11/08 / $90.00	513,158	307,895	205,263

3. Subscribed Preferred Units

Date of Issuance /Type of Unit	Total Number of Series A Preferred Units	Total Number of Series B Preferred Units	Total Number of Series C Preferred Units
3/9/04 Various Dates	270,000	0	0
6/11/08 Various Dates	0	80,000	0
11/2/09	0	0	3,540

4. C-1 Common Units

Date of Issuance /Type of Unit	Total Number of C-1 Units	Number of Vested C-1 Units	Number of Unvested C-1 Units
10/08/09	10,000	10,000	0

(1) As of the Separation Date, Unvested Profits Units of Executive and the Executive Family Limited Partnership shall become Vested Units pursuant to Section A.2(b) of the Retirement Agreement.

Executive Family Limited Partnership's equity interests in Holdings as of the Effective Date:

1. Profits Units

Date of Grant /Type of Unit	Total Number of Profits Units	Number of Vested Profits Units	Number of Unvested Profits Units
3/9/04 / $5.00	478,400	478,400	0
3/9/04 / $10.00	214,500	214,500	0

EXHIBIT C

AMENDMENT TO
FOURTH AMENDED AND RESTATED
OPERATING AGREEMENT
OF
KOSMOS ENERGY HOLDINGS

This Amendment (this **"Amendment"**) to the Fourth Amended and Restated Operating Agreement of Kosmos Energy Holdings dated as of [ ], 2010, is adopted, executed and agreed to by the parties hereto. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Operating Agreement (defined below).

WHEREAS, the Company and the Members entered into the Fourth Amended and Restated Operating Agreement of Kosmos Energy Holdings (the **"Operating Agreement"**) on October 9, 2009;

WHEREAS, pursuant to Section 15.5 of the Operating Agreement, the Company and the Members executing this Amendment desire to amend the Operating Agreement; and

WHEREAS, this Amendment will be in force and effect and become binding on the current Members of the Company and their respective spouses by the execution hereof by the required signatories to effect the amendment of the Operating Agreement.

NOW, THEREFORE, in consideration of the mutual promises and benefits set forth herein, the Operating Agreement is hereby amended as follows:

1. Section 5.9 is deleted in its entirely and replaced by the following:

"Section 5.9. ***Conversion to IPO Corporation.***

(a) In connection with any proposed Qualified Public Offering approved in accordance with this Agreement, the Company may, at the election of the Requisite Holders, reorganize (through a share exchange, transfer of assets and liabilities or otherwise) into an entity (which may be organized under the laws of Bermuda, the Cayman Islands, Delaware or, subject to Section 8.4(c)(x), any other jurisdiction) (the **"IPO Corporation"**) that will offer securities for sale to the public in a registered public offering pursuant to the Securities Act (the **"IPO Conversion"**). In connection therewith, (i) the holder of each outstanding Common Unit (including each Management Unit, each Profits Unit and each C1 Unit) shall receive a number of shares of common stock, if any, of the IPO Corporation having substantially similar rights and subject to substantially similar restrictions as the applicable Common Units (including Management Units, Profits Units and C1 Units) that are provided for in this Agreement (but excluding

the provisions of Article 7) equal to the product of (x) one and (y) a fraction having (A) a numerator equal to the dollar amount that would be paid with respect to such Common Unit if an amount equal to the pre-IPO value of the Company (determined in good faith by the Board) (the **"Pre-IPO Value"**) were distributed to the holders of Units pursuant to Section 7.1(a)(iii) and (B) a denominator equal to the dollar amount that would be paid with respect to a Series A Convertible Preferred Unit if an amount equal to the Pre-IPO Value were distributed to the holders of Units pursuant to Section 7.1(a)(iii) and (z) a fraction having a numerator equal to the amount set forth in clause (i)(y)(B) above and a denominator equal to the public offering price in the Qualified Public Offering of one share of common stock of the IPO Corporation (which price shall be estimated at the time of the IPO Conversion and adjusted upon consummation of the Qualified Public Offering), and (ii) the holder of each outstanding Preferred Unit shall receive a number of shares of preferred stock, if any, of the IPO Corporation having substantially similar rights, preferences, limitations and qualifications as the Preferred Units that are provided for in this Agreement including the Series A Convertible Preferred Unit Designation, the Series B Convertible Preferred Unit Designation, the Series C Convertible Preferred Unit Designation and any applicable Series Designation (but excluding the provisions of Article 7 of this Agreement) equal to the product of (x) one and (y) a fraction having (A) a numerator equal to the dollar amount that would be paid with respect to such Preferred Unit if an amount equal to the Pre-IPO Value were distributed to the holders of Units pursuant to Section 7.1(a)(iii) and (B) a denominator equal to the dollar amount that would be paid with respect to a Series A Convertible Preferred Unit if an amount equal to the Pre-IPO Value were distributed to the holders of Units pursuant to Section 7.1(a)(iii) and (z) a fraction having a numerator equal to the amount set forth in clause (ii)(y)(B) above and a denominator equal to the public offering price in the Qualified Public Offering of one share of common stock of the IPO Corporation (which price shall be estimated at the time of the IPO Conversion and adjusted upon consummation of the Qualified Public Offering), subject to the preferred stock converting into common stock upon consummation of the Qualified Public Offering as contemplated by Section 4 of the Series A Convertible Preferred Unit Designation, Section 4 of the Series B Convertible Preferred Unit Designation, Section 4 of the Series C Convertible Preferred Unit Designation or any applicable section of a Series Designation, as the case may be, it being understood that the Preference Amount of the shares (whether one share, more than one share or a fraction of a share) of preferred stock to be received by the holder of such Preferred Unit pursuant to this sentence is intended to be equal to the Preference Amount of such Preferred Unit immediately prior to such conversion. Solely for the purpose of determining the number of shares of common stock of the IPO Corporation issuable pursuant to clauses (i) and (ii) above, all Unvested Units shall be deemed to be Vested Units. In determining the amounts that would be distributed pursuant to Section 7.1(a)(iii) for purposes of clauses (i) and (ii) above, there shall be given effect to the other applicable provisions of Article 7.

(b) The Company shall give each Member and Unitholder at least thirty (30) days' prior written notice of any IPO Conversion as to which the Company intends to exercise its rights under Section 5.9(a). If the Company elects to exercise its rights under Section 5.9(a), the Members and Unitholders shall take such actions and execute and deliver such documents as may be reasonably required and otherwise cooperate in good faith with the Company in connection with consummating the IPO Conversion (including, without limitation, the voting of any Preferred Units or Common Units or as Members to approve such IPO Conversion). If any Member or Unitholder fails to take such actions as are required in connection with the consummation of the IPO Conversion, the Company shall be authorized, on behalf of such Member or Unitholder, to take all actions as may be necessary in order to consummate the transactions contemplated in Section 5.9(a).

(c) Each of the parties hereto agrees to sell any or all fractional shares of the IPO Corporation owned by such party (after taking into account all shares of the IPO Corporation held by such party) to the IPO Corporation, upon the request of the Company in connection with or in anticipation of the consummation of a Qualified Public Offering, for cash consideration equal to the fair market value of such fractional shares, as determined in good faith by the Board.

2. Each instance of "December 31, 2010" in the definition of "Preference Rate" as set forth in Exhibit A is replaced by "[•]".(2)

3. Subparagraphs 4(a) and 4(b) of Exhibit B-1 are deleted in their entirety and replaced with the following:

"(a) Qualified Public Offering Conversion. Upon and immediately prior to the consummation of a Qualified Public Offering, all outstanding Series A Preferred Units shall automatically be converted into fully paid and nonassessable (except to the extent specified in the Act) Common Units in accordance with subparagraph 4(b), without any further act of the Company or any holders of Series A Preferred Units, it being understood that, in connection with a Qualified Public Offering, all outstanding Series A Preferred Units will be converted in the IPO Conversion into shares of series A preferred stock of the IPO Corporation and that, upon conversion of such shares of series A preferred stock by the holders thereof, such holders will receive shares of common stock of the 1PO Corporation rather than Common Units.

(b) Calculation of Number of Common Units and Cash Issuable Upon Conversion. For purposes of subparagraph 4(a) above, each Series A Preferred Unit shall convert into (x) a number of Common Units calculated by dividing (i) the Preference Amount of such Series A Preferred Unit as of the date of consummation of such Qualified Public Offering, by (ii) the initial public offering

(2) Date to be determined, but could be as late as December 31, 2013.

price of the Common Unit in the Qualified Public Offering less all underwriters' discounts and commissions (rounded down to the nearest whole Unit), plus (y) the number of Common Units into which such Series A Preferred Unit would be convertible if such Unit were convertible at the consummation of the Qualified Public Offering at the Conversion Ratio at that time in effect; provided, however, that the Company shall not be required to deliver Common Units (and shall instead deliver cash) to any holder that is not a Qualified Holder to the extent necessary or advisable to comply with applicable securities Laws, as determined in good faith by the Company."

4. Subparagraphs 4(a) and 4(b) of Exhibit B-2 are deleted in their entirety and replaced with the following:

"(a) Qualified Public Offering Conversion. Upon and immediately prior to the consummation of a Qualified Public Offering, all outstanding Series B Preferred Units shall automatically be converted into fully paid and nonassessable (except to the extent specified in the Act) Common Units in accordance with subparagraph 4(b), without any further act of the Company or any holders of Series B Preferred Units, it being understood that, in connection with a Qualified Public Offering, all outstanding Series B Preferred Units will be converted in the IPO Conversion into shares of series B preferred stock of the IPO Corporation and that, upon conversion of such shares of series B preferred stock by the holders thereof, such holders will receive shares of common stock of the IPO Corporation rather than Common Units.

(b) Calculation of Number of Common Units and Cash Issuable Upon Conversion. For purposes of subparagraph 4(a) above, each Series B Preferred Unit shall convert into (x) a number of Common Units calculated by dividing (i) the Preference Amount of such Series B Preferred Unit as of the date of consummation of such Qualified Public Offering, by (ii) the initial public offering price of the Common Unit in the Qualified Public Offering less all underwriters' discounts and commissions (rounded down to the nearest whole Unit), plus (y) the number of Common Units into which such Series B Preferred Unit would be convertible if such Unit were convertible at the consummation of the Qualified Public Offering at the Conversion Ratio at that time in effect; provided, however, that the Company shall not be required to deliver Common Units (and shall instead deliver cash) to any holder that is not a Qualified Holder to the extent necessary or advisable to comply with applicable securities Laws, as determined in good faith by the Company."

5. Subparagraphs 4(a) and 4(b) of Exhibit B-3 are deleted in their entirety and replaced with the following:

"(a) Qualified Public Offering Conversion. Upon and immediately prior to the consummation of a Qualified Public Offering, all outstanding Series C Preferred Units shall automatically be converted into fully paid and nonassessable (except to the extent specified in the Act) Common Units in accordance with

subparagraph 4(b), without any further act of the Company or any holders of Series C Preferred Units, it being understood that, in connection with a Qualified Public Offering, all outstanding Series C Preferred Units will be converted in the IPO Conversion into shares of series C preferred stock of the IPO Corporation and that, upon conversion of such shares of series C preferred stock by the holders thereof, such holders will receive shares of common stock of the IPO Corporation rather than Common Units.

(b) Calculation of Number of Common Units and Cash Issuable Upon Conversion . For purposes of subparagraph 4(a) above, each Series C Preferred Unit shall convert into (x) a number of Common Units calculated by dividing (i) the Preference Amount of such Series C Preferred Unit as of the date of consummation of such Qualified Public Offering, by (ii) the initial public offering price of the Common Unit in the Qualified Public Offering less all underwriters' discounts and commissions (rounded down to the nearest whole Unit), plus (y) the number of Common Units into which such Series C Preferred Unit would be convertible if such Unit were convertible at the consummation of the Qualified Public Offering at the Conversion Ratio at that time in effect; provided, however, that the Company shall not he required to deliver Common Units (and shall instead deliver cash) to any holder that is not a Qualified Holder to the extent necessary or advisable to comply with applicable securities Laws, as determined in good faith by the Company."

Except as amended by this Amendment, which shall be effective as of the date hereof, the terms and provisions of the Operating Agreement are and shall remain in full force and effect.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the date first written above.

[TO COME]

By: _____
Name:
Title:

[Signature page to Operating Agreement Amendment]

EXHIBIT D

December 17, 2010

Kosmos Energy Holdings
8176 Park Lane, Suite 500
Dallas, TX 75231

Re: Proxy

Gentlemen:

Reference is made to that Retirement Agreement to be entered into on or about the date hereof by and between Kosmos Energy Holdings, a Cayman Islands Exempted Company limited by guarantee (the **"Company"**), Kosmos Energy, LLC, a Texas limited liability company and the undersigned (the **"Retirement Agreement"**). Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Retirement Agreement.

Each of the undersigned hereby appoint William Hayes and Greg Dunlevy, with full power of substitution and revocation, as proxies to represent the undersigned and to vote and otherwise act in such proxyholder's sole discretion to vote all of the Units held by the undersigned in favor of the approval and adoption of the Amendment to the Fourth Amended and Restated Operating Agreement of the Company substantially in the form attached as Exhibit C to the Retirement Agreement.

This proxy has been delivered in connection with the execution of the Retirement Agreement by the undersigned and other parties thereto, and this proxy is coupled with an interest and is irrevocable.

/s/ James C. Musselman
James C. Musselman

MUSSELMAN-KOSMOS, LTD.

/s/ James C. Musselman
By: James C. Musselman
Name:
Title: Manager

JAMES C. MUSSELMAN

BRIAN F. MAXTED

/s/ W. Greg Dunlevy
W. GREG DUNLEVY

/s/ Paul Dailly
PAUL DAILLY

/s/ Kiat Tze Goh
KIAT TZE GOH

[Signature page to First Amendment to Fourth Amended and Restated Operating Agreement]

Exhibit 10.25

KOSMOS ENERGY HOLDINGS

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (this "**Agreement**"), dated this day of November, 2010 to be effective as of October 11, 2010 (the "**Effective Date**"), is by and between Kosmos Energy Holdings, a Cayman Islands Exempted Company limited by guarantee but not having a share capital ("**Kosmos**"), and John Kemp ("**Kemp**"). Unless specifically set forth otherwise, reference to the " **parties**" in this Agreement refers solely to Kosmos and Kemp.

WITNESSETH

WHEREAS, Kosmos desires to engage Kemp as a consultant to perform such services as the Company may reasonably request from time to time during the term of this Agreement, (the "**Consulting Services**") in addition to his duties as serving as a member of the Kosmos Board of Managers; and

WHEREAS, on the terms and conditions set forth in this Agreement, Kemp desires to provide the Consulting Services to Kosmos.

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements set forth herein and for other good and valuation consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. **Consulting Services**. During the term of this Agreement, Kosmos hereby engages Kemp to perform the Consulting Services, and Kemp hereby agrees to accept such engagement and to perform the Consulting Services for Kosmos.

2. **Term of Agreement**. The term of this Agreement shall commence on the Effective Date and shall automatically continue for successive month-to-month periods until terminated by either party upon giving the other party thirty (30) days' prior written notice. The provisions of this Agreement that, by their nature, survive the expiration or earlier termination of this Agreement shall continue and remain in full force and effect after the expiration or earlier termination of this Agreement for any reason. Without limiting the generality of the foregoing, termination of this Agreement for any reason shall not affect: (i) Kemp's obligations with respect to the Confidential Information, and (ii) Kemp's right to receive payment for Consulting Services provided prior to such termination in accordance with the terms and conditions set forth in this Agreement.

3. **Compensation**. As payment for Kemp's fulfillment of the Consulting Services and covenants set forth in this Agreement, Kosmos shall pay and provide to Kemp: (i) $40,000 per month payable in arrears; (ii) 6,000 profit units of Kosmos at the threshold value of $40.00 per unit; and (iii) beginning in the seventh (7th) month of Kemp's engagement for Consulting Services, 1,000 profit units per month (issued at three month intervals) at the then "out of the money" threshold value as determined by the Compensation Committee of Kosmos (collectively, the " **Compensation**"). At the request of either Kosmos or Kemp, the Compensation may be curtailed at any time. In addition to the Compensation, Kemp shall continue to also receive his

fees for serving as a member of the Kosmos Board of Managers. If this Agreement remains in effect for twelve (12) months after the Effective Date, Kosmos and Kemp agree to review the terms of the Compensation.

4. **Reimbursement of Expenses**. Kosmos shall reimburse Kemp for all reasonable expenses incurred in connection with Kemp providing Kosmos with the Consulting Services, including, without limitation, travel expenses incurred by Kemp. Kosmos will also reimburse Kemp for expenses for Kemp's spouse in traveling from Houston, Texas to Dallas, Texas in accompanying Kemp in his performance of the Consulting Services.

5. **Independent Contractor Status**. Kemp understands and agrees that he is entering into this Agreement as an independent contractor and not as an employee of Kosmos or any of its affiliates, and Kemp hereby waives the right to participate in any employee benefit programs provided by Kosmos. Neither party by virtue of this Agreement shall have any right, power or authority to act or create any obligation, express or implied, on behalf of the other party. Neither party shall be obligated to maintain any insurance for the other party, including, without limitation, medical, dental, life or disability insurance. Kemp shall be responsible for compliance with all applicable laws, rules, regulations, orders and ordinances of the United States of America and any other state or country with jurisdiction over Kemp or his activities in performance of its obligations under this Agreement.

6. **Nondisclosure of Confidential Information**. Kemp acknowledges that he has had and will continue to have access, during the course of his provision of Consulting Services under this Agreement, to certain confidential and proprietary information and products of Kosmos, including, without limitation, processes, techniques, know-how, research, data, reports, designs, specifications, drawings, diagrams, financial and engineering data, marketing plans, trade secrets, customer lists and other technical and business information belonging to Kosmos or developed during the term of this Agreement, whether or not reduced to writing and whether or not patentable or protectable by copyright (collectively, " **Confidential Information**"). Kemp acknowledges that all such Confidential Information of Kosmos has been disclosed to Kemp in strict confidence and that maintenance of the confidentiality of such Confidential Information to the fullest extent possible is extremely important. Kemp shall not use, disclose, disseminate or otherwise make available to any third party, either directly or indirectly, any Confidential Information of Kosmos at any time or in any manner, both during the term of this Agreement and after its termination, except as expressly authorized in writing by Kosmos. Kemp shall take all reasonable precautions to prevent inadvertent or unauthorized use, dissemination or disclosure of the Confidential Information. All documents, records, designs and other materials containing Confidential Information furnished to Kemp in connection with this Agreement, are and shall remain the sole property of Kosmos, and Kemp shall return such Confidential Information to Kosmos or destroy such Confidential Information as soon as reasonably possible after the written request of Kosmos. Kemp shall not retain any documents containing any Confidential Information or any reproduction of such documents in any form after termination of this Agreement for any reason. Kemp's obligations under this Section 6 shall survive Kemp's return of Confidential Information to Kosmos.

7. **Governing Law**. The terms and conditions of this Agreement and performance hereunder shall be construed in accordance with the laws of the State of Texas. Venue for any

dispute arising under or related to the subject matter of this Agreement shall be in the federal or state courts for Dallas County, Texas.

8. **Assignment**. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Kemp acknowledges that this Agreement is based on the particular abilities of Kemp and may not be assigned, in whole or in part, by Kemp without the express, prior written consent of Kosmos. Any assignment or attempted assignment in violation of this provision shall be null and void and shall be deemed to be a material breach of this Agreement.

9. **Entire Agreement**. This Agreement is the complete agreement of the parties concerning the subject matter hereof and may not be modified or amended except by a written instrument signed by both parties hereto. A waiver by either party of any term or condition of this Agreement in any instance shall not constitute a waiver of such term or condition for the future, or of any subsequent breach thereof. The provisions of this Agreement are the product of discussion and negotiation by the parties, and no provision may be construed against either party by reason of its drafting of such provision.

10. **Severability**. Notwithstanding anything to the contrary in this Agreement, if any portion of any provision of this Agreement is held to be illegal, invalid or unenforceable, in whole or in part, (i) such unenforceable portion of the provision shall be deemed severed from this Agreement, (ii) the validity and enforceability of the remaining portion of the provision and the other provisions of this Agreement shall not be affected or impaired, and (iii) this Agreement shall be amended in order to effect, to the maximum extent allowable by law, the original intent of such provision.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives to be effective as of October 11, 2010.

KOSMOS ENERGY HOLDINGS

By: /s/ Andrew Johnson
Name: Andrew Johnson
Title: Director

/s/ John Kemp
John Kemp

Exhibit 21.1

List of Subsidiaries

Subsidiary	Jurisdiction of Incorporation
Kosmos Energy Holdings	Cayman Islands
Kosmos Energy, LLC	Texas
Kosmos Energy Operating	Cayman Islands
Longhorn Offshore Drilling	Cayman Islands
Kosmos Energy Cote d'Ivoire	Cayman Islands
Kosmos Energy Offshore Morocco HC	Cayman Islands
Kosmos Energy International	Cayman Islands
Kosmos Energy Cameroon HC	Cayman Islands
Kosmos Energy Ventures	Cayman Islands
Kosmos Energy Ghana HC	Cayman Islands
Kosmos Energy Development	Cayman Islands
Kosmos Energy Finance	Cayman Islands

QuickLinks

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated March 2, 2011, related to the consolidated financial statements and schedules of Kosmos Energy Holdings in the Registration Statement (Form S-1) and related Prospectus of Kosmos Energy Ltd. to be dated March 3, 2011.

/s/ Ernst & Young LLP

Dallas, Texas
March 2, 2011

QuickLinks

Exhibit 23.2

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS AND GEOLOGISTS

We hereby consent to the reference of our firm and to the use of our reports of Kosmos Energy Ltd. as of December 31, 2009, dated February 2, 2010, and as of December 31, 2010, dated February 3, 2011, in this Form S-1 Registration Statement and the related Prospectus to be filed on or about March 2, 2011. We also consent to the reference to us under the heading "Experts" in such Registration Statement and the Prospectus to which the Registration Statement is related.

NETHERLAND, SEWELL & ASSOCIATES, INC.

By: /s/ G. LANCE BINDER, P.E.

G. Lance Binder, P.E.
Executive Vice President

Dallas, Texas
March 2, 2011

QuickLinks

Exhibit 99.1

NETHERLAND, SEWELL & ASSOCIATES, INC.
WORLDWIDE PETROLEUM CONSULTANTS
ENGINEERING • GEOLOGY • GEOPHYSICS • PETROPHYSICS

February 2, 2010

Mr. Tommy Fulford
Kosmos Energy, LLC
8176 Park Lane, Suite 500
Dallas, Texas 75231

Dear Mr. Fulford:

In accordance with your request, we have estimated the gross (100 percent) original oil-in-place (OOIP) and proved, probable, and possible undeveloped reserves and future revenue, as of December 31, 2009, to the Kosmos Energy, LLC (Kosmos) interest in the LM2, UM3, and UM2 Reservoirs located in the Jubilee Field Phase 1 Development Unit Area in the West Cape Three Points and Deepwater Tano license areas, offshore Ghana. It is our understanding that the proved reserves estimated in this report constitute all of the proved reserves owned by Kosmos. The estimates in this report have been prepared in accordance with the definitions and guidelines of the U.S. Securities and Exchange Commission (SEC) and, with the exception of the exclusion of future income taxes, conform to the FASB Accounting Standards Codification Topic 932, Extractive Industries—Oil and Gas. Definitions are presented immediately following this letter. This report has been prepared for Kosmos' use in filing with the SEC.

The Jubilee Field Phase 1 development is ongoing, with first production scheduled to begin in late 2010. We estimate the gross (100 percent) OOIP and oil reserves and the net oil reserves and future net revenue to the Kosmos interest in the Jubilee Field Phase 1 Development Unit Area, as of December 31, 2009, to be:

	Gross (100 Percent)		Net	Future Net Revenue(1) (MM$)	
Category	OOIP (MMBBL)	Oil Reserves (MMBBL)	Oil Reserves(1) (MMBBL)	Total	Discounted at 10%
Proved Undeveloped	938	234	55	1,127	699
Probable Undeveloped	142	93	22	776	440
Possible Undeveloped	147	117	27	898	368

(1) Kosmos' net interest is based on currently agreed unit interest factors of 50 percent for West Cape Three Points and 50 percent for Deepwater Tano; these factors are subject to change as additional data are obtained.

The oil reserves shown include crude oil only. Oil volumes are expressed in millions of barrels (MMBBL); a barrel is equivalent to 42 United States gallons. Net oil reserves are the share of reserves attributable to the Kosmos interest. These properties are not modeled in this report to have a commercial market for gas; produced gas will be consumed in operations or reinjected. Revenue estimates are expressed in millions of United States dollars (MM$).

The estimates shown in this report are for proved, probable, and possible undeveloped reserves. These reserves are classified as undeveloped even though many of the wells have already been drilled but are awaiting installation of the complete development system. This report does not include any value that could be attributed to interests in undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated. Reserves categorization conveys the relative degree of certainty; reserves subcategorization is based on

development and production status. The estimates of reserves and future revenue included herein have not been adjusted for risk.

Future net revenue to the Kosmos interest is after deductions for royalties, production sharing oil revenue, applicable taxes, future capital costs, operating expenses, and abandonment costs and after consideration of estimated Ghanaian income taxes. The future net revenue has been discounted at an annual rate of 10 percent to determine its present worth. The present worth is shown to indicate the effect of time on the value of money and should not be construed as being the fair market value of the properties.

For the purposes of this report, we did not perform any field inspection of the properties, nor did we examine the mechanical operation or condition of the wells and facilities. We have not investigated possible environmental liability related to the properties; therefore, our estimates do not include any costs due to such possible liability. Our estimates of future revenue do not include any salvage value for the lease and well equipment but do include Kosmos' estimates of the costs to abandon the wells, pipelines, and production facilities. Abandonment costs are included as capital costs.

Oil prices used in this report are based on the 12-month unweighted arithmetic average of the first-day-of-the-month price for the period January through December 2009. The average Brent crude price of US$59.60 per barrel is adjusted for crude handling, transportation fees, quality, and a regional price differential. The oil price is held constant throughout the lives of the properties.

Lease and well operating costs used in this report are based on operating expense estimates of Kosmos. These costs are intended to include the per-well overhead expenses allowed under joint operating agreements along with estimates of costs to be incurred at and below the district and field levels. Headquarters general and administrative overhead expenses of Kosmos are not included. Lease and well operating costs are held constant throughout the lives of the properties. Capital costs are included as required for new development wells and production equipment. The future capital costs are held constant to the date of expenditure.

The reserves shown in this report are estimates only and should not be construed as exact quantities. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be economically producible; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves. If the reserves are recovered, the revenues therefrom and the costs related thereto could be more or less than the estimated amounts. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received for the reserves, and costs incurred in recovering such reserves may vary from assumptions made while preparing this report. Estimates of reserves may increase or decrease as a result of future operations, market conditions, or changes in regulations.

For the purposes of this report, we used technical and economic data including, but not limited to, well logs, geologic maps, seismic data, well test data, historical cost information, and property ownership interests. The reserves in this report have been estimated using a combination of deterministic and probabilistic methods; these estimates have been prepared in accordance with generally accepted petroleum engineering and evaluation principles. We used standard engineering and geoscience methods, or a combination of methods, such as volumetric analysis, analogy, and reservoir modeling, that we considered to be appropriate and necessary to establish reserves quantities and reserves categorization that conform to SEC definitions and guidelines. These reserves are for wells that lack history upon which performance-related estimates of reserves can be based. Therefore, these reserves are based on estimates of reservoir volumes and recovery efficiencies along with analogy to properties with similar geologic and reservoir characteristics. In evaluating the information at our disposal concerning this report, we have excluded from our consideration all matters as to which the controlling interpretation may be political, socioeconomic, legal, or accounting, rather than engineering and geoscience. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

The contractual rights to the properties have not been examined by Netherland, Sewell & Associates, Inc. (NSAI), nor has the actual degree or type of interest owned been independently confirmed. The data used in our estimates were obtained from Kosmos, public data sources, and the nonconfidential files of NSAI and were accepted as accurate. Supporting geoscience, field performance, and work data are on file in our office. The technical persons responsible for preparing the reserves estimates presented herein meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties and are not employed on a contingent basis.

Sincerely,

NETHERLAND, SEWELL & ASSOCIATES, INC.
Texas Registered Engineering Firm F-002699

By: /s/ C.H. (Scott) Rees III
C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

By: /s/ Joseph J. Spellman
Joseph J. Spellman, P.E. 73709
Senior Vice President

Date Signed: February 2, 2010

By: /s/ Daniel T. Walker
Daniel T. Walker, P.G. 1272
Senior Vice President

Date Signed: February 2, 2010

JJS:AMB

DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

The following definitions are set forth in U.S. Securities and Exchange Commission (SEC) Regulation S-X Section 210.4-10(a). Also included is supplemental information from (1) the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers, (2) the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas, and (3) the SEC's Compliance and Disclosure Interpretations.

(1) *Acquisition of properties.* Costs incurred to purchase, lease or otherwise acquire a property, including costs of lease bonuses and options to purchase or lease properties, the portion of costs applicable to minerals when land including mineral rights is purchased in fee, brokers' fees, recording fees, legal costs, and other costs incurred in acquiring properties.

(2) *Analogous reservoir*. Analogous reservoirs, as used in resources assessments, have similar rock and fluid properties, reservoir conditions (depth, temperature, and pressure) and drive mechanisms, but are typically at a more advanced stage of development than the reservoir of interest and thus may provide concepts to assist in the interpretation of more limited data and estimation of recovery. When used to support proved reserves, an "analogous reservoir" refers to a reservoir that shares the following characteristics with the reservoir of interest:

(i) Same geological formation (but not necessarily in pressure communication with the reservoir of interest);
(ii) Same environment of deposition;
(iii) Similar geological structure; and
(iv) Same drive mechanism.

Instruction to paragraph (a)(2): Reservoir properties must, in the aggregate, be no more favorable in the analog than in the reservoir of interest.

(3) *Bitumen*. Bitumen, sometimes referred to as natural bitumen, is petroleum in a solid or semi-solid state in natural deposits with a viscosity greater than 10,000 centipoise measured at original temperature in the deposit and atmospheric pressure, on a gas free basis. In its natural state it usually contains sulfur, metals, and other non-hydrocarbons.

(4) *Condensate*. Condensate is a mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface pressure and temperature.

(5) *Deterministic estimate*. The method of estimating reserves or resources is called deterministic when a single value for each parameter (from the geoscience, engineering, or economic data) in the reserves calculation is used in the reserves estimation procedure.

(6) *Developed oil and gas reserves*. Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and
(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Supplemental definitions from the 2007 Petroleum Resources Management System:

Developed Producing Reserves — Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves — Developed Non-Producing Reserves include shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future recompletion prior to start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

(7) *Development costs.* Costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas. More specifically, development costs, including depreciation and applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(i) Gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines, and power lines, to the extent necessary in developing the proved reserves.
(ii) Drill and equip development wells, development-type stratigraphic test wells, and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment, and the wellhead assembly.

(iii) Acquire, construct, and install production facilities such as lease flow lines, separators, treaters, heaters, manifolds, measuring devices, and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems.
(iv) Provide improved recovery systems.

(8) *Development project*. A development project is the means by which petroleum resources are brought to the status of economically producible. As examples, the development of a single reservoir or field, an incremental development in a producing field, or the integrated development of a group of several fields and associated facilities with a common ownership may constitute a development project.

(9) *Development well*. A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

(10) *Economically producible*. The term economically producible, as it relates to a resource, means a resource which generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation. The value of the products that generate revenue shall be determined at the terminal point of oil and gas producing activities as defined in paragraph (a)(16) of this section.

(11) *Estimated ultimate recovery (EUR)*. Estimated ultimate recovery is the sum of reserves remaining as of a given date and cumulative production as of that date.

(12) *Exploration costs*. Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects of containing oil and gas reserves, including costs of drilling exploratory wells and exploratory-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as prospecting costs) and after acquiring the property. Principal types of exploration costs, which include depreciation and applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(i) Costs of topographical, geographical and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews, and others conducting those studies. Collectively, these are sometimes referred to as geological and geophysical or "G&G" costs.
(ii) Costs of carrying and retaining undeveloped properties, such as delay rentals, ad valorem taxes on properties, legal costs for title defense, and the maintenance of land and lease records.
(iii) Dry hole contributions and bottom hole contributions.
(iv) Costs of drilling and equipping exploratory wells.
(v) Costs of drilling exploratory-type stratigraphic test wells.

(13) *Exploratory well*. An exploratory well is a well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploratory well is any well that is not a development well, an extension well, a service well, or a stratigraphic test well as those items are defined in this section.

(14) *Extension well*. An extension well is a well drilled to extend the limits of a known reservoir.

(15) *Field*. An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to identify localized geological features as opposed to the broader terms of basins, trends, provinces, plays, areas-of-interest, etc.

(16) *Oil and gas producing activities*.

(i) Oil and gas producing activities include:

(A) The search for crude oil, including condensate and natural gas liquids, or natural gas ("oil and gas") in their natural states and original locations;
(B) The acquisition of property rights or properties for the purpose of further exploration or for the purpose of removing the oil or gas from such properties;
(C) The construction, drilling, and production activities necessary to retrieve oil and gas from their natural reservoirs, including the acquisition, construction, installation, and maintenance of field gathering and storage systems, such as:

(1) Lifting the oil and gas to the surface; and
(2) Gathering, treating, and field processing (as in the case of processing gas to extract liquid hydrocarbons); and

(D) Extraction of saleable hydrocarbons, in the solid, liquid, or gaseous state, from oil sands, shale, coalbeds, or other nonrenewable natural resources which are intended to be upgraded into synthetic oil or gas, and activities undertaken with a view to such extraction.

Instruction 1 to paragraph (a)(16) (i): The oil and gas production function shall be regarded as ending at a "terminal point", which is the outlet valve on the lease or field storage tank. If unusual physical or operational circumstances exist, it may be appropriate to regard the terminal point for the production function as:

a. The first point at which oil, gas, or gas liquids, natural or synthetic, are delivered to a main pipeline, a common carrier, a refinery, or a marine terminal; and
b. In the case of natural resources that are intended to be upgraded into synthetic oil or gas, if those natural resources are delivered to a purchaser prior to upgrading, the first point at which the natural resources are delivered to a main pipeline, a common carrier, a refinery, a marine terminal, or a facility which upgrades such natural resources into synthetic oil or gas.

Instruction 2 to paragraph (a)(16) (i)*:* For purposes of this paragraph (a)(16), the term *saleable hydrocarbons* means hydrocarbons that are saleable in the state in which the hydrocarbons are delivered.

(ii) Oil and gas producing activities do not include:

(A) Transporting, refining, or marketing oil and gas;
(B) Processing of produced oil, gas, or natural resources that can be upgraded into synthetic oil or gas by a registrant that does not have the legal right to produce or a revenue interest in such production;
(C) Activities relating to the production of natural resources other than oil, gas, or natural resources from which synthetic oil and gas can be extracted; or
(D) Production of geothermal steam.

(17) *Possible reserves.* Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

(i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.
(ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.
(iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.
(iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.
(v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.
(vi) Pursuant to paragraph (a)(22)(iii) of this section, where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.

(18) *Probable reserves.* Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

(i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

(ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.

(iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

(iv) See also guidelines in paragraphs (a)(17)(iv) and (a)(17)(vi) of this section.

(19) *Probabilistic estimate.* The method of estimation of reserves or resources is called probabilistic when the full range of values that could reasonably occur for each unknown parameter (from the geoscience and engineering data) is used to generate a full range of possible outcomes and their associated probabilities of occurrence.

(20) *Production costs*.

(i) Costs incurred to operate and maintain wells and related equipment and facilities, including depreciation and applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. They become part of the cost of oil and gas produced. Examples of production costs (sometimes called lifting costs) are:

(A) Costs of labor to operate the wells and related equipment and facilities.
(B) Repairs and maintenance.
(C) Materials, supplies, and fuel consumed and supplies utilized in operating the wells and related equipment and facilities.
(D) Property taxes and insurance applicable to proved properties and wells and related equipment and facilities.
(E) Severance taxes.

(ii) Some support equipment or facilities may serve two or more oil and gas producing activities and may also serve transportation, refining, and marketing activities. To the extent that the support equipment and facilities are used in oil and gas producing activities, their depreciation and applicable operating costs become exploration, development or production costs, as appropriate. Depreciation, depletion, and amortization of capitalized acquisition, exploration, and development costs are not production costs but also become part of the cost of oil and gas produced along with production (lifting) costs identified above.

(21) *Proved area.* The part of a property to which proved reserves have been specifically attributed.

(22) *Proved oil and gas reserves.* Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any, and
(B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous

reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

(23) *Proved properties.* Properties with proved reserves.

(24) *Reasonable certainty.* If deterministic methods are used, reasonable certainty means a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. A high degree of confidence exists if the quantity is much more likely to be achieved than not, and, as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease.

(25) *Reliable technology.* Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

(26) *Reserves.* Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

Note to paragraph (a)(26): Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

Excerpted from the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas:

932-235-50-30 A standardized measure of discounted future net cash flows relating to an entity's interests in both of the following shall be disclosed as of the end of the year:

- *a. Proved oil and gas reserves (see paragraphs 932-235-50-3 through 50-11B)*
- *b. Oil and gas subject to purchase under long-term supply, purchase, or similar agreements and contracts in which the entity participates in the operation of the properties on which the oil or gas is located or otherwise serves as the producer of those reserves (see paragraph 932-235-50-7).*

The standardized measure of discounted future net cash flows relating to those two types of interests in reserves may be combined for reporting purposes.

932-235-50-31 All of the following information shall be disclosed in the aggregate and for each geographic area for which reserve quantities are disclosed in accordance with paragraphs 932-235-50-3 through 50-11B:

- *a. Future cash inflows. These shall be computed by applying prices used in estimating the entity's proved oil and gas reserves to the year-end quantities of those reserves. Future price changes shall be considered only to the extent provided by contractual arrangements in existence at year-end.*
- *b. Future development and production costs. These costs shall be computed by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions. If estimated development expenditures are significant, they shall be presented separately from estimated production costs.*
- *c. Future income tax expenses. These expenses shall be computed by applying the appropriate year-end statutory tax rates, with consideration of future tax rates already legislated, to the future pretax net cash flows relating to the entity's proved oil and gas reserves, less the tax basis of the properties involved. The future income tax expenses shall give effect to tax deductions and tax credits and allowances relating to the entity's proved oil and gas reserves.*
- *d. Future net cash flows. These amounts are the result of subtracting future development and production costs and future income tax expenses from future cash inflows.*

e. Discount. This amount shall be derived from using a discount rate of 10 percent a year to reflect the timing of the future net cash flows relating to proved oil and gas reserves.

f. Standardized measure of discounted future net cash flows. This amount is the future net cash flows less the computed discount.

(27) *Reservoir*. A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

(28) *Resources*. Resources are quantities of oil and gas estimated to exist in naturally occurring accumulations. A portion of the resources may be estimated to be recoverable, and another portion may be considered to be unrecoverable. Resources include both discovered and undiscovered accumulations.

(29) *Service well.* A well drilled or completed for the purpose of supporting production in an existing field. Specific purposes of service wells include gas injection, water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for in-situ combustion.

(30) *Stratigraphic test well.* A stratigraphic test well is a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intent of being completed for hydrocarbon production. The classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic tests are classified as "exploratory type" if not drilled in a known area or "development type" if drilled in a known area.

(31) *Undeveloped oil and gas reserves.* Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

From the SEC's Compliance and Disclosure Interpretations (October 26, 2009):

Although several types of projects — such as constructing offshore platforms and development in urban areas, remote locations or environmentally sensitive locations — by their nature customarily take a longer time to develop and therefore often do justify longer time periods, this determination must always take into consideration all of the facts and circumstances. No particular type of project per se justifies a longer time period, and any extension beyond five years should be the exception, and not the rule.

Factors that a company should consider in determining whether or not circumstances justify recognizing reserves even though development may extend past five years include, but are not limited to, the following:

- *The company's level of ongoing significant development activities in the area to be developed (for example, drilling only the minimum number of wells necessary to maintain the lease generally would not constitute significant development activities);*
- *The company's historical record at completing development of comparable long-term projects;*
- *The amount of time in which the company has maintained the leases, or booked the reserves, without significant development activities;*
- *The extent to which the company has followed a previously adopted development plan (for example, if a company has changed its development plan several times without taking significant steps to implement any of those plans, recognizing proved undeveloped reserves typically would not be appropriate); and*
- *The extent to which delays in development are caused by external factors related to the physical operating environment (for example, restrictions on development on Federal lands, but not obtaining government permits), rather than by internal factors (for example, shifting resources to develop properties with higher priority).*

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

(32) *Unproved properties.* Properties with no proved reserves.

Exhibit 99.2

NETHERLAND, SEWELL & ASSOCIATES, INC.
WORLDWIDE PETROLEUM CONSULTANTS
ENGINEERING • GEOLOGY • GEOPHYSICS • PETROPHYSICS

CHAIRMAN & CEO
C H. (SCOTT) REES III
PRESIDENT & COO
DANNY D. SIMMONS
EXECUTIVE VP
G LANCE BINDER

EXECUTIVE COMMITTEE
P. SCOTT FROST - DALLAS
J. CARTER HENSON. JR - HOUSTON
DAN PAUL SMITH - DALLAS
JOSEPH J. SPELLMAN - DALLAS
THOMAS J TELLA II - DALLAS

February 3, 2011

Mr. Tommy Fulford
Kosmos Energy
8176 Park Lane, Suite 500
Dallas, Texas 75231

Dear Mr. Fulford:

In accordance with your request, we have estimated the gross (100 percent) original oil-in-place (OOIP); estimated ultimate recovery (EUR); and proved, probable, and possible reserves and future revenue, as of December 31, 2010, to the Kosmos Energy (Kosmos) interest in certain oil and gas properties located in the LM2, UM3, and UM2 Reservoirs located in the Jubilee Field Phase 1 Development Unit Area in the West Cape Three Points and Deepwater Tano license areas, offshore Ghana. We completed our evaluation on February 3, 2011. It is our understanding that the proved reserves estimated in this report constitute all of the proved reserves owned by Kosmos. The estimates in this report have been prepared in accordance with the definitions and guidelines of the U.S. Securities and Exchange Commission (SEC) and, with the exception of the exclusion of future income taxes, conform to the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas. Definitions are presented immediately following this letter. This report has been prepared for Kosmos' use in filing with the SEC; in our opinion the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose.

We estimate the gross (100 percent) OOIP and oil EUR and the net oil and gas reserves and future net revenue to the Kosmos interest in the Jubilee Field Phase 1 Development Unit Area, as of December 31, 2010, to be:

	Gross (100 Percent)		Net Reserves(1)		Future Net Revenue(1) (MM$)	
Category	OOIP (MMBBL)	Oil EUR (MMBBL)	Oil (MMBBL)	Gas(2) (BCF)	Total	Present Worth at 10%
Proved Developed Producing	(3)	44	10	7	338	309
Proved Developed Non-Producing	(3)	113	27	11	972	747
Proved Undeveloped	(3)	77	19	4	730	475
Total Proved	942	234	56	23	2,041	1,530
Probable	141	94	22	2	910	563
Possible	149	115	26	4	1,045	470

Totals may not add because of rounding.

(1) Kosmos' unitized net interest is based on a currently agreed upon 50/50 split between the West Cape Three Points and Deepwater Tano license areas; this is subject to change as additional data are obtained.
(2) Net gas reserves are based on gas volumes consumed in operations as fuel; for the purposes of this report, all other produced gas is expected to be reinjected. Contingent resources for gas volumes to be exported pending completion of gas export infrastructure and commercial agreements are summarized under separate cover.
(3) OOIP was estimated for total proved only.

The oil reserves shown include crude oil only. Oil volumes are expressed in millions of barrels (MMBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in billions of cubic feet (BCF) at standard temperature and pressure bases. Net reserves are the share of reserves attributable to the Kosmos interest. Monetary values shown in this report are expressed in United States dollars ($) or millions of United States dollars (MM$).

The estimates shown in this report are for proved, probable, and possible reserves. This report does not include any value that could be attributed to interests in undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated. Reserves categorization conveys the relative degree of certainty; reserves subcategorization is based on development and production status. The estimates of reserves and future revenue included herein have not been adjusted for risk.

Future gross revenue to the Kosmos interest is after deductions for royalties and additional oil entitlement. Future net revenue is after deductions for production sharing oil revenue, future capital costs, operating expenses, abandonment costs, and estimated Ghanaian income taxes. The future net revenue has been discounted at an annual rate of 10 percent to determine its present worth, which is shown to indicate the effect of time on the value of money. Future net revenue presented in this report, whether discounted or undiscounted, should not be construed as being the fair market value of the properties.

For the purposes of this report, we did not perform any field inspection of the properties, nor did we examine the mechanical operation or condition of the wells and facilities. We have not investigated possible environmental liability related to the properties; therefore, our estimates do not include any costs due to such possible liability. Our estimates of future net revenue do not include any salvage value for the lease and well equipment but do include Kosmos' estimates of the costs to abandon the wells, pipelines, and production facilities.

The oil price used in this report is based on the 12-month unweighted arithmetic average of the first-day-of-the-month price for each month in the period January through December 2010. The average Brent crude price of $79.35 per barrel is adjusted for crude handling, quality, transportation fees, and a regional price differential. Based largely on the high quality of the crude, these adjustments are estimated to add $0.35 per barrel. The adjusted oil price of $79.70 per barrel is held constant throughout the lives of the properties. There is no gas price used in this report because gas reserves are consumed in operations as fuel.

Operating costs used in this report are based on operating expense estimates of Kosmos. These costs are intended to include the per-well overhead expenses allowed under joint operating agreements along with estimates of costs to be incurred at and below the district and field levels. Headquarters general and administrative overhead expenses of Kosmos are not included. Operating costs are held constant throughout the lives of the properties. Capital costs are included as required for new development wells and production equipment. The future capital costs are held constant to the date of expenditure.

The reserves shown in this report are estimates only and should not be construed as exact quantities. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be economically producible; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves. Estimates of reserves may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance. In addition to the primary economic assumptions discussed herein, our estimates are based on certain assumptions including, but not limited to, that the properties will be developed consistent with current development plans, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of Kosmos to recover the reserves, and that our projections of future production will prove consistent with actual performance. If the reserves are recovered, the revenues therefrom and the costs related thereto could be more or less than the estimated amounts. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received for the reserves, and costs incurred in recovering such reserves may vary from assumptions made while preparing this report.

For the purposes of this report, we used technical and economic data including, but not limited to, well logs, geologic maps, seismic data, well test data, production data, historical price and cost information, and property ownership interests. The reserves in this report have been estimated using a combination of deterministic and

probabilistic methods; these estimates have been prepared in accordance with the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers (SPE Standards). We used standard engineering and geoscience methods, or a combination of methods, including performance analysis, volumetric analysis, analogy, and reservoir modeling, that we considered to be appropriate and necessary to categorize and estimate reserves in accordance with SEC definitions and guidelines. A substantial portion of these reserves are for non-producing zones, undeveloped locations, and producing wells that lack sufficient production history upon which performance-related estimates of reserves can be based. Therefore, these reserves are based on estimates of reservoir volumes and recovery efficiencies along with analogy to properties with similar geologic and reservoir characteristics. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

The data used in our estimates were obtained from Kosmos, public data sources, and the nonconfidential files of Netherland, Sewell & Associates, Inc. (NSAI) and were accepted as accurate. Supporting geoscience, performance, and work data are on file in our office. The contractual rights to the properties have not been examined by NSAI, nor has the actual degree or type of interest owned been independently confirmed. The technical persons responsible for preparing the estimates presented herein meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties nor are we employed on a contingent basis.

Sincerely,

NETHERLAND, SEWELL & ASSOCIATES, INC.
Texas Registered Engineering Firm F-002699

By: /s/ C.H. (Scott) Rees III
C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

By: /s/ Joseph J. Spellman
Joseph J. Spellman, P.E. 73709
Senior Vice President

Date Signed: February 3, 2011

By: /s/ Daniel T. Walker
Daniel T. Walker, P.G.1272
Senior Vice President

Date Signed: February 3, 2011

JJS:AMB

DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

The following definitions are set forth in U.S. Securities and Exchange Commission (SEC) Regulation S-X Section 210.4-10(a). Also included is supplemental information from (1) the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers, (2) the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas, and (3) the SEC's Compliance and Disclosure Interpretations.

(1) *Acquisition of properties.* Costs incurred to purchase, lease or otherwise acquire a property, including costs of lease bonuses and options to purchase or lease properties, the portion of costs applicable to minerals when land including mineral rights is purchased in fee, brokers' fees, recording fees, legal costs, and other costs incurred in acquiring properties.

(2) *Analogous reservoir*. Analogous reservoirs, as used in resources assessments, have similar rock and fluid properties, reservoir conditions (depth, temperature, and pressure) and drive mechanisms, but are typically at a more advanced stage of development than the reservoir of interest and thus may provide concepts to assist in the interpretation of more limited data and estimation of recovery. When used to support proved reserves, an "analogous reservoir" refers to a reservoir that shares the following characteristics with the reservoir of interest:

(i) Same geological formation (but not necessarily in pressure communication with the reservoir of interest);
(ii) Same environment of deposition;
(iii) Similar geological structure; and
(iv) Same drive mechanism.

Instruction to paragraph (a)(2): Reservoir properties must, in the aggregate, be no more favorable in the analog than in the reservoir of interest.

(3) *Bitumen*. Bitumen, sometimes referred to as natural bitumen, is petroleum in a solid or semi-solid state in natural deposits with a viscosity greater than 10,000 centipoise measured at original temperature in the deposit and atmospheric pressure, on a gas free basis. In its natural state it usually contains sulfur, metals, and other non-hydrocarbons.

(4) *Condensate*. Condensate is a mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface pressure and temperature.

(5) *Deterministic estimate*. The method of estimating reserves or resources is called deterministic when a single value for each parameter (from the geoscience, engineering, or economic data) in the reserves calculation is used in the reserves estimation procedure.

(6) *Developed oil and gas reserves*. Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and
(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Supplemental definitions from the 2007 Petroleum Resources Management System:

Developed Producing Reserves — Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves — Developed Non-Producing Reserves include shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future recompletion prior to start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

(7) *Development costs.* Costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas. More specifically, development costs, including depreciation and applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(i) Gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines, and power lines, to the extent necessary in developing the proved reserves.
(ii) Drill and equip development wells, development-type stratigraphic test wells, and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment, and the wellhead assembly.

(iii) Acquire, construct, and install production facilities such as lease flow lines, separators, treaters, heaters, manifolds, measuring devices, and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems.
(iv) Provide improved recovery systems.

(8) *Development project*. A development project is the means by which petroleum resources are brought to the status of economically producible. As examples, the development of a single reservoir or field, an incremental development in a producing field, or the integrated development of a group of several fields and associated facilities with a common ownership may constitute a development project.

(9) *Development well*. A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

(10) *Economically producible*. The term economically producible, as it relates to a resource, means a resource which generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation. The value of the products that generate revenue shall be determined at the terminal point of oil and gas producing activities as defined in paragraph (a)(16) of this section.

(11) *Estimated ultimate recovery (EUR)*. Estimated ultimate recovery is the sum of reserves remaining as of a given date and cumulative production as of that date.

(12) *Exploration costs*. Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects of containing oil and gas reserves, including costs of drilling exploratory wells and exploratory-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as prospecting costs) and after acquiring the property. Principal types of exploration costs, which include depreciation and applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(i) Costs of topographical, geographical and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews, and others conducting those studies. Collectively, these are sometimes referred to as geological and geophysical or "G&G" costs.
(ii) Costs of carrying and retaining undeveloped properties, such as delay rentals, ad valorem taxes on properties, legal costs for title defense, and the maintenance of land and lease records.
(iii) Dry hole contributions and bottom hole contributions.
(iv) Costs of drilling and equipping exploratory wells.
(v) Costs of drilling exploratory-type stratigraphic test wells.

(13) *Exploratory well*. An exploratory well is a well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploratory well is any well that is not a development well, an extension well, a service well, or a stratigraphic test well as those items are defined in this section.

(14) *Extension well*. An extension well is a well drilled to extend the limits of a known reservoir.

(15) *Field*. An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to identify localized geological features as opposed to the broader terms of basins, trends, provinces, plays, areas-of-interest, etc.

(16) *Oil and gas producing activities*.

(i) Oil and gas producing activities include:

(A) The search for crude oil, including condensate and natural gas liquids, or natural gas ("oil and gas") in their natural states and original locations;
(B) The acquisition of property rights or properties for the purpose of further exploration or for the purpose of removing the oil or gas from such properties;
(C) The construction, drilling, and production activities necessary to retrieve oil and gas from their natural reservoirs, including the acquisition, construction, installation, and maintenance of field gathering and storage systems, such as:
(1) Lifting the oil and gas to the surface; and
(2) Gathering, treating, and field processing (as in the case of processing gas to extract liquid hydrocarbons); and

(D) Extraction of saleable hydrocarbons, in the solid, liquid, or gaseous state, from oil sands, shale, coalbeds, or other nonrenewable natural resources which are intended to be upgraded into synthetic oil or gas, and activities undertaken with a view to such extraction.

Instruction 1 to paragraph (a)(16)(i): The oil and gas production function shall be regarded as ending at a "terminal point", which is the outlet valve on the lease or field storage tank. If unusual physical or operational circumstances exist, it may be appropriate to regard the terminal point for the production function as:

a. The first point at which oil, gas, or gas liquids, natural or synthetic, are delivered to a main pipeline, a common carrier, a refinery, or a marine terminal; and
b. In the case of natural resources that are intended to be upgraded into synthetic oil or gas, if those natural resources are delivered to a purchaser prior to upgrading, the first point at which the natural resources are delivered to a main pipeline, a common carrier, a refinery, a marine terminal, or a facility which upgrades such natural resources into synthetic oil or gas.

Instruction 2 to paragraph (a)(16)(i): For purposes of this paragraph (a)(16), the term *saleable hydrocarbons* means hydrocarbons that are saleable in the state in which the hydrocarbons are delivered.

(ii) Oil and gas producing activities do not include:

(A) Transporting, refining, or marketing oil and gas;
(B) Processing of produced oil, gas, or natural resources that can be upgraded into synthetic oil or gas by a registrant that does not have the legal right to produce or a revenue interest in such production;
(C) Activities relating to the production of natural resources other than oil, gas, or natural resources from which synthetic oil and gas can be extracted; or
(D) Production of geothermal steam.

(17) *Possible reserves.* Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

(i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.
(ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.
(iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.
(iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.
(v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.
(vi) Pursuant to paragraph (a)(22)(iii) of this section, where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.

(18) *Probable reserves.* Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

(i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

(ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.
(iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.
(iv) See also guidelines in paragraphs (a)(17)(iv) and (a)(17)(vi) of this section.

(19) *Probabilistic estimate.* The method of estimation of reserves or resources is called probabilistic when the full range of values that could reasonably occur for each unknown parameter (from the geoscience and engineering data) is used to generate a full range of possible outcomes and their associated probabilities of occurrence.

(20) *Production costs*.

(i) Costs incurred to operate and maintain wells and related equipment and facilities, including depreciation and applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. They become part of the cost of oil and gas produced. Examples of production costs (sometimes called lifting costs) are:

(A) Costs of labor to operate the wells and related equipment and facilities.
(B) Repairs and maintenance.
(C) Materials, supplies, and fuel consumed and supplies utilized in operating the wells and related equipment and facilities.
(D) Property taxes and insurance applicable to proved properties and wells and related equipment and facilities.
(E) Severance taxes.

(ii) Some support equipment or facilities may serve two or more oil and gas producing activities and may also serve transportation, refining, and marketing activities. To the extent that the support equipment and facilities are used in oil and gas producing activities, their depreciation and applicable operating costs become exploration, development or production costs, as appropriate. Depreciation, depletion, and amortization of capitalized acquisition, exploration, and development costs are not production costs but also become part of the cost of oil and gas produced along with production (lifting) costs identified above.

(21) *Proved area.* The part of a property to which proved reserves have been specifically attributed.

(22) *Proved oil and gas reserves.* Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any, and
(B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.
(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.
(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous

reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

(23) *Proved properties.* Properties with proved reserves.

(24) *Reasonable certainty.* If deterministic methods are used, reasonable certainty means a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. A high degree of confidence exists if the quantity is much more likely to be achieved than not, and, as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease.

(25) *Reliable technology.* Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

(26) *Reserves.* Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

Note to paragraph (a)(26): Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

Excerpted from the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas:

932-235-50-30 A standardized measure of discounted future net cash flows relating to an entity's interests in both of the following shall be disclosed as of the end of the year:

a. Proved oil and gas reserves (see paragraphs 932-235-50-3 through 50-11B)
b. Oil and gas subject to purchase under long-term supply, purchase, or similar agreements and contracts in which the entity participates in the operation of the properties on which the oil or gas is located or otherwise serves as the producer of those reserves (see paragraph 932-235-50-7).

The standardized measure of discounted future net cash flows relating to those two types of interests in reserves may be combined for reporting purposes.

932-235-50-31 All of the following information shall be disclosed in the aggregate and for each geographic area for which reserve quantities are disclosed in accordance with paragraphs 932-235-50-3 through 50-11B:

a. Future cash inflows. These shall be computed by applying prices used in estimating the entity's proved oil and gas reserves to the year-end quantities of those reserves. Future price changes shall be considered only to the extent provided by contractual arrangements in existence at year-end.
b. Future development and production costs. These costs shall be computed by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions. If estimated development expenditures are significant, they shall be presented separately from estimated production costs.
c. Future income tax expenses. These expenses shall be computed by applying the appropriate year-end statutory tax rates, with consideration of future tax rates already legislated, to the future pretax net cash flows relating to the entity's proved oil and gas reserves, less the tax basis of the properties involved. The future income tax expenses shall give effect to tax deductions and tax credits and allowances relating to the entity's proved oil and gas reserves.
d. Future net cash flows. These amounts are the result of subtracting future development and production costs and future income tax expenses from future cash inflows.

e. Discount. This amount shall be derived from using a discount rate of 10 percent a year to reflect the timing of the future net cash flows relating to proved oil and gas reserves.

f. Standardized measure of discounted future net cash flows. This amount is the future net cash flows less the computed discount.

(27) *Reservoir*. A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

(28) *Resources*. Resources are quantities of oil and gas estimated to exist in naturally occurring accumulations. A portion of the resources may be estimated to be recoverable, and another portion may be considered to be unrecoverable. Resources include both discovered and undiscovered accumulations.

(29) *Service well.* A well drilled or completed for the purpose of supporting production in an existing field. Specific purposes of service wells include gas injection, water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for in-situ combustion.

(30) *Stratigraphic test well.* A stratigraphic test well is a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intent of being completed for hydrocarbon production. The classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic tests are classified as "exploratory type" if not drilled in a known area or "development type" if drilled in a known area.

(31) *Undeveloped oil and gas reserves.* Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

From the SEC's Compliance and Disclosure Interpretations (October 26, 2009):

Although several types of projects — such as constructing offshore platforms and development in urban areas, remote locations or environmentally sensitive locations — by their nature customarily take a longer time to develop and therefore often do justify longer time periods, this determination must always take into consideration all of the facts and circumstances. No particular type of project per se justifies a longer time period, and any extension beyond five years should be the exception, and not the rule.

Factors that a company should consider in determining whether or not circumstances justify recognizing reserves even though development may extend past five years include, but are not limited to, the following:

- *The company's level of ongoing significant development activities in the area to be developed (for example, drilling only the minimum number of wells necessary to maintain the lease generally would not constitute significant development activities);*
- *The company's historical record at completing development of comparable long-term projects;*
- *The amount of time in which the company has maintained the leases, or booked the reserves, without significant development activities;*
- *The extent to which the company has followed a previously adopted development plan (for example, if a company has changed its development plan several times without taking significant steps to implement any of those plans, recognizing proved undeveloped reserves typically would not be appropriate); and*
- *The extent to which delays in development are caused by external factors related to the physical operating environment (for example, restrictions on development on Federal lands, but not obtaining government permits), rather than by internal factors (for example, shifting resources to develop properties with higher priority).*

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

(32) *Unproved properties.* Properties with no proved reserves.