

**THE INDEPENDENT STATE
OF
PAPUA NEW GUINEA**

-and-

LICENSEES OF EACH OF

**PDL1
PRL12
PRL2
PRL11
PDL2
PDL4
PDL5
PDL6**

PNG LNG GAS AGREEMENT

22 MAY 2008

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PNG LNG Gas Agreement

THIS AGREEMENT is made as of the 22nd day of May 2008,

BETWEEN:

(1) THE INDEPENDENT STATE OF PAPUA NEW GUINEA ("*State*"), of the first part;

AND:

(2) ESSO HIGHLANDS LIMITED, OIL SEARCH LIMITED, OIL SEARCH (TUMBUDU) LIMITED, SANTOS HIDES LTD and LAVANA LIMITED, whose details are set out in Exhibit A to this Agreement (together "*PDL1 Licensees*"), of the second part;

AND:

(3) ESSO HIGHLANDS LIMITED and OIL SEARCH LIMITED whose details are set out in Exhibit A to this Agreement (together "*PRL12 Licensees*"), of the third part;

AND:

(4) ESSO PNG JUHA LIMITED, AMPOLEX (PAPUA NEW GUINEA) LIMITED, MERLIN PETROLEUM COMPANY, OIL SEARCH LIMITED and OIL SEARCH (PNG) LIMITED whose details are set out in Exhibit A to this Agreement (together "*PRL2 Licensees*"), of the fourth part;

AND:

(5) ESSO HIGHLANDS LIMITED and OIL SEARCH LIMITED whose details are set out in Exhibit A to this Agreement (together "*PRL11 Licensees*"), of the fifth part;

AND:

(6) OIL SEARCH (PNG) LIMITED, AMPOLEX (PNG PETROLEUM), INC., MERLIN PACIFIC OIL COMPANY LIMITED, MERLIN PETROLEUM COMPANY, AGL GAS DEVELOPMENTS (PNG) PTY LIMITED and PETROLEUM RESOURCES KUTUBU LIMITED whose details are set out in Exhibit A to this Agreement (together "*PDL2 Licensees*"), of the sixth part;

AND:

(7) OIL SEARCH (PNG) LIMITED, AMPOLEX (HIGHLANDS) LIMITED, MERLIN PETROLEUM COMPANY, AGL GAS DEVELOPMENTS (PNG) PTY LIMITED and PETROLEUM RESOURCES GOBE LIMITED whose details are set out in Exhibit A to this Agreement (together "*PDL4 Licensees*"), of the seventh part;

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AND:

(8) ESSO HIGHLANDS LIMITED, OIL SEARCH (PNG) LIMITED and EDA OIL LIMITED whose details are set out in Exhibit A to this Agreement (together "*PDL5 Licensees*"), of the eighth part;

AND:

(9) AMPOLEX (HIGHLANDS) LIMITED, OIL SEARCH (PNG) LIMITED, OIL SEARCH LIMITED, MERLIN PETROLEUM COMPANY whose details are set out in Exhibit A to this Agreement (together "*PDL6 Licensees*"), of the ninth part.

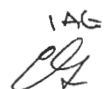
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- A. The LNG Project Companies, with the assistance and co-operation of the State, propose to undertake the development of certain petroleum reserves of which they are licensees in Papua New Guinea for the purpose of producing natural gas, and processing it for export and sale as LNG.
- B. The licensees have agreed in the CDOA to aggregate their natural gas reserves and to sell those reserves into international markets after compression and liquefaction, with costs and revenues shared between the licensees on the terms agreed, and this Agreement records the agreement of the licensees and the State on the formal processes to aggregate the licence reserves, as well as ancillary matters.
- C. As at the Agreement Date the Licences within the scope of this Agreement are:
- (i) PDL1 which covers part of the Hides Field and part of the Angore Field;
 - (ii) PRL2, which covers the Juha Fields;
 - (iii) PRL11, which covers part of the Angore Field and part of the Hides Field;
 - (iv) PRL12, which covers part of the Hides Field;
 - (v) PDL2, which covers the Kutubu Complex Field, SE Hedinia Field and Agogo Field (collectively referred to as the Kutubu Fields) and part of the Moran Field;
 - (vi) PDL4, which covers the Gobe Main Field and the Gobe 2X Field (collectively referred to as the Gobe Fields);
 - (vii) PDL5, which covers part of the Moran Field; and
 - (viii) PDL6, which covers part of the Moran Field.

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PNG LNG Gas Agreement

- D. Upon making the LNG Project Decision, the LNG Project Companies intend to apply for Petroleum Development Licences, variations and extensions to Petroleum Development Licences, Pipeline Licences and Petroleum Processing Facility Licences, all as required to implement the LNG Project.
- E. The State recognises that:
- (i) the LNG Project will be of major economic significance to the people of Papua New Guinea;
 - (ii) the LNG Project Companies will make significant investments in developing and operating facilities to produce, treat, transport, store, liquefy and sell commercial quantities of natural gas as LNG and associated Liquids produced from the LNG Project Area;
 - (iii) the extent to which the LNG Project Companies are willing to make the investments described above is dependent in part upon the economic attractiveness, certainty and long term stability of the terms upon which the State permits the LNG Project Companies to operate within Papua New Guinea; and
 - (iv) the State has the responsibility to protect LNG Project operations from crime and civil unrest, and the State commits to carry out that responsibility in a manner which it determines is lawfully appropriate and reasonable in the circumstances and that respects human rights.
- F. The LNG Project Companies recognise, in accordance with the terms of this Agreement:
- (i) that the State in approving the investments in the LNG Project by the LNG Project Companies, intends to realize the direct and indirect economic benefits to the State accruing from the LNG Project, taking into consideration factors which will optimise the benefits flowing to the State such as the projected costs of capital and reasonable operating expense, commercial prices to be obtained for produced Petroleum, as well as the technical, financial and economic capabilities of the LNG Project Companies;
 - (ii) that the State will act to ensure that the LNG Project will make a substantial contribution, both economically and by means of training and technology transfer, to the advancement and the social and economic welfare of the people and the Independent State of Papua New Guinea;
 - (iii) that the State will act to ensure that the LNG Project Companies and the LNG Project will take particular account of the welfare of the people in the vicinity of the LNG Project Area consistent with the plans of the local-level, provincial and national governments;
 - (iv) that the development of the LNG Project will be undertaken in accordance with Section 129 of the Oil and Gas Act, utilising local manpower, services and materials as required by that section; and

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- (v) that the State is acting to ensure that the LNG Project is undertaken and executed with due regard for the safety, health and welfare of persons and the protection of the environment, always in accordance with Good Oilfield Practice and the requirements of relevant legislation.

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NOW THIS AGREEMENT WITNESSES AS FOLLOWS:

SECTION A: INTERPRETATION

1. DEFINITIONS

1.1 General

In this Agreement, the following definitions apply unless the context otherwise requires:

"Accumulated Liability" means an accumulated liability of the State or a nominee of the State under a Petroleum Agreement in respect of an interest acquired by the State or its nominee in a Licence or other assets of a Petroleum Project (including any interest payable by the State or its nominee in respect of that liability in accordance with the terms of the applicable Petroleum Agreement).

"Additional PDL Area" has the meaning given in Clause 4.7.

"Affiliate" means, in relation to any Party (other than the State, and whether in the capacity of LNG Project Company or otherwise), any company, partnership, or other legal entity ("**Entity**") which directly or indirectly controls or is controlled by that Party, or is controlled directly or indirectly by an Entity which directly or indirectly controls that Party. For the purposes of this definition:

- (a) an Entity is directly controlled by another Entity holding fifty (50) per cent or more of the voting rights exercisable at a general meeting (or its equivalent) of the first mentioned Entity;
- (b) a particular Entity is indirectly controlled by an Entity or Entities (the parent Entity or Entities) if a hierarchy of Entities can be specified beginning with the parent Entity or Entities, and ending with the particular Entity, so related that each Entity is directly controlled by an Entity above it in the hierarchy of Entities; and
- (c) in the case of Merlin Petroleum Company, Merlin Petroleum Company and the entities listed below shall be regarded as affiliates of each other:
 - (i) Government of Japan and its successors;
 - (ii) Japan Papua New Guinea Petroleum Co. Ltd;
 - (iii) Mitsubishi Corporation;
 - (iv) Nippon Oil Corporation; and
 - (v) Nippon Oil Exploration Limited.

"Agogo Field" means the Petroleum accumulation known as the Agogo field, more particularly described in Exhibit Q.

"Agreement Date" means the date of this Agreement as first noted above.

"Angore Field" means the Petroleum accumulation known as the Angore field, more particularly described in Exhibit Q.

"APF" means the Agogo production facilities (as modified, replaced or upgraded from time to time) connected by flowlines to the CPF, which facilities, at the Agreement Date, are located in the PDL2 Area and owned by the PDL2 Owners and used for the treatment of Petroleum from the Agogo and Moran Fields.

"Approved Proposals" has the meaning given in Clause 4.1.

"Authorisation" includes any consent, authorisation, registration, filing, agreement, notarisation, certificate, commission, licence, approval, permit, authority or exemption from, by or with a Governmental Agency.

"Bank" means the Bank of Papua New Guinea created pursuant to the *Central Banking Act 2000* (PNG), or any successor institution.

"Benefits Sharing Agreement" means one or more co-ordinated development agreements in respect of the LNG Project to be entered into under Section 50A of the Oil and Gas Act between the State, Project Area Landowners, Affected Local-Level Governments and Affected Provincial Governments, which sets out the basis for such parties to share Royalty Benefit and Equity Benefit and such other benefits of the LNG Project, including Development Levies, as agreed by the parties.

"Cancellation Notice" has the meaning given in Clause 24.2.

"CDOA" means the joint operating agreement applicable to the LNG Project as at the Agreement Date and from time to time thereafter, including the LNG Project CSA and the "PNG LNG Coordinated Development and Operating Agreement" dated 13 March 2008.

"circumstances beyond the reasonable control" has the meaning given in Clause 22.4(a).

"Citizen" means a citizen (whether by birth or naturalisation) of Papua New Guinea.

"Commissioner General" means the Commissioner General of the Internal Revenue Commission appointed under Section 6 of the Tax Act.

"Confidential Information" has the meaning given in Clause 26.1.

"CPF" means the central production facilities (as modified, replaced or upgraded from time to time) which, at the Agreement Date, have been constructed in accordance with PDL2 and are owned by the PDL2 Owners and used for the treatment, storage and dispatch of Petroleum through the KPS.

"Customs Tariff Act" means the *Customs Tariff Act 1990* (PNG).

"Default Notice" has the meaning given in Clause 24.1.

"Development Levy" means a levy imposed by Section 160 of the Oil and Gas Act.

"Dispute" has the meaning given in Clause 20.1.

"Existing Participant" has the meaning given in Clause 3.2.

"FEED" means the front end engineering and design phase of the LNG Project that will be conducted after the LNG Project FEED Decision.

"Field" has the meaning given in Clause 4.1.

"Financing" means any transaction (or, as the context may require, documentation of or indebtedness resulting from any such transaction) for the financing or refinancing (whether by way of debt or equity capital), individually or collectively, directly or indirectly, of costs or expenses incurred by any LNG Project Company (including, for the avoidance of doubt, any legal entity incorporated or established in respect of LNG Project Operations) in connection with the LNG Project or in connection with Other Business (including, without limitation, a transaction entered into for the purpose of procuring a loan or issuing debt instruments, equities or other securities for sale or purchase or procuring any other form of financial accommodation or for hedging or swapping indebtedness in respect of any such transaction) or for raising equity capital.

"First LNG Cargo" means the date on which LNG first passes the point of interconnection with the first ship loading LNG produced by the LNG Project Liquefaction Plant for a purchaser of LNG.

"Force Majeure" means a circumstance or circumstances beyond the reasonable control of a Party claiming relief from performance of an obligation under this Agreement as provided in Clause 22.4.

"Foundation Volume" means the first 10.5 trillion cubic feet of Gas produced and sold from the LNG Project Area under the terms of this Agreement after First LNG Cargo, including produced or associated Liquids. Gas and Liquids produced and sold from the HGEPP are included in the Foundation Volume only upon participation in HGEPP being authorized by LNG Project Companies under the CDOA. For the avoidance of doubt, Gas produced under the agreement of 18 February 1993, as amended, or solely by PDL1 licensees, is not included in Foundation Volume.

"Future Licences" means

- (a) the PRL12 Area Development Licence, the PRL2 Area Development Licence, and the PRL11 Area Development Licence;
- (b) any Pipeline Licence or Petroleum Processing Facility Licence and any variation, extension or substitution thereof, or of a PPL, PRL or PDL, granted under the Oil and Gas Act after the Agreement Date to one or more of the LNG Project Companies for the purposes of the LNG Project (including the transportation of Petroleum produced from a field within the LNG Project Area to the LNG Project Liquefaction Plant or processing of such Petroleum); and
- (c) any Licence associated with an Additional PDL Area.

"Gas" means fluid obtained from a well which is a gas at standard temperature and pressure and which consists primarily of hydrocarbons.

"Gobe Main Field" means the Petroleum accumulation known as the Gobe Main field, as more particularly described in Exhibit Q.

"Gobe 2X Field" means the Petroleum accumulation known as the Gobe 2X field, as more particularly described in Exhibit Q.

"GOR Regulation" has the meaning given in Clause 4.1.

"Governmental Agency" means any governmental, semi-governmental or judicial entity or authority and includes any self-regulatory organisation

established under a statute and, as appropriate, the Bank and the Konebada Petroleum Park Authority (or an entity relating to the Konebada Petroleum Park described in Clause 13.2(c)(ii)).

"HGCP" means the gas conditioning plant located in the vicinity of the Hides Field and proposed to be or which is constructed, used and/or acquired for the receipt, treatment, storage, compression and dispatch of Petroleum through the LNG Project Gas Pipeline and condensate to the Kutubu Pipeline System, as part of the Upstream Operations, as those facilities are modified, replaced or upgraded from time to time.

"HGEPP" see **"Hides Gas to Electricity (Porgera) Project"**

"Hides Field" means the Petroleum accumulation known as the Hides field, as more particularly described in Exhibit Q.

"Hides Gas to Electricity (Porgera) Project" or **"HGEPP"** means the Hides gas to electricity project and associated gas and liquids sales as defined by the agreement dated 18 February 1993 (originally between BP Exploration Operating Company Limited and Oil Search Limited and entitled "Joint Venture Operating Agreement for the Hides Project") as well as any subsequent agreements entered into for gas sales for the electricity project, whether with PDL1 licensees, under the CDOA, or otherwise.

"Income Tax Regulations" means the *Income Tax Regulations* 1959 (PNG) as amended.

"JPF" means the Juha Processing Facility proposed to be or which is constructed, used and/or acquired for the receipt, treatment, storage, compression and dispatch of Petroleum through the LNG Project Gas Pipeline, as part of the Upstream Operations, as those facilities are modified, replaced or upgraded from time to time.

"Juha Fields" means all of the Petroleum accumulation known as the Juha Fields, as more particularly described in Exhibit Q.

"KPS" or **"Kutubu Pipeline System"** means a crude oil pipeline system, including the pipelines, the Kumul marine platform and related facilities (as modified, replaced or upgraded from time to time) which system, at the Agreement Date, is subject to the PL2 licence and used for the transportation and export of stabilised liquids.

"Kutubu Complex Field" means the Petroleum accumulation known as the Kutubu Complex field, as more particularly described in Exhibit Q.

"Land" means all land, including the offshore area and the bed of any river, stream, estuary, lake or swamp, and includes an interest in land whether arising out of and regulated by custom or otherwise. An interest in land includes (a) a legal or equitable estate or interest in the land or (b) a right, power or privilege over, in or in connection with the land.

"Liquids" means Petroleum which exists in liquid form at standard temperature and pressure, such as natural gas condensate, crude oil, LPG and/or any other liquids derived, extracted or separated from gas. The term does not include LNG and does not include produced water.

"LIBOR" means the one (1) month term London Interbank Offered Rate for United States dollar deposits, as quoted on Reuters' page "LIBOR 01" or other generally acceptable source publishing this rate.

"Licensees" means the registered holders of a particular licence from time to time being, at the Agreement Date, those holders identified in Exhibit R.

"LNG" means liquefied natural gas.

"LNG Project" means the project to coordinate the development and production of Gas and other LNG Project Petroleum from LNG Project Fields which when produced is the property of the various LNG Project Licensees, pursuant to the petroleum development licenses granted to those licensees by the State, and the development, construction and installation of joint facilities principally to convert the Gas into liquid form for the efficient sale and maritime transport of the Gas to foreign buyers, and includes:

- (a) the:
 - i. planning of and the feasibility and front end engineering and design studies and all detailed design studies (including all preparatory work for such activities) in relation to; and
 - ii. the development, construction, use, operation and/or abandonment of,

all facilities and equipment (including the Upstream Facilities, LNG Project Gas Pipeline and LNG Project Liquefaction Plant) on or in connection with the LNG Project Area from time to time;
- (b) all activities the subject of, or permitted by, the LNG Project Licences (including the exploration and prospecting for, the Production, transportation, processing, storage, and the selling, marketing and exporting of LNG Project Petroleum);
- (c) each and every act, matter and thing preparatory, ancillary or incidental to any of the foregoing; and
- (d) Petroleum sales, directly or indirectly, by the LNG Project or one or more LNG Project Licensees, including to the Porgera joint venture.

A general description of the principal activities which are proposed to be undertaken as part of the LNG Project is set out in Exhibit C.

"LNG Project Agreement" means any agreement (other than this Agreement) which relates to ownership or economic interests in, management, operation or any other aspect of the LNG Project, joint operating or joint venture agreements between the LNG Project Companies, including the CDOA, other joint operating or joint venture agreements between two or more LNG Project Companies, transportation and processing agreements, engineering procurement and construction (EPC) agreements, and, unless the LNG Project Companies otherwise agree, any other agreement which relates to any aspect of the LNG Project including the sale of LNG Project Petroleum to which one or more of the LNG Project Companies is a party.

"LNG Project Area" means the aggregate of the areas covered, from time to time, by:

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- (a) each of the Original Licences;
- (b) each of the Offer Licences;
- (c) each of the Future Licences, (including Pipeline Licences and Petroleum Processing Facility Licences granted for the purposes of the LNG Project); and
- (d) the area covered by any Licence (including pipeline licence), lease, pipeline easement, or any other Authorization given pursuant to the Oil and Gas Act, the Land Act or any other legislation, for surface facilities (including airstrips, roads, camps, docks, ports, warehouses, industrial parks, tank farms and power and/or compression stations) used to support LNG Project Operations.

"LNG Project Company" means each of the Parties to this Agreement which is from time to time a Licensee of a LNG Project Licence (in such Party's capacity as a LNG Project Company) and which is a Participant, such Parties being identified in Exhibit A as that exhibit is updated from time to time under Clause 23.3, *provided, however*, that any reference to, or benefit, privilege or right conferred upon a LNG Project Company shall be deemed for all purposes to include a reference to, and to confer the relevant benefit, privilege or right upon, any entity that is or is proposed to be incorporated or established in respect of the LNG Project, including entities for Financing, operating or marketing in connection with the LNG Project, *and further provided* that the term is meant to include New Participants, Affiliates of both LNG Project Companies and New Participants, and lenders to and insurers of each of these.

"LNG Project Companies' Representative" means a LNG Project Company appointed pursuant to Clause 3.1(a).

"LNG Project CSA" means the "PNG LNG Evaluation Cost Sharing Agreement" dated 10 April 2007.

"LNG Project Decision" means the affirmative decision of the LNG Project Companies in accordance with the CDOA, following LNG Project FEED, to proceed with the implementation and construction of the LNG Project under the applicable LNG Project Agreement or Agreements, which decision is subject only to all conditions on which the Financing of those activities is dependent either being satisfied or waived.

"LNG Project Decision AFE Package" means the package of documents to be issued by the LNG Project Companies' Representative in preparation for Project Decision containing a request for authorisation for expenditure in respect of the proposed development of the LNG Project.

"LNG Project Facilities" means the Upstream Facilities, the LNG Project Gas Pipeline and the LNG Project Liquefaction Plant.

"LNG Project FEED Decision" means the affirmative decision of the LNG Project Companies in accordance with the CDOA to proceed with LNG Project FEED under the applicable LNG Project Agreement or Agreements.

"LNG Project Field" has the meaning given in Clause 4.1.

"LNG Project Fiscal Stability Agreement" means the agreement of that name to be executed by the State and the LNG Project Companies in accordance with Clause 28.

"LNG Project Gas Pipeline" means the Pipeline (as modified, replaced or upgraded from time to time) that will transport gas from the HGCP to the LNG Project Liquefaction Plant, which is the subject of a Pipeline Licence authorized in accordance with Clause 5.2.

"LNG Project Licences" means any or all of the Original Licences, Offer Licences and Future Licences.

"LNG Project Licensee" means a Licensee of a LNG Project Licence.

"LNG Project Liquefaction Plant" means the plant that will liquefy natural gas and prepare gas for onward transport, along with all associated facilities, tanks, pipe work, docks, access roads, and related infrastructure, that will be the subject of a Petroleum Processing Facility Licence authorized in accordance with Clause 5.3.

"LNG Project Oil Fields" has the meaning given in Clause 4.1.

"LNG Project Operations" means operations of the LNG Project, including the production of LNG Project Petroleum, the transportation of Petroleum from LNG Project Licences to LNG Project Facilities and processing of such Petroleum at LNG Project Facilities (including for the production of LNG) and also includes any other operations of the LNG Project Companies relating to the planning, development, design, construction, management, operation and/or abandonment of the LNG Project.

"LNG Project Assets" has the meaning given in Clause 10.1.

"LNG Project Petroleum" means all Petroleum produced by the LNG Project Companies from a LNG Project Field.

"LNG Sale and Purchase Agreement" or "SPA" means an agreement between one or more LNG Project Companies and a Third Party for the sale of LNG Project Petroleum to that Third Party in the form of LNG.

"LPG" means liquefied petroleum gas, being a petroleum product composed predominantly of one or more of the following hydrocarbons or mixture of such hydrocarbons:

- (a) propane; or
- (b) butane, including normal butane or isobutane.

"Mapped Areas" means those parts in or around the LNG Project Area identified by LNG Project Licence (where applicable) and by name in the second and fourth columns of Exhibit I (respectively) and geographically on the shaded parts of the map attached thereto.

"Minister" means the Minister for the time being responsible for administering the Oil and Gas Act, or any preceding and succeeding act, as the context so requires.

"Moran Field" means the Petroleum accumulation known as the Moran field, more particularly described in Exhibit Q.

"MRDC" means Mineral Resources Development Company Limited.

"New Field" has the meaning given in Clause 4.1.

"New Participant" has the meaning given in Clause 3.2.

"Newly Discovered Pool" has the meaning given in Clause 4.1.

"Notice" has the meaning given in Clause 30(a).

"Notice of Arbitration" has the meaning given in Clause 20.2.

"Offer Licences" has the meaning given in Clause 10.1.

"Offer Licence Area" has the meaning given in Clause 10.1.

"Offer Licence Assets" has the meaning given in Clause 10.1

"Offer Licence Interest" has the meaning given in Clause 10.1.

"Offer Licence Owners" has the meaning given in Clause 10.1.

"Offer Licence Transfer Date" has the meaning given in Clause 10.1.

"Oil and Gas Act" means the *Oil and Gas Act* 1998 (PNG) as amended.

"Original Licences" means PDL2, PDL4, PDL5 and PDL6.

"Other Business" means any business of an LNG Project Company conducted in Papua New Guinea and the income of which is derived from other than the LNG Project.

"Participant" means a participant under Clause 3.2, whether an Existing Participant or a New Participant.

"Party" means, in respect of this Agreement, any of the State or each of the LNG Project Companies.

"PDL[*]" means the Petroleum Development Licence of corresponding number [*], issued by the Minister on behalf of the State (and any variation or extension or renewal of it and any Licence issued in substitution or partial substitution for it) further details of which for those issued as at the Agreement Date are set out in Exhibit R.

"PDL[*] Area" means the Blocks (or portions thereof) comprised in that PDL of corresponding number [*], details of which as at the Agreement Date are set out in Exhibit R.

"PDL[*] Owners" means the registered holders of that PDL of corresponding number [*] from time to time being, at the Agreement Date, the LNG Project Companies identified in Exhibit R.

"Petroleum" means:

- (a) any naturally occurring hydrocarbons, whether in a gaseous, liquid, or solid state; or
- (b) any naturally occurring mixture of hydrocarbons, whether in a gaseous, liquid, or solid state; or
- (c) any naturally occurring mixture of one or more hydrocarbons, (whether in a gaseous, liquid, or solid state) and any other substance; or

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- (d) any fraction, mixture or product derived from (a), (b) or (c) as a result of production or processing; or
- (e) any petroleum as defined in (a), (b), (c) or (d) which has been returned to a natural reservoir,

but does not include coal or any other substance which can only be recovered by mechanical mining processes.

"Petroleum Agreement" means a Petroleum Agreement entered into whether pursuant to Section 183 of the Oil and Gas Act (or any predecessor or successor to that Section) or otherwise, which covers, or prior to the Agreement Date covered, any area the subject of a LNG Project Licence.

"PL2" means Pipeline Licence Number 2 issued by the Minister on behalf of the State (and any variation or extension or renewal of it and any Licence issued in substitution or partial substitution for it.)

"Pre-LNG Project Data" has the meaning given in Clause 10.1.

"Pre-LNG Project Operations" has the meaning given in Clause 10.1.

"PPL[*]" means the Petroleum Prospecting Licence of corresponding number [*], issued by the Minister on behalf of the State (and any variation or extension or renewal of it and any Licence issued in substitution or partial substitution for it), further details of which as at the Agreement Date are set out in Exhibit R.

"PPL[*] Area" means the Blocks (or portions thereof) comprised in that PPL of corresponding number [*], as at the Agreement Date that contain Petroleum Pool(s) or part of a Petroleum Pool, and that are set out in Exhibit R.

"PPL[*] Area Development Licence" means the Petroleum Development Licence of corresponding number [*], which is contemplated under Clause 5 for that PPL Area, when granted.

"PPL[*] Petroleum Agreement" means the Petroleum Agreement for the PPL of corresponding number [*], further details of which as at the Agreement Date are set out in Exhibit B.

"PRL[*]" means the Petroleum Retention Licence of corresponding number [*], issued by the Minister on behalf of the State (and any variation or extension or renewal of it and any Licence issued in substitution or partial substitution for it), further details of which for those issued as at the Agreement Date are set out in Exhibit R.

"PRL[*] Area" means the Blocks (or portions thereof) comprised in that PRL of corresponding number [*] as at the Agreement Date that contain Petroleum Pool(s) or part of a Petroleum Pool, and that are set out in Exhibit R.

"PRL[*] Area Development Licence" means the Petroleum Development Licence of corresponding number [*], which is contemplated under Clause 5 for that PRL Area, when granted.

"PRL[*] Owners" means the registered holders of that PRL of corresponding number [*] from time to time.

"Production" means activities involved in, or in relation to, the producing, treating, transporting, storing and/or handling of LNG Project Petroleum by any

permitted method, and all work and operations necessary or convenient for such activities.

"Resource Contracts Fiscal Stabilization Act" means the *Resource Contracts Fiscal Stabilization Act 2000* (PNG).

"Royalty" means a royalty imposed by Section 159 of the Oil and Gas Act.

"SE Hedinia Field" means the Petroleum accumulation known as the South East Hedinia field, as more particularly described in Exhibit Q.

"Secretary" means the person for the time being entitled to exercise the powers and functions of the Secretary of the Department of Petroleum and Energy.

"SMLI Studies" means preliminary or full-scale social mapping and landowner identification studies, as applicable, undertaken in fulfilment of the requirements of Section 47 of the Oil and Gas Act.

"SPA" see **"LNG Sale and Purchase Agreement"**

"Spare Facility Capacity" has the meaning given in Exhibit D.

"Spare Gas Pipeline Capacity" has the meaning given in Exhibit D.

"Special Tax Credit Scheme" means the scheme described in Exhibit F.

"Specification" means the quality specifications for LNG export set out in Exhibit E.

"Stamp Duties Act" means the *Stamp Duties Act (Chapter 117)* (PNG).

"State" means The Independent State of Papua New Guinea.

"State Lease" has the meaning given in the *Land Act 1996 (PNG)* and includes a lease of all or part of the LNG Project Area (or areas expected to become part of the LNG Project Area) from a Governmental Agency.

"State Assignee" has the meaning given in Clause 10.1.

"Subsidiary" has the meaning given in Section 5 of the *Companies Act 1997* (PNG).

"Tax Act" means the *Income Tax Act 1959* (PNG).

"Third Party" means (i) any person other than the LNG Project Companies or (ii) a LNG Project Company in a capacity separate from its participation in the LNG Project.

"Third Party Claim" has the meaning given in Clause 9(c).

"Third Party Gas" means Gas acquired by the LNG Project Companies from a Third Party.

"Unmapped Areas" means those parts in or around the LNG Project Area identified by name in the protocols attached in Exhibit J and geographically on the shaded parts of the map attached in Exhibit I. These include areas which have only been subject to preliminary SMLI Studies.

"Upstream Facilities" means the facilities (as modified, replaced or upgraded from time to time) associated with either the exploration and prospecting for, or the production of LNG Project Petroleum, including:

- (a) any exploration, appraisal, production, injection or disposal wells and any wells drilled as exploration wells which are retained for use as production, injection or disposal wells;
- (b) any well heads;
- (c) any flowlines and gathering systems and processing, storage and compression facilities necessary to produce, move, deliver, re-inject or re-cycle gas and/or Liquids, both within and among Fields;
- (d) the HGCP, the JPF, the APF, the CPF, and other support facilities; and
- (e) pipelines for the transportation of substances associated within petroleum operations, including methanol and glycol.

"Upstream Operations" means activities and operations relating to the Upstream Facilities portion of the LNG Project (including exploration and prospecting for, or the Production of, LNG Project Petroleum from the LNG Project Area).

"USD" means United States dollars.

1.2 Definitions used in Oil and Gas Act

The following words when used in this Agreement have the meanings ascribed to them in the Oil and Gas Act as in effect at the Agreement Date:

"Access Arrangements",

"Affected Local-level Government",

"Affected Provincial Government",

"Block",

"Department",

"Development Agreement",

"Development Forum",

"Equity Benefit",

"the Director",

"Gas Fields",

"Good Oilfield Practice",

"Inspector",

"Licence",

"Licensee",

"Major Modification",

"Petroleum Development Licence",

"Petroleum Development Licensee",

"Petroleum Processing Facility",

"Petroleum Processing Facility Licence",

"Petroleum Prospecting Licence",
"Petroleum Retention Licence",
"Pipeline",
"Pipeline Licence",
"Pipeline Licensee",
"Processed Petroleum",
"Project Area Landowners",
"Project Pipeline",
"Register",
"Royalty Benefit",
"Strategic Petroleum Processing Facility",
"Strategic Pipeline", and
"Tenement".

1.3 Definitions used in Tax Act

The following words when used in this Agreement have the meanings ascribed to them in the Tax Act (and, in the case of Allowable Capital Expenditure and Allowable Exploration Expenditure, within the meaning of Part III, Division 10 of the Tax Act, as appropriate):

"Additional Profits Tax",
"Allowable Capital Expenditure",
"Allowable Exploration Expenditure",
"Assessable Income from Gas Operations",
"Assessable Income from Petroleum Operations",
"Conversion Date",
"Income Tax",
"Petroleum Project",
"Pool",
"Project Deductions",
"Taxable Income", and
"Year of Income".

2. INTERPRETATIONS

2.1 General

In this Agreement, unless the context otherwise requires:

- (a) monetary references are references to currency of the State unless otherwise specifically expressed;

- (b) the headings and Recitals do not affect the interpretation or construction of this Agreement;
- (c) references to the Oil and Gas Act, Tax Act or any other legislation or provision of legislation includes the amendments to that legislation for the time being in force and also to any legislation passed in substitution therefor and any regulations for the time being in force thereunder;
- (d) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (e) words importing the singular include the plural and vice versa;
- (f) words importing any gender include the other gender;
- (g) references to time are to the time in Port Moresby;
- (h) references to a person, a corporation, trust, partnership, unincorporated body or any other entity includes any of them;
- (i) references to any authority, association or body (whether statutory or otherwise) includes a reference to any authority, association or body which is established or constituted to replace it or which, as nearly as may be, succeeds to the powers and functions exercised by it;
- (j) a reference in this Agreement to this Agreement or any other agreement is a reference to that agreement as it may be amended, supplemented, assigned or novated from time to time, and to any agreement entered into in substitution or partial substitution for that agreement;
- (k) a reference to a Party to this Agreement or a party to any other agreement or document includes the Party's or party's (as the case requires) successors, permitted substitutes and permitted assigns and, where applicable, the Party's (or party's) legal personal representatives;
- (l) the use of the word '*includes*' or '*including*' (or similar expressions) are not to be taken as limiting the meaning of the words preceding it;
- (m) references to a Recital, Clause, Schedule, Exhibit or Attachment are to a recital, clause, schedule, exhibit or attachment of this Agreement;
- (n) if there is any conflict between the body of this Agreement and the Schedules, Exhibits or Attachments, the body of this Agreement prevails to the extent of the inconsistency; and
- (o) a reference to a Licence includes any variation or extension or renewal of it and any Licence issued in substitution or partial substitution for it.

2.2 Gas Agreement

The Parties acknowledge that:

- (a) this Agreement is a gas agreement entered into pursuant to Section 184 of the Oil and Gas Act; and
- (b) this Agreement is a written agreement with a Licensee for the purpose of Section 185 of the Oil and Gas Act.

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2.3 Interest Rates

A reference in this Agreement to an interest rate which applies to an amount payable by a Party under this Agreement shall be read and construed as a reference to that interest rate or the maximum interest rate which may be charged to that Party as allowed by law, whichever is the lesser.

2.4 Several Liability

The obligations of the LNG Project Companies are several (and not joint or joint and several) obligations of those LNG Project Companies to the extent of each LNG Project Company's participating interest under the relevant LNG Project Agreements and/or any other relevant joint operating agreements.

2.5 Relationship between Petroleum Agreements and the Gas Agreement

- (a) If both a provision of a Petroleum Agreement and a provision of this Agreement apply to any matter, this Agreement is deemed to apply to the exclusion of any provision of a Petroleum Agreement.
- (b) Without limiting paragraph (a), Clause 18 of the PPL27 Petroleum Agreement is expressly excluded and has no application to arrangements by any LNG Project Company or between any LNG Project Company in respect of know-how, patents and technological rights.

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SECTION B: LNG PROJECT COMPANIES OPERATIONS

3. REPRESENTATIVES AND PARTICIPATION

3.1 LNG Project Companies' Representative

- (a) The initial LNG Project Companies' Representative will be Esso Highlands Limited. The LNG Project Companies may appoint another LNG Project Companies' Representative from time to time by written notice to the State to that effect.
- (b) Except where expressly stated to the contrary in this Agreement, the LNG Project Companies' Representative is empowered to act on behalf of the LNG Project Companies or any of them in respect of matters under this Agreement which are applicable to the LNG Project Companies, including, for the avoidance of doubt, matters in respect of application(s) for LNG Project Licences.
- (c) The LNG Project Representative shall staff its office in Port Moresby (or other PNG locations) with sufficient positions to supervise and manage operations carried out within PNG.

3.2 Participation in This Agreement

- (a) "*Existing Participant*" means an LNG Project Company which is party to this Agreement at the Agreement Date.
- (b) "*New Participant*" shall include, but not be limited to:
 - (i) LNG Project Licensees which are not parties to this Agreement on the Agreement Date, upon becoming parties;
 - (ii) A licensee of an Additional PDL Area;
 - (iii) A State Assignee upon fulfilment of the requirements of Clause 10; and
 - (iv) Any lender, underwriter or purchaser of debt instruments, security trustee, collateral agent, lender's agent, underwriter's or purchaser's agent or any other person acquiring all or any portion of the rights of a Licensee as the result of the exercise of rights and/or enforcement of security pursuant to the terms of any Financing.
- (c) As to a New Participant:
 - (i) the State consents to the assignment by the Existing Participants of rights under this Agreement and the LNG Project Fiscal Stability Agreement to the New Participant and the assumption by the New Participant of obligations under this Agreement and the LNG Project Fiscal Stability Agreement;
 - (ii) the New Participant and the Existing Participants will enter into a deed to effect such assignment and assumption; and

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- (iii) the Existing Participants will notify the State of the New Participant in accordance with Clause 23.3.

4. SCOPE OF LNG PROJECT AND EXCLUSIVITY

4.1 Definitions

"Approved Proposals" means the proposals approved by the Minister pursuant to the Oil and Gas Act in respect of a Petroleum Development Licence or variation to a Petroleum Development Licence or the conditions attaching to a Petroleum Development Licence.

"Field" means an area consisting of a single Pool or multiple Pools all grouped on or related to the same geological structural feature or stratigraphic condition including two or more reservoirs which may be separated vertically by intervening impervious strata or laterally by local geologic barriers or both, as variously described in either a Gas Agreement, a Petroleum Agreement, or the Approved Proposals.

"GOR Regulation" means the regulation entitled "Conditions Prescribed for the Purposes of the Definition of Conversion Date in Section 155" made as Income Tax Regulation 10I, as amended per Clause 4.3.

"LNG Project Field" means a Field which comes within the scope of this Agreement and includes:

- (i) the Angore Field;
- (ii) the Hides Field;
- (iii) the Juha Fields;
- (iv) an LNG Project Oil Field once it has satisfied the criteria of the GOR Regulation (as amended in accordance with Clause 4.3) and the LNG Companies' Representative has provided notice to the State that the LNG Project Oil Field is now a LNG Project Field;
- (v) a Field constituted by one or more Pools, which comes within the scope of this Agreement either as a New Field or a Newly Discovered Pool; and
- (vi) any extension of the Fields in (i) to (v) above into other Licences.

"LNG Project Oil Fields" are the following Fields:

- (a) the Agogo Field;
- (b) the Gobe Main Field;
- (c) the Gobe 2X Field;
- (d) the Kutubu Complex Field;
- (e) the Moran Field; and
- (f) the SE Hedinia Field.

"New Field" means a Field which

- (i) is within the area of a Petroleum Development Licence, either inside or outside of the LNG Project Area;
- (ii) is held by a LNG Project Company or an Affiliate of a LNG Project Company (whether alone or with any other person) under the Oil and Gas Act;
- (iii) is not already a LNG Project Field; and
- (iv) satisfies the GOR Regulation and for which the LNG Project Companies' Representative has provided notice to the State that such New Field is now a LNG Project Field.

"Newly Discovered Pool" is one or more Pools which is discovered within the LNG Project Area which satisfies the GOR Regulation and for which the LNG Project Companies' Representative has provided notice to the State that such Newly Discovered Pool is now a LNG Project Field.

4.2 LNG Project Petroleum within Scope of the Agreement

All LNG Project Petroleum shall be subject to and governed by the terms of this Agreement.

4.3 GOR Regulation to be Amended

In order to provide that an LNG Project Oil Field becomes an LNG Project Field on the date that it has delivered gas for sale for a cumulative period of 90 days, the State shall procure that paragraph 2(n) of Regulation 10I of the Income Tax Regulations be amended in accordance with Exhibit M.

4.4 Suspension of Petroleum Agreements.

- (a) Subject to paragraphs (e), (f), (g) and (h), a Petroleum Agreement will be suspended and cease to apply to a LNG Project Oil Field on the date that such LNG Project Oil Field becomes a LNG Project Field.
- (b) Subject to paragraphs (e), (f), (g) and (h), a Petroleum Agreement will be suspended and cease to apply to the Angore Field, Hides Field, and Juha Fields on the Agreement Date.
- (c) Subject to paragraphs (e), (f), (g) and (h), a Petroleum Agreement will be suspended and cease to apply to a New Field on the date that such New Field becomes a LNG Project Field.
- (d) Subject to paragraphs (e), (f), (g) and (h), a Petroleum Agreement will be suspended and cease to apply to a Newly Discovered Pool on the date that such Newly Discovered Pool becomes a LNG Project Field.
- (e) Notwithstanding paragraphs (a), (b), (c) and (d) and the terms of any Petroleum Agreement, if immediately prior to a Field becoming a LNG Project Field an Accumulated Liability has accrued under a Petroleum Agreement which covers that Field, the State or its nominee (as applicable) and the parties to the relevant Petroleum Agreement shall make arrangements for such Accumulated Liability to be paid from oil production,

without reference to the LNG Project. Thus, the State will not be entitled to accumulate liability and it shall bear all costs as provided in the CDOA, without carry of any type, in connection with the LNG Project.

- (f) This Clause 4.4 shall be read and construed subject to Clause 4.5 such that if there is any inconsistency between this Clause 4.4 and Clause 4.5, then Clause 4.5 shall prevail to the extent of the inconsistency.
- (g) Notwithstanding paragraphs (a), (b), (c) and (d) and the terms of any Petroleum Agreement, where this Agreement states elsewhere that the suspension of a Petroleum Agreement or the suspension or exclusion of any provision of a Petroleum Agreement applies in a manner or from a date inconsistent with paragraphs (a), (b), (c) or (d) above, then such suspension or exclusion shall apply in the manner or from the date so stated, rather than as provided in paragraphs (a), (b), (c) or (d) above.
- (h) Notwithstanding paragraphs (a), (b), (c) and (d), the terms of the applicable Petroleum Agreement (including a Licensee's right to take a determination of value to arbitration) or any other applicable agreement or determination, including as to net back calculations, shall continue to apply in respect of the wellhead value of oil production for royalty and other purposes.
- (i) Except as provided in paragraphs (a), (b), (c) or (d) above, a Petroleum Agreement will continue to apply to the Fields in the geographic area to which it relates and for the full term of that Petroleum Agreement. For the avoidance of doubt, a Petroleum Agreement will only apply to Pools which are not within LNG Project Fields.
- (j) The relevant Petroleum Agreement will be deemed to have applied continuously to a LNG Project Field upon the termination of this Agreement, save for obligations which would have accrued during the period of suspension.

4.5 Treatment of costs and expenses for tax purposes

- (a) Prior to the relevant Field becoming a LNG Project Field, for the purposes of determining the applicable taxes that may be due, the treatment of all costs or expenses incurred by any LNG Project Company whenever incurred:
 - (i) which relate to Petroleum production or other operations undertaken in connection with that Field or part of that Field (including that Field's PDL Area) will, other than operations referred to in paragraph (a)(ii), be Petroleum Project costs; or
 - (ii) which relate to operations undertaken in connection with that Field or part of that Field (including that Field or part of that Field's PDL Area) where those operations relate to the LNG Project will be LNG Project costs (notwithstanding that the relevant Field may not yet form part of the LNG Project Area.)
- (b) On and from the date that a Field becomes a LNG Project Field, for the purposes of determining the applicable taxes that may be due, the treatment of all costs or expenses incurred by any LNG Project Companies in connection with that Field or part of that Field (including that Field or part

of that Field's PDL Area) will be LNG Project costs (regardless of whether those activities relate to the Production of Gas or Liquids from that Field or part of that Field).

(c) This Clause 4.5 shall be read and construed subject to paragraphs (d) and (e) below, such that if there is any inconsistency, paragraphs (d) and (e) below shall prevail to the extent of the inconsistency.

(d) Allocation of Operating Costs

(i) In the Year of Income in which a Field becomes an LNG Project Field and its production (LNG Project Petroleum) becomes subject to this Agreement, all operating costs associated with that Field incurred in that year prior to the date that the Field becomes an LNG Project Field shall be deductible against assessable income of the Petroleum Project in that year and all operating costs associated with that Field incurred on or after it becomes an LNG Project Field shall be deductible against assessable income of the LNG Project in that year.

(ii) Where operating costs are incurred in respect of both a LNG Project Oil Field and the LNG Project Field and those costs are allocated to the LNG Project Oil Field and the LNG Project Field in accordance with a written agreement between the participants in the respective projects, costs shall be allocated to each project for tax purposes in accordance with the agreement provided that the economic interests of the participants in the LNG Project Oil Field and the economic interests of the participants in the LNG Project Field are not identical. If there is no such written agreement, or the economic interests of the participants in each Field are identical, costs shall be allocated between the projects in a manner agreed between the relevant taxpayers and the Commissioner General and in the absence of such agreement in proportion to the assessable income of each participant derived from each Field.

(e) Allocation of Allowable Capital Expenditure

(i) Allowable Capital Expenditure incurred by LNG Project Companies prior to the date of this Agreement in respect of LNG Project Operations and not otherwise deductible for Income Tax purposes shall be Allowable Capital Expenditure in respect of the LNG Project.

(ii) All expenditure incurred by the LNG Project Companies prior to the First LNG Cargo in respect of the technical, commercial, financing, regulatory and gas marketing, sale and transportation of gas activities (including front-end engineering and design work, and work associated with the Pre-LNG Project Operations and including expenditure on information, data, results, know-how and other information developed from such activities, as well as costs related to the preparation of this Agreement and the LNG Project Agreements) and not otherwise deductible for Income Tax purposes, shall be Allowable Capital Expenditure in respect of the LNG Project.

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4.6 Exclusivity in LNG Project Area

- (a) Subject only to Licences in effect at Agreement Date, during the term of this Agreement the LNG Project Companies have the exclusive right to develop and implement the LNG Project and conduct and manage operations in the LNG Project Area, including the exclusive rights of Production of LNG Project Petroleum, development and operation of the LNG Project Pipeline and development and operation of the LNG Project Liquefaction Plant.
- (b) The CDOA has been registered under Division 11 of the Oil and Gas Act, and therefore under Section 123A it determines the operator of the LNG Project (currently Esso Highlands Limited.) The operator of the LNG Project Oil Fields is determined under the governance agreements previously registered under Division 11 (currently Oil Search (PNG) Limited).

4.7 Expansion of LNG Project Area

- (a) Where a LNG Project Company or an Affiliate of a LNG Project Company is the registered holder of an interest in a licence for an area outside the LNG Project Area in which a Field or portion of a Field is located and that Field does not extend into the LNG Project Area ("***Additional PDL Area***"), that Party may, subject to the Minister's awarding of licences or variations thereto under the Oil and Gas Act, take such steps to cause that Field or portion of that Field to be treated as a New Field for the purposes of this Agreement with respect to all matters except the fiscal stability matters provided for in the LNG Project Fiscal Stability Agreement (and as such will not be included within the Foundation Volume) where:
 - (i) the relevant Licensees have agreed pursuant to the applicable LNG Project Agreement or joint venture operating agreement, as the case may be, to have those Pools within the relevant Field and Licence which are Gas Fields for the purposes of the GOR Regulation brought within the scope of this Gas Agreement; and
 - (ii) the relevant Licensees have agreed arrangements with the LNG Project Companies concerning the use (and payment(s) for such use) of the relevant LNG Project Facilities; and
 - (iii) each registered holder of the relevant Licence has agreed to become a Party to this Agreement (but shall not be entitled to become a Party to the LNG Project Fiscal Stability Agreement in such capacity) and each such registered holder must have signified, by written notice to each Party, its adherence to the terms of this Agreement.
- (b) A Field of the type referred to in paragraph (a) above is a New Field for the purposes of this Agreement and such New Field will be brought within the scope of this Agreement.

4.8 Unit Developments and Co-ordinated Petroleum Developments

The Minister and the Director shall refrain from giving a direction to the LNG Project Companies to take, or refrain from taking any action that is inconsistent with the CDOA whilst it remains in full force and effect, including:

- (a) entering into a further written agreement for or in relation to a unit development involving any part of the LNG Project Area, the Additional PDL Area or the LNG Project, including agreements with a Third Party;
- (b) undertaking a co-ordinated petroleum development involving any part of the LNG Project Area, the Additional PDL Area or the LNG Project other than that which is contemplated by the CDOA; or
- (c) entering into an agreement with a Third Party which has the consequence, whether directly or indirectly, of curtailing or restricting the production of Petroleum of any of the LNG Project Companies.

4.9 Expansion of Facilities

Any expansion or variation of the LNG Project Facilities shall be deemed to be within the scope of the LNG Project and shall receive the benefit of the terms of this Agreement, so long as the Petroleum to be processed as a result of such an expansion or variation is Petroleum from a LNG Project Field.

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5. LNG PROJECT LICENCES AND ACCESS ARRANGEMENTS

5.1 Grant of Petroleum Retention Licences and Petroleum Development Licences

- (a) The State acknowledges having received applications for the extension of each of PRL11 and PRL12 and confirms in each case that:
- (i) the requirements of the Oil and Gas Act in respect of such extensions have been met;
 - (ii) the field is not commercially viable at the Agreement Date and could become commercially viable within the period of time ending at the expiration of the PRL if extended for the maximum permitted time;
 - (iii) for the purposes of Section 185 of the Oil and Gas Act, the Minister shall exercise his discretion to offer to grant to the relevant applicants an extension of the licence for a standard term of 5 (five) years on the terms and conditions proposed in the application, except that a review may be required after a period of 3 (three) years.
- (b) PRL2, PRL11 and PRL12 are included in the LNG Project Area and the LNG Project and each may be the subject of an application for a Licence under the Oil and Gas Act in any manner including:
- (i) an application by PRL or PPL Owners for a Petroleum Development Licence for all or a portion of a PRL or PPL Area;
 - (ii) application for an enlargement of PDL1 or other PDL to cover all or a portion of a PRL Area, with the agreement of the affected Tenement holders; or
 - (iii) by any other manner consistent with the Oil and Gas Act and with the agreement of the affected Tenement holders.

Clauses 5.1(b)(i), (ii) and (iii) are referred to as the "*Application(s)*".

- (c) In respect of the Application(s) referred to in paragraph (b), the Licensee of each such licence will:
- (i) provide relevant information as required under the relevant Section(s) (Section 53 to Section 58 depending on the Application(s) made) of the Oil and Gas Act and otherwise comply with the provisions of the Oil and Gas Act;
 - (ii) pay the applicable fees and lodge the necessary security with the Director as required by the Oil and Gas Act; and
 - (iii) provide, where applicable, to the Minister the written consent of all other affected Tenement holders.
- (d) Prior to the Application(s) being made, the Minister will procure that the Director and others consult with applicants and provide timely comments on any draft Applications submitted for review.
- (e) Following the Application(s) by the relevant Licensee and any other affected Tenement holders, and subject to the requirements of paragraph (c) being met, the Minister will approve Application(s) in order to grant a

Petroleum Development Licence in respect of each of the Licence areas for which application is made for the maximum term permitted by the Oil and Gas Act, which is or which will become subject to this Agreement and a part of the LNG Project Area and the LNG Project.

5.2 Grant of Pipeline Licences and Approval of Access Arrangements

- (a) One or more of the LNG Project Companies may make application(s) for Pipeline Licences for the implementation of the LNG Project.
- (b) In respect of the application(s) referred to in paragraph (a), the applicant LNG Project Companies will:
 - (i) satisfy the requirements of the relevant provisions of the Oil and Gas Act, as and if modified by this Agreement;
 - (ii) provide such information as required by Section 73 of the Oil and Gas Act; and
 - (iii) pay the applicable fees and lodge the necessary security with the Director as required by the Oil and Gas Act.
- (c) Prior to the application(s) being made, the Minister will procure that the Director and others consult with the LNG Project Companies' Representative and provide timely comments on any draft applications submitted for review.
- (d) Following application(s) by one or more LNG Project Companies, and subject to the requirements of paragraph (b) being met, the Minister will in accordance with the relevant provisions of the Oil and Gas Act:
 - (i) approve the grant of the following Pipeline Licences to the applicants for the maximum term permitted by the Oil and Gas Act, where the design and planned operation of the pipelines complies in all material respects with the technical requirements of the Oil and Gas Act:
 - (A) Pipeline Licence(s) for the construction and operation of the LNG Project Gas Pipeline;
 - (B) Pipeline Licence(s) for the construction and operation of pipelines among LNG Project Fields or between an LNG Project Field and the HGCP.
 - (ii) to the extent any such pipelines become Strategic Pipelines, approve Access Arrangements for those Pipelines in accordance with Exhibit D and, to the extent not in conflict therewith, Section 75 of the Oil and Gas Act; and
 - (iii) approve the grant of such other Pipeline Licence(s) to the LNG Project Companies as are applied for in relation to the implementation of the LNG Project in accordance with the relevant provisions of the Oil and Gas Act.
- (e) The State:
 - (i) acknowledges that Pipeline Licences for the pipeline(s) proposed for the implementation of the LNG Project need not contain a licence

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- condition designating them as strategic pipeline(s) under Section 75(1) of the Oil and Gas Act; and
- (ii) agrees for the purposes of Sections 184 and 185 of the Act that the Minister shall not exercise any discretion that he may have under the Oil and Gas Act or otherwise, to designate any of such pipelines as "strategic pipelines" for the purposes of Section 75 of the Oil and Gas Act such that they would be considered strategic pipelines for the purposes of considering and dealing with applications for pipeline licences.
- (f) The LNG Project Companies acknowledge that the provisions of Clause 5.2(e)(ii) above do not and shall not limit the Minister's ability to consider, after consultation pursuant to Clause 5.6(b)(ii), and if he considers appropriate under the terms of the Oil and Gas Act, to issue an instrument at any time after issuance of a Pipeline Licence, but not before, deeming such pipeline to be a Strategic Pipeline for purposes of the Oil and Gas Act. Should the Minister issue such an instrument, it shall not, without explicit reference, be construed as deeming field production facilities that are the subject of Clause 5.3 to be Strategic Petroleum Processing Facilities, and in no event shall it be construed as deeming the LNG Project Liquefaction Plant to be a Strategic Petroleum Processing Facility.
 - (g) Should a Third Party make a bona fide request in writing to one or more of the LNG Project Companies for access to a Project pipeline, the LNG Project Companies shall consider the Third Party request and the LNG Project Companies' Representative shall conduct commercial negotiations with that Third Party in order to determine whether there is a mutually acceptable commercial basis, consistent with the access principles in Exhibit D, on which the LNG Project Companies may accommodate the Third Party's request. Consistent with Exhibit D, the Third Party must be able to demonstrate its ability to fulfil its financial obligations and the Third Party's use must not adversely affect the pipeline capacity or operational needs of the LNG Project Companies, their ability to service, repay and comply with all of their obligations in relation to any Financing or their ability to sell or implement arrangements for selling LNG Project Petroleum effectively for the highest achievable financial return.
 - (h) Should a Third Party make a bona fide request in writing to one or more of the LNG Project Companies to increase the capacity of the LNG Project Gas Pipeline beyond the development basis then contemplated, the LNG Project Companies shall consider the Third Party request and the LNG Project Companies' Representative shall conduct commercial negotiations with that Third Party in order to determine whether there is a mutually acceptable commercial basis on which the LNG Project Companies may accommodate the Third Party's request (such basis not to include ownership rights in the LNG Project Gas Pipeline). The Third Party must be able to demonstrate its ability to fulfil its financial obligations in a timely manner and the Third Party's use must not adversely affect the operational needs of the LNG Project Companies, their ability to service, repay and comply with all of their obligations in relation to any Financing or their ability to sell or implement arrangements for selling LNG Project Petroleum effectively for

the highest achievable financial return. Any design change to increase capacity must not, in the reasonable opinion of the LNG Project Companies' Representative, be detrimental to the schedules for completion of FEED, engineering, procurement or construction, or the operation of, the LNG Project.

- (i) Except where the relevant Licensee is in material breach of the provisions of the Oil and Gas Act, neither the State nor the Minister will:
 - (i) suspend, terminate or cancel any licence covered by this Clause other than in accordance with the terms of this Agreement; or
 - (ii) vary the terms of a licence covered by this Clause, or give a direction inconsistent with the terms of a licence covered by this Clause, without the prior written consent of the Licensees of that LNG Project Licence.

5.3 Grant of Petroleum Processing Facility Licences for Liquefaction Plant.

- (a) LNG Project Companies' Representative may make application(s) for Petroleum Processing Facilities Licences in respect of a Liquefaction Plant in order to implement the LNG Project.
- (b) In respect of the application(s) referred to above, the applicant LNG Project Companies' Representative will:
 - (i) comply with requirements of the relevant provisions of the Oil and Gas Act;
 - (ii) provide such information as required by Section 87 of the Oil and Gas Act; and
 - (iii) pay the applicable fees and lodge necessary security with the Director as required by the Oil and Gas Act.
- (c) Prior to the application(s) being made, the Minister will procure that the Director and others consult with the LNG Project Companies' Representative and provide timely comments on any draft applications submitted for review.
- (d) Following application(s) by one or more LNG Project Companies and subject to the requirements of paragraph (b) being met, the Minister will in accordance with the relevant provisions of the Oil and Gas Act,
 - (i) approve the grant of the Petroleum Processing Facility Licences to the applicants for the maximum term permitted by the Oil and Gas Act, where the design and planned operation of the facility complies in all material respects with the technical requirements of the Oil and Gas Act, including:
 - (A) Petroleum Processing Facility Licence(s) for the construction and operation of a Liquefaction Plant;
 - (B) Petroleum Processing Facility Licence(s) for the construction and operation of any facilities ancillary to a Liquefaction Plant that are not included within Licence(s) issued per paragraph (A) above.

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- (e) The State:
 - (i) agrees for the purposes of Sections 184 and 185 of the Oil and Gas Act that the Minister shall at no time exercise any discretion that he may have under the Act or otherwise to designate the LNG Project Liquefaction Plant as a Strategic Petroleum Processing Facility for the purposes of Section 89 of the Oil and Gas Act;
 - (ii) shall act to support the terms of this Agreement and refrain from taking any steps or actions that would have the effect or likely effect of establishing an access arrangement to provide Third Party access to the LNG Project Liquefaction Plant; and
 - (iii) shall ensure that grant of the Petroleum Processing Facility Licence for the LNG Project Liquefaction Plant is not subject to the rights of any Third Party.
- (f) Should the Minister issue an instrument deeming the LNG Project Pipeline to be a Strategic Pipeline (as referenced in Clause 5.2(f)) such designation shall not be construed as deeming the LNG Project Liquefaction Plant to be a Strategic Petroleum Processing Facility.
- (g) This Agreement shall constitute an exemption by written agreement, as provided for in Section 89(7) of the Oil and Gas Act.
- (h) Except where the relevant Licensee is, in respect of the LNG Project, in material breach of the provisions of the Oil and Gas Act, neither the State nor the Minister will:
 - (i) suspend, terminate or cancel any licence covered by this Clause other than in accordance with the terms of this Agreement; or
 - (ii) vary the terms of a licence covered by this Clause, or give a direction inconsistent with the terms of a licence covered by this Clause without the written consent of the Licensees of that LNG Project Licence.

5.3A Grant of Petroleum Processing Facility Licences for Field Production Facilities

- (a) LNG Project Companies' Representative may make application(s) for Petroleum Processing Facilities Licences in respect of field production facilities in order to implement the LNG Project. This Clause 5.3A shall not apply to the extent facilities are situated within a Petroleum Development Licence in respect of which a Petroleum Processing Facility forms part of the proposals for development approved by the Minister under Section 57(2) of the Oil and Gas Act as varied from time to time.
- (b) In respect of the application(s) referred to above, the applicant LNG Project Companies' Representative will:
 - (i) comply with requirements of the relevant provisions of the Oil and Gas Act, as and if modified by this Agreement;
 - (ii) provide such information as required by Section 87 of the Oil and Gas Act; and
 - (iii) pay the applicable fees and lodge necessary security with the Director as required by the Oil and Gas Act.

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- (c) Prior to the application(s) being made, the Minister will procure that the Director and others consult with the LNG Project Companies' Representative and provide timely comments on any draft applications submitted for review.
- (d) Following application(s) by one or more LNG Project Companies and subject to the requirements of paragraph (b) being met, the Minister will in accordance with the relevant provisions of the Oil and Gas Act,
 - (i) approve the grant of the Petroleum Processing Facility Licences to the applicants for the maximum term permitted by the Oil and Gas Act, where the design and planned operation of the facility complies in all material respects with the technical requirements of the Oil and Gas Act, including:
 - (A) Petroleum Processing Facility Licence(s) for the construction and operation of HGCP;
 - (B) Petroleum Processing Facility Licence(s) for the construction and operation of JPF;
 - (C) any other facilities, as required for the LNG Project; and
 - (ii) to the extent any such Petroleum Processing Facilities become strategic, approve Access Arrangements for those facilities in accordance with the provisions of Exhibit D, and in accordance with Section 89 of the Oil and Gas Act to the extent not in conflict therewith.
- (e) The State:
 - (i) acknowledges that at the Agreement Date, production or processing facilities located within LNG Project Licence areas, including but not limited to the APF, CPF, HGCP, and JPF, are not Strategic Petroleum Processing Facilities for the purposes of Section 89 of the Oil and Gas Act;
 - (ii) agrees for the purposes of Sections 184 and 185 of the Act that the Minister shall not exercise any discretion that he may have under the Oil and Gas Act or otherwise, to designate any production or processing facility located within LNG Project Licence areas, including but not limited to the APF, CPF, HGCP, or JPF as a Strategic Petroleum Processing Facility for the purposes of Section 89 of the Oil and Gas Act such that they would be considered Strategic Petroleum Processing Facilities for the purposes of considering and dealing with applications for Petroleum Processing Facility Licences; and
 - (iii) shall act to support the terms of this Agreement and refrain from taking any steps or actions that would have the effect or likely effect of establishing an Access Arrangement to provide Third Party access to the LNG Project Companies' field production facilities.
- (f) The LNG Project Companies acknowledge that the provisions of paragraph (e)(ii) above do not and shall not limit the Minister's ability to consider, after consultation pursuant to Clause 5.6(b)(ii), and if he considers

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appropriate under the terms of the Oil and Gas Act, to issue an instrument at any time after issuance of a Petroleum Processing Facility Licence, but not before, deeming such production facility to be a Strategic Petroleum Processing Facility for purposes of the Oil and Gas Act. Should the Minister issue an instrument deeming the LNG Project Pipeline to be a Strategic Pipeline (as referenced in Clause 5.2(e)) such designation shall not, without explicit reference, be construed as deeming field production facilities that are the subject of this Clause 5.3A to be Strategic Petroleum Processing Facilities.

- (g) Should a Third Party make a bona fide request in writing to one or more of the LNG Project Companies for access to a LNG Project field production facility, the LNG Project Companies shall consider the Third Party request and the LNG Project Companies' Representative shall conduct commercial negotiations with that Third Party in order to determine whether there is a mutually acceptable commercial basis consistent with the access principles in Exhibit D, on which the LNG Project Companies may accommodate the Third Party's request. Consistent with Exhibit D, the Third Party must be able to demonstrate its ability to fulfil its financial obligations and the Third Party's use must not interfere with the capacity or operational needs of the LNG Project Companies.
- (h) Except where the relevant Licensee is in material breach of the provisions of the Oil and Gas Act in respect of the LNG Project, neither the State nor the Minister will:
 - (i) suspend, terminate or cancel any licence covered by this Clause other than in accordance with the terms of this Agreement; or
 - (ii) vary the terms of licence covered by this Clause, or give a direction inconsistent with the terms of a licence covered by this Clause without the prior written consent of the Licensees of that LNG Project Licence.

5.4 Applications for Extensions

- (a) The term for each Petroleum Development Licence and Pipeline Licence which covers an area within the LNG Project Area may be extended on an unlimited number of occasions for the maximum term permitted by the Oil and Gas Act.
- (b) During the term of this Agreement, following receipt of an application for extension of any LNG Project Licence, the Minister will, unless the relevant Licensees are in material breach of the conditions of the relevant licence with any such material breach documented in an instrument issued by the Minister, grant that extension.
- (c) The applicants for an extension under paragraph (b) shall pay the applicable fees and lodge the necessary security with the Director as required by the Oil and Gas Act.
- (d) An extension granted under paragraph (b) shall not include additional terms which subject that licence to the rights of any Third Party.

5.5 Other Licences, Variations and Facility Modifications

- (a) One or more of the LNG Project Companies may, from time to time, make application(s) for Licences, variations or Major Modifications to facilities which the applicants consider to be necessary for implementation of the LNG Project or in connection with LNG Project Operations, and these applications may provide for separate operation of various oil or gas facilities.
- (b) In respect of the application(s) referred to in paragraph (a), the applicant LNG Project Companies will:
 - (i) provide such information as required by the relevant sections of the Oil and Gas Act and otherwise comply with the provisions of the Oil and Gas Act; and
 - (ii) pay the applicable fees and lodge the necessary security with the Director as required by the Oil and Gas Act.
- (c) Following such application(s) by one or more LNG Project Companies, together with the provision of such information as required under relevant statutes, the payment of fees and the lodgement of any security required by the Oil and Gas Act, the Minister will in accordance with the relevant provisions of the Oil and Gas Act:
 - (i) grant such Licence;
 - (ii) grant such variation to any LNG Project Licence; or
 - (iii) approve such Major Modification.
- (d) Except where the relevant Licensee is, in respect of the LNG Project, in material breach of the provisions of the Oil and Gas Act, neither the State nor the Minister will:
 - (i) revoke, terminate or cancel any LNG Project Licence other than in accordance with the terms of this Agreement; or
 - (ii) vary the terms of a LNG Project Licence (including any applicable Access Arrangements), or give a direction inconsistent with the terms of a LNG Project Licence or this Agreement, without the prior written consent of the Licensees of that LNG Project Licence.

5.6 Access Arrangements

- (a) All Access Arrangements for Pipelines and Petroleum Processing Facilities within the LNG Project Area which are (or which become) Strategic Pipelines or Strategic Petroleum Processing Facilities (as applicable) will be consistent with the relevant provisions of both Exhibit D and, where not inconsistent, the Oil and Gas Act.
- (b) The State agrees that:
 - (i) no Pipeline in the LNG Project Area for which a LNG Project Company holds the Pipeline Licence will be directed to become a common carrier, unless the State has demonstrated that Spare Gas Pipeline Capacity exists in the Pipeline for the relevant period and the relevant Pipeline Licensees have refused to allow Third Party access

to such Pipeline consistent with the relevant provisions of Exhibit D;
and

- (ii) no Pipeline nor Petroleum Processing Facility within the LNG Project Area, the Licence for which is held by one or more LNG Project Companies, will be converted to a Strategic Pipeline or Strategic Petroleum Processing Facility without prior consultation with the Licensees of that Licence.

5.7 Processing of Applications and Confidentiality

- (a) Any application for a Licence, an extension of a Licence, a variation of a Licence or Major Modification for the LNG Project, shall receive prompt consideration by the Minister and the Minister shall use his best efforts to grant the relevant approval no later than sixty (60) days after the date of submission of the relevant application and approval shall be deemed to have been granted if not issued within that time in the absence of prior written notice from the Minister to the contrary.
- (b) The State shall treat as confidential all of the information, studies, material and proposals provided by the LNG Project Companies pursuant to this Clause 5, in accordance with Section 149 of the Oil and Gas Act.
- (c) The Minister shall approve and procure the registration by the Director of any agreements, instruments or other documents that are submitted by the LNG Project Companies' Representative on behalf of any one or more of the LNG Project Companies for registration for the purposes of Section 100 of the Oil and Gas Act as against any one or more of the LNG Project Licences.
- (d) Where a document is registered for the purposes of Section 100 of the Oil and Gas Act against a Licence and that Licence is superseded or replaced by another Licence, then if so requested by the LNG Project Companies' Representative, the Minister shall approve and procure the registration of that document against the relevant successor or replacement licence.

5.8 Registration and Approval of Dealings

Prior to the grant of any Petroleum Development Licence, LNG Project Agreements can be registered against existing licences under Division 11 of the Oil and Gas Act, and the Minister shall, within 30 days, transfer that registration to the subsequent Petroleum Development Licence, with a further 30 days for State objections, after which each is deemed to have been approved.

5.9 Exclusion of Petroleum Agreement Provisions

This Clause 5 applies to the exclusion of any provision in a Petroleum Agreement which might otherwise affect or apply to any Licence application contemplated by this Agreement.


6. ACCESS TO LAND

(a) Rights of entry on to Land.

- (i) During the term of this Agreement, the State shall grant or cause the appropriate authority of the State or Governmental Agency to grant or procure the grant (as applicable) to one or more LNG Project Companies such leases, licences, easements or other exclusive or non-exclusive rights of entry on to Land as may be necessary or desirable for all or any of the purposes of the LNG Project, having regard to the requirements of the LNG Project Companies and the terms and conditions of this Agreement, on a non-discriminatory pricing basis, and subject to such other terms and conditions as are fair and reasonable.
- (ii) Without limiting the obligations of the State under the above paragraph, if one or more LNG Project Companies makes an application under Section 116 of the Oil and Gas Act to enter upon Land which is not within the LNG Project Area for any purpose contemplated by Section 116 (whether the application is made prior to obtaining any of the Licences referred to in Clause 5 or at any other time during the term of this Agreement), the State agrees that an instrument pursuant to the relevant section of the Oil and Gas Act authorising such access will be promptly issued, provided that the Minister or his delegate is satisfied that such access is required in furtherance of the objectives of this Agreement.

(b) Leases

- (i) Upon the LNG Project Companies applying for a State Lease in respect of all or part of the LNG Project Area (or areas expected to become part of the LNG Project Area), the State shall:
 - (A) exercise all powers, authorities and discretions available to it under the Land Act and any other applicable legislation to acquire any customary or other Land pursuant to the request; and
 - (B) cause the State Lease to be granted to the LNG Project Companies on reasonable terms and conditions and at a nominal rent, having regard to the requirements of the LNG Project Companies and the terms and conditions of this Agreement.
- (ii) Upon request from the LNG Project Companies, the State shall exercise all powers, authorities and discretions available to it under the Land Act and any other applicable legislation to procure the grant of a lease from customary landowners in respect of all or any part of the LNG Project Area (or areas expected to become part of the LNG Project Area) for the purpose of granting or procuring the grant of an appropriate lease to the LNG Project Companies on reasonable terms and conditions having regard to the requirements of the LNG Project and the terms and conditions of this Agreement, including terms and conditions to the effect that the period of the lease shall be no shorter

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than the projected life of the LNG Project and that all customary rights in the land are suspended for the period of the lease.

(c) Renewals

Subject to the performance by the LNG Project Companies of their obligations under this Agreement, the term of any lease, licence, easement or other exclusive or non-exclusive right of entry to Land granted to the LNG Project Companies shall be renewed for such period or periods as may be necessary to ensure that the term of such lease, licence, easement or other exclusive or non-exclusive right of entry to Land determines upon the date of the termination of this Agreement or the surrender or cancellation of the Licences referred to in Clause 5 in accordance with the Oil and Gas Act.

(d) Grants to Third Parties.

(i) The State, through this Agreement, is supporting the orderly and efficient implementation of the LNG Project. Accordingly, the State will take all steps necessary or desirable and exercise all powers, authorities and discretions to ensure that no Third Party shall be granted rights, interests or Authorisation to carry out any activities in respect of the LNG Project Area or, during the period prior to each of the Licences referred to in Clause 5 being granted or varied, in the geographical areas to be covered by those proposed Licences, that would prejudice the implementation and furtherance of the LNG Project, without the prior written consent of the LNG Project Companies.

(ii) Without limiting the obligations of the State under the above paragraph, the State agrees not to grant, renew or extend any right or interest of a Third Party in respect of the Project Area unless that right or interest is expressly subject to the rights conferred by the Licences referred to in Clause 5, including, without limitation, during the period prior to the grant to the LNG Companies of each of those licences.

(e) The State agrees to exercise its powers, authorities and discretions under the Oil and Gas Act, the Land Act and any other applicable legislation in a manner which is consistent with its obligations under this Clause 6, including as needed to acquire any Land required for the purpose of enabling the LNG Project to exercise all rights conferred by any lease, licence, easement or other exclusive or non-exclusive right of entry onto land granted in their favour under the terms of this Clause 6.

7. USE OF PETROLEUM

(a) The LNG Project Companies and any Third Party involved in the LNG Project may use LNG Project Petroleum (including LNG liquefaction by-products or co-products) for any purpose in connection with LNG Project Operations without payment of Royalty, Development Levies or any other fees, taxes or charges, including for line pack, commissioning, reservoir maintenance, enhanced oil recovery and/or recycling to improve Petroleum recovery, compression, venting, emergency flaring, fuel and/or power generation for the LNG Project Facilities including pipelines and associated

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infrastructure and motor vehicles. Any LNG Project Petroleum used for such purposes shall, for any and all purposes including Sections 158, 159 and 160 of the Oil and Gas Act, be deemed to have no value whatsoever. Furthermore, no Royalties or Development Levies shall be due or payable on any LNG Project Petroleum lost or otherwise unaccounted for in connection with the LNG Project Operations, including as a result of any limitations on the accuracy of metering equipment and shall, for any and all purposes including Sections 158, 159 and 160 of the Oil and Gas Act, be deemed to have no value whatsoever.

- (b) Without payment of Royalty, Development Levies or any other fees, taxes or charges, the LNG Project Companies and any Third Party involved in the LNG Project may flare gas from the LNG Project Area if, and to the extent, provided for in a LNG Project Licence or in the event of an emergency, and any such gas flared shall, for any and all purposes including Sections 158, 159 and 160 of the Oil and Gas Act, be deemed to have no value whatsoever.
- (c) For the avoidance of doubt, Royalty and Development Levies will only be due and payable on LNG Project Petroleum that is actually produced and sold, and will not be due and payable on Petroleum contained in pipelines as line pack or in storage vessels as operating inventory prior to sale.

8. INSPECTION

- (a) Without in any way limiting the powers of an Inspector under Section 152 of the Oil and Gas Act or the powers of the Minister, Director and Inspector under Section 143 of the Oil and Gas Act, the LNG Project Companies shall at reasonable times allow a reasonable number of properly accredited servants or agents of the State (who shall establish their authority on request) to inspect and make copies of the books of account and records of any LNG Project Company relating to the LNG Project Operations (including books of account and records of any shipment, sale or use of LNG Project Petroleum or products derived from LNG Project Operations) for the purpose of the State determining amounts payable to the State under this Agreement or under the Oil and Gas Act. Any information obtained as a consequence of such inspection shall be held in confidence by the State and shall not be used or disclosed to Third Parties except where disclosure of the same is compelled by due process of law.
- (b) The LNG Project Companies shall provide any of the servants or agents of the State referred to in paragraph (a) with reasonable facilities within the LNG Project Area including working and accommodation facilities, and assistance necessary for the effective exercise of the State's rights under paragraph (a).
- (c) The State shall have the right to post a servant or agent of the State referred to in paragraph (a) on site in the field on a continuous or non-continuous basis at its sole expense (save for field accommodations and meals) and at its sole risk (save where any injury, loss or damage is the result of a negligent act or omission by any of the LNG Project Companies).

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9. LNG PROJECT OPERATION, BLOW-OUT, INDEMNITY AND INSURANCE COVER

- (a) If there is a blow-out or other uncontrolled release of hydrocarbons from the LNG Project Operations, the LNG Project Companies will promptly take such reasonable steps as are necessary in accordance with Good Oilfield Practice to stem the flow of hydrocarbons and mitigate the damage caused by their release.
- (b) Except as otherwise provided in this Agreement, the LNG Project Companies indemnify the State from any claim by any Third Party in respect of loss or damage caused by LNG Project Operations to the extent:
- (i) the loss or damage arose from or was contributed to by a negligent act or omission of the LNG Project Companies; or
 - (ii) the law of Papua New Guinea imposes liability for the relevant loss or damage without proof of negligence,
- but excluding:
- 1. loss or damage arising from a direction of the State or a Governmental Agency;
 - 2. loss or damage arising from or contributed to by any act or omission of the State or a Governmental Agency; and
 - 3. any liability for loss of profits or indirect or consequential loss.
- (c) If any claim, demand, writ or other proceeding in respect of the liability referred to in paragraph (b) is brought or alleged against the State (a "**Third Party Claim**"), the State shall immediately notify the LNG Project Companies of the Third Party Claim and the LNG Project Companies shall have the option to assume the defence of that Third Party Claim. If the LNG Project Companies elect to assume the defence, the LNG Project Companies will not be liable to the State for any legal or other expenses subsequently incurred by the State in connection with such defence. The State agrees to provide reasonable co-operation to the LNG Project Companies and their legal advisers in the defence of such an alleged liability. The LNG Project Companies shall not be liable to indemnify the State for any settlement of any such Third Party Claim effected without the written consent of the LNG Project Companies. Compliance by the State with this paragraph (c) shall be a condition precedent to any liability of the LNG Project Companies under paragraph (b).
- (d) For the avoidance of doubt:
- (i) the reference to the "**State**" in paragraph (b) does not include MRDC, any Subsidiary of MRDC, any State Assignee (even if owned in whole or in part by the State), or any nominee of the State; and
 - (ii) the liability of the LNG Project Companies under paragraph (b) is several and limited to the extent of a LNG Project Company's participating interest under the relevant LNG Project Agreements.
- (e) Subject to paragraph (g), each of the LNG Project Companies, with respect to the LNG Project Operations, shall in accordance with Good Oilfield

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Practice procure and keep current for so long as such LNG Project Company is a Party to this Agreement, all insurances as required by law in respect of the personnel engaged in respect of the LNG Project.

- (f) Subject to paragraph (g), each of the LNG Project Companies shall, in accordance with Good Oilfield Practice, procure and keep current appropriate third party liability insurance as available on commercially reasonable terms in respect of environmental and third party damage caused by the LNG Project Operations, excluding loss of profits or indirect or consequential loss.
- (g) In discharge of its obligations under this Clause 9, each of the LNG Project Companies shall have the right to provide coverage for the risks referred to in this Clause 9 by either:
 - (i) furnishing to the Director evidence that these risks are adequately covered by existing insurance carried and maintained by the LNG Project Company concerned or its Affiliate; or
 - (ii) providing a written notice to the Director that it, or its Affiliate, acts as a self insurer in respect of those risks and furnishing evidence and undertakings satisfactory to the Director of its, or its Affiliate's, financial ability and willingness to do so.

For the purposes of this Clause and to the extent permitted by this Agreement and applicable laws, rules and regulations, an Affiliate that is a wholly owned captive insurer of a LNG Project Company shall be entitled to provide all or any portion of the insurance, up to the extent of that Company's interest, as required in this Agreement.

- (h) The State shall support and procure the legislative amendments referred to in Exhibit M in order to:
 - (i) enable any one or more of the LNG Project Companies and re-insurers to effect insurances required for the LNG Project other than workers' compensation insurances, through captive insurers or by placements offshore of PNG, whether directly or by way of reinsurance;
 - (ii) enable the appointment of foreign loss adjusters and other foreign insurance or technical specialists where such appointments are made in respect of insurances for the LNG Project; and
 - (iii) enable insurances for the LNG Project to be denominated in USD.
- (i) Subject to applicable laws and regulations, the LNG Project Companies shall have the right to use public communication facilities for LNG Project Operations. Subject to applicable laws and regulations, the LNG Project Companies shall also have the right to own and operate satellite, radio, telephone, and other communication systems and facilities for their exclusive use capable of providing reliable communications to ensure safe and secure operations. Such facilities shall be constructed and operated so as not to interfere with similar installations which exist or which may, with the permission of the appropriate authorities, be established in PNG for public use.

SECTION C: STATE PARTICIPATION

10. PARTICIPATION IN THE LNG PROJECT

10.1 Definitions

“**LNG Project Assets**” means the Pre-LNG Project Data, the assets resulting from LNG Project Operations under the CDOA, and any Offer Licence Assets attributable to the LNG Project Operations (but does not include Offer Licence Assets for a particular licence).

“**Offer Licences**” means PDL1, PRL12 Area Development Licence, PRL2 Area Development Licence and PRL11 Area Development Licence (or if another licence has been issued for the Offer Licence Area, that licence).

“**Offer Licence Area**” means the PDL1 Area, PRL12 Area, PRL2 Area and PRL11 Area.

“**Offer Licence Assets**” for a particular licence area means any real or personal property, wherever situated, of material current market value, acquired for the purpose of carrying on operations in respect of that licence or a predecessor PRL, where such property was acquired prior to the Offer Licence Transfer Date.

“**Offer Licence Interest**” means that percentage of the undivided participating interest in the Offer Licence and Offer Licence Assets attributable to that Offer Licence, held by those Offer Licence Owners which are LNG Project Companies, and which is to be transferred per Clause 10.2.

“**Offer Licence Owners**” means the Licensees of each Offer Licence, or of the predecessor PRL prior to grant of the Offer Licence.

“**Offer Licence Transfer Date**” means the later of the effective date of the documents transferring the Offer Licence Interest to the State Assignees, or the date of issuance of such Offer Licences.

“**Pre-LNG Project Data**” means any information, data, results (technical, economic, business or otherwise), know-how and other information which was developed or acquired as a direct result of Pre-LNG Project Operations, including all intellectual property rights in and to Pre-LNG Project Operations data, other than:

- (a) marketing information developed or acquired during the joint marketing of natural gas;
- (b) data and information for the Australian section of the proposed PNG to Australia pipeline originally owned by AGL Pipelines Investments (Qld) Pty Ltd and Petronas Australia Pty Limited;
- (c) accounting records of the joint account maintained by the operator of any Pre-LNG Project Operations for the participants;
- (d) those parts of any correspondence, reports, advice or owners’ committee minutes of meetings prepared for Pre-LNG Project Operations participants which contain any information:

- (i) referred to in paragraphs (a) and (b) of this definition;
- (ii) developed or acquired by the Pre-LNG Project Operations participants which were not operators; or
- (iii) relating to business judgment decisions, such as those involving discussion of new participants in the Pre-LNG Project Operations.

“Pre-LNG Project Operations” means operations conducted at any time prior to the LNG Project CSA by some or all of the LNG Project Companies with the objective of maturing projects to commercialize certain petroleum reserves located in the LNG Project Area (including in particular the ‘Gas Project’ which was the subject of a Gas Agreement dated 6 June 2002 between the State, the Bank and ‘Gas Project Companies’, a number of which are also LNG Project Companies), including all pre-feasibility studies and all work for that purpose of a preparatory or ancillary nature.

“State Assignee” means one or more legal entities designated as a State Assignee in accordance with Clause 10.2(a).

10.2 Assignment of the Offer Licence Interests and Offer Licence Assets to State Assignees

- (a) Designation of State Assignees During FEED
 - (i) On or before that date which is 180 days from the Agreement Date (or, if LNG Project FEED Decision occurs more than 30 days following Agreement Date, then 180 days from the date of LNG Project FEED Decision) the State shall give notice in writing in materially similar terms to each of the Offer Licence Owners specifying:
 - (A) as State Assignees of the interests to be offered to the State under paragraph (b), not more than one corporation in respect of each licence to hold the equity benefit granted by the State under section 167 of the Oil and Gas Act, each of which shall be MRDC or a wholly owned Subsidiary of MRDC, and not more than two other corporations in aggregate; and
 - (B) the percentage of the interests to be offered to the State under paragraph (b) that is to be assigned to each State Assignee, which percentage would result in conformance with Clause 10.3.
 - (ii) The State acknowledges the importance of ascertaining the identity of State Assignees and their respective participating interests in the Offer Licences within a reasonable time following the LNG Project FEED Decision in order to facilitate Financing activities required prior to the LNG Project Decision, and agrees that the nominations made in the notices given under this Clause shall be final and binding unless the State and Offer Licence Owners mutually agree otherwise.
 - (iii) The Offer Licence Owners shall notify the State, within 60 days of receipt of the notice required by paragraph (a)(i) above whether they are satisfied as to the financial and technical capabilities of the State

Assignees.

For the avoidance of doubt, the term financial capability includes the demonstrated ability to pay both the consideration required by Clause 10.4, but also to fund or satisfy all future obligations of being a Participant, including without limitation all obligations (including the giving of any completion support) required of Participants in connection with the LNG Project or any Financing.

- (b) Upon the occurrence of the LNG Project Decision, and subject to the terms, conditions, limitations and processes set out in this Clause 10.2:
- (i) the PDL1 Owners shall offer to the State 22.5% of their undivided participating interests in PDL1 and Offer Licence Assets attributable to PDL1. This offer shall not include rights in the Hides gas to electricity project and associated gas sales as defined by the agreement dated 18 February 1993 (originally between BP Exploration Operating Company Limited and Oil Search Limited and entitled "Joint Venture Operating Agreement for the Hides Project");
 - (ii) the PRL12 Owners shall offer to the State 22.5% of their undivided participating interests in the PRL12 Area Development Licence when granted and Offer Licence Assets attributable to PRL12;
 - (iii) the PRL2 Owners shall offer to the State 22.5% of their undivided participating interests in the PRL2 Area Development Licence when granted and Offer Licence Assets attributable to PRL2; and
 - (iv) PRL11 Owners shall offer to the State 22.5% of their undivided participating interests in the PRL11 Area Development Licence when granted and Offer Licence Assets attributable to PRL11.
- (c) Acceptance in Connection With LNG Project Decision
- (i) Within 7 days after the occurrence of the LNG Project Decision, each of the Offer Licence Owners shall issue a notice in writing to the State offering to assign to each State Assignee, upon satisfaction of the requirements of paragraph (d) below, the amount of undivided participating interest in the relevant Offer Licence and Offer Licence Assets attributable to the relevant Offer Licence that has either been nominated for that State Assignee in the notice given under paragraph (b), or that the State and Offer Licence Owners have otherwise mutually agreed.
 - (ii) Within 30 days of receipt of the offer notice, the State and the relevant State Assignee shall each give notice in writing to each of the Offer Licence Owners and to the LNG Owners' Representative in response to each such notice:
 - (A) specifying whether or not the State is accepting the Offer Licence Owner's offer and if so, the total level of undivided participating interest that is to be assigned to each of the State Assignees in the relevant licence and assets; and
 - (B) confirming in respect of each Offer Licence, (a) the identity of the State Assignees to whom the licence interest and assets

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should be assigned, and (b) the percentage of such interest that is to be assigned to each State Assignee, which percentage must be in conformance with Clause 10.3.

- (d) The Offer Licence Owners shall take such action as is necessary to assign and transfer the Offer Licence Interest and Offer Licence Assets attributable to that Offer Licence to the State Assignees, upon satisfaction of the following requirements:
- (i) the Offer Licences have been issued;
 - (ii) the production of certificates, licences, authorities or approvals required by the State Assignees to participate as a Licensee, including any certificates required under the *Investment Promotion Act 1992* (PNG);
 - (iii) the relevant Offer Licence Owners notifying the State that they are satisfied as to the financial and technical capabilities of the State Assignees;
 - (iv) payment of consideration for the Offer Licence Assets attributable to each Offer Licence as required under Clause 10.4, including the requirement of Clause 10.4(g) that payment be made by the one hundred and twentieth (120th) day after the filing of any Application referred to in Clause 5.1(b);
 - (v) the execution of documents for transfer to the State Assignees of each Offer Licence Interest and to assume the rights and obligations required under each licence joint venture or joint operating agreement and each LNG Project Agreement, including without limitation, the CDOA, confidentiality agreements, any LNG Sale and Purchase Agreements and this Agreement; and
 - (vi) the execution of deeds and fulfilment of any and all other requirements for each State Assignee to become a party to the CDOA.
- (e) Without limiting paragraph (d), each of the Offer Licence Owners waives any rights of pre-emption that may exist under any agreements, including but not limited to any operating agreement or the CDOA in respect of the assignment of the Offer Licence and Offer Licence Assets attributable to that Offer Licence to State Assignees under this Clause 10.2
- (f) The State shall act so as to ensure that the completion of the transfers to each of the State Assignees and payment of consideration due to the Offer Licence Owners occur simultaneously and shall procure that the State Assignees start funding their participation in licence operations pursuant to the applicable licence joint venture agreements on the Offer Licence Transfer Date.
- (g) The Offer Licence Owners shall take such action as is necessary for approval and registration of documents and instruments as required for the purposes of the Oil and Gas Act to give effect to such assignments. The transfer of the undivided participating interest in the LNG Project Assets, when registered and approved under the Oil and Gas Act, shall take effect from the Offer Licence Transfer Date. On the transfer of the Offer Licence and Offer Licence Assets attributable to that Offer Licence to the State

Assignees, the corresponding undivided participating interests of each of the transferors in the relevant Offer Licence and Offer Licence Assets attributable to that Offer Licence will thereby be reduced proportionately.

- (h) The State shall ensure that no stamp duties or other fees or imposts are payable by an Offer Licence Owner in respect of any transfer of any interest by the Offer Licence Owners to a State Assignee under this Clause 10.2, or in respect of immediate onward transfer by the State Assignee. To the extent that any such stamp duties or other fees or imposts are payable, the State agrees that:
- (i) it shall pay all such stamp duties or other fees or imposts;
 - (ii) to the extent that any such stamp duties or other fees or imposts are required to be paid by an Offer Licence Owner, the State shall within thirty (30) days of receiving written notice of such payment pay that Offer Licence Owner an amount equal to the amount payable or paid by that Offer Licence Owner; and
 - (iii) if the State fails to pay a Offer Licence Owner an amount in accordance with this paragraph (h), interest at the rate applicable for financial default under the relevant LNG Project Agreement shall also be payable by the State to the relevant Offer Licence Owner or Owners for each day payment of the amount is overdue.

10.3 Effectiveness of Assignments to State Assignees

The State's acceptance of an offer in respect of licences and assets under Clause 10.2 shall be valid and effective only if as a result of the acceptance:

- (a) the total undivided participating interest assigned by the relevant Offer Licence Owners does not exceed 22.5% of the undivided participating interest of those Offer Licence Owners in each Offer Licence and Offer Licence Assets attributable to that Offer Licence;
- (b) the percentage of the interests that is assigned to each State Assignee is not less than a 5% undivided participating interest (except that as to MRDC or a wholly owned affiliate of MRDC which is to hold equity for the benefit of Project Area Landowners for the purposes of Section 167 of the Oil and Gas Act, the percentage of interests shall not be less than a 2% undivided participating interest); and
- (c) each of the State Assignees holds an undivided participating interest of the same percentage in each of the Offer Licences and Offer Licence Assets attributable to each Offer Licence.

10.4 Consideration payable for Offer Licence Assets from State Assignees

- (a) The State and each of the Offer Licence Owners shall use their best endeavours to agree the amount of consideration payable under paragraph (e), as follows:
 - (i) by 180 days from the date of this Agreement, that portion of the aggregate consideration payable under paragraph (e) that has accumulated up until the LNG Project FEED Decision;

- (ii) prior to the occurrence of the LNG Project Decision, that portion of the aggregate consideration payable under paragraph (e) that has accumulated between LNG Project FEED Decision and the date on which the LNG Project Decision AFE Package is issued; and
- (iii) prior to the Offer Licence Transfer Date, the additional portion of the aggregate consideration payable under paragraph (e) that has accumulated between the date on which the LNG Project Decision AFE Package is issued and the Offer Licence Transfer Date.
- (b) The applicable consideration payable for the Offer Licence Interest determined in accordance with this Clause 10.4 is due and payable on the Offer Licence Transfer Date.
- (c) Payment of the consideration due under this Clause 10.4 must be made in USD by electronic funds transfer to the bank accounts and in the proportions to be nominated by the Offer Licence Owners in immediately available funds.
- (d) The aggregate consideration payable for the Offer Licence Assets is the amount determined in accordance with paragraph (e) and shall not include costs that have previously been recovered by the PDL1 Owners or the PRL12 Owners from the State.
- (e) The aggregate consideration payable for the Offer Licence Assets shall be calculated as follows:

$$P = STI \times (AEE + ACE)$$

Where:

P is the payment due collectively to the Offer Licence Owners, expressed in USD;

STI is the undivided participating interest in the Offer Licence being transferred to the State Assignees;

AEE is the aggregate amount of Allowable Exploration Expenditure incurred by or attributable to the Offer Licence Owners prior to the Offer Licence Transfer Date in respect of activities in relation to:

- (A) PPL 27;
- (B) PPL101;
- (C) PPL138;
- (D) PDL1;
- (E) PRL12;
- (F) PRL2; and
- (G) PRL11.

except for such items of expenditure that have previously been taken into account in determining the consideration payable by the State for an interest in a Petroleum Development Licence or such items of expenditure that the Offer Licence Owners may elect to exclude;

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ACE is the aggregate amount of Allowable Capital Expenditure incurred by or attributable to the Offer Licence Owners prior to the Offer Licence Transfer Date in respect of activities in relation to:

- (A) PPL 27;
- (B) PPL101;
- (C) PPL138;
- (D) PDL1;
- (E) PRL12;
- (F) PRL2; and
- (G) PRL11.

except for such items of expenditure that have previously been taken into account in determining the consideration payable by the State for an interest in a Petroleum Development Licence or such items of expenditure that the Offer Licence Owners may elect to exclude. The amount shall include expenditures taken by Clause 4.5(e) to be Allowable Capital Expenditure in respect of the LNG Project, other than those included in Clause 10.7(e).

- (f) Where costs attributable to the Offer Licence Owners for the purposes of paragraph (e) are incurred in a currency other than USD, such costs will be converted to USD for inclusion in the calculation of costs under paragraph (e) in accordance with the "accounting principles" of the relevant LNG Project Agreements in force at the time of the relevant expenditure.
- (g) In the event that the payment due under paragraph (b) has not been received by the one hundred and twentieth (120th) day after the filing of any Application referred to in Clause 5.1(b), then notwithstanding the receipt of a notice under Clause 10.2(c)(ii) the State, from that day forward, shall be deemed to have waived all and any rights that it has, or that the State Assignees have, or may have under this Agreement or the Oil and Gas Act to acquire all or any part of the Offer Licence Interest, Offer Licence Assets or LNG Project Assets. Time is of the essence with regard to this Clause 10.4(g). Notwithstanding that this Clause 10.4(g) covers an obligation to pay money, Clause 22 (*Force Majeure*) shall nevertheless apply should the payment due under paragraph (b) be delayed by circumstances beyond the reasonable control of the State, as defined in Clause 22.4.

10.5 Further dealings with the Offer Licence Interests by the State Assignees

The State acknowledges that any dealings by the State Assignees subsequent to the transfer of the Offer Licence Interests to those parties shall be subject to the terms of the LNG Project Agreements applicable to the LNG Project Licences.

10.6 Assignment of LNG Project Assets to State Assignees.

- (a) Each State Assignee must become a party to the CDOA. The State must procure that, concurrent with taking of the Offer Licence Interest as set out in Clause 10.2, each State Assignee executes such deeds and documents,

and fulfils any and all other requirements specified in the CDOA in order to become a party thereto. Each State Assignee's participating interest in the overall LNG Project will be based on provisions of the CDOA for determination (and re-determination) of interests.

- (b) The State shall procure that, concurrent with taking all or any part of the Offer Licence Interest as set out in Clause 10.2, each of the State Assignees shall acquire an undivided interest in the LNG Project Assets in accordance with the terms set out in this Clause 10.6, for consideration as set out in Clause 10.7. The percentage undivided interest in the LNG Project Assets to be acquired by each State Assignee and for which each State Assignee is to pay consideration under Clause 10.7, shall be determined in accordance with the CDOA, based on each party's underlying licence interests.
- (c) The owners of the LNG Project Assets shall take such action as is necessary to assign and transfer the undivided interest to the State Assignees in the proportions determined in accordance with paragraph (b) upon satisfaction of the following requirements:
 - (i) the Offer Licences have been issued;
 - (ii) the production of certificates, licences, authorities or approvals required by the State Assignees to become a New Participant under Clause 3.3(b) of this Agreement, including any certificates required under the *Investment Promotion Act 1992* (PNG);
 - (iii) the relevant Existing Participants notifying the State that they are satisfied as to the financial and technical capabilities of the State Assignees. For the avoidance of doubt, the term financial capability includes the demonstrated ability to pay not only the consideration required by Clause 10.7, but also to fund or satisfy all future obligations of being a Participant, including without limitation all obligations (including the giving of any completion support) required of Participants in connection with the LNG Project or any Financing;
 - (iv) payment of consideration for the LNG Project Assets as required under Clause 10.7, including the requirement of Clause 10.7(g) that payment be made by the one hundred and twentieth (120th) day after the filing of any Application referred to in Clause 5.1(b);
 - (v) the execution of documents for transfer to the State Assignees of each Offer Licence Interest and to assume the rights and obligations required under each LNG Project Agreement, including without limitation, the CDOA, confidentiality agreements, any LNG Sale and Purchase Agreements and this Agreement; and
 - (vi) the execution of deeds and fulfilment of any and all other requirements for each State Assignee to become a party to the CDOA.
- (d) The State shall act so as to ensure that completion of the transfers to each of the State Assignees, and payment of consideration due to the owners, of the LNG Project Assets occur simultaneously and shall procure that the State Assignees immediately start funding their participation in LNG Project Operations pursuant to the CDOA.

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- (e) The owners of the LNG Project Assets shall take such action as is necessary for approval and registration of documents and instruments as required for the purposes of the Oil and Gas Act to give effect to such assignments. The transfer of the undivided participating interest in the LNG Project Assets referred to in paragraph (b), when registered and approved under the Oil and Gas Act, shall take effect from the Offer Licence Transfer Date.
- (f) The State shall ensure that no stamp duties or other fees or imposts are payable by a Participant in respect of any transfer of any interest by the participants in the LNG Project to a State Assignee under this Clause 10.6. To the extent that any such stamp duties or other fees or imposts are payable, the State agrees that:
 - (i) it shall pay all such stamp duties or other fees or imposts;
 - (ii) to the extent that any such stamp duties or other fees or imposts are required to be paid by a Participant, the State shall within thirty (30) days of receiving written notice of such payment pay that party an amount equal to the amount payable or paid by that party; and
 - (iii) if the State fails to pay a Participant an amount in accordance with this paragraph (f), interest at the rate applicable for financial default under the relevant LNG Project Agreement shall also be payable by the State to the relevant Participant or Participants for each day payment of the amount is overdue.

10.7 Consideration payable for LNG Project Assets from State Assignees.

- (a) The State and each of the Participants shall use their best endeavours to agree the costs denominated as "C" under paragraph (e), as follows:
 - (i) by 180 days from the date of this Agreement, that portion of the aggregate consideration payable under paragraph (e) that has accumulated under the LNG Project CSA and under any subsequent joint venture operating agreement for the LNG Project Operations, such as the CDOA, up until the LNG Project FEED Decision;
 - (ii) prior to the occurrence of the LNG Project Decision, that portion of the costs denominated as "C" under paragraph (e) that has accumulated under the LNG Project CSA and under any subsequent joint venture operating agreement for the LNG Project Operations, such as the CDOA, up until the date on which the LNG Project Decision AFE Package is issued; and
 - (iii) prior to the Offer Licence Transfer Date, the additional portion of the costs denominated as "C" under paragraph (e) that has accumulated between the date on which the LNG Project Decision AFE Package is issued and the Offer Licence Transfer Date.
- (b) The applicable consideration payable for the LNG Project Assets determined in accordance with this Clause 10.7 is due and payable on the Offer Licence Transfer Date.
- (c) Payment of the consideration due under this Clause 10.7 must be made in USD by electronic funds transfer to the bank accounts and in the

proportions to be nominated by the Participants in immediately available funds.

- (d) The consideration payable for the LNG Project Assets is the aggregate of amounts payable by each of the State Assignees as determined in accordance with paragraph (e) and shall not include costs that have previously been recovered by Participants from the State.
- (e) The consideration payable for the undivided participating interest in the LNG Project Assets to be acquired by each State Assignee shall be calculated as follows:

$$P = DP + [SI \times (C + I)]$$

Where:

P is the payment due from the State Assignee for the undivided participating interest in the LNG Project Assets to be assigned to it under Clause 10.6, expressed in USD;

DP is a lump sum of USD 22.2 million payable in consideration for Pre-LNG Project Data;

SI is the undivided participating interest in the LNG Project Assets of the State Assignee to be determined from time to time in accordance with Clause 10.6(c);

C is the costs paid by all participants, from time to time, under the LNG Project CSA, or the CDOA; and

I is the total dollar amount of interest calculated by applying the interest rate of LIBOR plus 2% per annum to the total of 'C' from the date of actual expenditure to the date consideration is payable.

Note: The party's share of costs [*SI* x (*C*+*I*)] under the LNG Project CSA and CDOA will be subject to reallocation under the re-determination provisions of the CDOA.

- (f) Where costs attributable to the Participants for the purposes of paragraph (e) are incurred in a currency other than USD, such costs will be converted to USD for inclusion in the calculation of costs under paragraph (e) in accordance with the 'accounting principles' of the relevant LNG Project Agreements in force at the time of the relevant expenditure.
- (g) In the event that the payment due under paragraph (b) has not been received by the one hundred and twentieth (120th) day after the filing of any Application referred to in Clause 5.1(b), then notwithstanding the receipt of a notice under Clause 10.2(c)(ii) the State, from that day forward shall be deemed to have waived all and any rights that it has, or that the State Assignees have, or may have under this Agreement or the Oil and Gas Act to acquire all or any part of the Offer Licence Interest, Offer Licence Assets

or LNG Project Assets. Time is of the essence with regard to this Clause 10.7(g). Notwithstanding the fact that this Clause 10.7(g) covers an obligation to pay money, Clause 22 (*Force Majeure*) shall nevertheless apply should the payment due under paragraph (b) be delayed by circumstances beyond the reasonable control of the State, as defined in Clause 22.4.

10.8 Further Dealings With The LNG Project By The State Assignees

The State acknowledges that State Assignees must become parties to the CDOA and that any dealings by the State Assignees with their participating interest in the LNG Project subsequent to the transfer of the LNG Project Assets to those parties shall be in accordance with the terms of the CDOA.

10.9 Exclusive Rights

- (a) This Clause 10 sets out exhaustively the State's rights to acquire all or any part of the Offer Licence Interest, Offer Licence Assets, and LNG Project Assets from the LNG Project Companies, and the rights set out in this Clause 10 are in substitution of any rights that the State might otherwise have or may have had under Sections 165 and 167 of the Oil and Gas Act, the relevant Petroleum Agreements or otherwise.
- (b) The State shall not exercise or purport to exercise, and hereby waives, any right to an equity entitlement under the Oil and Gas Act or any relevant Petroleum Agreement or otherwise against the LNG Project Companies for the purpose of increasing its participating interest or the participating interest of any other person in all or any part of the Offer Licence Interest, Offer Licence Assets, and LNG Project Assets.

11. STATE ASSIGNEE PARTICIPATION TERMS

11.1 State Assignee Obligations

Each State Assignee in respect of the licences transferred will bear its share of costs, and shall be liable for its share of all obligations incurred to the extent of its relevant participating interest, as contemplated under this Agreement, any other LNG Project Agreement, including the CDOA, or the Financing.

11.2 No Carry

Without limitation to Clause 11.1, and notwithstanding the terms contained in any Petroleum Agreement, any operating agreement relating to the relevant LNG Project Licence or any other agreement, no State Assignee in respect of its participating interest in any licence transferred to it, including a licence in respect of a New Field, will be entitled to have any LNG Project Company contribute to, or otherwise financially support, its funding and other obligations and liabilities in respect of the LNG Project Operations.

SECTION D: FISCAL PROVISIONS

12. TITLE, IMPORTING, EXPORTING, AND SELLING ARRANGEMENTS

12.1 Title to LNG Project Petroleum

In respect of LNG Project Petroleum produced from a LNG Project Area:

- (a) title to that LNG Project Petroleum which relates to the relevant LNG Project Licence will pass to the registered holders of the LNG Project Licence which are LNG Project Companies, at the well head; and
- (b) each registered holder of a LNG Project Licence which is a LNG Project Company will have the right to take its share of that LNG Project Petroleum in kind to the extent of its registered interest in that LNG Project Licence and to dispose of that LNG Project Petroleum as it sees fit, including without limitation, by transferring its interest in such LNG Project Petroleum to one or more of the other LNG Project Companies pursuant to the terms of LNG Project Agreements, including but not limited to the CDOA.
- (c) For the avoidance of doubt, any transfer of LNG Petroleum between LNG Project Companies pursuant to the terms of the LNG Project Agreements, including but not limited to the CDOA, will not create any tax liability under the Tax Act or the Goods and Services Tax Act 2003. This paragraph shall not apply to sales of petroleum not contemplated by such LNG Project Agreements.

12.2 Right to Import and Export

- (a) Subject to any requirement of defence and the safety of the public and quarantine, the State shall ensure that:
 - (i) the LNG Project Companies and any agent or contractor of the LNG Project Companies the agents and sub-contractors of such agents or contractors and any of them have the right to acquire, import into, move within, use and export from Papua New Guinea any plant, machinery, equipment, vehicles, explosives, chemicals, fuels, reagents, materials and supplies required for the purposes of the LNG Project;
 - (ii) the LNG Project Companies have the right to export from Papua New Guinea LNG Project Petroleum produced from the LNG Project Area or LNG produced by the LNG Project Companies from Third Party Gas, and they or their customers shall be entitled to use ships of any flag for this purpose; and
 - (iii) customers of the LNG Project Companies who purchase LNG Project Petroleum produced by the LNG Project Companies from the LNG Project Area for export or the processed products of such petroleum or LNG produced by the LNG Project Companies from Third Party Gas are allowed to freely export such LNG, LNG Project Petroleum and

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products, including but not limited to LNG together with any elements within the LNG that may be capable of being extracted as separate products but are not in fact extracted in PNG.

- (iv) This Agreement fulfils the requirements of Section 69(1) of the Oil and Gas Act to the extent that section applies to the export of LNG under the terms of this Agreement.
- (b) To the extent that Section 69(1) applies to the export of LNG under the terms of this Agreement, the Specification attached in Exhibit E is the quality specification that shall apply to Petroleum produced from the LNG Project Area, or to LNG produced by the LNG Project Companies from Third Party Gas, that is exported from Papua New Guinea by the LNG Project Companies or customers of the LNG Project Companies as LNG. . As soon as practicable after the Agreement Date the Minister shall publish the instrument required by Section 69(2) of the Oil and Gas Act prescribing specifications for export of Petroleum produced from the LNG Project Area, and the specifications prescribed in that instrument shall be consistent with Exhibit E. For the avoidance of doubt, the right of LNG Project Companies to export LNG shall include ethanes, propanes, butanes, pentanes or hexanes contained in the LNG stream. However, upon the LNG Project Companies determining that market conditions may be favorable for extraction of propanes and butanes contained in the LNG stream, they will develop an economic analysis to fully consider the advantages and costs of doing so, within the constraints of any existing SPAs, and will review with the State if the analysis shows extraction to be advantageous.

12.3 Domestic Market

- (a) The domestic market obligation contained in Section 67 of the Oil and Gas Act (which applies to “disposing of Processed Petroleum produced in Papua New Guinea”) shall not apply to gas produced from the LNG Project Operations or any processed products of that gas. The obligation shall not apply to any hydrocarbons mixed with gas during transport to the LNG Project Liquefaction Plant, nor to processed products resulting from processing in the LNG Project Liquefaction Plant. The LNG Project Companies are hereby permanently and unconditionally exempted from any future law or regulation that would have the effect of directing LNG Project Petroleum to domestic sales or use.
- (b) The LNG Project Companies agree, in the design and construction of the LNG Project Pipeline, to make provision for a domestic pipeline connection point on that pipeline in the vicinity of the inlet to the LNG Project Liquefaction Plant consisting of a 12 inch diameter tee-junction, valve and blind and all necessary ancillary equipment (all at the cost of the LNG Project Companies) to enable later connection to a pipeline for domestic supply by any Third Party, subject to the provisions of (c) below, which chooses to construct such a pipeline.
- (c) The commercial arrangements to enable access to natural gas or inter-connection by a Third Party must be secured by the Third Party on terms acceptable to the LNG Project Companies. The LNG Project Companies

shall act in good faith and in a commercially reasonable manner consistent with the access principles in Exhibit D in negotiating the relevant commercial arrangements. Under no circumstances may access to natural gas or inter-connection by a Third Party adversely affect the pipeline capacity or operational needs of the LNG Project Companies, their ability to service, repay and comply with all of their obligations in relation to any Financing or their ability to sell or implement arrangements for marketing LNG Project Petroleum effectively for the highest achievable financial return.

- (d) The LNG Project Companies shall reserve for domestic use and make available for sale not more than 0.15 trillion cubic feet of Gas (which amount is inclusive of the Gas supplied to the HGEPP from its commencement pursuant to the Hides GTE Production Right as defined in the CDOA) from the LNG Project Area as follows:
- (i) The Gas shall be sold at commercial rates, on reasonable commercial terms satisfactory to the LNG Project Companies participating in the sale;
 - (ii) Any Gas sold in addition to that supplied through HGEPP shall be delivered downstream of the HGCP, at a single off-take connection on the LNG Project Gas Pipeline;
 - (iii) Any such additional Gas shall be delivered at a rate not to exceed 4 million cubic feet per day; and
 - (iv) Any such additional Gas shall be sold to a supplier of electricity to the Southern Highlands Province, and there shall be no obligation on the LNG Project Companies to construct any facilities, such as pipeline or generation facilities, beyond those necessary to facilitate delivery (e.g., metering.)

12.4 Recovery of Petroleum

Unless the State can demonstrate to the LNG Project Companies that there is sufficient technical evidence that the LNG Project Companies are not managing the LNG Project Petroleum resources in accordance with Good Oilfield Practice and thereby causing irreparable damage to such reservoirs:

- (a) the LNG Project Companies, subject to the terms of any LNG Project Agreement, may produce and sell any quantity of LNG Project Petroleum from any field within (or partly within) the LNG Project Area as the LNG Project Companies determine; and
- (b) no direction will be given (i) under Section 66 of the Oil and Gas Act for a LNG Project Company to take steps to recover LNG Project Petroleum, or to increase or reduce the rate at which LNG Project Petroleum is recovered from the LNG Project Area, or (ii) in relation to the recovery of LNG Project Petroleum from the LNG Project Area.

12.5 Marketing

The LNG Project Companies shall have sole control and management of the sale and marketing of LNG Project Petroleum from the LNG Project Area and shall

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provide such marketing reports to the State as required under any LNG Project Licence. Without limitation to this Clause 12.5, the LNG Project Companies may, for the purposes of marketing LNG Project Petroleum from the LNG Project Area, establish joint marketing entities or other joint marketing arrangements from time to time to negotiate terms for the sale of such LNG Project Petroleum.

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13. TAXES AND ROYALTY

13.1 Non-discrimination

- (a) Without limiting Clause 28, the State agrees and shall procure that, having regard to the laws, regulations or other legal measures effective within Papua New Guinea as at the Agreement Date (which laws, regulations and other legal measures for the purpose of this Clause 13 will be taken to have been amended as contemplated by this Agreement from the Agreement Date), no bond, rate, tax, excise, rent, charge, due, fee, duty, withholding, tariff or other levy or impost which discriminates against persons engaged in gas operations covered by Part III, Division 10 of the Tax Act, or the LNG Project Companies or any of them (or any of their Affiliates), or any member of a LNG Project Company, or any beneficial owner of shares in any of the LNG Project Companies (or any of their Affiliates), or any person engaged in the LNG Project or providing transportation for, or purchasing or selling LNG Project Petroleum from, the LNG Project shall be payable by a LNG Project Company or any such Affiliate, member or beneficial owner or person (as the case may be) in respect of the LNG Project or of any income arising directly or indirectly therefrom.
- (b) The State shall pay or reimburse the LNG Project Companies or any of them (or any of their Affiliates), or any member of a LNG Project Company or any beneficial owner of shares in a LNG Project Company or any other person referred to in paragraph (a), an amount equal to any such discriminatory payment referred to in paragraph (a) which becomes payable, and such payment or reimbursement shall be made by the State within thirty (30) days of such amount becoming payable. If the State fails to pay or reimburse an amount in accordance with this paragraph (b), such amounts may be recoverable by set off or credit against any taxes due and payable.
- (c) If any payment or reimbursement made by the State under this Clause 13 to a LNG Project Company, an Affiliate of the LNG Company, any member of a LNG Project Company, any beneficial owner of shares in a LNG Project Company or any other person referred to in paragraph (a), is subject to any tax in the hands of the recipient, or is subject to any withholding on account of tax, the sum due from the State under this Clause shall be increased to the extent necessary to ensure that, after the application of such tax or withholding, the recipient receives a net sum equal to the sum which it would have been left with or received if no such tax or withholding were imposed or made.

13.2 Rates & Duties

- (a) Without limiting Clause 13.1 or Clause 28, the State agrees and shall procure that no bond, rate, tax, excise, rent, charge, due, fee, duty, withholding, tariff, or other levy or impost shall be applied or be payable in respect of the export of LNG Project Petroleum from Papua New Guinea by a LNG Project Company or by any customer of the LNG Project Company

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who purchased such LNG Project Petroleum in Papua New Guinea for export.

- (b) Without limiting Clause 13.1 or Clause 28, no bond, rate, tax, excise, rent, charge, due, fee, duty, tariff or other levy or impost under any of the Customs Tariff Act 1990 (PNG), the Excise Act 1956 (PNG) or the Excise Tariff Act 1956 (PNG) shall be payable by the LNG Project Companies or any of them (or any of their Affiliates), or any person engaged by a LNG Project Company pursuant to a written agreement, on the import into, movement within, use or export from Papua New Guinea of goods and consumables to be used or consumed for or by the LNG Project in connection with (i) initial construction, or (ii) any subsequent phase of the project whose total cost exceeds USD 50 million (or equivalent.) The State shall procure that the Customs Tariff Act 1990 (PNG), the Excise Act 1956 (PNG) and the Excise Tariff Act 1956 (PNG) be amended to provide for this exemption in accordance with Exhibit M.
- (c) The State agrees that:
- (i) without limiting Clause 13.1 or Clause 28, it shall procure that no local-level government or provincial government or Governmental Agency imposes any rates, taxes or other charges whatsoever on LNG Project Operations, on property or infrastructure utilized, or to Land held by any LNG Project Company on which the LNG Project Operations are carried out, except to the extent that such rates or taxes are validly imposed on the unimproved value of the Land as assessed in accordance with the *Valuation Act 1962* (PNG);
 - (ii) without limiting Clause 13.1 or Clause 28, it shall procure that neither the State nor any Governmental Agency (including, without limitation, any entity whatever called and however established that has any power or authority to facilitate, manage or regulate the Konebada Petroleum Park (being the area of land in Central Province and the National Capital District that, as at the date of this Agreement, is known, or to be known, as the Konebada Petroleum Park) imposes any rates, taxes or other charges whatsoever on LNG Project Companies or LNG Project Operations. For the avoidance of doubt, such prohibited impositions include any feedstock levy, customs duty, import duty, export duty or excise that may be levied or imposed from time to time (including on, in relation to, or in connection with the Konebada Petroleum Park, activities within the Konebada Petroleum Park, or any goods, including any Petroleum, that enter or leave the Konebada Petroleum Park, whether by way of import, export or otherwise.) *Provided, however*, that a Governmental Agency may charge reasonable fees for services that are requested by and agreed with LNG Project Companies;
 - (iii) without limiting Clause 13.1 or Clause 28, it shall procure that neither the State nor any Governmental Agency imposes a tax, levy or other charge whatsoever on gas used by any LNG Project Company in the course of LNG Project Operations; and

- (iv) subject to the exception in Clause 13.2(c)(i) above, it shall pay or reimburse the LNG Project Companies or any of them an amount equal to any such rates, taxes or other charges imposed, and any such payment or reimbursement shall be made by the State within thirty (30) days of that imposition. If the State fails to pay or reimburse an amount in accordance with this paragraph (c), such amounts may be recoverable by set-off or credit against any taxes due and payable under the provisions of the Tax Act.
- (d) Without limiting Clause 13.1 or Clause 28, the State shall pay or reimburse the LNG Project Companies or any of them or any other person referred to in this Clause 13.2, an amount equal to any amount referred to in this Clause 13.2 which becomes payable to the State, and such payment or reimbursement shall be made by the State within thirty (30) days of such amount becoming payable. If the State fails to pay or reimburse an amount in accordance with this paragraph, such amounts may be recoverable by set-off or credit against any taxes due and payable.

13.3 Income Tax

- (a) For all purposes of the Tax Act, including Division III.10, the LNG Project is a single gas project being a designated gas project within the meaning of Section 4(1) of the Tax Act.
- (b) The LNG Project Operations are gas operations within the meaning of Subsection 4(1) of the Tax Act.
- (c) The losses, costs and outgoings deductible under Section 68 of the Tax Act in relation to the LNG Project include operating costs which relate to or are allocated to the LNG Project pursuant to Clause 4.5 and, subject to Section 155H of the Tax Act, all interest, commission charges or fees (including the costs of political risk insurance or guarantees) incurred by an LNG Project Company after the First LNG Cargo in relation to any Financing.
- (d) The losses, costs and outgoings deductible under Division III.10 of the Tax Act in relation to the LNG Project include:
 - (i) Allowable Capital Expenditure related to or are allocated to the LNG Project pursuant to Clause 4.5;
 - (ii) subject to Section 155H of the Tax Act, all interest, commission charges or fees (including the costs of political risk insurance or guarantees) incurred by an LNG Project Company prior to the First LNG Cargo in relation to any Financing;
 - (iii) any capital expenditure incurred in relation to the purchase, charter, hiring or lease of any ship to be used in LNG Project Operations or for the transportation of LNG; and
 - (iv) any capital expenditure incurred in relation to the purchase, charter, hiring or lease of any aircraft to be used in connection with LNG Project Operations.
- (e) The Income Tax rate applicable to the LNG Project will be 30%, with Additional Profits Tax as provided in Clause 13.4, but no dividend

withholding tax payable on dividends paid directly or indirectly from income that was Assessable Income From Gas Operations and no interest withholding tax to be payable on interest paid in respect of any Financing provided to LNG Project Companies (or any of their Affiliates or to any legal entity incorporated or established in respect of the LNG Project) for the purpose of financing their participation in LNG Project Operations.

- (f) If a legal entity as described in the definition of LNG Project Company is incorporated or established by some or all Participants in respect of Financing (or for any other purpose in respect of the LNG Project), such LNG Project Company (the "Finance Company") shall, at its election, be deemed to be a partnership for the purposes of the Tax Act and the shareholders of the Finance Company shall be deemed to be partners of such partnership. The individual interest of a shareholder of the Finance Company in the net income or any partnership loss of the deemed partnership shall be equal to the ownership interest of such shareholder in the Finance Company.
- (g) As the Bank of PNG will not be notified of or required to approve any Financing, the Income Tax Act will be amended to remove requirements in Section 35(2)(e) and Section 155H(1) for the Bank of PNG to be notified of or to approve or authorise Financing in order to enable a taxpayer to obtain interest withholding tax exemptions or deductions for interest and other fees and charges.
- (h) The LNG Project Companies shall be entitled to additional deductions calculated in accordance with Exhibit K and treated as Allowable Capital Expenditure.
- (i) In order to provide certainty around the matters in paragraph (b), to provide for the partnership treatment in paragraph (f), to provide for the removal of Bank of PNG approvals or notifications as set out in paragraph (g), and to provide for the additional deductions in paragraph (h), the State shall procure the amendments to the Tax Act and the Income Tax Dividend (Withholding) Tax and Interest (Withholding) Tax Rates Act set out in Exhibit M.

13.4 Additional Profits Tax

- (a) Additional Profits Tax will be levied on the LNG Project Companies in accordance with Subdivision E of Part III, Division 10 of the Tax Act and the terms of this Agreement.
- (b) Additional Profits Tax shall be calculated in two tiers. The rate of tax for the first tier shall be 7.5% and the accumulation rate or uplift rate for the first tier shall be 17.5%. The rate of tax for the second tier shall be 10% and the accumulation rate or uplift rate for the second tier shall be 20%.
- (c) For the purposes of paragraph (l) of the definition of Project Deductions contained in Section 159A(1) of the Tax Act:
 - (i) an amount of USD 36 million (uplifted pursuant to Section 159B and paragraph (f)) will be included in the Project Deductions of the PDL2 Owners with respect to those LNG Project Oil Fields contained in

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- PDL2 (being the Kutubu Complex Field, SE Hedinia Field and Agogo Field) on the earliest date at which one of such LNG Project Oil Fields becomes an LNG Project Field pursuant to the GOR Regulation;
- (ii) an amount of USD 5 million (uplifted pursuant to Section 159B and paragraph (f)) will be included in the Project Deductions of the PDL4 Owners with respect to those LNG Project Oil Fields contained in PDL4 (being the Gobe Main Field and Gobe 2X Field) on the earliest date at which one of such LNG Project Oil Fields becomes an LNG Project Field pursuant to the GOR Regulation; and
 - (iii) an amount of USD 8 million (uplifted pursuant to Section 159B and paragraph (f)) will be included in the Project Deductions of the PDL5 Owners, the PDL6 Owners and the PDL2 Owners with respect to the Moran Field on the date on which the Moran Field becomes an LNG Project Field pursuant to the GOR Regulation.
- (d) For the purposes of Section 159F(b) of the Tax Act, the Secretary or Director of Petroleum and Energy will certify the conversion costs for:
- (i) each LNG Project Oil Field prior to or immediately after the relevant LNG Project Oil Field becomes an LNG Project Field pursuant to the GOR Regulation. Each of the relevant PDL Owners may elect to have its respective share (or portion thereof) of such conversion costs applied as Project Deductions in respect of the LNG Project.
 - (ii) any New Field immediately after it becomes an LNG Project Field pursuant to the GOR Regulation. Each of the New Field's owners may elect to have its respective share (or portion thereof) of such conversion costs applied as Project Deductions of the LNG Project.
 - (iii) any Newly Discovered Pool immediately after it becomes an LNG Project Field. Each of the Newly Discovered Pool's owners may elect to have its respective share (or portion thereof) of such conversion costs applied as Project Deductions to the LNG Project.
- (e) In addition to Clauses 13.4(c) and 13.4(d), all LNG Gas Project related expenditures, made or incurred before or after the Agreement Date, will be included in the relevant LNG Project Company's Project Deductions for the LNG Project, as and when incurred, including:
- (i) all expenditures incurred by LNG Project Companies in relation to Pre-LNG Project Operations, including any contribution to or reimbursement of such expenditures, regardless of whether any such expenditure has been deducted against Assessable Income From Petroleum Operations; and
 - (ii) all Exploration Expenditure, Allowable Exploration Expenditure or Allowable Capital Expenditure, other than Allowable Capital Expenditure incurred in respect of the HGEPP prior to the date of this Agreement, incurred by LNG Project Companies in relation to Offer Licences and Future Licences regardless of whether any such expenditure has been deducted against Assessable Income From Petroleum Operations pursuant to Section 155N.

- (f) The "uplift commencement date" (as defined in section 159A (1) of the Tax Act) shall be the date of this Agreement in respect of all Project Deductions incurred on or before such date, including amounts included in Project Deductions pursuant to paragraph (c).
- (g) Section 159(c) of the Tax Act shall be amended to provide that the accumulated value of net project receipts of an LNG Project Company which has an interest in PDL1 shall include the total of all Allowable Exploration Expenditure and Allowable Capital Expenditure incurred by the LNG Project Company in relation to PDL1, excluding any expenditure incurred in respect of the HGEPP.

In order to provide certainty around the matters specified in this Clause, the State shall procure the amendments to the Tax Act set out in Exhibit M.

13.5 Tax Remittance

- (a) Income Tax will be calculated and tax returns prepared on the basis of USD denominated accounting books prepared for the purpose.
- (b) All tax payments will be remitted in USD. The State agrees and shall procure that, in accordance with Section 14(2) of the Tax Act and Regulation 43(2) of the Income Tax Regulations, the Commissioner General directs that tax payable at any time by a LNG Project Company under the Tax Act relating to the LNG Project is to be reported and paid in USD.

13.6 Royalty Provisions

- (a) Subject to paragraph (c), pursuant to Section 159 of the Oil and Gas Act, Royalty at the rate of 2% of the wellhead value of the proceeds from the sale of LNG Project Petroleum produced from the LNG Project Area shall be paid. The wellhead value will be calculated in accordance with the manner to be prescribed by regulation (substantially in the form of Exhibit G), made pursuant to the Oil and Gas Act, subject to paragraph (d) and Clause 4.4(h).
- (b) Pursuant to Section 158 of the Oil and Gas Act, the Point Of Valuation is the actual point of sale under a LNG Sale and Purchase Agreement or other Project Agreement.
- (c) No liability to pay Royalty will arise and Royalty will not be calculated or paid prior to any LNG Project Petroleum sales from the LNG Project. Royalty will be paid only on LNG Project Petroleum actually produced and sold.
- (d) With regard to the HGEPP owners at the Agreement Date, any Royalty payable under Section 159 of the Oil and Gas Act for Petroleum from the PDL1 Area relating to the Hides Gas to Electricity (Porgera) Project shall be calculated and paid in accordance with the terms of any agreement reached between the State and such HGEPP owners. Further, for the purposes of calculating the Royalty payable under this Clause on LNG Project Petroleum produced from the PDL1 Area, the proceeds of sale of Petroleum attributable to the Hides Gas to Electricity (Porgera) Project, and all expenditure relating to the Hides Gas to Electricity (Porgera) Project, shall be excluded from the calculation. However, after the expiry or termination

of the agreement of 18 February 1993, any Royalty for Petroleum relating to the HGEPP shall be calculated under the wellhead value regulation applicable to the LNG Project generally.

- (e) Royalties will be calculated and paid in USD.
- (f) Royalties shall be calculated and paid each period in a single calculation and payment for the LNG Project. For the avoidance of doubt, there is no requirement for payments to be made or calculated by reference to each LNG Project Licence.
- (g) For the avoidance of doubt, the Royalty rate and wellhead value calculation methodology prescribed by regulation come within the protection afforded by the LNG Project Fiscal Stability Agreement.

13.7 Development Levy Provisions

- (a) In accordance with Section 160 of the Oil and Gas Act, a Development Levy shall be paid at a rate of 2% of the wellhead value of the proceeds of LNG Project Petroleum sales from the LNG Project. The wellhead value will be determined in accordance with the manner to be prescribed by regulation (substantially in the form of Exhibit G) made pursuant to the Oil and Gas Act.
- (b) Pursuant to Section 158 of the Oil and Gas Act, the Point Of Valuation is the actual point of sale under a LNG Sale and Purchase Agreement or other Project Agreement.
- (c) No liabilities for Development Levies will arise and Development Levies will not be calculated or paid prior to any LNG Project Petroleum sales from the LNG Project. Development Levies will be paid only on LNG Project Petroleum actually produced and sold.
- (d) Any Development Levy payable under Section 160 of the Oil and Gas Act for Petroleum from the PDL1 Area shall not apply to production attributable to the Hides Gas to Electricity (Porgera) Project. Further, for the purposes of calculating the Development Levy payable on LNG Project Petroleum produced from the PDL1 Area under this Clause, the proceeds of sale of Petroleum attributable to the Hides Gas to Electricity (Porgera) Project, and all expenditure relating to the Hides Gas to Electricity (Porgera) Project, shall be excluded from the calculation.
- (e) Development Levies will be calculated and paid in USD.
- (f) Development Levies shall be calculated and paid each period in a single calculation and payment for the LNG Project. For the avoidance of doubt, there is no requirement for payments to be made or calculated by reference to each LNG Project Licence.
- (g) For the avoidance of doubt, the Development Levy rate and wellhead value calculation methodology prescribed in regulation come within the protection afforded by the LNG Project Fiscal Stability Agreement.
- (h) No other development levy apart from the Development Levy imposed pursuant to Section 160 of the Oil and Gas Act, will be applied to the LNG Project.

13.8 Accounting Provisions

- (a) The accounts of the LNG Project Companies in respect of LNG Project Operations under this Agreement shall be kept in USD.
- (b) The accounting principles applicable to the LNG Project Operations of the LNG Project Companies shall be as set out in the relevant LNG Project Agreement.
- (c) Audit of accounts in respect of the LNG Project Operations may, at the request of the State, be carried out by an internationally recognised independent firm of chartered accountants which is registered in Papua New Guinea and appointed by the LNG Project Companies. The State shall bear the cost of any such audits. Nothing in this paragraph prevents the Commissioner General carrying out an audit of the tax affairs of an LNG Project Company.

13.9 Stamp Duties

- (a) Any transfer that occurs after the Agreement Date by any of the LNG Project Companies for the purpose of restructuring the ownership of LNG Project Licences shall attract stamp duty of not more than K5000 in accordance with the Stamp Duties Act provided that the transfer:
 - (i) is between a LNG Project Company and its Affiliates or does not result in a change in the total economic interest of each LNG Project Company group in the LNG Project;
 - (ii) is between LNG Project Companies as a result of the operation of LNG Project Agreements, including but not limited to the operation of provisions providing for the re-determination of a LNG Project Company's participating interest in the LNG Project or provisions providing for such transfers as a consequence of default by a LNG Project Company; or
 - (iii) is entered into by one LNG Project Company with another LNG Project Company or an Affiliate of that other LNG Project Company prior to 31 December of the year which includes the Offer Licence Transfer Date.
- (b) The Stamp Duties Act shall have no application to any Financing under which any loan or any other form of financial accommodation is provided to a LNG Project Company, its Affiliate or any legal entity incorporated or established in respect of the LNG Project or to any security, encumbrance or declaration or trust granted or made by the LNG Project Company or any such Affiliate or entity for the purposes of, or in connection with the financing or refinancing of that LNG Project Company's participation in the LNG Project. For the avoidance of doubt, this paragraph does not address sales of property or interests acquired pursuant to such security, encumbrance or declaration of trust in connection with Financing.
- (c) The State shall procure amendments in Exhibit M in order to provide for the matters in paragraphs (a) and (b) above.

13.10 GST

- (a) Consistent with the current operation of the Goods and Services Tax Act 2003, exports of LNG Project Petroleum and supplies of goods and services, other than cars, made to LNG Project Companies for use solely in carrying out LNG Project Operations shall be zero rated.
- (b) Without limiting Clause 13.10(a), the State shall pay or reimburse the LNG Project Companies an amount equal to any GST which becomes payable contrary to the operation of this Clause 13.10, and such payment or reimbursement shall be made by the State within thirty (30) days of such amount becoming payable. If the State fails to pay or reimburse an amount in accordance with this paragraph (c), such amounts may be recoverable by set-off or credit against any taxes due and payable.

13.11 Special Tax Credit Scheme

The State will procure amendments to legislation in order to enact the Special Tax Credit Scheme referred to in Exhibit F.



14. STABILITY OF REMITTANCE RIGHTS, PAYMENTS & FINANCE

- (a) The State agrees that no person or entity described in Section 2 of Exhibit O ("*Exempt Persons*") shall be subject to any form of banking or foreign exchange control, whether under the current Central Banking (Foreign Exchange & Gold) Regulation or otherwise, from the Agreement Date and for the duration of the LNG Project.
- (b) In order to implement this obligation, the State shall procure that the Head of State, on advice of the National Executive Council, makes the Central Banking (PNG LNG Project Exemption) Regulation 2008 ("*Exemption Regulation*") in the form set out in Exhibit O.
- (c) Once made, the State shall procure that the Exemption Regulation remains in effect and is not varied in any respect for the duration of the LNG Project, except with the written consent of the LNG Project Companies.
- (d) Should the Central Banking (Foreign Exchange & Gold) Regulation itself be withdrawn or varied or replaced, wholly or partly, or should any other law or regulation of PNG have the effect of implementing banking or foreign exchange control as currently described in, or to the effect of, wholly or partly, the Central Banking (Foreign Exchange & Gold) Regulation, the State shall procure that no Exempt Person is subject to any form of banking or foreign exchange control thereunder.
- (e) Notwithstanding Clause 20 (Arbitration), the terms of this Agreement may be enforced by the LNG Project Companies (or any of them on their own behalf and on behalf of Exempt Persons) obtaining from the National Court a decree of, or order for, specific performance against the State in respect of any State obligation under this Clause, including but not limited to its obligation under paragraph (c) to maintain the Exemption Regulation.
- (f) In the event that a LNG Project Company (on its own behalf and on behalf of Exempt Persons) is unable to transfer out of PNG any amount (the "*Blocked Amount*") by reason of the State not fully performing its obligations (or any of them) under paragraphs (a) through (d) above, the State agrees to pay to the LNG Project Company, by way of an indemnity, an amount of money equal to the Blocked Amount, such amount being due and payable within 30 days of the date on which the inability to transfer the funds arose and being payable to such bank account outside of PNG and in such currency as may be nominated by the person entitled to receive the payment from the State under this paragraph. Where an amount is required to be paid by the State under this paragraph and such amount has been paid by the State, then an amount equal to the amount so paid is due and payable to the State as a debt. The State agrees that funds from the Blocked Amount, up to the amount of the debt to the State, will be the State's only source of payment of that debt, and that no interest will be charged on that debt. Repayment of the debt will be made only after the State makes full payment under the indemnity above.

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- (g) The provisions of this Clause 14 are for the benefit of each LNG Project Company from the Agreement Date. For the avoidance of doubt, any Petroleum Agreement which would otherwise apply to a LNG Project Company in respect of matters which are the subject of the provisions of this Clause 14 is excluded from application to a LNG Project Company.

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SECTION E: DOMESTIC REQUIREMENTS

15. SOCIAL MAPPING AND LANDOWNER IDENTIFICATION, DEVELOPMENT FORUMS AND DEVELOPMENT AGREEMENTS

- (a) Social Mapping and Landowner Identification
- (i) The State acknowledges and agrees that:
 - (A) SMLI Studies have been undertaken in the Mapped Areas; and
 - (B) the SMLI Studies undertaken in the Mapped Areas were submitted to the Director in accordance with the requirements of the Oil and Gas Act.
 - (ii) The State acknowledges and agrees that the SMLI Studies identified in Exhibit I satisfy the Oil and Gas Act requirements for preliminary or full-scale SMLI Studies (as applicable) in respect of the Mapped Areas. The parties agree that the designation of a study in Exhibit I as 'preliminary' or 'full-scale' is conclusive for the purposes of this paragraph (a).
 - (iii) The State acknowledges and agrees that SMLI Studies prepared in accordance with the protocols attached as Exhibit J for the Unmapped Areas will satisfy the requirements of the Oil and Gas Act for full-scale SMLI Studies in respect of the Unmapped Areas.
 - (iv) The provisions of this paragraph (a) will be effective notwithstanding any amendments to or substitution of the Oil and Gas Act, the adoption of regulations under the Oil and Gas Act in respect of SMLI Studies or any other legislative or regulatory provision or requirement which is inconsistent with this paragraph (a).
- (b) The State and the LNG Project Companies acknowledge and agree that:
- (i) The mechanism for benefits distribution and a process to conduct Development Forums prior to the execution of the Benefit Sharing Agreement will be developed; and
 - (ii) The LNG Project Companies have a commitment to supporting, as appropriate, the State in the development of a process to negotiate and agree Benefit Sharing Agreement(s) ("**BSA Process**") and to the development of the terms of the Benefit Sharing Agreement(s) ("**BSA Terms**");
- (c) The State will ensure that the LNG Project Companies are provided with adequate opportunity to assist with the development of the BSA Process and the BSA Terms.
- (d) The LNG Project Companies agree to assist and support the development of the BSA Process and the BSA Terms.
- (e) The LNG Project Companies shall pay an amount agreed with the State, not to exceed the amount prescribed by Section 52A(2) of the Oil and Gas Act per licence, as their contribution towards the cost of a development forum.

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16. TRAINING AND EMPLOYMENT

- (a) Subject to paragraph (d) below, after First LNG Cargo the LNG Project Companies shall undertake training of Citizens with the intent, where practical, to progressively replace foreign personnel working on the LNG Project with qualified Citizens.
- (b) The State shall give to the LNG Project Companies such assistance as is reasonably required in the formulation of a training program and in the recruitment of Citizens and shall make available facilities for vocational and technical training.
- (c) As far as is practical, the LNG Project Companies shall give first preference in training and employment of Citizens to those whose place of origin is in the LNG Project Area.
- (d) The State acknowledges and agrees that the LNG Project will require specialised expertise and technical knowledge and that the LNG Project Companies shall:
 - (i) be entitled to utilise such expatriate skills and resources as they may consider appropriate to construct and operate the LNG Project in accordance with accepted international industry practice for LNG projects;
 - (ii) not be required to advertise positions with the LNG Project within Papua New Guinea before a work permit can be granted to a non-Citizen; and
 - (iii) be entitled to conduct the studies, design and other activities required for the development, construction and operation of the LNG Project in the locations that they consider appropriate, including foreign locations.
- (e) The State shall procure:
 - (i) any amendments necessary to the Employment of Non-Citizens Act and any other law or regulation relevant to the employment of non-Citizens, in order to provide for the matters in paragraph (d) above; and
 - (ii) that any regulations promulgated under the Employment of Non-Citizens Act are consistent with paragraph (d) above.

17. LOCAL SUPPLIES AND BUSINESS DEVELOPMENT

The LNG Project Companies shall, in respect of the LNG Project, act in accordance with and subject to Section 129 of the Oil and Gas Act and shall prepare a local business development program in respect of the matters addressed in Section 129 of the Oil and Gas Act.

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18. CONSULTATION

After the date of the LNG Project Decision, the LNG Project Companies shall consult from time to time with representatives of the State and shall furnish the State annually with reports concerning implementation of:

- (a) the training and employment program referred to in Clause 16 ;
- (b) the local business development program, referred to in Clause 17.

19. IPA CERTIFICATION

Each LNG Project Company shall, if required by the *Investment Promotion Act* 1992 (PNG), apply to be certified under that Act or to have its certificate varied under that Act (as applicable) in respect of its activities contemplated by or required to be carried out in respect of the LNG Project under this Agreement and the LNG Project Licences. The State shall issue to each LNG Project Company a certificate or vary its certificate (as applicable) in accordance with its application, subject to the terms of any certificate being consistent with the terms of this Agreement and the LNG Project Licences. The State agrees and shall procure that any certificate or variation applied for under this Clause 19 remains in effect for the period until the relevant LNG Project Company ceases to be a Party to this Agreement.

SECTION F: GENERAL

20. ARBITRATION

20.1 Mutual Discussions

The Parties shall endeavour to resolve by mutual agreement any disputes, questions or differences arising out of or related to this Agreement or the terms of this Agreement, including its construction, meaning, operation or effect or concerning the rights, duties or liabilities of the Parties, or concerning the breach, termination or validity hereof (a "*Dispute*"). Failing such resolution within sixty (60) days after giving all Parties written notice of the Dispute, any Party may submit the Dispute to arbitration pursuant to this Clause 20.

20.2 Referral to Arbitration

Subject to Clause 20.1, any Dispute shall be exclusively and finally settled by arbitration. A Party may by written notice ("*Notice of Arbitration*"), notify each other Party that the Dispute is referred to arbitration and the Dispute shall be subject to arbitration as provided in Clauses 20.3 to 20.6 (both inclusive). Any Party that is neither the Party giving the Notice of Arbitration nor a Party named in such Notice of Arbitration may, by written notice to the Party that gave such Notice of Arbitration, given within fifteen (15) days after the date of such Notice of Arbitration, elect to participate in the arbitration of such Dispute.

20.3 Rules of Arbitration

If a Notice of Arbitration is given with respect to a Dispute, then such Dispute shall be determined by arbitration in accordance with the UNCITRAL Arbitration Rules contained in resolution 31/98 adopted by the United Nations General Assembly on 15 December, 1976 and entitled "Arbitration Rules of the United Nations Commission on International Trade Law" as in force at the date of service of the Notice of Arbitration, except as modified as follows:

- (a) in all cases, the arbitral tribunal shall be three arbitrators, one of whom shall be appointed by the Party or Parties that gave such notice of Arbitration, one of whom shall be appointed by the other Party or Parties named in the Notice of Arbitration and the third of whom shall be appointed by the two arbitrators appointed by the Parties to the arbitration or, failing agreement between those arbitrators, by the appointing authority designated in Clause 20.4;
- (b) if a dispute involves multiple claimants or multiple respondents and the claimants or the respondents are unable to nominate an arbitrator jointly, then the appointing authority designated in Clause 20.4 shall appoint an arbitrator for the claimants or for the respondents as the case may be;
- (c) unless each Party to the arbitration otherwise agrees, an arbitrator shall not be a citizen or resident of the State or a citizen or resident of the country that

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is the country of the jurisdiction in which any LNG Project Company that is a Party to the arbitration is incorporated;

- (d) in addition to the matters contained in Article 33.3 of the UNCITRAL Arbitration Rules, the arbitral tribunal shall take into account applicable international law principles and international custom and usage in the petroleum industry;
- (e) the arbitrators shall be bound by principles of legal privilege, such as those involving confidentiality of communications between a lawyer and a client;
- (f) the arbitrators shall not award any indirect, special, incidental, consequential or punitive damages; and
- (g) the arbitration proceedings, the reasons for any arbitration award and/or any information disclosed by a party during an arbitration shall be kept confidential in accordance with the provisions of Clause 26; provided, however, this is not intended to apply to, relate or restrict in any way (i) disclosures of information to the arbitration panel, or (ii) the disclosure of the proceedings or the reasons for the arbitration award in the course of legal proceedings relating to the arbitration or the award and in the course of any other judicial, arbitral or administrative proceedings between the Parties to the arbitration.

20.4 Appointing Authority

The appointing authority shall be the appointing authority specified in, or designated in accordance with, the UNCITRAL Arbitration Rules.

20.5 Place of Arbitration

The place of arbitration shall be Singapore unless the Parties to the arbitration agree upon another place.

20.6 Other

- (a) All arbitrators shall be fluent in the English language and the arbitration shall be conducted in English.
- (b) The Parties agree that an arbitration award in the arbitration of a Dispute shall be final and binding upon the Parties to the arbitration of such Dispute, unless it is manifestly in error or not in accordance with law.
- (c) The Parties agree to exclude any right of appeal to any court which would otherwise have jurisdiction in the matter in connection with any question of law arising in the course of the arbitration reference or out of the award. However, the Parties to any arbitration of a Dispute may make an application to any court having jurisdiction for registration and/or judgment on the award entered or for enforcement of any award (including execution on such judgment), including enforcement of any award granting interlocutory relief, against a relevant Party, and for the obtaining of any evidence (whether by discovery of documents, interrogatories, affidavits or testimony of witnesses or otherwise howsoever) which the arbitral tribunal directs shall be admitted in the arbitral proceedings.

(d) This Clause 20 shall survive the termination of this Agreement.

20.7 Exclusion of Petroleum Agreement Provisions

If a Dispute which is the subject of the provisions of this Clause 20 is also the subject of a provision of a Petroleum Agreement, the provisions of this Clause 20 apply to the exclusion of the provision of the Petroleum Agreement.

21. LAW APPLICABLE

This Agreement shall be governed by, and be construed in accordance with, the laws of the State and such rules of international law as may be applicable.

22. FORCE MAJEURE

22.1 Extension of Time

Subject as hereinafter provided, the time for the performance of any obligation under or arising out of this Agreement except an obligation to pay money, which performance is delayed by circumstances beyond the reasonable control of the Party responsible for the performance of such obligation, shall be extended by the period of the delay, but no longer than the continuance thereof, and no Party shall be liable in damages or otherwise to the other Party nor shall any action, claim or demand be taken or made against that Party by reason solely of such delay in the performance of such obligation in circumstances beyond the reasonable control of that Party.

22.2 Reasonable Diligence

The Party responsible for the performance of any such obligation shall use all reasonable diligence to remove the circumstances beyond the reasonable control of that Party as quickly as possible after the same shall have come to its attention, save and except that: a) the settlement of any strike, lockout and other industrial dispute shall be entirely within the discretion of the Party directly concerned and nothing herein shall require the settlement thereof by acceding to the demands of the opposing Third Party or third parties where such course is inadvisable in the discretion of the Party concerned; and (b) it is understood that the obligation to use reasonable diligence to remove the circumstances beyond the reasonable control of the Party responsible for the performance does not include the obligation for such Party to incur unreasonable costs.

22.3 Obligation to Inform

Each Party shall keep the other promptly informed of any delay in the performance of any obligation on its part under or arising out of this Agreement where such delay is caused by circumstances beyond the reasonable control of such Party, of the likely duration of such delay as a consequence thereof and of the cessation of such circumstances.

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22.4 Force Majeure Definition

- (a) In Clauses 22.1, 22.2 and 22.3 the expression “*circumstances beyond the reasonable control*” means events or circumstances not reasonably within the control of the Party carrying out or obliged to carry out any obligation under this Agreement which includes, without limitation, act of God, act of war whether declared or undeclared, earthquake, explosion, act of public enemy, flood, washaway, strike, blockade, lockout, stoppage, ban, restraint of labour whether partial or entire or other industrial disturbance, interruption of supply, unavailability or delay of any transport, machinery, equipment, fuel or water, failure of petroleum reserves, breakdown, fire, riot, civil commotion or insurrection, terrorism, landowner disturbances, sabotage, landslide, cyclone, volcanic eruption, tsunami, power shortage, epidemic, quarantine, expropriation, nationalisation, restraint, prohibition, intervention, requisition, requirement, direction or embargo by legislation, regulation, decree or other legally enforceable order of any government or governmental or other competent authority (including any court of competent jurisdiction or other similar circumstances) or inability or delay in obtaining governmental approval, permit, licence or allocation and any other cause (whether of a kind specifically enumerated above or otherwise) which is not reasonably within the control of the Party carrying out or obligated to carry out any obligation under this Agreement.
- (b) Neither the State nor the Minister shall be at liberty to rely upon any action of any of the following as constituting “*circumstances beyond the reasonable control*” for the purpose of this Clause 22:
- (i) actions of the government of the State, of the Minister, Director or Secretary or of any other minister of the State;
 - (ii) actions of any provincial or local-level government; or
 - (iii) actions of any other instrumentality, authority or agents of the State or of a provincial or local-level government.

22.5 Rights Preserved

Subject always to the qualifications in Clause 22.2, no Force Majeure or its consequences affecting the performance of this Agreement by any Party shall operate to prevent a Party taking action to enforce its rights under this Agreement arising from and after the expiration of a period of time within which by the use of due and reasonable diligence that Party could have remedied the situation preventing its performance.

23. ASSIGNMENT GENERALLY

23.1 Approval of Transfers

- (a) Where an application for approval of the transfer of a LNG Project Licence is lodged under Section 97 of the Oil and Gas Act, the Minister will use his best efforts to approve the application within thirty (30) days of its submission; such approval shall only be upon such reasonable conditions (if

any) as the Minister determines consistent with the provisions of this Agreement and the Oil and Gas Act.

- (b) Where a LNG Project Licence is transferred by a LNG Project Company and the transferees of the relevant LNG Project Licence include one or more entities which are not LNG Project Companies, those transferee entities must become a Party to this Agreement from the date of transfer of the relevant LNG Project Licence and each such transferee entity must, by written notice to each other Party, substantially in the form attached as Exhibit L, signify its adherence to the terms of this Agreement to the extent of the interest transferred to it.
- (c) Where a LNG Project Licence is transferred by a LNG Project Company and a transferor of the relevant LNG Project Licence ceases to hold an interest in any LNG Project Licence, that transferor entity shall cease to be a Party to this Agreement from the date of the transfer. Ceasing to be a Party under this paragraph (c) shall be without prejudice to the rights and obligations of the relevant transferor and of each other Party which have accrued at the time of the relevant transfer.
- (d) Following any transfer or assignment of an LNG Project Licence during the term of this Agreement, the transferee is deemed to be a party of any Petroleum Agreement which, but for the provisions of this Agreement, would otherwise apply to the LNG Project Licence.

23.2 Approval of Instruments Creating Interests

Where an instrument which relates to a LNG Project Licence is lodged by a LNG Project Company for approval under Section 100 of the Oil and Gas Act, the Minister will use his best efforts to approve the instrument within thirty (30) days of its submission, such approval shall only be upon such reasonable conditions (if any) as the Minister determines consistent with the provisions of this Agreement and the Oil and Gas Act.

23.3 Updating Exhibits

Upon an entity becoming a LNG Project Company or ceasing to be a LNG Project Company, Exhibit A will be updated by written notice issued by the LNG Project Companies' Representative to the State.

23.4 Exclusion of Petroleum Agreement Provisions

This Clause 23 applies to the exclusion of any Petroleum Agreement provision which might otherwise apply to a matter which is the subject of this Clause.

24. CANCELLATION OF A LICENCE

24.1 Default Notice

- (a) If, and only if, in respect of a LNG Project Licence, the relevant Licensees which are LNG Project Companies

- (i) are in material default in complying with any condition specified in the relevant LNG Project Licence; or
- (ii) are in material default in complying with any direction relating to the relevant LNG Project Licence given to the Licensee under Part III of the Oil and Gas Act by the Minister, the Director or an Inspector; or
- (iii) are in material default in complying with any provision of the Oil and Gas Act other than as provided in paragraph (a)(iv) below; or
- (iv) have failed to pay any amount payable by the Licensees under the Oil and Gas Act within a period of ninety (90) days after the date on which the amount became payable;

then the Minister may give written notice of such default or failure in accordance with Section 138(2)(a) of the Oil and Gas Act (in this Clause 24.1 called a "**Default Notice**") to the relevant Licensees of the relevant LNG Project Licence, which shall specify the default or failure alleged and the relevant LNG Project Licence.

- (b) If the Minister gives a Default Notice to any Licensee, the State shall at the same time give a copy of the Default Notice to each other LNG Project Company, each lender in respect of a Financing and to each mortgagee or chargee under any mortgage or charge of any of the assets or the interests of any of the LNG Project Companies in the assets or interests associated with any LNG Project Licence (where the name and address of that lender, mortgagee or chargee has previously been notified to the State or would be revealed by a search of the Register required to be kept in accordance with Section 96 of the Oil and Gas Act).

24.2 Cancellation Notice

If within a period of one hundred and eighty (180) days following service of a Default Notice on a Licensee which is a LNG Project Company (or such longer period as may be fixed by an arbitral award where the subject matter of the Default Notice is submitted to arbitration under Clause 24.3) either:

- (a) the default or failure specified in the Default Notice has not been substantially remedied (or active steps have not been commenced and continued on an ongoing basis to remedy the default or failure if such default or failure is not capable of speedy remedy); or
- (b) compensation is not paid in respect thereof (in the case of a default or failure not capable of remedy but where payment of compensation would be adequate recompense to the State),

then, subject to Clauses 24.3, the State may by service of a written notice (a "**Cancellation Notice**") on each of the Licensees of the relevant LNG Project Licence (which notice shall also be provided to each other LNG Project Company, and each lender, mortgagee or chargee who was given a copy of the Default Notice) require the Licensees to show cause within thirty (30) days in a submission to the Minister under Section 138(2) of the Oil and Gas Act why the relevant LNG Project Licence should not be cancelled. The State will not, and shall procure that the Minister does not, make a decision to cancel any LNG Project Licence until a Cancellation Notice has been duly given (and not

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suspended or withdrawn) in accordance with this Clause 24.2 and for at least thirty (30) days after the giving of the relevant Cancellation Notice.

24.3 Arbitration

If:

- (a) a Licensee contests the grounds for the issue of the Default Notice; or
- (b) a Licensee or the State contests whether the default or failure has been remedied; or
- (c) the State contests the adequacy of any compensation paid pursuant to Clause 24.2,

the matter shall be submitted for arbitration pursuant to Clause 20. If the arbitrators find (in the case of paragraph (a)) that adequate grounds exist for issue of the Default Notice, they shall fix a period during which the Licensees of the relevant LNG Project Licence must comply with Clauses 24.2 (a) or (b) and the amount of compensation payable (if applicable). If the arbitrators find (in the case of paragraph (b)) in favour of the State, they shall fix a period during which the Licensee or Licensees of the relevant LNG Project Licence must remedy the default or failure. If the arbitrators find (in the case of paragraph (c)) in favour of the State, they shall fix the amount of compensation payable and the period for its payment. The State shall not serve a Cancellation Notice in respect of the relevant LNG Project Licence while arbitration between the State and any Licensee of the relevant LNG Project Licence under this Clause 24.3 is in progress and any Cancellation Notice previously served will be suspended immediately upon the issue of a Notice of Arbitration under Clause 20.2 for the duration of any such arbitration. If the arbitral award finds in favour of a Licensee or Licensees of the relevant LNG Project Licence, or within the period fixed by the arbitrators the default or failure is substantially remedied or the compensation is paid, the State shall not serve a Cancellation Notice in respect of the relevant LNG Project Licence and any such Cancellation Notice previously served shall be deemed withdrawn.

24.4 Exclusion of Petroleum Agreement

This Clause 24 applies to the exclusion of any provision of a Petroleum Agreement which might otherwise apply to a matter which is the subject of this Clause.

25. TERM AND TERMINATION

25.1 Requirements for Further Implementation of the LNG Project

This Agreement shall take effect on and from the Agreement Date, but may be subsequently terminated by the LNG Project Companies' Representative giving written notice in accordance with Clause 25.4 if any one of the following requirements is not satisfied or waived in accordance with this Agreement by the date specified for such requirement under Clause 25.4:

- (a) the amendments (as referenced in Clause 25.2(a)) are passed as an Act and come into force within four (4) months of Agreement Date, and the regulations (as referenced in Clause 25.2(b)) are made and come into force within four (4) months of Agreement Date;
- (b) one or more LNG Sale and Purchase Agreements for sale of at least 6.3 MMTA of LNG from the LNG Project Area over a period of at least fifteen (15) years have been executed;
- (c) prior to the State or any State Assignee acquiring any interest under Clause 10, the LNG Project Companies are satisfied that suitable arrangements have been made for the financing of the State Assignee's financial obligations in respect of the consideration to be paid under Clauses 10.4 and 10.7, as well as to fund their obligations under both the joint venture agreements applicable to the Offer Licences and the CDOA;
- (d) Benefits Sharing Agreement(s) is/are executed and, to the extent required by the Oil and Gas Act, Development Agreements are executed for the LNG Project Area, such agreements not being inconsistent with the terms of this Agreement;
- (e) regulatory approvals or clearances, if required by the countries of LNG purchasers under SPAs, have been obtained;
- (f) each of the Licences and Authorisations referred to in Clause 5 has been granted on terms which are to the satisfaction of the relevant LNG Project Companies;
- (g) any licences, variations or Major Modifications have been granted or approved in accordance with Clause 5.5 on terms which are to the satisfaction of the relevant LNG Project Companies;
- (h) the Commissioner General has made a direction in accordance with Regulation 43(2) of the Income Tax Regulations that tax payable at any time by a LNG Project Company under the Tax Act relating to the LNG Project is to be paid in USD;
- (i) any exemptions necessary to implement Clause 13.2(d) of this Agreement have been granted on terms which are to the satisfaction of the LNG Project Companies;
- (j) the LNG Project Companies have made the LNG Project Decision and the LNG Project Companies' Representative has provided written notice to the State of such decision;
- (k) the LNG Project Agreements, including the CDOA, have been executed;
- (l) both LNG Project Companies and the State have received letters from arrangers, underwriters or proposed lenders or holders of debt (or one or more agents or trustees on their behalf) evidencing commitments in respect of the Financing, which, upon fulfilment of customary conditions precedent, will provide proceeds in an amount sufficient to enable all parties to meet their respective obligations to fund the expected costs of LNG Project Operations through First LNG Cargo, and LNG Project Companies' Representative has provided written notice to the State;

- (m) a regulation is made prescribing the methodology for determining wellhead value as it applies to LNG Project Petroleum, which regulation must be consistent with the provisions of Exhibit G;
- (n) the State and the LNG Project Companies execute the LNG Project Fiscal Stability Agreement substantially in the form set out in Exhibit P;
- (o) the *Prices Regulation Act (Chapter 230)* has been amended to make clear that LNG Project Petroleum cannot be declared goods and that no LNG Project Operations can be declared services for the purposes of that Act;
- (p) the specification for export by instrument required by Clause 12.2(b) has been issued;
- (q) the Head of State, on advice of the National Executive Council, has made the Central Banking (Foreign Exchange & Gold) (Amendment) Regulation in the form set out in Exhibit O; and
- (r) all leases (including State Leases and leases from customary landowners), licences, easements or other exclusive or non-exclusive rights to Land as may be necessary or desirable for all or any of the purposes of the LNG Project have been granted to one or more LNG Project Companies on terms which are to the satisfaction of the LNG Project Companies.

25.2 Ministerial Assurances

- (a) The appropriate minister will as soon as is reasonably practicable after the Agreement Date introduce and sponsor in the National Parliament a Bill to enact amendments to the legislation described in Exhibit M, which will be in a form agreed between the Parties.
- (b) The appropriate minister will, as soon as is reasonably practicable after the Agreement Date, procure that the Head of State on advice of the National Executive Council make the regulations described in Exhibits G and O.
- (c) The Minister will arrange that the LNG Project Companies' Representative receives a final draft of the Benefits Sharing Agreement and any of Development Agreements (as referred to in Clause 25.1(d)) to enable comment by the LNG Project Companies to the Minister at least thirty (30) days prior to such agreements being executed, and will provide the LNG Project Companies' Representative with a copy of the executed Benefits Sharing Agreement and any Development Agreements (as referred to in Clause 25.1(d)) promptly after such agreements are executed.
- (d) The State will use its best endeavours to ensure that each of the requirements in Clauses 25.1(a), (d), (f), (g), (h), (i), (m), (o), (p), (q) and (r) are satisfied.
- (e) The State will promptly notify the LNG Project Companies' Representative when each of the requirements referred to in Clauses 25.1(a), (d), (h), (m) and (o) are satisfied.

25.3 Waiver and LNG Project Companies' Obligations

- (a) The LNG Project Companies may waive any of the requirements referred to in Clause 25.1 by the LNG Project Companies' Representative giving the State written notice to this effect.
- (b) As soon as is reasonably practicable after the LNG Project Companies are satisfied the requirements referred to in Clause 25.1 are satisfied or waived under Clause 25.3(a), the LNG Project Companies' Representative must give written notice to the State that the requirements in Clause 25.1 are satisfied or waived.

25.4 Termination on Failure of Requirements

- (a) This Agreement may be terminated by the LNG Project Companies' Representative giving written notice to the State if any of the requirements referred to in Clause 25.1 is not satisfied, or waived under Clause 25.3(a) by the LNG Project Companies, by the date of the LNG Project Decision (or such other date as agreed by the Parties).
- (b) If this Agreement terminates pursuant to paragraph (a), no Party will have a claim against any other Party with respect to any matter arising under this Agreement and nothing shall operate (or be deemed to operate) so as to derogate from or otherwise affect any of the rights or benefits to which the LNG Project Companies (or any of them) are entitled at such date of termination in respect of any LNG Project Licences or applications for such Licences.

25.5 Term

- (a) Subject to the provisions of Clauses 25.4 and 25.6, this Agreement will continue in full force and effect (notwithstanding any cancellation by the Minister pursuant to Clause 24 and Section 138 of the Oil and Gas Act) for so long as any LNG Project Licence subsists.
- (b) Upon the last subsisting LNG Project Licence (i) being cancelled by the Minister pursuant to Section 138 of the Oil and Gas Act or (ii) expiring, this Agreement shall terminate.
- (c) Termination of this Agreement under Clause 25.5(b) will be without prejudice to rights and obligations of any Party which have accrued at the time of such termination.

25.6 Termination by LNG Project Companies

This Agreement may be terminated on behalf of the LNG Project Companies by the LNG Project Companies' Representative giving not less than six (6) months' written notice of termination to the State. Any such termination will be without prejudice to rights and obligations of any Party which have accrued at the time of such termination, provided that nothing shall operate (or be deemed to operate) so as to derogate from or otherwise affect any of the rights or benefits to which the State or the LNG Project Companies (or any of them) are entitled at such date of termination in respect of any LNG Project Licences or applications for such Licences.

25.7 Termination by the State

This Agreement may be terminated by the State by giving not less than six (6) months' written notice of termination to the LNG Project Companies' Representative if the LNG Project Decision has not occurred on or before 31 December 2011, or such later date as is notified by the LNG Project Companies' Representative and accepted by the State.

Any such termination will be without prejudice to rights and obligations of any Party which have accrued at or prior to the time of such termination, provided that nothing shall operate (or be deemed to operate) so as to derogate from or otherwise affect any of the rights or benefits to which the State or the LNG Project Companies (or any of them) are entitled under this Agreement at such date of termination in respect of any LNG Project Licences or applications for such Licences.

25.8 Project Assets

Where the term of this Agreement expires under Clause 25.5(b):

- (a) all materials, supplies and other movable assets and all structures, installations, plant and equipment of the LNG Project Companies (of whatsoever nature), which are fully depreciated or expensed for tax purposes, shall, with the agreement of the LNG Project Companies and the State, become the property of the State, and any of the above items which are not fully depreciated or expensed for tax purposes shall be offered by the relevant LNG Project Companies for sale to the State at their depreciated value or cost;
- (b) all materials, supplies and other movable assets and all structures, installations, plant and equipment of the LNG Project Companies (of whatsoever nature) which have been offered to the State pursuant to paragraph (a) but not purchased by the State within six (6) months from the date of such offer and which can be removed from the LNG Project Area without irreparable damage to the LNG Project Area may be removed by the LNG Project Companies; and
- (c) all materials, supplies and other movable assets and all structures, installations, plant and equipment of the LNG Project Companies (of whatsoever nature) not so removed within one (1) year from the expiration of the six (6) months period mentioned in paragraph (b) above shall become the property of the State without any cost to the State or any liability for the State to pay compensation therefore, and shall be freed and discharged from all mortgages and other encumbrances.

This Clause 25.8 applies to the exclusion of Clauses 7 and 8 of the PPL27 Petroleum Agreement and PPL219 Petroleum Agreement and Clauses 10 and 11 of the PPL101 Petroleum Agreement, PPL100 Petroleum Agreement, PPL138 Petroleum Agreement and PPL161 Petroleum Agreement.

25.9 Abandonment

The State agrees that all subsea or buried Pipelines or pipes or facilities referred to in Section 139(3) of the Oil and Gas Act may be abandoned in place in accordance with Good Oilfield Practice.

26. CONFIDENTIALITY

26.1 Definition of Confidential Information

In this Clause 26, "**Confidential Information**" means information relating to any business, affairs, finances, strategies or employees of a Party and other information of a Party or of its Affiliates which is of a proprietary nature which has been disclosed by a Party under this Agreement or otherwise in connection with the LNG Project, but excludes any information which is generally available in the public domain otherwise than as a result of an unauthorised disclosure or breach of confidence.

26.2 Confidential Information not to be Disclosed

The Parties shall, for the term of this Agreement and for a period of five (5) years thereafter, treat the terms of this Agreement and any Confidential Information as confidential and shall not communicate any Confidential Information disclosed to it by another Party except with the prior written approval of the disclosing Party or as permitted by Clause 26.3.

26.3 Permitted disclosure

A Party which receives Confidential Information ("**Receiving Party**") from another Party may disclose the Confidential Information received as follows:

- (a) in the case of a Receiving Party and its Affiliates, to its employees, officers or agents;
- (b) to professional advisers, contractors or sub-contractors of the Receiving Party whose duties in relation to the Receiving Party necessarily require the disclosure;
- (c) to any financial institution (and its professional advisers), capital market investors, rating agencies, underwriters or others as necessary for the purposes of the Receiving Party in respect of Financing;
- (d) to persons who have expressed a bona fide interest in acquiring from, or financing the acquisition of, an interest in the LNG Project or any LNG Project Licence;
- (e) in the case of a LNG Project Company, to any bona fide potential purchaser or transporter of LNG Project Petroleum or any purchaser or transporter of LNG Project Petroleum;
- (f) in the case of a LNG Project Company, to the Licensee of a Petroleum Development Licensee or the Licensee of a Petroleum Prospecting Licence in respect of a field in an area outside the LNG Project Area who has a bona

vide interest in having that field come within the scope of this Agreement in accordance with the process described in Clause 4.7;

- (g) to the extent required pursuant to an arbitration under this Agreement or as required by law or by a court of competent jurisdiction or as required by a tax authority with jurisdiction over a Receiving Party or any of its Affiliates or by the rules of any stock exchange binding upon the Receiving Party or any of its Affiliates,

provided that, in the case of disclosures under:

- (h) paragraphs (a), (b), (c), (d), (e) and (f), the Receiving Party must use reasonable endeavours to ensure the persons obtaining Confidential Information keep that information confidential;
- (i) paragraph (g), the Receiving Party gives prior written notice of the disclosure to the other Party.

26.4 Petroleum Agreement Confidentiality Provisions

The provisions of any Petroleum Agreement regarding confidentiality of proprietary information which would otherwise apply are expressly excluded from operation in respect of the matters which are the subject of this Clause 26.

27. MISCELLANEOUS

27.1 Specific Performance

Notwithstanding Clause 20, the terms of this Agreement may be enforced by the LNG Project Companies (or any of them) obtaining from the National Court a decree of, or order for, specific performance against the State in respect of any State obligation under this Agreement.

27.2 Waiver of Immunity

Each Party hereto unconditionally and irrevocably:

- (a) agrees that should any legal action or arbitral proceeding be brought against it or its assets in relation to this Agreement or any transaction contemplated by this Agreement no immunity (sovereign or otherwise) from such legal action or arbitral proceeding shall be claimed by or on behalf of itself with respect to its assets, to the maximum extent permitted by law;
- (b) to the maximum extent permitted by law, waives any such right of immunity (sovereign or otherwise) which it or its assets now has or may acquire in the future;
- (c) consents generally in respect of the enforcement of any order, judgement or arbitral award against it in any relevant proceedings, to the giving of any relief or the issue of any process in connection with such proceedings including, without limitation, to the maximum extent permitted by law, the making, enforcement or execution against or in respect of any property whatsoever (irrespective of its use or intended use) and to any order,

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judgement or arbitral award which may be made or given in such proceedings; and

- (d) expressly disavows and waives any right to claim sovereign immunity in connection with any proceedings to compel enforcement under Clause 20 or any proceedings to enforce or execute upon any award made by arbitration under Clause 20.

27.3 Extension of Time

Notwithstanding any provision of this Agreement, the State may, from time to time with the written consent of the LNG Project Companies, extend any period referred to in this Agreement or substitute for any date referred to in this Agreement such later date as it thinks fit, notwithstanding that at the time of such extension or substitution such period may have expired or such date may have passed.

27.4 Amendment

Subject to the terms of this Agreement, no amendment or variation of this Agreement is valid or binding on a Party unless made in writing executed by all Parties.

27.5 No Waiver

Neither failure to exercise nor any delay in exercising any right, power or remedy by a Party operates as a waiver unless specifically so stated. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the Party granting that waiver unless made in writing.

27.6 Entire Agreement and Severability of Provisions

- (a) This Agreement contains the entire agreement between the State (on the one part) and the LNG Project Companies (on the other part) with respect to its subject matter and supersedes all prior agreements and understandings between the Parties in connection with it.
- (b) Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction is ineffective as to that jurisdiction to the extent of the prohibition or unenforceability. That does not invalidate the remaining provisions of this Agreement nor affect the validity or enforceability of that provision in any other jurisdiction.

27.7 No Merger

The rights and obligations of the Parties will not merge on the completion of any transaction contemplated by this Agreement. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing a transaction.

27.8 No Partnership

Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to any Party, or to create any duty, standard of care or liability to any person or entity not a Party hereto.

27.9 Successors and Assigns

This Agreement will inure to the benefit of and be binding upon the successors and assigns of the Parties.

27.10 Attorneys

Each person executing this Agreement on behalf of a Party under the authority of a power of attorney states that he has, at the time of execution of this Agreement, no notice of the revocation of the power of attorney.

27.11 Counterparts

This Agreement may be executed in counterparts, each of which is deemed an original but all of which together constitute one and the same instrument. Any copy of this Agreement, which has been transmitted by facsimile, shall be deemed to be a counterpart original if such transmitted copy bears the signature of an authorised representative of the Party.

27.12 Set off

Without limitation to any specific provision of this Agreement giving a LNG Project Company a right of set off or credit in respect of amounts owing by the State, if the State fails to pay or reimburse an amount in accordance with this Agreement, such amount shall be recoverable by a LNG Project Company by set off or credit against any taxes due and payable.

28. STABILITY OF TERMS

The State acknowledges that the LNG Project is a long term resource-based project within the meaning of that term as it is used in the Resource Contracts Fiscal Stabilization Act. Immediately after enactment of legislative and regulatory changes required by this Agreement and specified in Exhibit M (including the inclusion of the 2% tax on income payable by a taxpayer subject to fiscal stabilization within the rates specified in Clause 13, rather than as a separate additional payment), the State will enter into a Fiscal Stability Agreement with the LNG Project Companies substantially in the form set out in Exhibit P whereby there will be stability of fiscal terms as at the date of that agreement applied to the LNG Project up to a Foundation Volume.

29. SUPPORT AND SPONSORSHIP BY THE STATE

29.1 State Support

The State will give full support and sponsorship and assistance to all acts, matters or things contemplated by or the subject of this Agreement and will not do or omit to do or cause or permit anything to be done or omitted to be done which would or might tend to be inconsistent with the terms and conditions of this Agreement or any of the LNG Project Agreements of which the State has copies, nor prohibit without just cause nor unreasonably interfere with the due and proper performance of obligations or the exercise of rights by the LNG Project Companies under or in relation to activities contemplated by this Agreement or by any other LNG Project Agreements of which the State is a party or has otherwise expressly endorsed. Without limiting this Clause 29.1, the State shall (subject to the law and regulations and considerations of national security):

- (a) use its best endeavours to obtain for the LNG Project Companies in a timely manner such licences, approvals, permits and other leases and rights to services (including public utilities) on a non-discriminatory pricing basis as may be required for the LNG Project Operations;
- (b) use its best endeavours to procure that foreign workers to be employed in LNG Project Operations and their dependants are expeditiously granted such work and other permits (including multiple entry visas) as may be necessary for them to enter, re-enter, move within, remain in and depart from Papua New Guinea and to work on or in connection with the LNG Project Operations;
- (c) grant or procure the grant of other rights and exemptions as are within its power to grant or procure and which may reasonably be required by the LNG Project Companies to enable them to fulfil their obligations and enjoy their rights and benefits under this Agreement and any LNG Project Licence, including grant of all necessary approvals and permits under the Environment Act;
- (d) on application the LNG Project Companies' Representative, undertake the identification of landowner beneficiaries pursuant to Section 169 of the Oil and Gas Act;
- (e) provide to the LNG Project Companies Representative within two (2) months of the Agreement Date, a detailed implementation plan that will address the approvals necessary for the LNG Project's implementation, the conducting and completion of any Development Forums, the achievement of the LNG Project Benefits Sharing Agreement, and the State resources that will be allocated to accomplish such activities; and
- (f) take, when necessary and appropriate for the successful conduct of LNG Project Operations, reasonable action in accordance with international conventions to avoid or contain any civil disorder.

29.2 State Actions

Without limitation to Clause 29.1, the State agrees and shall procure that, in the exercising of powers in a manner which concerns or in any way affects the LNG

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Project (whether that power arises under the Oil and Gas Act or otherwise), the Minister, Director, Commissioner General, other minister of the State or any other Governmental Agency of the State shall act in good faith and in a commercially reasonable manner and, in doing so, shall take into account the commercial and technical nature of the activities undertaken by the LNG Project Companies under this Agreement, under the LNG Project Licences or otherwise in connection with the LNG Project and Good Oilfield Practice.

29.3 Non-discriminatory Laws

The LNG Project Companies shall not be subject to, or limited by, regulations or statutes that are less favourable to the LNG Project Companies than the regulations and statutes of general application which apply to other persons dealing with exploration for, and development of, Petroleum in Papua New Guinea, nor will regulations or statutes relating to exploration for, and development of, Petroleum resources in Papua New Guinea and control of such Petroleum resources be applied to the LNG Project Companies in a manner that is less favourable to them than the manner in which those regulations or statutes are generally applied to others to whom they are applicable.

29.4 Expropriation

Where the State has entered into any bilateral investment protection treaty or agreement which contains undertakings by the State relating to expropriation or nationalisation which may inure to the benefit of any LNG Project Company, the State agrees and shall procure that the benefit of those undertakings will extend to the other LNG Project Companies.

29.5 Appropriation of State Funds

Any funds required by the State to fulfil any liabilities from time to time and arising under this Agreement will be paid out of the consolidated revenue fund and the State agrees to and must procure that the funds are appropriated to the extent necessary or to the extent which is deemed to be necessary.

30. NOTICES

- (a) All notices, notifications, consents, approvals, undertakings, applications, waivers, requests, offers, reports, returns, elections, communications and proposals ("*Notice*") required to be or which may be given, made, furnished or submitted under this Agreement must be in writing, and unless the context otherwise requires:
- (i) if from the State, be signed by, or in a facsimile sent in the name of, a Minister of the State or a Director or Secretary or other designated representative; and
 - (ii) must be delivered to the intended recipient by hand or by facsimile to the address or facsimile number below or the address or facsimile number last notified by the intended recipient to the sender:

(A) to the State: At the address, and to the attention of the persons, shown in Exhibit N.

(B) to the LNG Project Companies' Representative: At the address, and to the attention of the persons, shown in Exhibit N.

(D) to a Party, other than the State: At the address, and to the attention of the persons, shown in Exhibit N.

and

(iii) will be taken to be duly given or made:

(A) in the case of delivery in person, when delivered;

(B) in the case of facsimile, on receipt by the sender of a transmission control report from the despatching machine showing the relevant number of pages and the correct destination facsimile machine number or name of recipient and indicating that that the transmission has been made without error;

but if the result is that a notice would be taken to be given or made on a day that is not a business day in the place to which the notice is sent or later than 16:00hrs (local time) in that place it will be taken to have been duly given or made at the commencement of business on the next business day in that place.

(b) Where a LNG Project Company in its capacity as a LNG Project Licensee or otherwise as a Party is required to submit any plans, proposals or other material for the approval of the State, the date of the submission shall be deemed to be the date on which the State receives the plans, proposals or other material.

Each Party identified on Exhibit N has 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. Any such change of address will become effective ten (10) days after such notice is received by the Party so notified, or in the case of written notice to all Parties, ten (10) days after the date such notice is received by the last of the Parties to receive it. Exhibit N will be revised and updated accordingly. Furthermore, Exhibit N will be revised and updated if there is any change in the LNG Project Companies' Representative under Clause 3.

L.A.G.
[Signature]

EXECUTION CLAUSE

Executed as an agreement by the duly authorised representatives of the Parties. Each attorney executing this Agreement states that he or she has no notice of revocation or suspension of his or her power of attorney.

Signed for and on behalf of **THE INDEPENDENT STATE OF PAPUA NEW GUINEA**

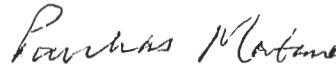
by)
His Excellency, Grand Chief Sir Paulias)
Matane, G.C.L., G.C.M.G., K.St.J.,)
Governor-General of Papua New Guinea,)
acting with and in accordance with the)
advice of the National Executive Council)
in the presence of)



(Witness Signature)

DAIRI VELE

(Witness Name)



Signature

Date: 22 MAY 08

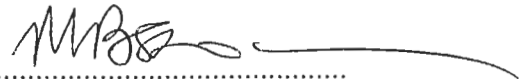
by)
Hon. William Duma)
Minister for Petroleum and Energy)
pursuant to Section 184 of the Oil and)
Gas Act and all other powers enabling)
him with the authority, and in)
accordance with a decision of the)
National Executive Council in the)
presence of)



(Witness Signature)

DAIRI VELE

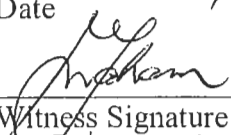
(Witness Name)




Signature

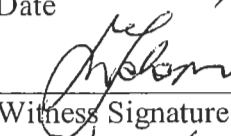
Date: 22 May 2008


Signed for Esso Highlands Limited by
its attorney in the presence of:

22 May 2008
Date

Witness Signature
Peter Graham
Print Name



Attorney Signature
Ian Rosen
Print Name

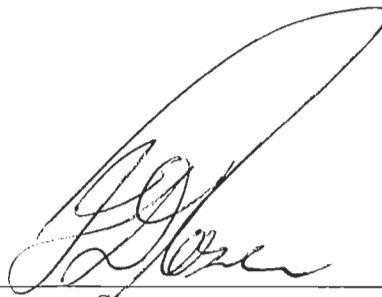
Signed for Esso PNG Juha Limited by
its attorney in the presence of:

22 May 2008
Date

Witness Signature
Peter Graham
Print Name


Attorney Signature
Ian Rosen
Print Name

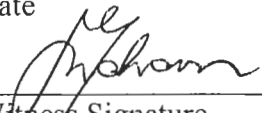
Signed for Ampolex (Papua New
Guinea) Limited by its attorney in the
presence of:


22 May 2008
Date

Witness Signature
Peter Graham
Print Name


Attorney Signature
Ian Rosen
Print Name

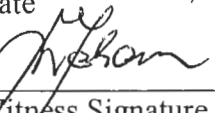
PNG LNG Gas Agreement

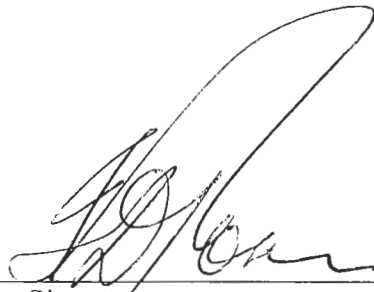
**Signed for Ampolex (Highlands)
Limited** by its attorney in the presence
of:

22 May 2008
Date

Witness Signature
Peter Graham
Print Name

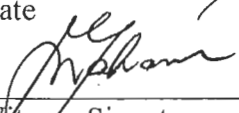

Attorney Signature
Ian Rosen
Print Name


**Signed for Ampolex (PNG Petroleum),
Inc.** by its attorney in the presence of:

22 May 2008
Date

Witness Signature
Peter Graham
Print Name


Attorney Signature
Ian Rosen
Print Name

**Signed for Merlin Pacific Oil Company
Limited** by its attorney in the presence
of:

22 May 2008
Date

Witness Signature
Peter Graham
Print Name

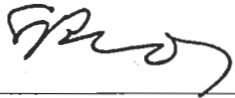

Attorney Signature
Ian Rosen
Print Name

TAU


PNG LNG Gas Agreement


Signed for Oil Search Limited by its attorney in the presence of:

22.5.08

Date _____


Witness Signature
STEPHEN BROPHY

Print Name




Attorney Signature
SERLEA AOP1

Print Name


Signed for Oil Search (Tumbudu) Limited by its attorney in the presence of:

22.5.08

Date _____


Witness Signature
STEPHEN BROPHY

Print Name

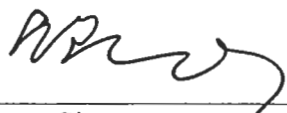


Attorney Signature
SERLEA AOP1

Print Name


Signed for Oil Search (PNG) Limited by its attorney in the presence of:

22.5.08



Witness Signature
STEPHEN BROPHY

Print Name



Attorney Signature
SERLEA AOP1

Print Name

PNG LNG Gas Agreement

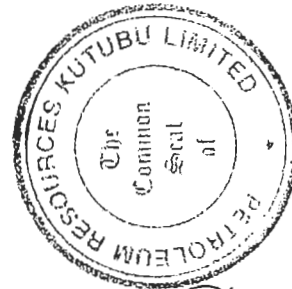
Signed for Merlin Petroleum Company
in the presence of:

22 MAY 08
Date
Witness Signature
ADAM HOWARD
Print Name

Signature
NOBUYASU IIDA
Print Name

**The Common Seal of Petroleum
Resources Kutubu Limited** was affixed
in the presence of:

22 May 2008
Date
Director Signature
JOHN KAPI NATTO
Print Name



Director/Secretary Signature
ALEENA BIRD
Print Name

**The Common Seal of Petroleum
Resources Gobe Limited** was affixed in
the presence of:

22 May 2008
Date
Director Signature
PHILIP RENDE
Print Name



Director/Secretary Signature
ALEENA BIRD
Print Name

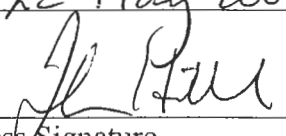
PNG LNG Gas Agreement

Signed for AGL Gas Developments (PNG) Pty Limited by its attorney in the presence of:

22 May 2008
Date
Paul Ashby
Witness Signature
Paul Ashby
Print Name

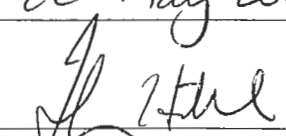

Attorney Signature
Michael Moraza
Print Name

Signed for Santos Hides Ltd by its duly appointed attorney in the presence of:

22 May 2008
Date

Witness Signature
John Hillard
Print Name

David Knox
Attorney Signature
David J W Knox
Print Name

Signed for Lavana Limited by its duly appointed attorney in the presence of:

22 May 2008
Date

Witness Signature
John Hillard
Print Name

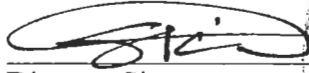
David Knox
Attorney Signature
David J W Knox
Print Name

PNG LNG Gas Agreement

The Common Seal of Eda Oil Limited
was affixed in the presence of:

22/5/08

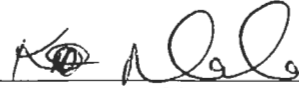
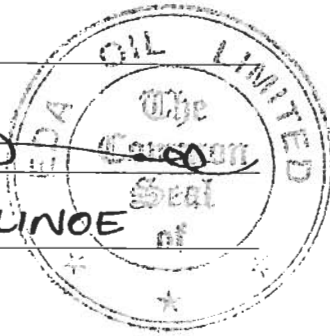
Date



Director Signature

~~SECRET~~ JOSHUA KALINOE

Print Name



Director/Secretary Signature

KARO MAHA

Print Name

EXHIBITS TO PNG LNG GAS AGREEMENT

- Exhibit A LNG Project Companies
- Exhibit B Details of Petroleum Agreements
- Exhibit C PNG LNG Project Description / Development Scenario
- Exhibit D LNG Project Access Principles
- Exhibit E Specification for LNG Export
- Exhibit F Special Tax Credits
- Exhibit G Wellhead Value Regulation
- Exhibit H Fly-In / Fly-Out Exemption
- Exhibit I Social Mapping and Landowner Identification Studies
- Exhibit J Protocols for Social Mapping and Landowner Identification Studies
- Exhibit K Capital Uplift Provisions
- Exhibit L Notice Of Licence Transfer [per Clause 23.1(b)]
- Exhibit M Legislative and Regulatory Amendments
- Exhibit N Addresses for Notices
- Exhibit O Central Banking (PNG LNG Project Exemption) Regulation 2008
- Exhibit P PNG LNG Project Fiscal Stability Agreement
- Exhibit Q LNG Project Fields
- Exhibit R Details of Licences at Agreement Date

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Exhibit A LNG Project Companies

PDL1 Licensees

ESSO HIGHLANDS LIMITED
OIL SEARCH LIMITED
OIL SEARCH (TUMBUDU) LIMITED
SANTOS HIDES LTD
LAVANA LIMITED

PRL12 Licensees

ESSO HIGHLANDS LIMITED
OIL SEARCH LIMITED

PRL2 Licensees

ESSO PNG JUHA LIMITED
AMPOLEX (PAPUA NEW GUINEA) LIMITED
MERLIN PETROLEUM COMPANY
OIL SEARCH LIMITED
OIL SEARCH (PNG) LIMITED

PRL11 Licensees

ESSO HIGHLANDS LIMITED
OIL SEARCH LIMITED

PDL2 Licensees

OIL SEARCH (PNG) LIMITED
AMPOLEX (PNG PETROLEUM), INC.
MERLIN PACIFIC OIL COMPANY LIMITED
MERLIN PETROLEUM COMPANY
AGL GAS DEVELOPMENTS (PNG) PTY LIMITED
PETROLEUM RESOURCES KUTUBU LIMITED

PDL4 Licensees

OIL SEARCH (PNG) LIMITED
AMPOLEX (HIGHLANDS) LIMITED
MERLIN PETROLEUM COMPANY
AGL GAS DEVELOPMENTS (PNG) PTY LIMITED
PETROLEUM RESOURCES GOBE LIMITED

PDL5 Licensees

ESSO HIGHLANDS LIMITED
OIL SEARCH (PNG) LIMITED
EDA OIL LIMITED

PDL6 Licensees

AMPOLEX (HIGHLANDS) LIMITED
OIL SEARCH (PNG) LIMITED
OIL SEARCH LIMITED
MERLIN PETROLEUM COMPANY

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Exhibit B Details of Petroleum Agreements

"PPL27 Petroleum Agreement" means the agreement dated 16 July 1981 originally between the State and Amoco Papua New Guinea Exploration Company and entitled "Petroleum Agreement for Petroleum Prospecting Licence No.27".

"PPL100 Petroleum Agreement" means the agreement dated 26 July 1989 originally between the State, Merlin Pacific Oil Company NL, BP Petroleum Development Limited, Chevron Niugini Pty Limited, Merlin Petroleum Company, Ampolex (PNG Petroleum) Inc, Oil Search Limited and BHP Petroleum (PNG) Inc and entitled "Petroleum Agreement".

"PPL101 Petroleum Agreement" means the agreement dated 26 July 1989 originally between the State, Ampol Exploration (Papua New Guinea) Pty Limited, BP Petroleum Development Limited, Chevron Niugini Pty Limited, Merlin Petroleum Company, Ampolex (PNG Petroleum) Inc, Oil Search Limited and BHP Petroleum (PNG) Inc and entitled "Petroleum Agreement".

"PPL219 Petroleum Agreement" means the agreement to be entered into in or about May 2008 between the State, Ampolex (Highlands) Limited, Oil Search (PNG) Limited, Oil Search Limited and Merlin Petroleum Company .

"PPL138 Petroleum Agreement" means the agreement dated 1 July 1996 originally between the State, BP Exploration Operating Company Limited, Esso Highlands Pty Limited and Oil Search Limited and entitled "Petroleum Agreement", or any Petroleum Agreement that applies to the PRL12 Area and the PRL11 Area, as the context so requires.

"PPL161 Petroleum Agreement" means the agreement dated 21 December 1994 originally between the State, Merlin Pacific Oil Company NL, BP Exploration Operating Company Limited, Chevron Niugini Pty Limited, Merlin Petroleum Company, Ampolex (PNG Petroleum) Inc, Oil Search Limited and BHP Petroleum (PNG) Inc and entitled "Petroleum Agreement PPL161".

Exhibit C PNG LNG Project Description / Development Scenario

The PNG LNG Project is comprised of a number of discrete components:

Wells and Wellhead Facilities

Development wells will be required to produce the gas and liquids from LNG Project Fields. Development timing, phasing and participation of each LNG Project Field are subject to optimization during project design as well as throughout operational life of the LNG Project.

Pipeline Gathering Systems

A series of flow lines and/or pipelines will be required to gather the produced petroleum and deliver them to the field production facilities

Field Production Facilities

Equipment for basic processing to separate gas, condensate, water, CO₂ and other inert substances, injection / disposal facilities, required utilities, vents and flaring systems, and pumps and compression required for the transportation of petroleum or associated recovered substances. Produced water will be treated and re-injected into appropriate formations or disposed of in another appropriate manner. A water transfer pipeline may be required between facilities.

Main Pipelines

Gas will be transported by a single pipeline from the HGCP (Hides gas conditioning plant) to the LNG Project Liquefaction Plant. Provisions for the installation of future booster compression will be located in the Kopi area. Gas pipeline tie-ins will connect Agogo, Kutubu, Moran and Gobe Fields to this main gas line. Separate gas lines will connect gas from Juha and Angore to the HGCP.

Condensate will be transported via separate pipeline from the JPF (Juha Processing Facility) to the HGCP. It is currently anticipated that condensate will be transported from the HGCP to the existing storage tanks at the Kutubu CPF and then via the existing Kutubu Export System to the Kumul loading facility. Alternatively, a separate pipeline to the LNG Liquefaction Plant plus storage facilities may be implemented.

LNG Liquefaction Plant

Gas entering the plant will be processed, compressed, refrigerated and stored, to enable its export to overseas markets as LNG. Future facilities may be required for the removal of CO₂ and the fractionation, storage and export for sale of LPG products, if the participants determine this is necessary to meet LNG market conditions.

Port Facilities

A jetty and loading facilities will be required to enable the transfer of LNG, condensates and potentially future LPG's from the LNG Facility to appropriate export carriers. A marine off-loading jetty may be required to support delivery of construction and operational equipment and supplies.

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Shipping

The chartering, acquisition and/or operation of LNG ships may be required to deliver LNG to buyers. Other petroleum product ships may be required, as well as vessels for project operations (e.g. tugs.)

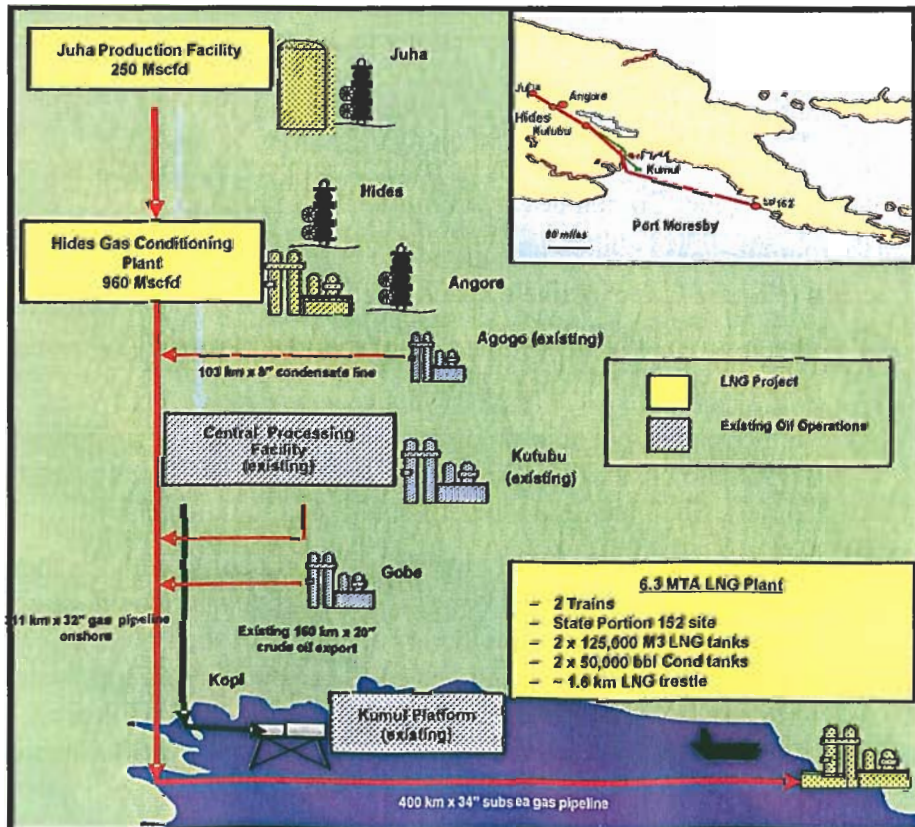
Ancillary Facilities

In addition to the above, camps, roads, bridges, workshops, industrial parks, airstrips, warehousing, medical facilities, administrative and training facilities, waste disposal, telecommunication networks, etc. may be required to support the operations. These may be in the form of investments in new facilities and/or upgrades to existing infrastructure.

Hides Gas to Electricity (Porgera) Project

Petroleum sales, directly or indirectly, by the LNG Project or one or more LNG Project Licensees, including to the Porgera joint venture.

The specific facilities necessary for effective operation of each of the components listed in this Exhibit C are subject to change as the project design is formulated and optimized.



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Exhibit D LNG Project Access Principles

1. Definitions

Terms which are defined terms in this Agreement, shall bear the same meaning when used in this Exhibit D, and unless the context otherwise requires:

"Spare Facility Capacity" means in respect of a LNG Project Field Processing Facility, the difference from time to time between:

- a) the LNG Project Companies' Representative's projection of needs for LNG Project Operations, including needs generated by i) additional gas from the licenses, and ii) additional field processing capacity; and
- b) the actual maximum capacity at that time of the LNG Project Field Processing Facility (if known), or, if the actual maximum capacity is not known, then the maximum designed capacity.

"Spare Gas Pipeline Capacity" means, in respect of a LNG Project Gas Pipeline, the difference from time to time between:

- a) the LNG Project Companies' Representative's projection of needs for LNG Project Operations, including needs generated by additional gas from the licences; and
- b) the actual maximum capacity of that LNG Project Gas Pipeline (if known), or, if the actual maximum capacity is not known, then the maximum design capacity with the then current compression.

2. LNG Project Gas Pipeline Third Party Access Principles

- (a) Each LNG Project Company will have absolute priority of access over all Third Party users to the capacity in any LNG Project Gas Pipeline for the purpose of transmission of Petroleum which is owned by one or more LNG Project Companies.
- (b) Any access to a LNG Project Gas Pipeline, if and when granted by a LNG Project Company to a Third Party, must be subject to the rights of access of the LNG Project Companies as set out in this Exhibit D.
- (c) The LNG Project Companies will not be required to grant a Third Party access to Spare Gas Pipeline Capacity if:
 - (i) the legitimate business interests of the LNG Project Companies would, or could, be prejudiced;
 - (ii) in the reasonable opinion of the relevant LNG Project Companies, the legitimate business interests of any other user of the relevant LNG Project Gas Pipeline would, or could, be prejudiced;
 - (iii) access by any Third Party would be incompatible with the then existing use of the LNG Project Gas Pipeline and would, or could, affect adversely the reliability or operation of the LNG Project Gas Pipeline (including concerns such as pressure or gas composition differences, or any degradation in service to the LNG Project Liquefaction Plant, or the ability of the LNG Project Companies to meet their contractual sales obligations);

- (iv) the granting of such access will require capital expenditure by the LNG Project Companies which they do not agree to bear and pay;
 - (v) in the reasonable opinion of the LNG Project Companies' Representative increased usage of the LNG Project Gas Pipeline resulting from such access would not be technically feasible or would compromise safety standards, or in the reasonable opinion of the LNG Project Companies would not be economically feasible for the LNG Project Companies;
 - (vi) the granting of such access would require a design change which could, in the reasonable opinion of the LNG Project Companies' Representative, be detrimental to the schedules for FEED, engineering, procurement or construction;
 - (vii) in the reasonable opinion of the LNG Project Companies, the Third Party is not creditworthy, or in the reasonable opinion of the LNG Project Companies' Representative lacks operational capabilities to conduct safe operations; or
 - (viii) the granting of such access would have a detrimental impact on processing or marketing of LNG due to changes in the specification of the exported LNG.
- (d) Access to Spare Gas Pipeline Capacity in a LNG Project Gas Pipeline granted to a Third Party shall be subject to the following, unless otherwise agreed by LNG Project Companies:
- (i) Surplus capacity will be allocated on a first come / first served basis, via negotiated commercial transaction;
 - (ii) Any incremental costs associated with Third Party Access (e.g., for connection, additional pipeline, etc.) must be fully borne by the Third Party;
 - (iii) LNG Project Companies shall not be obligated to make any investments to expand the pipeline's capacity without immediate direct reimbursement from the Third Party;
 - (iv) Procedures must be adopted to recognize and compensate for differences in gas quality;
 - (v) LNG Project Companies reserve the right to refuse any request for access due to factors listed in paragraph (c) above.

3. LNG Project Field Processing Facility Access Principles

- (a) The LNG Project Companies will have absolute priority of access over all Third Party users to capacity in any LNG Project Field Processing Facility for the purpose of processing and storing Petroleum which is owned by one or more LNG Project Companies.
- (b) Any access to a LNG Project Field Processing Facility, if and when granted by LNG Project Companies to a Third Party, must be subject to the rights of access of the LNG Project Companies as set out in this Exhibit D.

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- (c) LNG Project Companies will not be required to grant a Third Party access to Spare Facility Capacity if:
 - (i) the legitimate business interests of the LNG Project Companies would, or could, be prejudiced;
 - (ii) in the reasonable opinion of the relevant LNG Project Companies, the legitimate business interests of any other user of the relevant LNG Project Field Processing Facility would, or could, be prejudiced;
 - (iii) access by any Third Party would be incompatible with the then existing use of the LNG Project Field Processing Facility and would, or could, affect adversely the reliability or operation of the LNG Project Field Processing Facility or LNG Project Gas Pipeline (including concerns such as pressure or gas composition differences, or any degradation in service to the LNG Project Liquefaction Plant, or the ability of the LNG Project Companies to meet their contractual sales obligations);
 - (iv) the granting of such access will require capital expenditure by the LNG Project Companies which they do not agree to bear and pay;
 - (v) in the reasonable opinion of LNG Project Companies' Representative, increased usage of the LNG Project Field Processing Facility resulting from such access would not be technically feasible or would compromise safety standards or in the reasonable opinion of the LNG Project Companies would not be economically feasible for the LNG Project Companies;
 - (vi) granting such access would require a design change which could, in the reasonable opinion of the LNG Project Companies' Representative, be detrimental to the schedules for FEED, engineering, procurement or construction;
 - (vii) in the reasonable opinion of the LNG Project Companies, the Third Party is not creditworthy, or in the reasonable opinion of the LNG Project Companies' Representative lacks operational capabilities to conduct safe operations; or
 - (viii) the granting of such access would have a detrimental impact on processing or marketing of LNG.
- (d) Access to Spare Facility Capacity in a LNG Project Field Processing Facility granted to a Third Party shall be subject to the following, unless otherwise agreed by LNG Project Companies:
 - (i) Surplus capacity will be allocated on a first come / first served basis, via negotiated commercial transaction;
 - (ii) Any incremental costs associated with Third Party Access must be fully borne by the Third Party;
 - (iii) LNG Project Companies shall not be obligated to make any investments to expand the facility's capacity without immediate direct reimbursement from the Third Party;

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- (iv) Procedures must be adopted to recognize and compensate for differences in feed and output quality;
- (v) LNG Project Companies reserve the right to refuse any request for access due to factors listed in paragraph (c) above.

4. Application of Oil and Gas Act

This Exhibit D is to be read such that, in the event of any conflict, the terms of the Oil and Gas Act will be subordinated to the principles set out in this Exhibit D, to the extent of the inconsistency.

5. Application to Kutubu Pipeline System

Notwithstanding anything to the contrary contained above, if the KPS is declared to be or becomes a part of the LNG Project, then all prior agreements, including any transportation and lifting agreements, entered into by PL2 licensees for transportation of stabilized liquids through the KPS shall not be adversely affected, without the written consent of the parties to such agreements.

6. Application to Central Processing Facility or Agogo Processing Facility

Notwithstanding anything to the contrary contained above, if for any reason the CPF or the APF are designated to be or become a LNG Project Field Processing Facility, then (i) the PDL2 licensees shall have the absolute authority to determine the terms of access by any potential third party user of the CPF or the APF, exercised in accordance with Good Oilfield Practice applicable to reservoir maintenance or optimization of any fields located in PDL2, and (ii) all agreements entered into by the PDL2 licensees for processing of production at the APF or CPF shall not be adversely affected, without the prior written consent of the parties to such agreements.

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Exhibit E Specification for LNG Export

1. Definitions

For the purpose of this Exhibit E:

"*Btu*" means British thermal units.

"*Gross Heating Value*" or "*GHV*" means the number of megajoules produced by the complete combustion of one cubic metre of natural gas with air, at Standard Conditions, with the natural gas free of all water vapour, the products of combustion cooled to a temperature of 15 degrees Celsius and the water vapour formed by combustion condensed to the liquid state.

"*m³*" means 1 cubic metre of dry gas at Standard Conditions.

"*MJ*" means megajoules.

"*psi*" means pound-force per square inch.

"*psig*" means pound-force per square inch gauge.

"*scf*" means standard cubic foot.

"*Standard Conditions*" means a temperature of 15 degrees Celsius and a pressure of 101.325 kilopascals absolute.

2. Product Specifications

The properties of Petroleum produced from the LNG Project Area that is exported from Papua New Guinea as LNG and other associated products are as specified in the tables below.

3. LNG Product Specification

The following LNG specifications have been established as a design basis for the LNG Project. These specifications (in particular the GHV range) have been set to meet all requirements under LNG Sale and Purchase Agreements.

Characteristics and Components	Limit	
Gross Heating Value	Minimum	39.1 MJ/m ³ (1050 Btu/scf)
	Maximum	44.7 MJ/m ³ (1200 Btu/scf)
Hydrogen sulfide	No limit	
Total sulfur	No limit	
Nitrogen	No limit	
Ethanes and heavier	No limit	

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4. Condensate Product Specification

- RVP \leq 12 psi
- Water - No limit
- Sediment - No limit

5. Mixed LPG Specification

Any LPG produced at the LNG Project Liquefaction Plant will be stored as a propane / butane mix suitable for export and will meet the following conditions:

Characteristics and Components	Limit
Ethane content	Maximum 2.0 liquid volume % of C ₃
Pentanes + content	Maximum 1.0 liquid volume %
Vapor pressure	Maximum 200 psig at 100 degrees Fahrenheit
Corrosion	No limit
Total sulfur	No limit
Hydrogen sulfide content	No limit
Water content	No limit
Olefins Content	No limit


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Exhibit F Special Tax Credits

- (a) Through the National Executive Council, the Internal Revenue Commission, the Department of National Planning and Monitoring or otherwise, the State will propose and vigorously support the enactment and adoption of amendments to the Tax Act in order to enable expenditure incurred by a LNG Project Company equivalent to 1.25% of the assessable income derived by that LNG Project Company in a year of income, up to a maximum equal to the expenditure incurred by that LNG Project Company in that year of income in respect of the Approved Infrastructure Expenditure, to be deemed to be Income Tax paid in respect of that LNG Project Company's liability assessed for the year of tax relating to that year of income.
- (b) The amount able to be credited by a LNG Project Company under paragraph (a) will not exceed 50% of the tax that would otherwise have been payable by the LNG Project Company in that year of income. Any amount able to be credited by a LNG Project Company under paragraph (a) that exceeds 50% of the tax that would otherwise have been payable by the Gas Project Company in that year of income may be carried forward for credit against tax payable by that LNG Project Company in the following 20 years of income.
- (c) Description of Approved Infrastructure Expenditure. Development of the PNG LNG Project will require significant investments in infrastructure, as defined in the Early Project Development Basis. Some of these infrastructure investments will represent real benefits to the State and / or landowners. Such infrastructure forms the basis to be designated as Approved Infrastructure Expenditure, and hence qualify for tax credit as described above. The scope of these investments includes upgrades to existing, and construction of new public roads and bridges. Total amount applicable for tax credit will be based on actual final costs in U.S. nominal dollars (i.e. as spent). A description of these infrastructure elements is summarized in the table below.
- (d) The State, rather than any LNG Project Company, shall have the continuing obligation to maintain any infrastructure element following its dedication to public use.
- (e) "**Approved Infrastructure Expenditure**" as used in this Exhibit F means all expenditures in respect of upgrades to existing or construction of new roads or other infrastructure of public benefit undertaken by the PNG LNG Project Companies which are approved by the State, such approvals not to be unreasonably withheld, including the following projects:

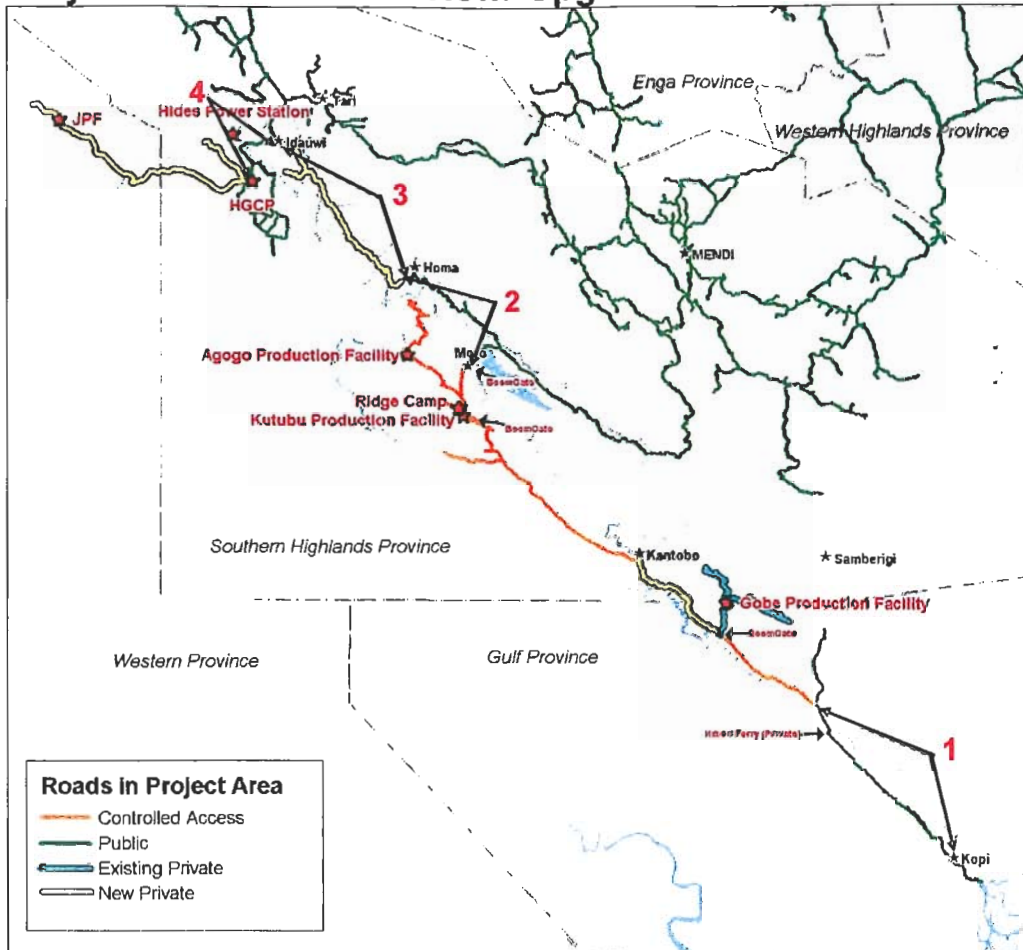
Infrastructure Item	Segment	Type	Designation	Description	Basis
1	Kopi to Samberigi Turnoff	Road	Public Upgrade	51 km road 17 Bridges 3100 m of culverts	Upgrade to an existing public road which includes construction of 17 bridges including a new crossing at the Kikori River. The Kikori River bridge will create an alternative passageway for vehicles to cross the river besides the private ferry that operates now.
2	Moro to Homa	Road	Public Upgrade	35 km road 3 Bridges 2640 m of culverts	Upgrade to an existing public road to which the public will have unrestricted access upon completion of construction.
3	Homa to Idauwi	Road	Private New (Note 1)	54 km road 7 Bridges 5070 m of culverts	Construction of a new pipeline construction access track and construction logistics route from Homa to Idauwi. This section of road is currently planned as private with no unrestricted public access during or after construction. Tax credits will be sought if the proposed route becomes public.
4	Idauwi to HGCP Turnoff	Road	Public Upgrade	21 km road 3 Bridges 1200 m of culverts	A local landowner company has begun construction of a public road along this general route. Upgrade to existing public road for transportation of personnel and materials from Angore to HGCP through Idauwi.

Note 1: The Homa to Idauwi section is not currently planned as a public road due to objections from potential lenders. The current design basis includes a fit-for-purpose construction access track along the pipeline route. Tax credits will be sought in the event this section is constructed as a public road.

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Location Map

Project Infrastructure – New/ Upgraded Public



Detailed Co-ordinates of Infrastructure Elements

Map Item No.	Road Segment	Starting Coordinate (WGS84)	Ending Coordinate (WGS84)
1	Kopi to Samberigi Turnoff	X 852 024 Y 9 189 162	X 821 371 Y 9 223 604
2	Moro to Homa	X 746 594 Y 9 296 273	X 735 079 Y 9 316 060
3	Homa to Idauwi	X 735 079 Y 9 316 060	X 705 672 Y 9 344 696
4	Idauwi to HGCP Turnoff	X 705 665 Y 9 344 703	X 699 932 Y 9 336 055

Handwritten signature/initials

Exhibit G Wellhead Value Regulation

**INDEPENDENT STATE OF PAPUA NEW
GUINEA**

STATUTORY INSTRUMENT

No. of 2008

**Petroleum (Determination of Wellhead Value,
PNG LNG Project)
Regulation 2008**

1 AC


ARRANGEMENT OF SECTIONS

PART I. PRELIMINARY

1. Interpretation
2. Definitions

PART II. ADMINISTRATION

3. Determination of Wellhead Value of Petroleum
4. Manner of Deduction of Costs

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INDEPENDENT STATE OF PAPUA NEW GUINEA

STATUTORY INSTRUMENT.

No. of 2008.

Petroleum (Determination of Wellhead Value – PNG LNG Project) Regulation 2008,

Being a Regulation,

MADE by the Head of State, acting with, and in accordance with, the advice of the National Executive Council under the Oil and Gas Act, No. 49 of 1998, s159, s182 and the Schedule, as amended, to prescribe the manner in which the wellhead value of petroleum for the PNG LNG Project shall be calculated pursuant to Sections 159 and 160 of the Act and all other purposes, and which will be deemed to have come into operation on the date of certification hereof.

PART I. PRELIMINARY

1. INTERPRETATION

Any terms used in this regulation and not specifically defined shall be ascribed the meaning from definitions in the Act and all terms shall be construed in the context of, and limited to the PNG LNG Project.

2. DEFINITIONS

In this **Regulation**, unless the contrary intention appears:

"Act" means the Oil and Gas Act, No 49 of 1998, as amended;

"adjustment" means an amount required to restore a previously reported revenue, direct cost, amortisation or capital allowance to the actual amount received or deducted, which amount may be either positive or negative;

"amortisation" means amortisation of post wellhead capital costs calculated on a straight line basis at the rate of 5% per annum for a period of 20 years commencing from the date of first production in respect of initial capital costs and from the date on which the relevant capital item is commissioned for subsequent capital costs;

"capital allowance" means, in respect of any year an allowance for post wellhead capital costs at a rate per annum equal to the 10 year US treasury note rate for the previous year plus 7%, calculated on the written down value of post wellhead capital costs;

"Director" means the Director appointed under the Act;

"operating costs" means those actual costs incurred as a result of, and attributable to, the operation of facilities, pipelines and shipping used for the processing or

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transportation of petroleum between a physical wellhead and the Point of Valuation, but excluding post wellhead capital costs;
"petroleum" has the meaning as defined in the Act;

"Point of Valuation" means the point or points specified in the PNG LNG Gas Agreement at which the petroleum will be valued in accordance with Section 158 (c) of the Act;

"post wellhead capital costs" means capital costs incurred in relation to the facilities and pipelines used for the processing, storage and transportation of petroleum between a physical wellhead and the Point of Valuation;

"processing" has the meaning given to the term 'petroleum processing' in the Act;

"revenue" means the proceeds received from the sale of petroleum under a sales agreement less the costs of marketing and selling petroleum;

"written down value of post wellhead capital costs" means the post wellhead capital costs reduced by the amount of accumulated amortization and;

"10 year US treasury note rate" means the average of the interest rate for on the run US 10 year treasury notes for the first business day of each month in a calendar year as published in the Wall Street Journal.

PART II. ADMINISTRATION

3. DETERMINATION OF THE WELLHEAD VALUE OF PETROLEUM

- (a) For the purposes of Section 158 of the Act, the Minister shall determine the value of petroleum produced at the Point of Valuation by reference to the revenue received at the Point of Valuation.
- (b) The licensees of each tenement from which petroleum is produced for the PNG LNG Project shall provide to the Director on a monthly basis commencing one month after first production, for their aggregate share of production:
 - (i) the revenue received during the prior month from the sales of petroleum at the Point of Valuation;
 - (ii) the total of operating costs incurred during the prior month;
 - (iii) the total of amortisation for the prior month;
 - (iv) the capital allowance for the prior month; and
 - (v) any adjustment to prior months.
- (c) Where a joint marketing agreement exists, the licensees that are parties to that joint marketing agreement may provide the information required by Section 3 (b) in a consolidated form.

- (d) The wellhead value of petroleum for the purposes of Sections 159 and 160 of the Act shall be calculated by deducting the direct costs, amortisation and capital allowance from the sum of revenues and adjustments as provided to the Director under Section 3 (b).

4. THE MANNER OF THE DEDUCTION OF COSTS

- (a) This Section applies to any petroleum produced and sold.
- (b) The Director may seek verification of any or all of the information provided under Section 3 (b).
- (c) For the purposes of this Section where direct costs are expressed as units per volume of petroleum produced, the Minister in making his determination pursuant to Section 158 and the Schedule of the Act shall use a volume equivalence of one barrel equals 5.615,582,837 cubic feet, which in turn equals 0.159,015,616 cubic metres.

MADE this day of 2008.

GOVERNOR-GENERAL

Exhibit H Fly-In / Fly-Out Exemption

This Exhibit is not referred to in the Gas Agreement but is included in this Exhibit H to record the receipt of this letter and its subject matter.

[TO BE SUPPLIED BY IRC]

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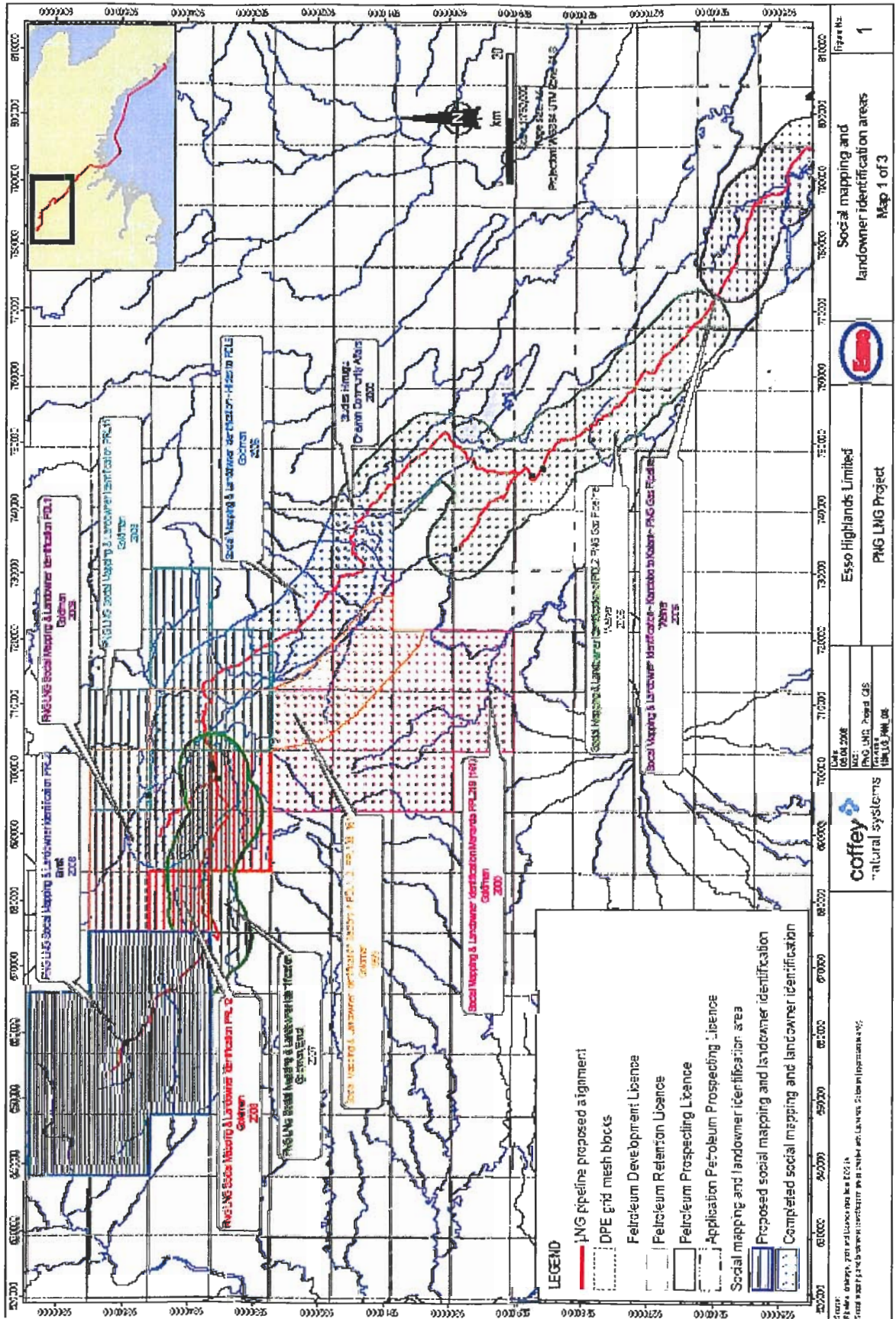
Exhibit I Social Mapping and Landowner Identification Studies

Date of Study	Licences Affected	Description of Studies	Description of Area	Author
June 1999	PDL1, 2, PPLs 138, 161	Full Scale Social Mapping and Landowner Identification Studies	Anticipated initial pipeline route from Hides-Mananda-Kutubu (for proposed PNG Gas Project pipeline)	Dr L Goldman
December 1999	PPL138	Full-scale Social Mapping and Landowner Identification Studies	Bakari	Mora, Haguai, Kenamu
March 2000	PPL 161/219	Full-scale Social Mapping and Landowner Identification Studies	Mananda (including South East Mananda)	Dr L Goldman
May 2000	PDL5	Full-scale Social Mapping and Landowner Identification Studies	Block 1934	John Himugu
July 2000	PDL5	Full-scale Social Mapping and Landowner Identification Studies	Block 1934 (Additional study)	Chevron Community Affairs
February 2004	PPL219	Full-scale Social Mapping and Landowner Identification Studies	North West Moran - Block 1933	Dr L Goldman
October 2005	PRL2	Preliminary Social Mapping and Landowner Identification Studies	Juha prospect	Sari Mora
October 2005	PDL2	Full-scale Social Mapping and Landowner Identification Studies	Anticipated Gas Pipeline Route (for proposed PNG Gas Project pipeline)	Dr James Weiner
November 2005	Kandobo-Kaiam	Full-scale Social Mapping and Landowner Identification Studies	Kandobo - Kaiam – Anticipated Gas Pipeline Route (for proposed PNG Gas Project pipeline)	Dr James Weiner
May 2006	Kaiam-Goaribari	Full-scale Social Mapping and Landowner Identification Studies	Kaiam – Kopi – Omati - Goaribari – Anticipated Gas Pipeline Route (for proposed PNG Gas Project pipeline)	Dr James Weiner
May 2006	PDL5	Full-scale Social Mapping and Landowner Identification Studies	Hides – PDL5 Anticipated Gas Pipeline Route (for proposed PNG Gas Project pipeline)	Dr Laurence Goldman

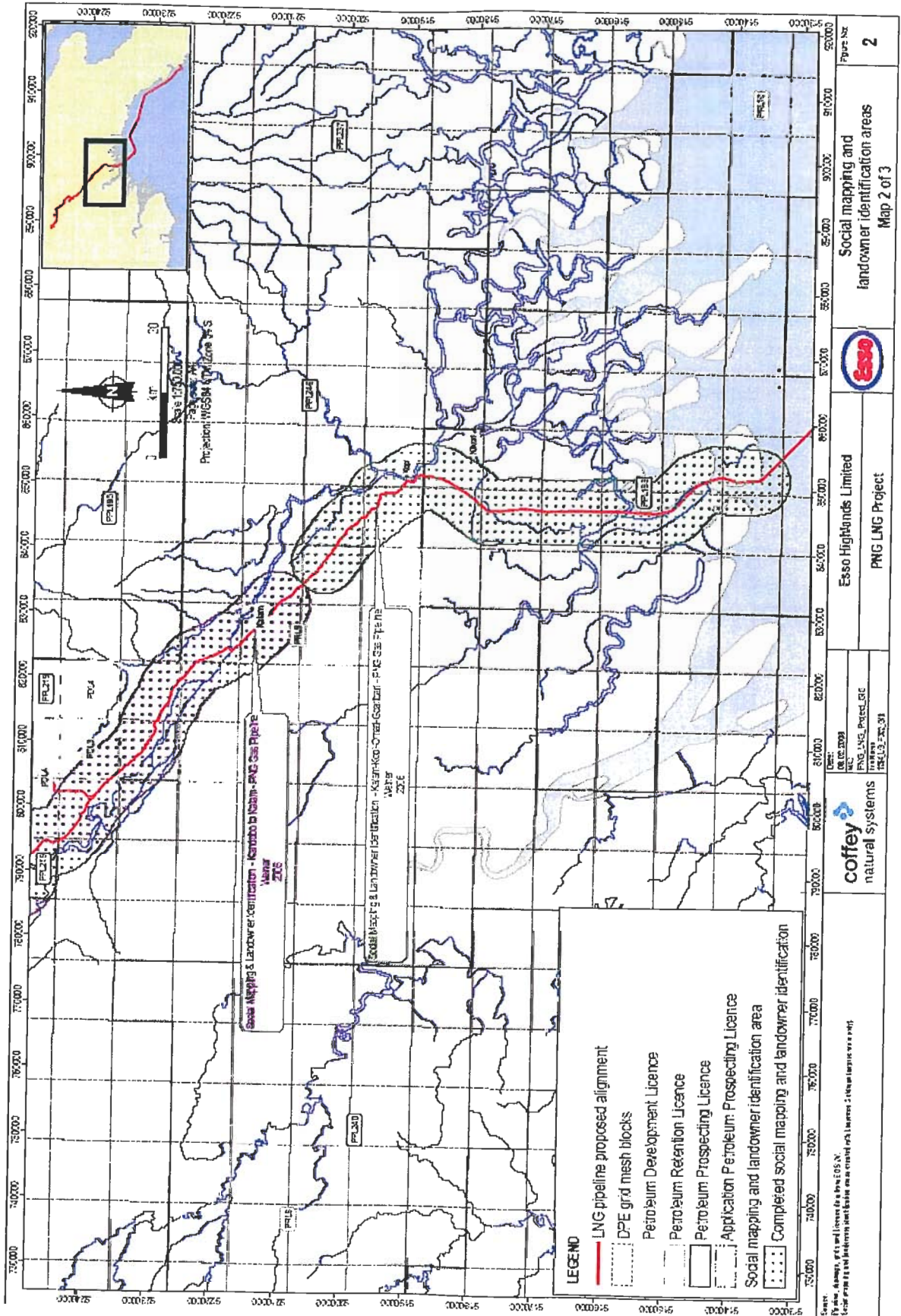
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PNG LNG Gas Agreement

Date of Study	Licences Affected	Description of Studies	Description of Area	Author
November 2006	PRL2	Preliminary Social Mapping and Landowner Identification Studies	In area affected by Juha 4 & 5 wells	Sari Mora



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Page No: **2**
 Social mapping and landowner identification areas
 Map 2 of 3



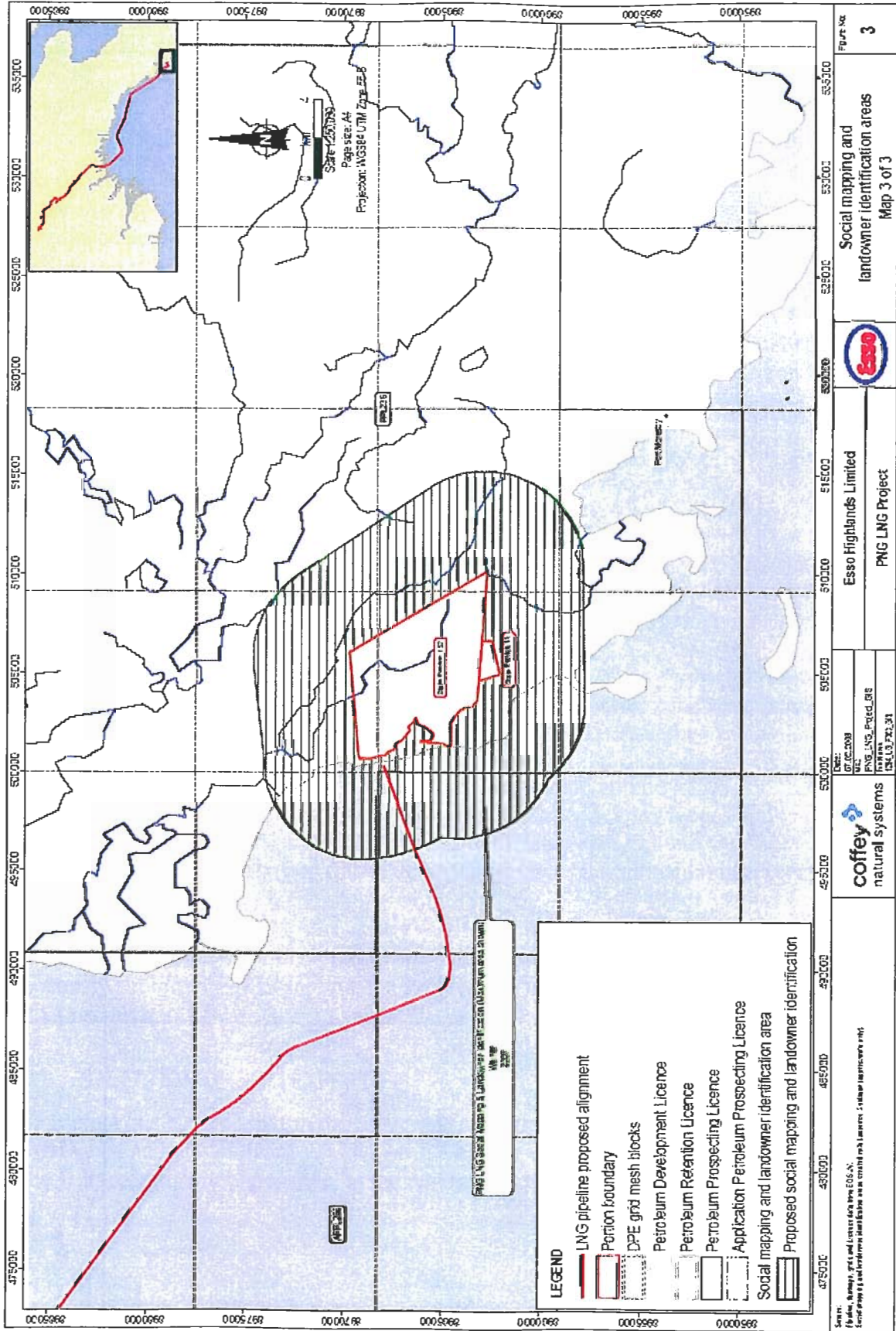
Esso Highlands Limited
 PNG LNG Project

Date: 08.05.2008
 By: PNG LNG Project SIG
 (154.13.230.31)

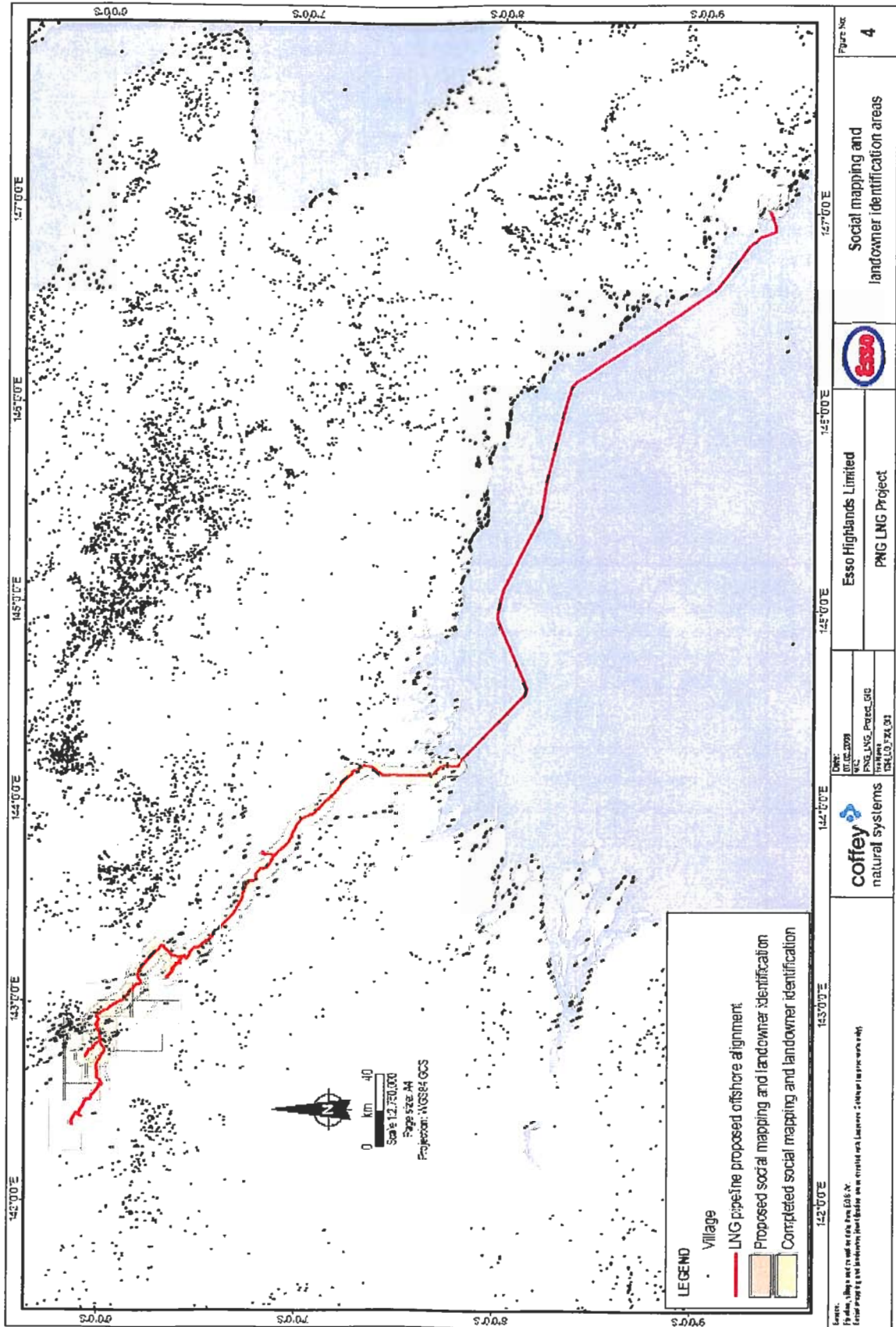


Scale: 1:50,000
 Projection: WGS84
 Date: 08.05.2008
 By: PNG LNG Project SIG
 (154.13.230.31)

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		Social mapping and landowner identification areas		Figure No: 4
Esso Highlands Limited PNG LNG Project		PNG LNG Project		
Coffey natural systems		Date: 01.10.2009 File: PNG LNG_Protec_LIG User: [unreadable]		

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**Exhibit J Protocols for Social Mapping and
Landowner Identification Studies**

1 INTRODUCTION AND PURPOSE

This document outlines the nature, scope and role of the *Social Mapping & Landowner Identification* (SMLI) research to be undertaken as part of the social compliance activities associated with the PNG LNG project.

2 REGULATORY FRAMEWORK

The social mapping and landowner identification studies requirements for licences issued under the Oil and Gas Act 1998 are prescribed in section 47 of the Oil and Gas Act 1998. Section 187 of the Oil and Gas Act 1998 provides that licences issued under the former Act are subject to the conditions relating to social mapping in sections 31(2), 46(a) and 63(a) of the Oil and Gas Act 1998.

3 SMLI RESEARCH

The project will comply with existing Oil and Gas Act Section 47 provisions and undertake further SMLI research projects in the following areas:

1. Juha PRL02 and Juha-Hides (PRL12, PDL1) areas
2. Surrounding State Portion 152 within a 5 km buffer zone around any proposed LNG facility

Previously submitted SMLI studies are both current and comprehensive. As stated in Clause 15(a)(ii) of the Gas Agreement, the State “acknowledges and agrees that the SMLI Studies identified in Exhibit I satisfy the Oil and Gas Act requirements for preliminary or full-scale SMLI Studies (as applicable) in respect of the Mapped Areas.”

Where pipeline route deviations fall in areas not subsequently covered by previously submitted SMLI reports, the Project will undertake new full-scale SMLI research.

4 SELECTION OF SMLI EXPERTS

The Project has ensured that in the process of engaging SMLI experts it contacted experienced and credentialed scholars with a history of research both in Papua New Guinea and, where possible, in the environs of the identified areas.

Work Area	Contacted Scholars			Selection*	Notes
	1	2	3		
Full-Scale Social Mapping & Landowner Identification					
Juha	Drs Minnegal/Dwyer (Uni Melbourne)	Drs Haley (ANU) & Ernst	Dr Knauft (Emory Univ)	<p>Dr Tom Ernst</p> <p>Supported by input of Dr Goldman for Huli section</p> <p>Drs Haley and Knauft to read/comment on draft report</p>	<p>Knauft :Foremost anthropologist of Gebusi and Plateau peoples.</p> <p>Haley: Worked in Duna and Bogaiya. Unavailable for work in 2007-8.</p> <p>Ernst: Onabasulu specialist; Minnegal: Has published on Febi and walked area but indicated cannot accommodate work in timetable</p> <p>Goldman: has long term experience in Huli and has socially mapped Huli areas from Hides-Kutubu.</p>
Availability ¹			Nov-Dec 2007		Knauft & Minnegal agreed to comment on SMLI report draft
State Portion 152	Drs Glenn Summerhayes Dr Jim Allen (ANU RSPAS)	Dr James Weiner (ANU) Dr Michael Goddard (ANU)	Professor Mark Mosco (ANU) Marru (13/8/2007) confirmed unavailability	<p>Dr Weiner</p> <p>[Inputs from Dr Michael Goddard]</p>	<p>Weiner: Has worked on project previously and long-term in PNG. Can work closely with archaeologists which is an advantage on this Field Area.</p> <p>Goddard: has published on Koita-Moitu cultures</p>
Availability					

* Shaded portion indicates non-availability. All indications of non-availability are supported by email correspondence.

Table 1 SMLI EXPERT SELECTION

The experts engaged in SMLI all have higher degrees in anthropology, experience in rapid appraisal techniques and participant observation, and all have longstanding research expertise in PNG cultures.

5 SMLI RESEARCH PLAN

The nominated social scientists will conduct anthropological research as follows:

- Pre-fieldwork phase of literature review and summation of relevant documents and materials

- Fieldwork phase across licence areas concentrating on project infrastructure locations such as pipeline routes, and processing facilities, and any consequential buffer zone
- Post-fieldwork preparation of final report

These phases will further include the following activities:

- Post-fieldwork and final report presentations to DPE and other interested and relevant agencies
- Submission of penultimate drafts to other interested national and international scholars for comment
- Submission of final report in hard and electronic copy, with data tables

6 SMLI RESEARCH METHODOLOGIES

The nominated social researchers will conduct ethnographic/anthropological investigations within the two new regions of Juha-Hides and surrounding State Portion 152. Their work will utilize a number of methodologies including

- Participant observation
- Scheduled/unscheduled and structured/unstructured interviews
- Random appraisals
- Land holding inspections

7 SMLI REPORT CONTENTS

Each of the nominated researchers will produce **one integrated SMLI** report which addresses both social mapping and landowner identification. In addition to these project-based SMLI reports, there will be separate SMLI reports on a licence-by-licence basis for all licence areas for which a PDL or PPFL is applied for. There will be no prescribed format for chapter headings, but the authors will be required to reflect the following content in their reports.

Research Overview – To provide a review of relevant research concerning the licence area and landowners under investigation – history of contact, anthropological investigations, regional connections and brief identification of Province, District, LLG and Ward level identification.

Social-Cultural Context – Detail who the ethnic groups are in the licence area (e.g. Huli, Febi etc), talk about the regional context (highlands, lowlands, coastal etc), linguistic situation (languages spoken), history of settlement and migration, pre- and post-contact history.

Social Organisation – To provide a description of the clan structure, migration history, provenance and present organisation of people within the target areas. This is to include social structure/group formation (e.g. clan structure), gender, marriage, trade and exchange, warfare, and inter-tribal relations, and modes of settlement (e.g. village, household, hamlet) should be addressed. These considerations to include principles of group formation (kinship and descent), leadership, identity and genealogies. Sample genealogies of the main impacted groups should be collected. Some mention of customary dynamics of group formation and change – how and when new groups are formed – will be included.

Mapping Results/Findings – To provide a preliminary distribution map showing the relative positions of major groupings such as clans in the area—a ‘group to ground’ grid—with an understanding of applicable land tenure principles and concepts.

Ecology, Subsistence, Landscape and Settlement – To provide an understanding of the subsistence and economic systems of the licence area landowners. This should detail modes of subsistence (e.g. fishing, agriculture) and use of physical environment, customary concepts of ‘residence’, ‘ownership’, ‘use’, ‘compensation’ and the principles which govern claims to all forms of resource ownership (ie land, trees, water, hunting areas etc). Any present land disputes likely to impact project should be explained and some consideration given to the nature of what might be regarded as sacred sites and other forms of cultural heritage.

- **Forms of Community Representation** – Provide a summary indication of present representation systems in the target licence area. Should detail customary, community and introduced forms of representation (political leadership, LANCOS, ILGs, LLGs, Wards etc), types of disputes and resolution mechanisms (moots, village courts, local/district/supreme court structures), religious, gender-based and recreational organisations and their distribution.
- **Significant Social Issues & Recommendations** – To provide an overview of any significant social issues which may need to be addressed in the licence area to include relations between landholders/landowners and Government and or developer.
- **Bibliography** – To provide a brief indication of key references used or relevant to the area under consideration

8 ANTICIPATED SMLI REPORT SUBMISSIONS

The following represent a provisional list of likely full-scale SMLI report submissions. Those reports in category (c) below will only cover the specific areas for which the relevant licence application is made.

- (a) Full-scale PNG LNG Project SMLI
 - Juha-Hides
 - State Portion 152
 - PDL1
- Full-scale SMLI on pipeline route deviations outside previous SMLI study areas
 - If required
- (b) Full-scale SMLI for Project licence applications
 - PRL02 : for PDL licence application
 - PRL12 : for PDL licence application
 - PRL11 : for PDL licence application

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Exhibit K Capital Uplift Provisions

1. Additional Deduction Amount

Where **Cumulative Gas Operating Profit** divided by **Base Capital Expenditure** is greater than:

- (a) 0 but less than or equal to 1.91, then an **Additional Deduction Amount** shall be allowable in the **First Uplift Year** and each of the following 4 calendar years;
- (b) 1.91 but less than or equal to 2.02, then an **Additional Deduction Amount** shall be allowable in the **First Uplift Year** and each of the following 3 calendar years;
- (c) 2.02 but less than or equal to 2.13, then an **Additional Deduction Amount** shall be allowable in the **First Uplift Year** and each of the following 2 calendar years;
- (d) 2.13 but less than or equal to 2.24, then an **Additional Deduction Amount** shall be allowable in the **First Uplift Year** and the following calendar year;
- (e) 2.24 but less than or equal to 2.36, then an **Additional Deduction Amount** shall be allowable in the **First Uplift Year**; and
- (f) 2.36, then no **Additional Deduction Amount** shall be allowable.

2. Further deduction for Subsequent Capital Expenditure

Where **Subsequent Capital Expenditure** has been incurred in any year; and

- (a) a deduction is allowable under Paragraph 1(a) above; then a further deduction is allowable equal to the **Subsequent Capital Expenditure Deduction Amount** in the **First Year of Additional SCE Deduction** and each of the following four calendar years;
- (b) a deduction is allowable under Paragraph 1(b); then a further deduction is allowable equal to the **Subsequent Capital Expenditure Deduction Amount** in the **First Year of Additional SCE Deduction** and the following three calendar years;
- (c) a deduction is allowable under Paragraph 1(c); then a further deduction is allowable equal to the **Subsequent Capital Expenditure Deduction Amount** in the **First Year of Additional SCE Deduction** and the following two calendar years;
- (d) a deduction is allowable under Paragraph 1(d); then a further deduction is allowable equal to the **Subsequent Capital Expenditure Deduction Amount** in the **First Year of Additional SCE Deduction** and the

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following calendar year;

- (e) a deduction is allowable under Paragraph 1(e); then a further deduction is allowable equal to the **Subsequent Capital Expenditure Deduction Amount** in the **First Year of Additional SCE Deduction**; and
- (f) a deduction is not allowable under Paragraph 1(f); then a further deduction is also not allowable equal to the **Subsequent Capital Expenditure Deduction Amount**.

“Additional Deduction Amount” means BCE divided by 10.

“Base Capital Expenditure” (“BCE”) means Capital Expenditure incurred on or before the First Project Income Year.

“Capital Expenditure” in relation to an LNG Project Company means the total allowable capital expenditure incurred by the LNG Project Company in relation to the LNG Project.

“Cumulative Gas Operating Profit” means the sum of the assessable income from gas operations (other than LNG Project Oil Field Income) derived up until the tenth anniversary of the date of the First LNG Cargo reduced by deductions allowable under Section 68 related to that income (excluding deductions related to Financing.)

“First Project Income Year” means the calendar year in which the First LNG Cargo occurs.

“First Uplift Year” means the calendar year which is 11 years after the First Project Income Year.

“First Year of Additional SCE Deduction” means, in relation any Subsequent Capital Expenditure, the year which is ten years after the year during which the Subsequent Capital Expenditure is incurred.

“LNG Project Oil Field Income” means assessable income derived from the sale of Oil Field Crude Oil.

“Oil Field Crude Oil” has the meaning given to that term in the CDOA dated 13 March 2008.

“Subsequent Capital Expenditure” (“SCE”) means LNG Project Capital Expenditure incurred after the First Project Income Year.

“Subsequent Capital Expenditure Deduction Amount” means SCE divided by 10.

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Exhibit L Notice Of Licence Transfer
[per Clause 23.1(b)]

Date	_____, 20__
To	[Name of Continuing Participant 1]; [Name of Continuing Participant 2]; Etc. (<i>Continuing Participants</i>). The Independent State of Papua New Guinea (<i>State</i>)
From	[Name of New Participant] (<i>New Participant</i>).
Background	A. The Continuing Participants, the State and the Assignor are parties to the PNG LNG Project Gas Agreement dated [____], 2008 (<i>Gas Agreement</i>). B. The Assignor has agreed to assign a [*] % interest in PDL [*] (<i>Assigned Interest</i>) to the New Participant, and the New Participant has agreed to assume the obligations of the Assignor as a licensee of PDL [*] and under the Gas Agreement in relation to the Assigned Interest on and from the Effective Date.

1. Assumption of Rights and Obligations

The New Participant hereby gives notice in accordance with clause 23.1(b) of the Gas Agreement that with effect on and from the date of the transfer of PDL [*] (*Effective Date*), it has become a party to the Gas Agreement and assumes the liabilities and obligations of the Assignor in its capacity as a licensee of PDL [*] in relation to the Assigned Interest under the Gas Agreement that vest, mature or accrue on and from the Effective Date and undertakes to discharge those liabilities and obligations as and when required under the Gas Agreement.

2. Address of New Participant for Notices

For the purposes of the Gas Agreement, the address of the New Participant to which all Notices must be delivered or transmitted will be as follows.

[]
Attention: []
Fax No: []

Signed by [*New Participant*])
by [])
in the presence of)

.....
Signature
Date:

.....
(Witness Signature)

.....
(Witness Name)

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Exhibit M Legislative and Regulatory Amendments

Income Tax Act

Amendments to deem an LNG Project Company established by some or all Participants in respect of Financing to be a partnership as contemplated by clause 13.3(e).

Amend the definition of "gas operations" in section 4(1) to read as follows:

'gas operations' means operations relating to the recovery of, processing, (including liquefaction), storage, transportation and sale of petroleum recovered from a gas field, which may include --

- (a) operations for the purposes of recovering natural gas and other petroleum incidental to the recovery of natural gas; and
- (b) operations relating to the processing (including liquefaction) or use of petroleum incidental to the recovery of natural gas; and
- (c) the refining of petroleum products where such refining is solely for the purpose of or incidental to the operations in Papua New Guinea for recovering petroleum or the construction of facilities used in those operations or where the Commissioner General considers the refining is required in order for the taxpayer to be able to conduct those operations; and
- (d) exploration activities included within a gas project, but does not include exploration.

Amend paragraph (e) of section 35(2) by deleting "to the extent such interest is payable under a financial arrangement approved by the Bank of Papua New Guinea".

Amend section 155H(1) by deleting paragraphs (b) and (c).

Insert a new section in Part III Division 10 Subdivision D providing for additional deductions in accordance with Exhibit S.

Amend the definition of "accumulation rate X" in section 159A(1) by replacing "15%" in paragraph (a) with "17.5%" and replacing "12%" in paragraph (b) with "14.5%".

Amend paragraph (c) of the definition of "project deductions" in section 159A(1) by adding "from an exploration licence other than an exploration licence from which an LNG Project Licence was drawn" after "155N".

Amend the definition of "resource project" in section 159A(1) to read as follows:

"resource project", in this Subdivision, means a designated gas project.

Amend the definition of "uplift commencement date" in section 159A(1) to provide that the uplift commencement date is the date of the Gas Agreement in respect of the relevant designated gas project.

Amend section 159C(1) by replacing "20%" in paragraph (a) with "7.5%" and replacing "25%" in paragraph (b) with "10%".

Amend section 159F by deleting paragraph (c) and replacing with the following:

- (c) on the date Petroleum Development Licence No. 1 ("PDL 1") becomes part of a designated gas project, the accumulated value of net project receipts of a taxpayer in that designated gas project who had an interest in PDL 1 shall include the total of all allowable exploration expenditure and allowable capital expenditure incurred by the taxpayer in relation to PDL 1, excluding any expenditure incurred in respect of the HGEPP.

Special Tax Credit Scheme for LNG Project In Income Tax Act

Amendment to provide for the implementation of the Special Tax Credit Scheme as contemplated by Exhibit F.

Income Tax Dividend (Withholding) and Interest (Withholding) Tax Rates Act 1984

Amend Schedule 4.4 (2) to exclude Taxable Income from operations of the LNG Project from the additional 2% tax payable if a taxpayer is subject to fiscal stabilization under the provisions of the Resource Contracts Fiscal Stabilization Act 2000 (such amounts for the LNG Project being already included within the amounts payable under Schedule 4.4 (1)(d).).

Stamp Duties Act

Amendments to provide for exemption from stamp duty for transfers and loan agreements relating to the LNG Project as contemplated by Clause 13.9 of the Gas Agreement.

GOR Regulation

Paragraph 2(n) of Regulation 10I of the Income Tax Regulations shall be amended to include as an alternative that a field shall be allowed to constitute a gas field upon delivering gas for sale for a cumulative period of 90 days.

Customs Tariff, Excise and Excise Tariff Acts

Amendments to provide that no bond, rate, tax, excise, rent, charge, due, fee, duty, tariff or other levy or impost under any of the Customs Tariff Act 1990 (PNG), the Excise Act 1956 (PNG) or the Excise Tariff Act 1956 (PNG) shall be payable by the LNG Project Companies or any of them (or any of their Affiliates), or any person engaged by a LNG Project Company pursuant to a written agreement, on the import into, movement within, use or export from Papua New Guinea of goods and consumables to be used or consumed for or by the LNG Project in connection with initial construction, or any subsequent phase of the

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project whose total cost exceeds USD 50 million (or equivalent) as contemplated by clause 13.2 (b) of this Agreement.

Employment of Non-Citizens Act

Amendments to the Employment of Non-Citizens Act and any regulations promulgated thereunder to provide for the employment of non-Citizens as contemplated by Clause 16(e) of this Agreement.

Insurance Act Amendments

- (a) To enable any one or more of the LNG Project Companies and re-insurers to effect insurances required for the LNG Project other than workers' compensation insurances, through captive insurers or by placements offshore of PNG, whether directly or by way of reinsurance; and
- (b) To enable the appointment of foreign loss adjusters and other foreign insurance or technical specialists where such appointments are made in respect of insurances for the LNG Project.

Prices Regulation Act

Amendment referenced in Clause 25.1(p) to make clear that LNG Project Petroleum cannot be declared goods and that no LNG Project Operations can be declared services for the purposes of that Act.

Issue Specification for Export

By Instrument Under Section 69(2) of the Oil and Gas Act.

Central Banking Act 2000 Regulation

Make Central Banking (PNG LNG Project Exemption) Regulation 2008, in the form set out in Exhibit O

Exhibit N Addresses for Notices

A. The Independent State of Papua New Guinea

DEPARTMENT OF PETROLEUM OF ENERGY

Elanese Street,
Port Moresby,
NCD
Papua New Guinea

Facsimile +675 322 4222
Attention: Petroleum Registrar

B. LNG Project Companies' Representative

ESSO HIGHLANDS LIMITED

Level 5
Credit House
Cuthbertson Street
Port Moresby, Papua New Guinea

Facsimile: (675) 320 3457
Attention: Managing Director

With copy to:

Esso Australia Pty Ltd
Level 5, Comalco Place,
12 Creek Street,
Brisbane Queensland 4000
Australia

Facsimile: (617) 3811 9979
Attention: Project Executive

C. The Parties, other than the State:

AMPOLEX (HIGHLANDS) LIMITED

Level 5
Credit House
Cuthbertson Street
Port Moresby, Papua New Guinea

Facsimile: +675 320 3457
Attention: Managing Director

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[Signature]

With copy to:

Esso Australia Pty Ltd
Level 5, Comalco Place,
12 Creek Street,
Brisbane Queensland 4000
Australia

Facsimile: +61 7 3811 9979
Attention: Project Executive

AMPOLEX (PAPUA NEW GUINEA) LIMITED

Level 5
Credit House
Cuthbertson Street
Port Moresby, Papua New Guinea

Facsimile: +675 320 3457
Attention: Managing Director

With copy to:

Esso Australia Pty Ltd
Level 5, Comalco Place,
12 Creek Street,
Brisbane Queensland 4000
Australia

Facsimile: +61 7 3811 9979
Attention: Project Executive

AMPOLEX (PNG PETROLEUM), INC.

Level 5
Credit House
Cuthbertson Street
Port Moresby, Papua New Guinea

Facsimile: +675 320 3457
Attention: Managing Director

With copy to:

Esso Australia Pty Ltd
Level 5, Comalco Place,
12 Creek Street,
Brisbane Queensland 4000
Australia

Facsimile: +61 7 3811 9979
Attention: Project Executive

ESSO HIGHLANDS LIMITED

Level 5
Credit House
Cuthbertson Street
Port Moresby, Papua New Guinea

Facsimile: +675 320 3457
Attention: Managing Director

With copy to:

Esso Australia Pty Ltd
Level 5, Comalco Place,
12 Creek Street,
Brisbane Queensland 4000
Australia

Facsimile: +61 7 3811 9979
Attention: Project Executive

ESSO PNG JUHA LIMITED

Level 5
Credit House
Cuthbertson Street
Port Moresby, Papua New Guinea

Facsimile: +675 320 3457
Attention: Managing Director

With copy to:

Esso Australia Pty Ltd
Level 5, Comalco Place,
12 Creek Street,
Brisbane QLD 4000
Australia

Facsimile: +61 7 3811 9979
Attention: Project Executive

MERLIN PACIFIC OIL COMPANY LIMITED

Level 5
Credit House
Cuthbertson Street
Port Moresby, Papua New Guinea

Facsimile: +675 320 3457
Attention: Managing Director

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With copy to:

Esso Australia Pty Ltd
Level 5, Comalco Place,
12 Creek Street,
Brisbane Queensland 4000
Australia

Facsimile: +61 7 3811 9979

Attention: Project Executive

MERLIN PETROLEUM COMPANY

c/o Nippon Oil Exploration Limited
3-12, Nishi Shimbashi 1-chome,
Minato-ku,
Tokyo, 105-0001 Japan

Facsimile : +81 3 5521-0224

Attention : Manager, Project Coordination, PNG

OIL SEARCH LIMITED

Level 7, Credit House,
Cuthbertson Street,
Port Moresby,
Papua New Guinea

Facsimile : +675 3225566

Attention : Managing Director

With copy to:

Oil Search Limited
Level 27, Angel Place
123 Pitt Street
Sydney, NSW 2000, Australia
Facsimile : +612 8207 8500
Attention : Managing Director

OIL SEARCH (PNG) LIMITED

Level 7, Credit House,
Cuthbertson Street,
Port Moresby,
Papua New Guinea

Facsimile : +675 3225566

Attention : Managing Director

With copy to:

Oil Search Limited
Level 27, Angel Place
123 Pitt Street
Sydney, NSW 2000, Australia

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Facsimile : +612 8207 8500
Attention : Managing Director

OIL SEARCH (TUMBUDU) LIMITED

Level 7, Credit House,
Cuthbertson Street,
Port Moresby,
Papua New Guinea

Facsimile : +675 3225566
Attention : Managing Director

With copy to:

Oil Search Limited

Level 27, Angel Place
123 Pitt Street
Sydney, NSW 2000, Australia
Facsimile : +612 8207 8500
Attention : Managing Director

PETROLEUM RESOURCES GOBE LIMITED

C/o Mineral Resources Development Company Limited
1st Floor, First Heritage Building
Waigani Drive
Waigani, NCD,
Papua New Guinea

Facsimile : +675 325 2633
Attention : Managing Director

PETROLEUM RESOURCES KUTUBU LIMITED,

C/o Mineral Resources Development Company Limited
1st Floor, First Heritage Building
Waigani Drive
Waigani, NCD,
Papua New Guinea

Facsimile : +675 325 2633
Attention : Managing Director

EDA OIL LIMITED

c/- Petromin PNG Holdings Limited
Level 8, Unit 801
Pacific View Apartments
Pruth Street, 2 Mile NCD
Papua New Guinea

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Facsimile: +675 325 7018
Attention: Managing Director of Petromin PNG Holdings Limited

AGL GAS DEVELOPMENTS (PNG) PTY LIMITED

72 Christie Street,
St Leonards New South Wales 2065
Australia

Facsimile: +61 2 9921 2474
Attention: Group General Manager Gas and Power Developments

SANTOS HIDES LTD

Pacific Legal Group, Ground Floor
Investwell Building, Off Cameron Road,
Allotment 30, Section 38,
Hohola (Gardens), Port Moresby, PNG

With copy to:

Santos Ltd

Ground Floor Santos Centre
60 Flinders Street
Adelaide, South Australia 5000
Australia

Facsimile: +61 8 8116 7578
Attention: Vice President, Strategic Projects

LAVANA LIMITED

Pacific Legal Group, Ground Floor
Investwell Building, Off Cameron Road,
Allotment 30, Section 38,
Hohola (Gardens), Port Moresby, PNG

With copy to:

Santos Ltd

Ground Floor Santos Centre
60 Flinders Street
Adelaide, South Australia 5000
Australia

Facsimile: +61 8 8116 7578
Attention: Vice President, Strategic Projects

Exhibit O Central Banking (PNG LNG Project Exemption) Regulation 2008

INDEPENDENT STATE OF PAPUA NEW GUINEA

STATUTORY INSTRUMENT

No. of 2008

Central Banking (PNG LNG Project Exemption) Regulation 2008,

Being a Regulation to exempt the PNG LNG Project from the ***Central Banking (Foreign Exchange and Gold) Regulation,***

MADE by the Head of State, acting with and in accordance with the advice of the National Executive Council under the ***Central Banking Act 2000,*** to come into operation on the day it is made.

1. INTERPRETATION

(1) In this Regulation, unless the contrary intention appears –

“Gas Agreement” means the Gas Agreement dated [#] 2008 between the Independent State of Papua New Guinea and each of Esso Highlands Limited, [Esso PNG Juha Limited,]Ampolex (Papua New Guinea) Limited, Ampolex (PNG Petroleum), Inc., Ampolex (Highlands) Limited, Oil Search Limited, Oil Search (PNG) Limited, Oil Search (Tumbudu) Limited, Merlin Petroleum Company, Merlin Pacific Oil Company Limited, Santos Hides Ltd, Lavana Limited, AGL Gas Developments (PNG) Pty Limited, Petroleum Resources Kutubu Limited and Petroleum Resources Gobe, as amended, novated or replaced from time to time; and

“indebtedness” refers only to the LNG Project and includes any present, future, actual or contingent indebtedness in respect of money borrowed or raised or any financial accommodation whatever and denominated in any currency in any jurisdiction, including indebtedness under or in respect of a negotiable or other financial instrument, guarantee, indemnity, interest, gold or currency exchange, hedge or other similar arrangement, redeemable share, share the subject of a guarantee, discounting arrangement, finance or capital lease, hire purchase, deferred purchase price of an asset or service or an obligation to deliver

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goods or other property or provide services paid for in advance by a financier or in relation to another financing transaction which relates substantially to the LNG Project; and

“Principal Regulation” means the *Central Banking (Foreign Exchange & Gold) Regulation 2000*; and

“transaction” includes any payment, dividend, distribution, issue or acquisition of debt or equity securities, debit, credit, exchange, remittance, disbursement, receipt, dealing, assignment, transfer, disposal, sale, purchase, supply, acquisition, lease, charter, import, export, encumbrance, giving of security, hedge, swap, borrowing or other indebtedness, insurance, guarantee, agreement and arrangement which relates substantially to the LNG Project.

(2) The following definitions that apply in the Gas Agreement also apply in this Regulation unless defined differently in this Regulation or the contrary intention appears -

“Affiliate”; and

“LNG Project”; and

“LNG Project Assets”; and

“LNG Project Company”; and

“LNG Project Licence”; and

“LNG Project Operations”; and

“LNG Project Petroleum”.

(3) Definitions that apply in the Principal Regulation also apply in this Regulation unless defined differently in this Regulation or the contrary intention appears.

2. EXEMPTION OF PNG LNG PROJECT

None of the provisions of the Principal Regulation apply to –

- (a) any LNG Project Company from time to time; or
- (b) any Affiliate of any LNG Project Company from time to time; or
- (c) any entity (other than a LNG Project Company or an Affiliate of a LNG Project Company) that is established from time to time solely or primarily for the purposes of the LNG Project and/or LNG Project Operations including financing purposes, operations purposes and marketing purposes; or
- (d) any other person or entity, wherever resident, that is a party to a

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transaction that relates to the LNG Project and/or LNG Project Operations and to which any entity referred to in Paragraph (a), Paragraph (b) or Paragraph (c) is also a party, including:

- (i) opening and operating an account, including a bank account;
- (ii) a transaction involving any legal or equitable interest in or in relation to the LNG Project, a LNG Project Company or LNG Project Operations, including in any LNG Project Assets and any LNG Project Licence; and
- (iii) obtaining any insurance, including political risk insurance or guarantees; and
- (iv) paying any dividend or other distribution; and
- (v) selling or supplying LNG Project Petroleum; and
- (vi) a transaction involving real or personal property of any kind, including intangible property, intellectual property, land, aircraft and ships,

in respect of that transaction, or the performance of obligations or exercise of rights in connection with that transaction, or any dealing with the proceeds of that transaction.

MADE the _____ day of _____, 2008

GOVERNOR GENERAL

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[Signature]

Exhibit P PNG LNG Project Fiscal Stability Agreement

**THE INDEPENDENT STATE
OF
PAPUA NEW GUINEA**

-and-

LICENSEES OF EACH OF

PDL1

PRL12

PRL 2

PRL11

PDL2

PDL4

PDL5

PDL6

PNG LNG PROJECT

FISCAL STABILITY AGREEMENT

THIS AGREEMENT is made as of the ____ day of _____, 2008

BETWEEN:

(1) THE INDEPENDENT STATE OF PAPUA NEW GUINEA ("*State*"), of the first part;

AND:

(2) Each of the parties set out in Exhibit 1 to this Agreement, of the second part;

WHEREAS

- A. The State and the LNG Project Companies have entered into a Gas Agreement under Section 184 of the Oil and Gas Act with respect to the LNG Project.
- B. As provided for in the Gas Agreement:
- (i) The LNG Project Companies, with the assistance and co-operation of the State, propose to undertake the development of certain petroleum reserves in Papua New Guinea for the purpose of producing natural gas, and processing it for export and sale as LNG.
 - (ii) The LNG Project Companies will make significant investments in developing and operating facilities to produce, treat, transport, store, liquefy and sell commercial quantities of natural gas as LNG and associated Liquids produced from the LNG Project Area.
 - (iii) The extent to which the LNG Project Companies are willing to make the investments described above is dependent in part upon the economic attractiveness, certainty and long term stability of the terms upon which the State permits the LNG Project Companies to operate within Papua New Guinea.
 - (iv) In recognition of the needs of the LNG Project Companies for stability of fiscal terms, the State and the LNG Project Companies have agreed upon a scheme for fiscal stability to apply to the production of the defined Foundation Volume of the project.
- C. Pursuant to the Resource Contracts Fiscal Stabilization Act, the State and the LNG Project Companies are entering into this Agreement to, among other things, guarantee the fiscal stability of the LNG Project by ensuring that all legislation which imposes fiscal imposts on that Project shall be deemed to remain unchanged for such period as it takes for the LNG Project to produce, sell and deliver the Foundation Volume of gas.

NOW THIS AGREEMENT WITNESSES AS FOLLOWS:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions

Except as otherwise expressly provided herein and unless the context otherwise requires, capitalized terms used but not defined in this Agreement have the meanings given such terms in the Gas Agreement.

The following definitions apply in this Agreement, unless the context otherwise requires:

"Gas Agreement" means the gas agreement executed by the State and the LNG Project Companies as of 22 May 2008; and

"Party" means, in respect of this Agreement, the State or each of the LNG Project Companies (as defined in the Gas Agreement).

1.2 Interpretations

Except as otherwise expressly provided herein and unless the context otherwise requires, the rules of interpretation given in Clause 2.1 and the definitions throughout the Gas Agreement apply to this Agreement.

1.3 Agreement for LNG Project Company Entities

The State acknowledges that its obligations under this Agreement are undertaken for the benefit of all entities encompassed within the definition of LNG Project Company, with the intention that each entity is entitled to rely on and enforce the State's obligations under this Agreement, and that the benefit of this Agreement is held by the LNG Project Companies on their own behalf and on behalf of each such entity.

2. FISCAL STABILITY

2.1 Duration of Fiscal Stability

Pursuant to the Resource Contracts Fiscal Stabilization Act and notwithstanding any contrary provision of any law or statute in force in Papua New Guinea, the fiscal stability protection afforded to the LNG Project Companies under this Agreement shall continue for such period as it takes for the LNG Project Companies to produce, sell and deliver the Foundation Volume of gas.

2.2 State Guarantee of Fiscal Stability

The State guarantees, in favour of the LNG Project Companies, the fiscal stability of the LNG Project by reference to the law in force at the date of this Agreement in respect of:

- (a) the applicable taxes, duties, fees and other fiscal imposts; and

- (b) the rates at which such taxes, duties, fees and other fiscal imposts will be charged and the manner in which liability in respect thereof will be calculated.

2.3 Adverse Impact on the LNG Project or LNG Project Companies Resulting from Change in Laws

- (a) If at any time after the date of this Agreement there is a change or series of changes in the applicable laws, regulations or other legal measures effective within Papua New Guinea that in any way relate to taxes, duties, fees or other fiscal imposts, or the manner in which liability in respect thereof will be calculated, and that change or those changes mean that a LNG Project Company would, but for this Agreement, be required to pay additional amounts of such taxes, duties, fees or other fiscal imposts ("**Adverse Change**"), then:
 - (i) notwithstanding any such Adverse Change, the LNG Project Companies shall only be liable to pay such taxes, duties, fees or other fiscal imposts calculated in accordance with the law in force on the date of this Agreement; and
 - (ii) if for any reason whatsoever, a LNG Project Company is required to pay or pays any additional amounts of tax, duties, fees or other fiscal imposts over and above those amounts which would have been due and payable when calculated in accordance with the law applicable at the date of this Agreement ("**Additional Amounts**"), then the State shall fully indemnify the LNG Project Companies and each of them (the "**Indemnified Party**") against the payment of Additional Amounts through payment of financial compensation or other means of adjustment acceptable to the LNG Project Companies which have paid the additional amounts of tax, duties, fees or fiscal imposts.
- (b) If any payment made by the State to indemnify the LNG Project Companies or any of them pursuant to Clause 2.3(a)(ii) is subject to any taxes in the hands of the recipient, or is subject to any withholdings on account of tax, the sum due from the State under Clause 2.3(a)(ii) shall be increased to the extent necessary to ensure that, after the application of such taxes or withholdings, the recipient receives a net sum equal to the sum which it paid and which are Additional Amounts for the purposes of Clause 2.3(a)(ii).

2.4 Claim by an Indemnified Party

- (a) The Indemnified Party may, by written notice to the State, claim payment of any Additional Amount to which the indemnity in Clause 2.3(a)(ii) relates. The written notice will specify the amount and the basis of the claim. If the State disputes the claim, it must give written notice to this effect to the Indemnified Party making the claim within sixty (60) days after receipt of the claim. If the dispute is not resolved within a further period of thirty (30) days, then the unresolved matters shall be referred to arbitration pursuant to Clause 5 of this Agreement.
- (b) The State shall pay to the Indemnified Party making the claim:

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- (i) the amount of the claim within ninety (90) days after receipt of the written notice from the Indemnified Party, if the claim is not disputed by the State; or
 - (ii) the amount determined by the arbitrators as being the proper amount due on the claim within sixty (60) days after the arbitrators make their determination, if the claim is disputed by the State; or
 - (iii) the amount agreed between the State and the Indemnified Party as the amount due within sixty (60) days of any such agreement, if the claim is disputed by the State but is resolved between the parties at any time prior to any arbitrators' determination.
- (c) If the amount under Clause 2.4(b)(i), (ii) or (iii) is not paid by the State within the relevant period, the Indemnified Party shall be entitled to recover such amount by set off or credit against any taxes due and payable by the Indemnified Party under the provisions of the Tax Act.
- (d) If the Parties cannot agree whether a change in the laws, regulations or other legal measures amounts to an Adverse Change (as contemplated by this clause), or the financial consequence of such Adverse Change to the Indemnified Party or Parties, then the matter shall be referred to arbitration pursuant to Clause 5 of this Agreement.

3. Amendments to Laws

3.1 Amendments to Laws

Except as otherwise provided for in Clause 2 of this Agreement, if at any time after the date of this Agreement there is a change or changes in:

- (i) the applicable laws, regulations (which term, for the purpose of this Agreement, includes exemptions from regulations which are granted, issued or revoked by a Government Agency including the Bank) or other legal measures effective within Papua New Guinea (which laws, regulations or other legal measures for the purpose of this Clause 3 will be taken to have been amended as contemplated by the Gas Agreement) or in the interpretation or application of those laws, regulations or other legal measures;
- (ii) the administrative action of the Government of the State, any provincial or local-level government or any Governmental Agency (including the Bank); or
- (iii) the application to a LNG Project Company of the matters set out in or contemplated by the Gas Agreement,

and that change or those changes adversely and materially affect the economic position of a LNG Project Company in respect of the LNG Project, then:

- (a) To the extent that a LNG Project Company's overall economic position in respect of the LNG Project is affected in the manner contemplated in Clause 3.1 then the State must fully indemnify and hold harmless the LNG Project Companies and each of them against all or any such adverse economic effects by payment of financial compensation or such other means that may

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be acceptable to the LNG Project Companies who have suffered such adverse economic effects.

- (b) If any payment made by the State to indemnify the LNG Project Companies or any of them pursuant to paragraph (a) above is subject to any form of tax in the hands of the recipient, or is subject to any withholding on account of tax, the sum due from the State under paragraph (a) shall be increased to the extent necessary to ensure that, after the application of such tax or withholding, the recipient receives a net sum equal to the sum with which it would have been left or that it would have received if no such tax or withholding were imposed or made.

3.2 Arbitration

For the avoidance of doubt, if the Parties cannot agree whether a change in the laws, regulations or other legal measures has an adverse economic effect on the economic position of the LNG Project Companies (as contemplated by this Clause 3), or the extent of such change or effect, then the matter may be referred to arbitration in accordance with Clause 5.

4. MISCELLANEOUS

4.1 Waiver of Immunity

Each Party hereto unconditionally and irrevocably:

- (a) agrees that should any legal action or arbitral proceeding be brought against it or its assets in relation to this Agreement or any transaction contemplated by this Agreement, no immunity (sovereign or otherwise) from such legal action or arbitral proceeding shall be claimed by or on behalf of itself with respect to its assets, to the maximum extent permitted by law;
- (b) to the maximum extent permitted by law, waives any such right of immunity (sovereign or otherwise) which it or its assets now has or may acquire in the future;
- (c) consents generally in respect of the enforcement of any order, judgement or arbitral award against it in any relevant proceedings, to the giving of any relief or the issue of any process in connection with such proceedings including, without limitation, to the maximum extent permitted by law, the making, enforcement or execution against or in respect of any property whatsoever (irrespective of its use or intended use) and to any order, judgement or arbitral award which may be made or given in such proceedings; and
- (d) expressly disavows and waives any right to claim sovereign immunity in connection with any proceedings to compel enforcement under Clause 5 or any proceedings to enforce or execute upon any award made by arbitration under Clause 5.

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4.2 Amendment

Subject to the terms of this Agreement, no amendment or variation of this Agreement is valid or binding on a Party unless made in writing executed by all Parties.

4.3 No Waiver

Neither failure to exercise nor any delay in exercising any right, power or remedy by a Party operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the Party granting that waiver unless made in writing.

4.4 Entire Agreement and Severability of Provisions

- (a) This Agreement contains the entire agreement between the State (on the one part) and the LNG Project Companies (on the other part) with respect to its subject matter and supersedes all prior agreements and understandings between the Parties in connection with it.
- (b) Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction is ineffective as to that jurisdiction to the extent of the prohibition or unenforceability. That does not invalidate the remaining provisions of this Agreement nor affect the validity or enforceability of that provision in any other jurisdiction.

4.5 No Merger


The rights and obligations of the Parties will not merge on the completion of any transaction contemplated by this Agreement. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing a transaction.

4.6 No Partnership

Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to any Party, or to create any duty, standard of care or liability to any person or entity not a Party hereto.

4.7 Successors and Assigns

- (a) A New Participant in accordance with the provisions of Clause 3.2 of the Gas Agreement, shall become Party to this Agreement without the need for further consent by the State.
- (b) A New Participant shall, if it is not already a LNG Project Company, become a LNG Project Company for the purposes of this Agreement and Exhibit 1 shall be updated accordingly by written notice issued by the LNG Project Companies' Representative to the State.
- (c) This Agreement will inure to the benefit of and be binding upon the successors and assigns of the Parties.

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- (d) State acknowledges that its obligations under this Agreement are undertaken for the benefit of all entities encompassed within the definition of LNG Project Company, with the intention that each entity is entitled to rely on and enforce State's obligations under this Agreement, and that the benefit of this Agreement is held by the LNG Project Companies on their own behalf and on behalf of each such entity.

4.8 Attorneys

Each person executing this Agreement on behalf of a Party under the authority of a power of attorney states that he has, at the time of execution of this Agreement, no notice of the revocation of the power of attorney.

4.9 Appropriation of State Funds

Any funds required by the State to fulfil any liabilities from time to time and arising under this Agreement will be paid out of the consolidated revenue fund and the State agrees to and must procure that the funds are appropriated to the extent necessary or to the extent which is deemed to be necessary.

4.10 LNG Project Company Entities

Any reference to, or benefit, privilege or right conferred upon an LNG Project Company shall be deemed for all purposes to extend to a change affecting any legal entity incorporated or established in respect of the LNG Project, including entities for Financing, operating or marketing in connection with the LNG Project. The State recognizes that an Adverse Change or a change adversely and materially affecting the economic position of an LNG Project Company may occur indirectly by means of a change in laws affecting such a legal entity.

5. ARBITRATION

5.1 Mutual Discussions

The Parties shall endeavour to resolve by mutual agreement any disputes, questions or differences arising out of or related to this Agreement or the terms of this Agreement, including its construction, meaning, operation or effect or concerning the rights, duties or liabilities of the Parties, or concerning the breach, termination or validity hereof (a "*Dispute*"). Failing such resolution within sixty (60) days after giving all Parties written notice of the Dispute, any Party may submit the Dispute to arbitration pursuant to this Clause 5.

5.2 Referral to Arbitration

Subject to Clause 5.1, any Dispute shall be exclusively and finally settled by arbitration. A Party may by written notice ("*Notice of Arbitration*"), notify each other Party that the Dispute is referred to arbitration and the Dispute shall be subject to arbitration as provided in Clauses 5.3 to 5.7 (both inclusive). Any Party that is neither the Party giving the Notice of Arbitration nor a Party named in such Notice of Arbitration may, by written notice to the Party that gave such Notice of Arbitration given within fifteen (15) days after the date of such Notice of Arbitration, elect to participate in the arbitration of such Dispute.

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5.3 Rules of Arbitration

If a Notice of Arbitration is given with respect to a Dispute, then such Dispute shall be determined by arbitration in accordance with the UNCITRAL Arbitration Rules contained in resolution 31/98 adopted by the United Nations General Assembly on 15 December, 1976 and entitled "Arbitration Rules of the United Nations Commission on International Trade Law" as in force at the date of service of the Notice of Arbitration, except as modified as follows:

- (a) in all cases, the arbitral tribunal shall be three arbitrators, one of whom shall be appointed by the Party or Parties that gave such notice of Arbitration, one of whom shall be appointed by the other Party or Parties named in the Notice of Arbitration and the third of whom shall be appointed by the two arbitrators appointed by the Parties to the Arbitration or, failing agreement between those arbitrators, by the appointing authority designated in Clause 5.5;
- (b) if a dispute involves multiple claimants or multiple respondents and the claimants or the respondents are unable to nominate an arbitrator jointly, then the appointing authority designated in Clause 5.5 shall appoint an arbitrator for the claimants or for the respondents as the case may be;
- (c) unless each Party to the arbitration otherwise agrees, an arbitrator shall not be a citizen or resident of the State or a citizen or resident of the country that is the country of the jurisdiction in which any LNG Project Company that is a Party to the arbitration is incorporated;
- (d) in addition to the matters contained in Article 33.3 of the UNCITRAL Arbitration Rules, the arbitral tribunal shall take into account applicable international law principles and international custom and usage in the petroleum industry;
- (e) the arbitrators shall be bound by principles of legal privilege, such as those involving confidentiality of communications between a lawyer and a client; and
- (f) the arbitration proceedings, the reasons for any arbitration award and any information disclosed by a party during an arbitration shall be kept confidential in accordance with the provisions of Clause 26 of the Gas Agreement; provided, however, this is not intended to apply to, relate or restrict in any way:
 - (i) disclosures of information to the arbitration panel; or
 - (ii) the disclosure of the proceedings or the reasons for the arbitration award in the course of legal proceedings relating to the arbitration or the award and in the course of any other judicial, arbitral or administrative proceedings between the Parties to the arbitration.

5.4 Inconsistency

For the avoidance of doubt, the Parties agree that in the event of any inconsistency between the UNCITRAL Arbitration Rules as modified by this Clause 5 and the provisions of the Arbitration Act, Chapter No 46 of the State, the former will prevail in respect of an arbitration under this Agreement.

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5.5 Appointing Authority

The appointing authority shall be the appointing authority specified in, or designated in accordance with, the UNCITRAL Arbitration Rules.

5.6 Place of Arbitration

The place of arbitration shall be Singapore unless the Parties to the arbitration agree upon another place.

5.7 Other

- (a) All arbitrators shall be fluent in the English language and the arbitration shall be conducted in English.
- (b) The Parties agree that an arbitration award in the arbitration of a Dispute shall be final and binding upon the Parties to the arbitration of such Dispute.
- (c) The Parties agree to exclude any right of appeal to any court which would otherwise have jurisdiction in the matter in connection with any question of law arising in the course of the arbitration reference or out of the award. However, the Parties to any arbitration of a Dispute may make an application to any court having jurisdiction for registration and judgment on the award entered or for enforcement of any award (including execution on such judgment), including enforcement of any award granting interlocutory relief, against a relevant Party, and for the obtaining of any evidence (whether by discovery of documents, interrogatories, affidavits or testimony of witnesses or otherwise howsoever) which the arbitral tribunal directs shall be admitted in the arbitral proceedings.
- (d) This Clause 5 shall survive the termination of this Agreement.

6. Law Applicable

This Agreement shall be governed by, and be construed in accordance with, the laws of the State and such rules of international law as may be applicable.

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EXECUTION CLAUSE

Executed as an agreement by the duly authorised representatives of the Parties.

SIGNED

for and on behalf of **THE**)
INDEPENDENT STATE OF PAPUA)
NEW GUINEA by)
His Excellency, Grand Chief Sir Paulias)
Matane, G.C.L., G.C.M.G., K.St.J.,)
Governor-General of Papua New Guinea,)
acting with and in accordance with the)
advice of the National Executive Council)
in the presence of)

.....
Signature
Date:

.....
(Witness Signature)

.....
(Witness Name)

Signed for Esso Highlands Limited by
its attorney in the presence of:

Date

Witness Signature

Print Name

Attorney Signature

Print Name

IAK


Signed for Esso PNG Juha Limited by
its attorney in the presence of:

Date

Witness Signature

Print Name

Attorney Signature

Print Name

**Signed for Ampolex (Papua New
Guinea) Limited** by its attorney in the
presence of:

Date

Witness Signature

Print Name

Attorney Signature

Print Name

**Signed for Ampolex (Highlands)
Limited** by its attorney in the presence
of:

Date

Witness Signature

Print Name

Attorney Signature

Print Name

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[Handwritten signature]

PNG LNG Gas Agreement

**Signed for Ampolex (PNG Petroleum),
Inc.** by its attorney in the presence of:

Date

Witness Signature

Print Name

Attorney Signature

Print Name

**Signed for Merlin Pacific Oil Company
Limited** by its attorney in the presence
of:

Date

Witness Signature

Print Name

Attorney Signature

Print Name

Signed for Oil Search Limited by its
attorney in the presence of:


Date

Witness Signature

Print Name

Attorney Signature

Print Name

IAK


**Signed for Oil Search (Tumbudu)
Limited** by its attorney in the presence
of:

Date

Witness Signature

Print Name

Attorney Signature

Print Name

Signed for Oil Search (PNG) Limited
by its attorney in the presence of:

Witness Signature

Print Name

Attorney Signature

Print Name

Signed for Merlin Petroleum Company
in the presence of:

Date

Witness Signature

Print Name

Signature

Print Name

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OK

The Common Seal of Petroleum Resources Kutubu Limited was affixed in the presence of:

Date

Director Signature

Print Name

Director/Secretary Signature

Print Name

The Common Seal of Petroleum Resources Gobe Limited was affixed in the presence of:

Date

Director Signature

Print Name

Director/Secretary Signature

Print Name

Signed for AGL Gas Developments (PNG) Pty Limited by its attorney in the presence of:


Date

Witness Signature

Print Name

Attorney Signature

Print Name

IAQ


Signed for Santos Hides Ltd by its duly appointed attorney in the presence of:

Date

Witness Signature

Print Name

Attorney Signature

Print Name

Signed for Lavana Limited by its duly appointed attorney in the presence of:

Date

Witness Signature

Print Name

Attorney Signature

Print Name

The Common Seal of Eda Oil Limited was affixed in the presence of:

Date

Director Signature

Print Name

Director/Secretary Signature

Print Name

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Exhibit 1

PDL1 Licensees

ESSO HIGHLANDS LIMITED
OIL SEARCH LIMITED
OIL SEARCH (TUMBUDU) LIMITED
SANTOS HIDES LTD
LAVANA LIMITED

PRL12 Licensees

ESSO HIGHLANDS LIMITED
OIL SEARCH LIMITED

PRL 2 Licensees

ESSO PNG JUHA LIMITED
AMPOLEX (PAPUA NEW GUINEA) LIMITED
MERLIN PETROLEUM COMPANY
OIL SEARCH LIMITED
OIL SEARCH (PNG) LIMITED

PRL11 Licensees

ESSO HIGHLANDS LIMITED
OIL SEARCH LIMITED

PDL2 Licensees

OIL SEARCH (PNG) LIMITED
AMPOLEX (PNG PETROLEUM), INC.
MERLIN PACIFIC OIL COMPANY LIMITED
MERLIN PETROLEUM COMPANY
AGL GAS DEVELOPMENTS (PNG) PTY LIMITED
PETROLEUM RESOURCES KUTUBU LIMITED

PDL4 Licensees

OIL SEARCH (PNG) LIMITED
AMPOLEX (HIGHLANDS) LIMITED
MERLIN PETROLEUM COMPANY
AGL GAS DEVELOPMENTS (PNG) PTY LIMITED
PETROLEUM RESOURCES GOBE LIMITED

PDL5 Licensees

ESSO HIGHLANDS LIMITED
OIL SEARCH (PNG) LIMITED
EDA OIL LIMITED

PDL6 Licensees

AMPOLEX (HIGHLANDS) LIMITED
OIL SEARCH (PNG) LIMITED
OIL SEARCH LIMITED
MERLIN PETROLEUM COMPANY

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Exhibit Q LNG Project Fields

Pressure Communication means, with respect to any accumulation of Petroleum, that:

- (a) such accumulation has Petroleum-bearing sediments which are in direct and continuous Petroleum contact with a LNG Project Field, and
- (b) such accumulation belongs to the same Petroleum pressure regime(s) as the LNG Project Field, with which it is in direct and continuous Petroleum contact as defined in (a) above; and
- (c) the composition of the Petroleum of such accumulation is consistent with the composition of the LNG Project Field Petroleum, with which it is in direct and continuous Petroleum contact as defined in (a) above.

Hides Field

Hides Field means the Petroleum bearing sandstones of the Toro Formation, the Upper Imburu Formation and the Lower Imburu Formation located within the Hides Field Area as described within this definition. The top of the Toro Formation, the Upper Imburu Formation and the Lower Imburu Formation in the Hides Field for the defining wells are shown in Table A. The typical log response of the Toro Formation, the Upper Imburu Formation and the Lower Imburu Formation for the Hides Field is shown in Figure A.

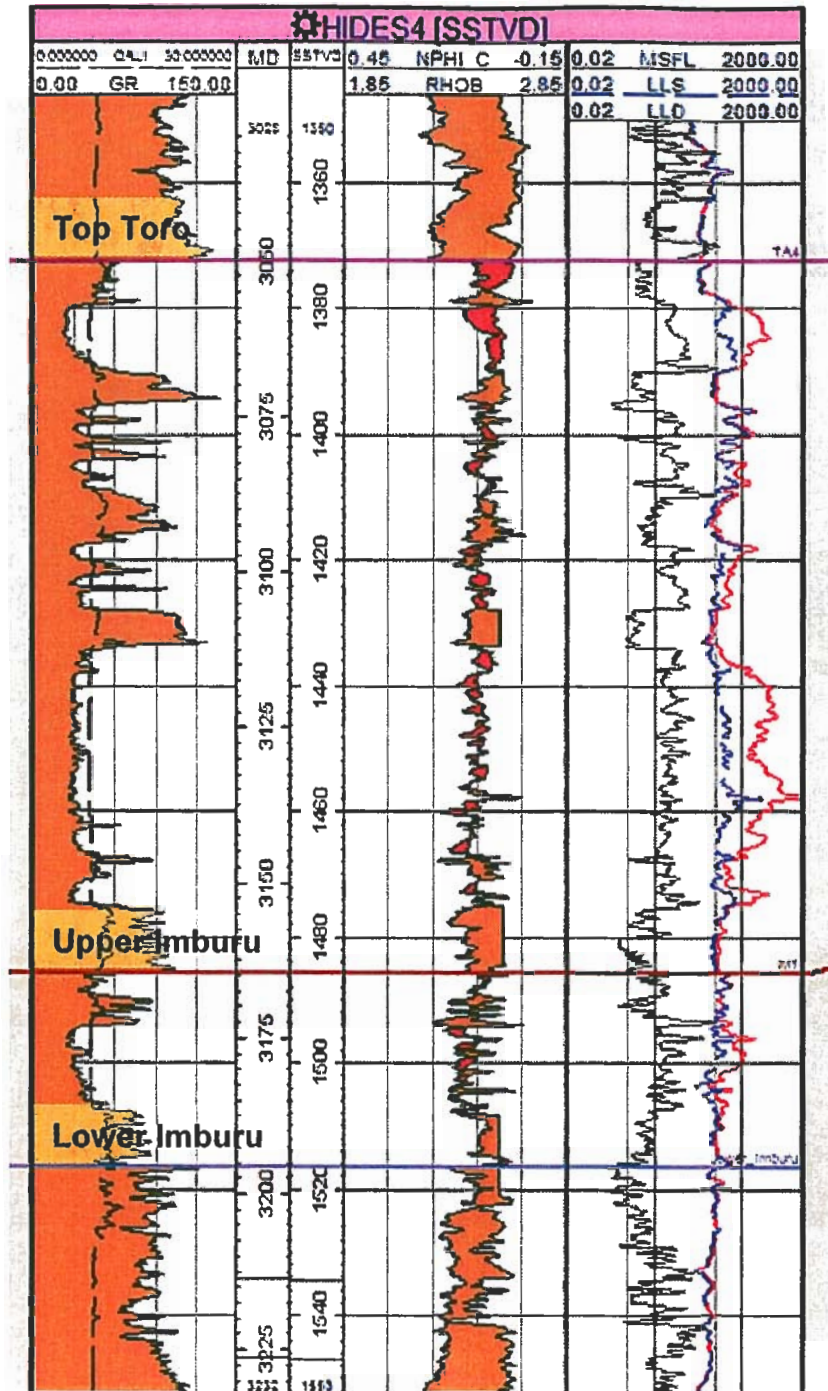
Any Petroleum encountered by future wells drilled on the Hides Field anticline or its lateral internal compartments in the Hides Field Area contemporaneous with, correlatable to or considered a lateral extension of the Toro Formation, Upper Imburu Formation and Lower Imburu Formation in existing wells, will also be considered part of the Hides Field. Any Petroleum not accessed by current wells but in Pressure Communication with Petroleum in those wells that are part of the Hides Field is also considered to be part of the Hides Field.

Table A: List of Formation Tops of the Hides Field

Formation	Hides 1X		Hides 2X		Hides 3X		Hides 3XST		Hides 4X	
	Depth (mTVDSS)	Depth (mMD)	Depth (mTVDSS)	Depth (mMD)	Depth (mTVDSS)	Depth (mMD)	Depth (mTVDSS)	Depth (mMD)	Depth (mTVDSS)	Depth (mMD)
Top Toro	-291	2998	-269	2724	-744	3018	-746	3020	-1372	3050
Upper Imburu	-479	3190	-393	2848	-880	3156	-	-	-1486	3165
Lower Imburu	-496	3207	-408	2863	-	-	-	-	-1517	3196

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Figure A: Typical Log Response of the Toro Formation, Upper Imburu Formation and Lower Imburu Formation from the Hides Field



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Hides Field Area

Hides Field Area means those parts of the PDL1 Area, the PRL11 Area and the PRL12 Area as are bounded by the co-ordinates in Table B. To avoid doubt, the Hides Field Area includes both the surface area bounded by the co-ordinates in Table B and the sub-surface volume below such surface area. Approximate outlines for the Hides Field Area and the Hides Field are shown in Figure B.

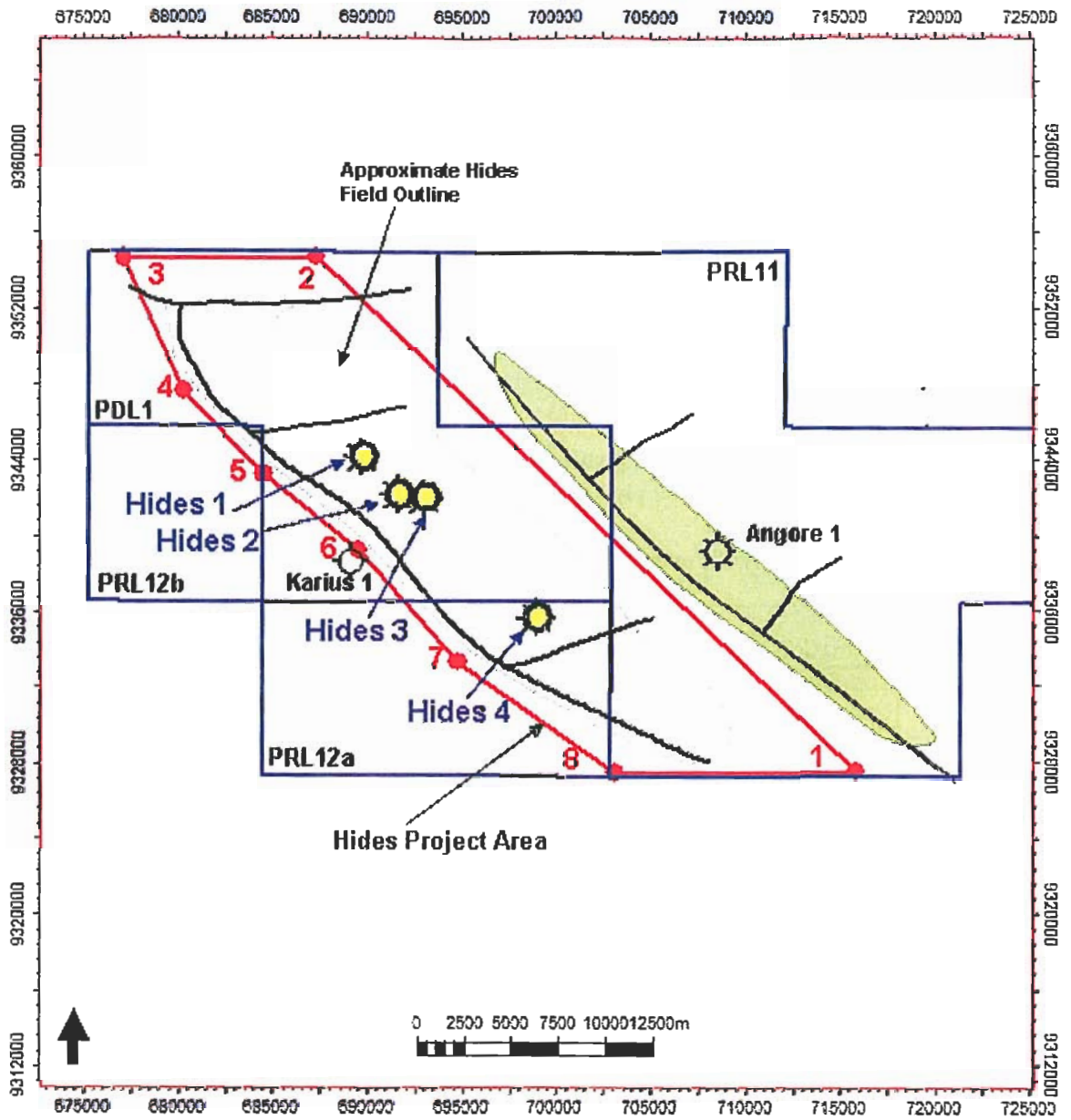
Table B: Co-ordinates of the Hides Field Area

Vertex	Easting (X)	Northing (Y)
1	715895.8	9327430.42
2	687321.4	9354667.91
3	677165.5	9354581.31
4	680362.82	9347566.74
5	684565.49	9343179.19
6	689587.76	9339132.98
7	694836.96	9333225.44
8	703161.25	9327400.25

UTM Zone 54, Southern Hemisphere; ADG 66

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Figure B: Hides Field Area



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Angore Field

Angore Field means the Petroleum bearing sandstones of the Toro Formation and Upper Imburu Formation located within the Angore Field Area as described within this definition. The top of the Toro Formation and Upper Imburu Formation in the Angore Field for the Angore-1X well is shown in Table C. The typical log response of the Toro Formation and Upper Imburu Formation for the Angore Field is shown in Figure C.

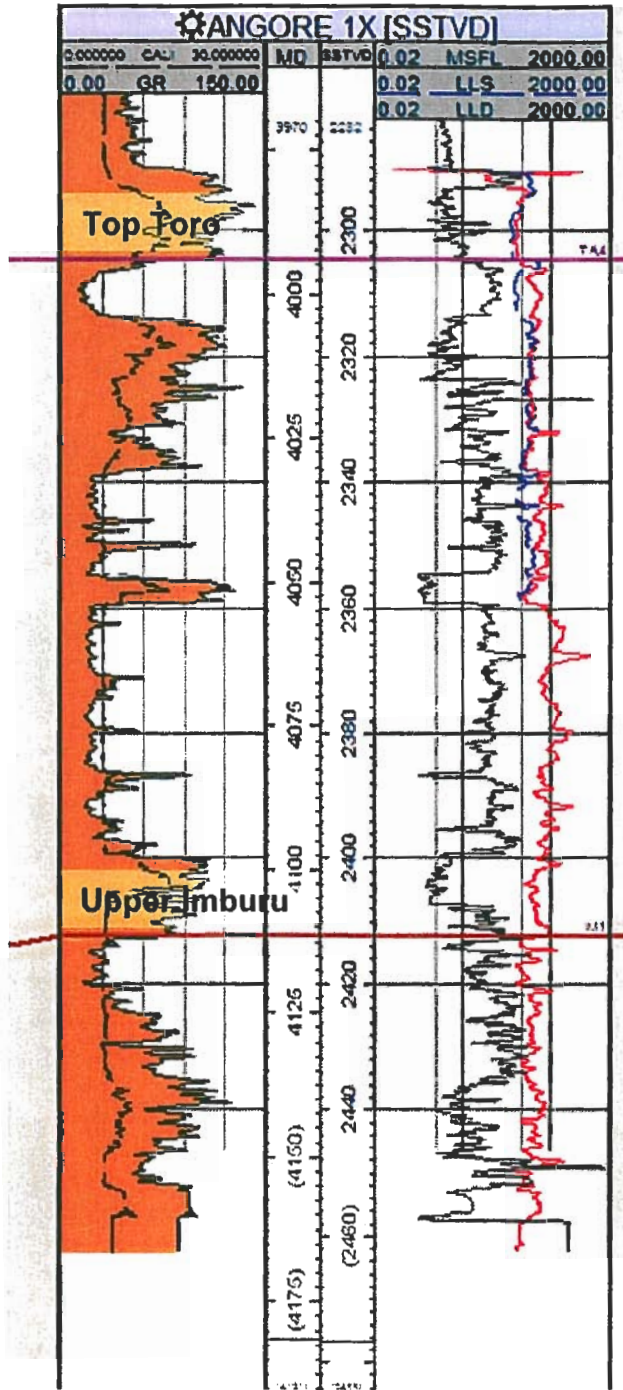
Any Petroleum encountered by future wells drilled on the Angore anticline or its lateral internal compartments, in the Angore Field Area contemporaneous with, correlatable to or considered a lateral extension of the Toro Formation and Upper Imburu Formation in the existing well, will also be considered part of the Angore Field. Any Petroleum not accessed by the current well but in Pressure Communication with Petroleum in those wells that are part of the Angore Field, is also considered to be part of the Angore Field.

Table C: List of Formation Tops of the Angore Field

Formation	Angore 1X	
	Depth (mTVDSS)	Depth (mMD)
Top Toro	-2305	3994
Upper Imburu	-2412	4112

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Figure C: Typical Log Response of the Toro Formation and Upper Imburu Formation for the Angore Field



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Angore Field Area

Angore Field Area means those parts of the PDL1 Area and the PRL11 Area as are bounded by the co-ordinates in Table D. To avoid doubt, the Angore Field Area includes both the surface area bounded by the co-ordinates in Table D and the sub-surface volume below such surface area. Approximate outlines for the Angore Field Area and the Angore Field are shown in Figure D.

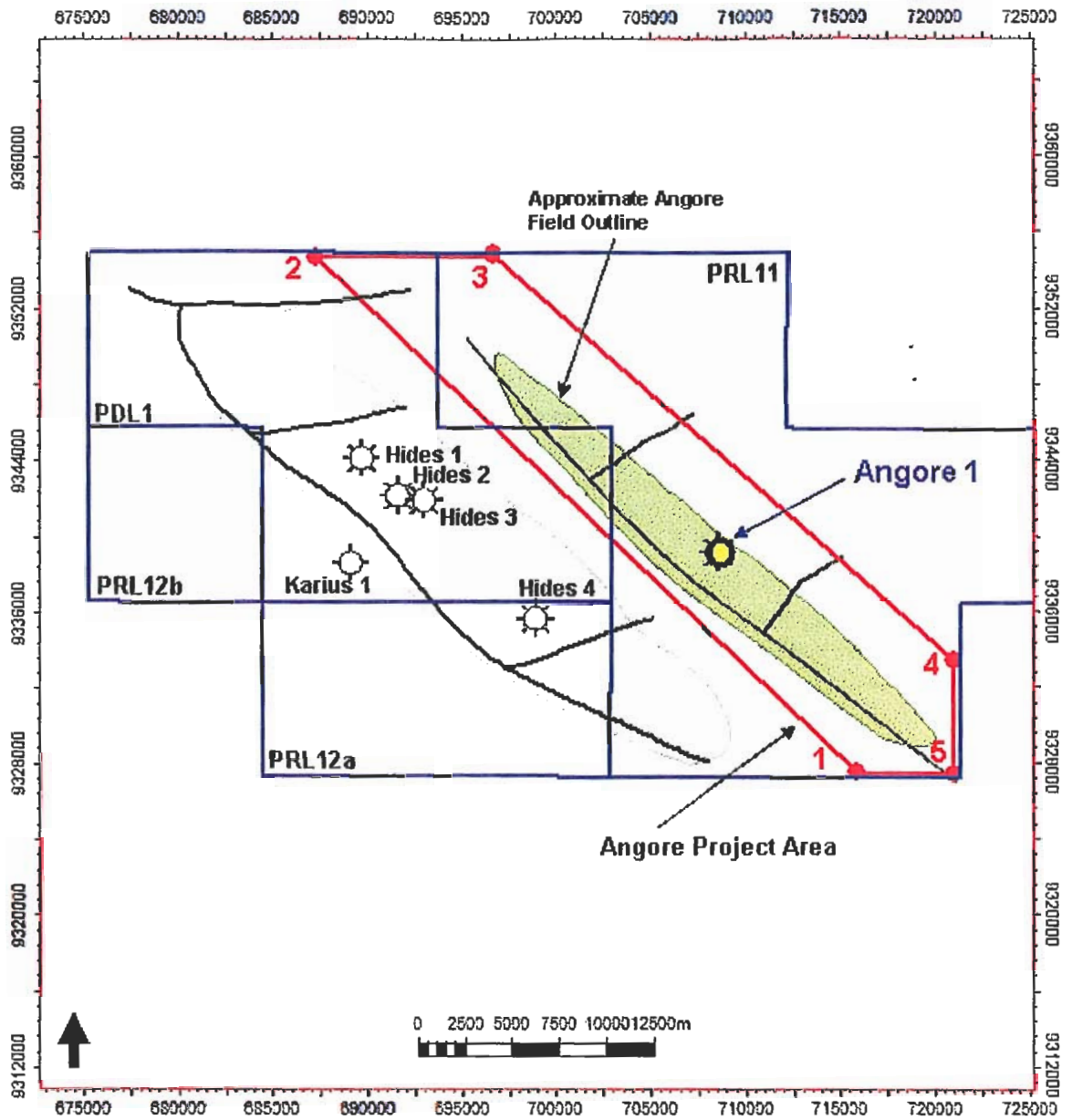
Table D: Co-ordinates of the Angore Field Area

Vertex	Easting (X)	Northing (Y)
1	715895.80	9327430.42
2	687321.40	9354667.91
3	696703.81	9354774.29
4	720984.53	9333370.16
5	721011.06	9327352.01

UTM Zone 54, Southern Hemisphere; ADG 66

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Figure D: Angore Field Area



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Juha Fields

Juha Main Field means the Petroleum bearing sandstones of the Toro Formation located within the Juha Field Area as described within this definition. The top of the Toro Formation for the defining wells are shown in Table E. The typical log response of the Toro Formation for the Juha Main Field is shown in Figure E.

Any Petroleum encountered by future wells drilled on the Juha Main anticline or its lateral internal compartments, in the Juha Field Area contemporaneous with, correlatable to or considered a lateral extension of the Toro Formation in existing wells, will also be considered part of the Juha Main Field. Any Petroleum not accessed by current wells but in Pressure Communication with Petroleum in those wells that are part of the Juha Main Field, is also considered to be part of the Juha Main Field.

Juha North Field means the Petroleum bearing sandstones of the Toro Formation located within the Juha Field Area as described within this definition. The top of the Toro Formation for the Juha North Field for Juha-4X is shown in Table E.

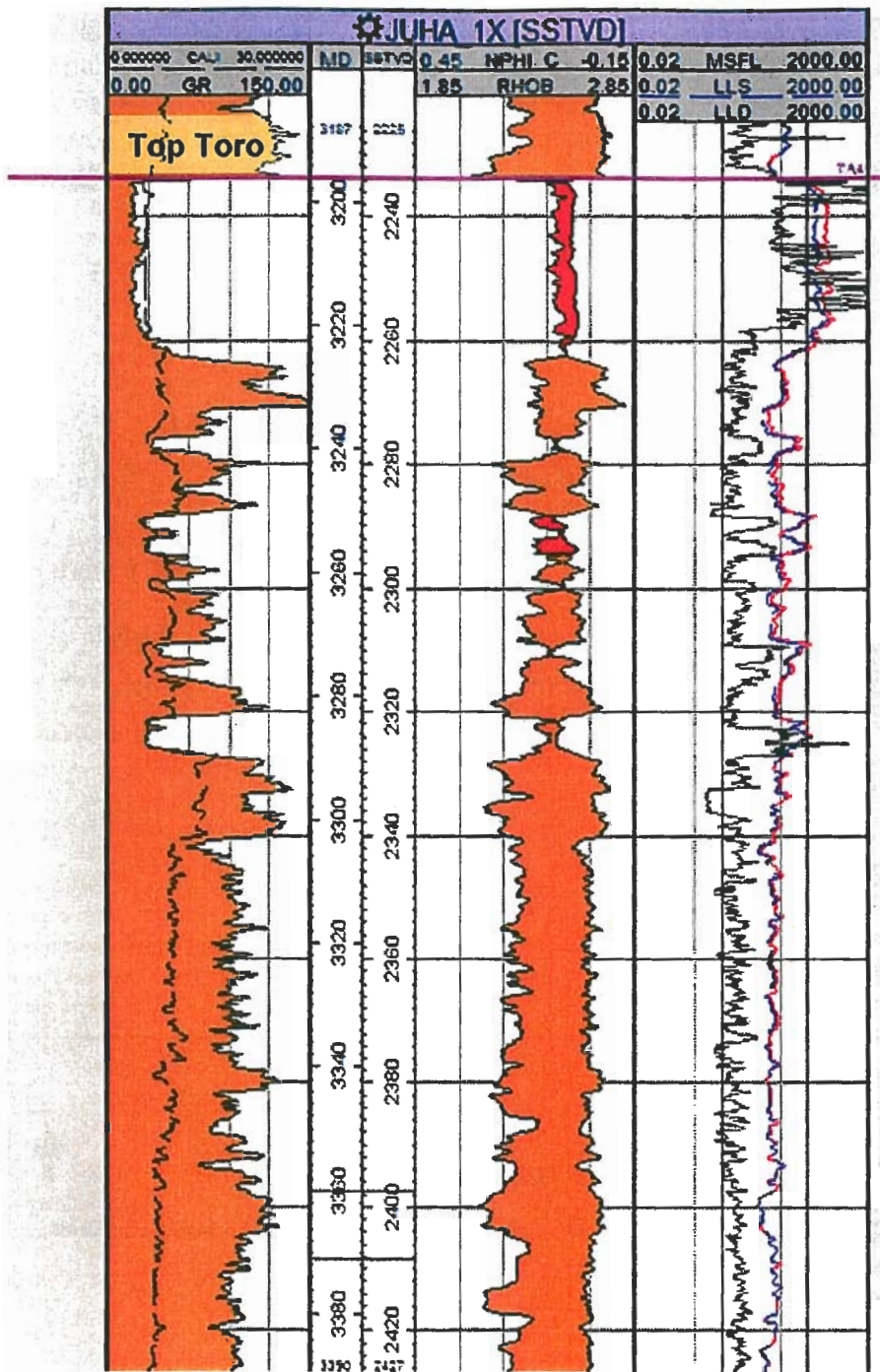
Any Petroleum encountered by future wells drilled on the Juha North anticline or its lateral internal compartments, in the Juha Field Area contemporaneous with, correlatable to or considered a lateral extension of the Toro Formation in existing wells, will also be considered part of the Juha North Field. Any Petroleum not accessed by current wells but in Pressure Communication with Petroleum in those wells that are part of the Juha North Field, is also considered to be part of the Juha North Field.

Table E: List of Formation Tops of the Juha Fields

Formation	Juha 1X		Juha 2X		Juha 3X		Juha 4X		Juha 5X	
	Depth (mTVDSS)	Depth (mMD)	Depth (mTVDSS)	Depth (mMD)	Depth (mTVDSS)	Depth (mMD)	Depth (mTVDSS)	Depth (mMD)	Depth (mTVDSS)	Depth (mMD)
Top Toro	-2234	3196	-2257	3228	-2405	3301	-2215	3183	-2921	3515

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Figure E: Typical Log Response of the Juha Main field



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Juha Field Area

Juha Field Area means that part of the PRL2 Area as is bounded by the co-ordinates in Table F. To avoid doubt, the Juha Field Area includes both the surface area bounded by the co-ordinates in Table F and sub-surface volume below such surface area. Approximate outlines of the Juha Field Area, the Juha Main Field and Juha North Field are shown in Figure F.

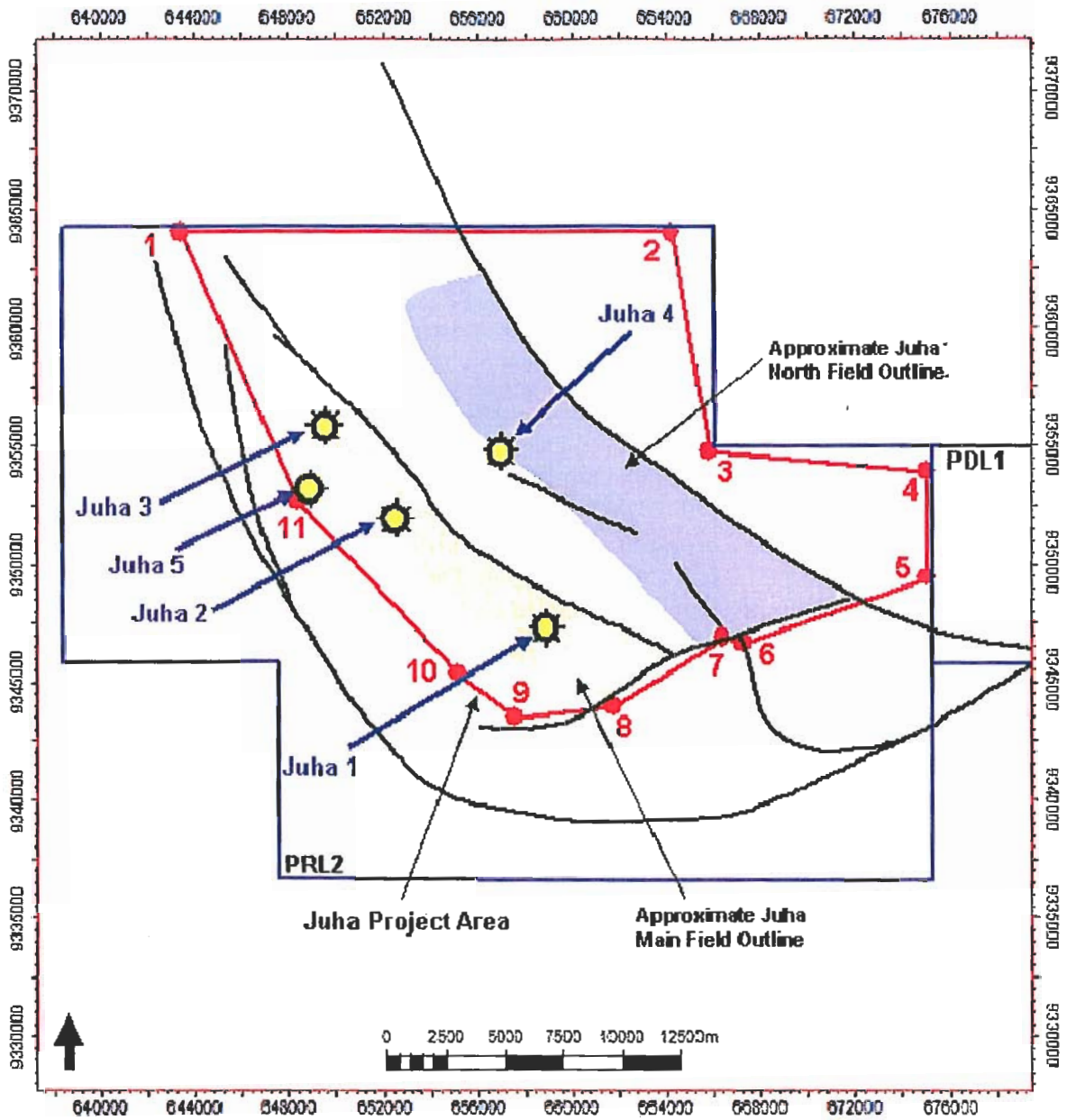
Table F: Co-ordinates of the Juha Field Area

Vertex	Easting (X)	Northing (Y)
1	643450.77	9364003.12
2	664271.22	9363976.48
3	665836.19	9354746.5
4	675022.54	9353868.29
5	675033.57	9349390.81
6	667303.33	9346608.66
7	666420.82	9346852.05
8	661795.86	9343923.75
9	657638.8	9343460.27
10	655183.61	9345336.45
11	648407.22	9352619.22

UTM Zone 54, Southern Hemisphere; ADG 66

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Figure F: Juha Field Area



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Kutubu Fields

Kutubu Complex Field means the Petroleum bearing sandstones of the Toro Formation, Digimu Sandstone, Iagifu Sandstone and Hedinia Sandstone located within the Kutubu Complex Field Area as described within this definition. The top of the Toro Formation, Digimu Sandstone, Hedinia Sandstone and Iagifu Sandstone in the Kutubu Complex Field for the defining wells are shown in Table G. The typical log response of the Toro Formation, Digimu Sandstone, Hedinia Sandstone and Iagifu Sandstone for the Kutubu Complex Field is shown in Figure G.

Any Petroleum penetrated by future wells drilled on the Iagifu or Hedinia structural complexes, in the Kutubu Complex Field Area contemporaneous with, correlatable to or considered a lateral extension of the Toro Formation, Digimu Sandstone, Hedinia Sandstone and Iagifu Sandstone in existing wells, will also be considered part of the Kutubu Complex Field. Any Petroleum not accessed by current wells but in Pressure Communication with Petroleum in those wells that are part of the Kutubu Complex Field is also considered to be part of the Kutubu Complex Field. The Kutubu Complex Field includes the Iagifu 3x/8x block, Main Block Hedinia-Iagifu block, Iagifu block, Hedinia block, Hedinia 8x block and the Usano block.

Karo Lelai

From: Karo Lelai [klelai@petrominpng.com.pg]
Sent: Friday, 23 May 2008 9:06 AM
To: 'John'; 'jmoore@tgm.com.pg'; 'ilewis@tgm.com.pg'
Subject: TGM - New Constitution

Gentlemen,

The Petromin Constitution requires that all subsidiaries adopt a constitution as prescribed by the Petromin Constitution. Accordingly, Eda Oil, TGM and Eda Minerals each adopted a Constitution on 9 May 2008, which constitutions are the same in form and substance to that prescribed by the Petromin Constitution. **Attached** is a PDF copy of TGM's constitution for your files. It supersedes and replaces the previous one.

The Constitution is quite different from other Company's constitutions and therefore I recommend that you each read it. For example, Schedule 1 sets out various matters that require prior approval from the "*Holding Company*" (i.e. Petromin) via a "*Holding Company Notice*" before TGM can do certain things. We therefore need to communicate regularly in order to ensure that I obtain the required Holding Company Notice for you at the required time.

I appreciate that some of the provisions in the Constitution are unnecessarily cumbersome. However, the Petromin Board has established a Sub-Committee to review the Petromin Constitution including the prescribed constitution for each of Petromin's subsidiaries. If you have any comments or proposed changes, please forward them to myself as soon as possible and I will table them at the first Sub-Committee meeting that is proposed to be held next month.

Please do not hesitate to contact myself or Melvin Yalapan if you have any queries or wish to discuss the matter. Note that Melvin is Manager-Legal & Contracts and is also a Petromin Director. As Petromin Director, Melvin is Chairman of the Constitutional Review Sub-Committee.

Regards,
Karo Lelai
Senior Legal Officer; &
Acting Company Secretary
Petromin PNG Holdings Limited
PO Box 2032
Port Moresby 121
National Capital District

Phone: (675) 325 2722
Fax: (675) 325 2704

Table G: List of Formation Tops of the Kutubu Complex Field

Well	Formation							
	Top Toro A		Top Digimu		Top Hedinia		Top Iagifu	
	m SS	m MD	m SS	m MD	m SS	m MD	m SS	m MD
Hedinia 1X	-781.3	2062.0	-959.7	2243.1	-1048.4	2334.9	-1147.1	2438.0
Hedinia 1XST1	-1103.0	2575.9	-1319.2	2830.3				
Hedinia 2X	-1318.9	2365.9	-1483.8	2539.2				
Hedinia 2X ST3	-1788.4	2875.2						
Hedinia 3X	-980.6	2092.7	-1155.1	2268.3	-1253.5	2367.3	-1356.9	2471.4
Hedinia 3XST1								
Hedinia 3XST2	-1100.3	2473.9	-1279.4	2672.9				
Hedinia 4X								
Hedinia 7X	-1099.1	2220.4	-1297.4	2449.9				
Iagifu 4X	-1214.4	2405.5	-1385.5	2577.9	-1486.7	2679.7	-1651.6	2845.4
Iagifu 6X	-978.2	2287.0	-1148.4	2458.9	-1250.4	2561.8	-1355.1	2667.5
Iagifu 6XST3	-1750.1	3309.1						
Iagifu 7X	-1198.8	2559.3	-1378.6	2739.4	-1475.9	2836.8	-1580.2	2941.4
SE Hedinia 1X	-661.4	1787.5	-786.3	1913.8	-926.5	2056.4	-1090.4	2225.9
SE Hedinia 3X	-1172.2	2156.4	-1292.0	2290.5	-1400.6	2405.9	-1494.9	2504.6
IDD 1	-991.0	2015.8	-1147.8	2176.0	-1247.6	2278.8	-1344.1	2379.0
IDD 3	-985.0	2163.9	-1129.6	2339.1				
IDD 4	-1004.4	2122.6	-1151.2	2325.1				
IDT 1	-1236.4	2425.1						
IDT 10	-1380.4	2483.8	-1553.2	2656.9	-1661.8	2765.6	-1765.5	2869.4
IDT 11	-1331.1	2652.8	-1502.1	2853.2	-1604.7	2968.1	-1712.9	3083.0
IDT 12	-1213.6	2295.2						
IDT 13	-1243.7	2360.4						
IDT 14	-1246.1	2630.9						
IDT 15	-1275.4	2697.9						
IDT 16	-1294.0	2324.6						

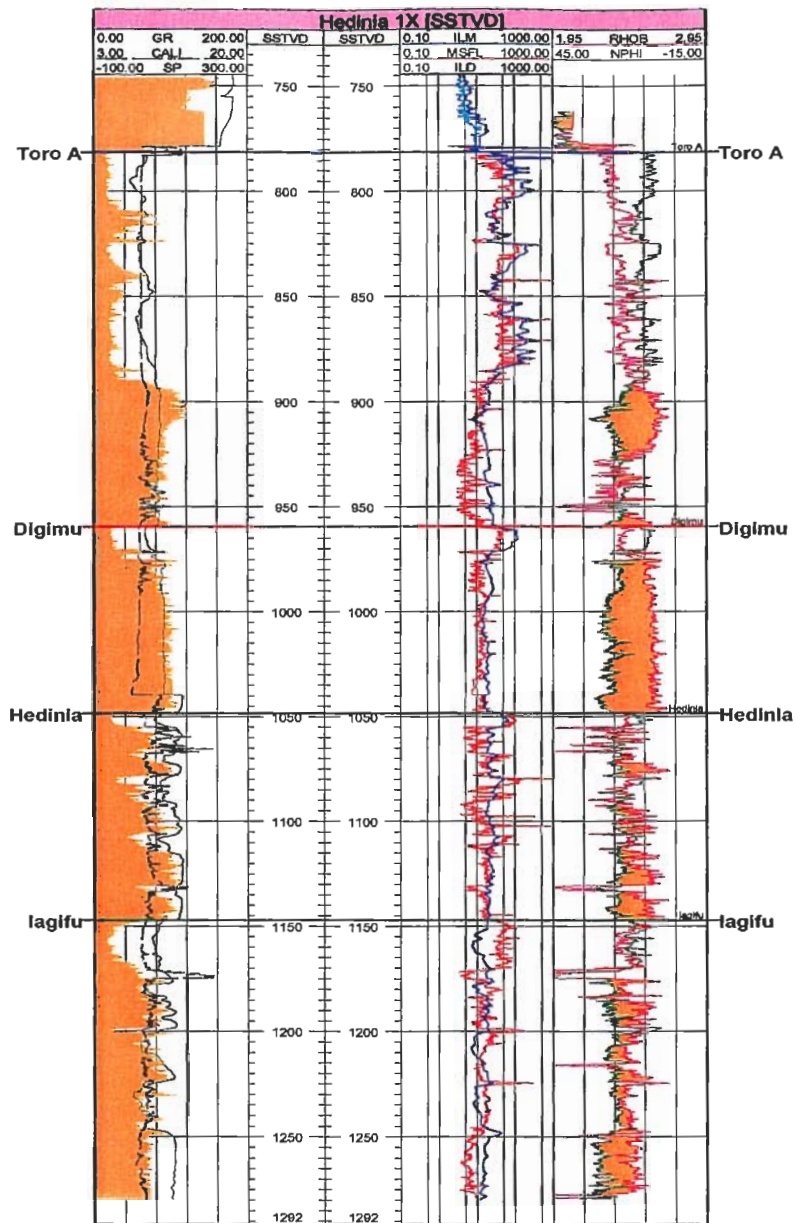
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PNG LNG Gas Agreement

Well	Top Toro A		Top Digimu		Top Hedinia		Top lagifu	
	m SS	m MD	m SS	m MD	m SS	m MD	m SS	m MD
IDT 17	-1233.1	2883.8						
IDT 18	-1321.2	2519.4						
IDT 19ST1	-1306.9	2542.9						
IDT 2	-1278.5	2655.9	-1404.1	2913.0				
IDT 20	-1273.4	2800.3						
IDT 21	-1303.3	3022.6						
IDT 22	-1135.5	2636.4						
IDT 23	-1141.5	2389.1						
IDT 23ST1								
IDT 23ST2	-1125.0	2434.7						
IDT 3	-1289.7	2381.1	-1434.7	2638.3				
IDT 4	-1224.3	2842.0						
IDT 4ST1	-1175.3	2554.8	-1349.8	2733.8				
IDT 5	-1204.6	2639.0						
IDT 6	-1235.5	2567.5						
IDT 7	-1225.2	2565.9	-1387.7	2755.4				
IDT 7ST1	-1156.8	2582.3	-1310.5	2773.7	-1404.4	2883.4	-1501.4	2990.5
IDT 8	-1178.7	2437.0						
IDT 8ST1	-1199.5	2716.6						
IDT 9	-1375.7	2582.5	-1541.6	2755.9	-1647.6	2868.6	-1745.6	2972.5
IDT 9ST1	-1342.9	2776.3						
IDT 9ST2	-1079.4	2421.0	-1205.5	2620.7	-1292.2	2755.5	-1402.3	2925.3
IHT 1	-1327.4	2916.3						
IHT 1A	-1310.8	3025.9						
IHT 2	-1310.4	2725.3						
IHT 3	-1309.4	2745.8						
IHT 4	-1317.1	2625.0						
IHT 5	-1316.2	2551.2						
IST 1	-1055.3	2578.5	-1216.0	2798.8				
IST 2	-1102.2	2430.7	-1278.0	2606.8				
IST 3A								
IST 3AST1	-1064.0	2188.6	-1243.3	2369.6				
IST 4	-1102.3	2250.3	-1282.3	2431.6	-1376.3	2526.5		
IST 5	-984.1	2158.6	-1128.8	2338.5				
IWT 1	-1378.9	2727.7	-1558.5	2908.0	-1652.4	3002.5	-1753.8	3105.2
UDT 1	-1572.8	2665.6	-1722.6	2820.6				
UDT 2	-1527.0	2582.3	-1640.9	2754.0				
UDT 3A	-1479.5	2533.5	-1634.5	2731.2				
UDT3A ST1	-1479.5	2533.5						
UDT 4A	-1582.2	2696.9						
UDT 6	-1593.6	2834.5						
UDT 7	-1568.2	2853.0						
UDT 7 ST1	-1567.5	2837.0						
UHT 1	-1527.6	2583.0						

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Figure G: Typical Log Response of the Toro Formation, Digimu Sandstone, Hedinia Sandstone and Iagifu Sandstone for the Kutubu Complex Field



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Kutubu Complex Field Area

Kutubu Complex Field Area means that part of the PDL2 Area as is bounded by the co-ordinates in Table H. To avoid doubt, the Kutubu Complex Field Area includes both the surface area bounded by the co-ordinates in Table H and sub-surface volume below such surface area. Approximate outline of the Kutubu Complex Field Area is shown in Figure H.

Table H: Co-ordinates of the Kutubu Complex Field Area

Vertex	Easting (X)	Northing (Y)
1	753594.57	9283282.63
2	751543.39	9283421.8
3	749813.04	9284007.44
4	748825.6	9284604.95
5	748165.52	9285405.78
6	746386.59	9289055.34
7	743012.13	9291732.9
8	740206.19	9292961.64
9	737271.88	9291989.65
10	738280.55	9287734.9
11	743103.83	9283498.48
12	751335.31	9281950.26
13	753245.36	9281913.13

UTM Zone 54, Southern Hemisphere; ADG 66

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SE Hedinia Field means the Petroleum bearing sandstones of the Toro Formation located within the SE Hedinia Field Area as described within this definition. The top of the Toro Formation in the SE Hedinia Field for the defining wells is given in Table I. The typical log response of the Toro Formation for the SE Hedinia Field is shown in Figure I.

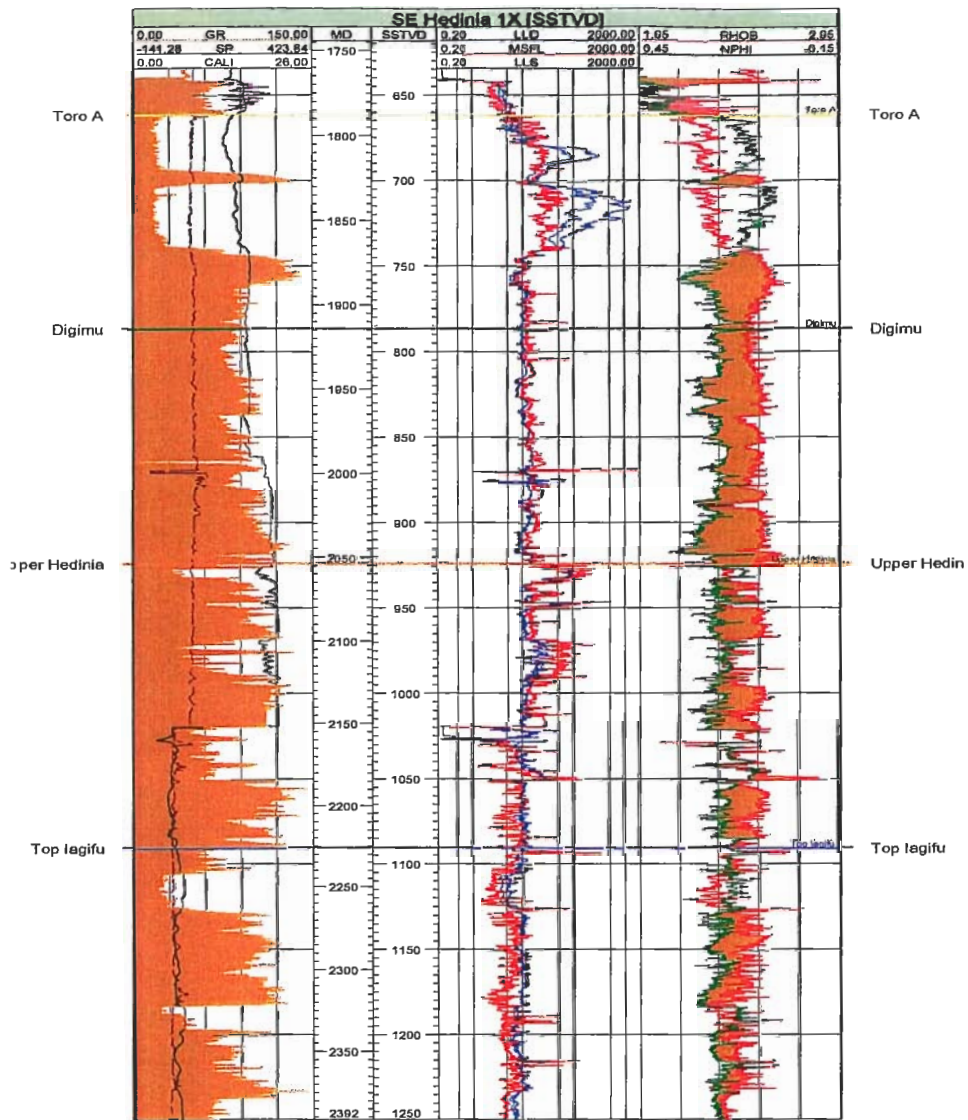
Any Petroleum penetrated by future wells drilled on the SE Hedinia structure, in the SE Hedinia Field Area contemporaneous with, correlatable to or considered a lateral extension of the Toro Formation in existing wells, will also be considered part of the SE Hedinia Field. Any Petroleum not accessed by current wells but in Pressure Communication with Petroleum in those wells that are part of the SE Hedinia Field is also considered to be part of the SE Hedinia Field.

Table I: List of Formation Tops of the SE Hedinia Field

Well	Formation							
	Top Toro A		Top Diginu		Top Hedinia		Top Iagifu	
	m SS	m MD	m SS	m MD	m SS	m MD	m SS	m MD
SE Hedinia 1X	-661.3	1787.5	-786.3	1913.8	-923.6	2053.5	-1090.3	2225.9
SE Hedinia 2X	-668.0	1935.6						
SE Hedinia 3X	-1172.0	2156.4	-1284.4	2282.4	-1400.4	2405.9	-1494.0	2503.9
SE Hedinia 4X	-848.3	1961.7						
SE Hedinia 4XST1	-951.5	2080.0						

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Figure I: Typical Log Response of the Toro Formation for the SE Hedinia Field



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SE Hedinia Field Area

SE Hedinia Field Area means that part of the PDL2 Area as is bounded by the co-ordinates in Table J. To avoid doubt, the SE Hedinia Field Area includes both the surface area bounded by the co-ordinates in Table J and sub-surface volume below such surface area. Approximate outlines of the SE Hedinia Field Area and the SE Hedinia Field are shown in Figure J.

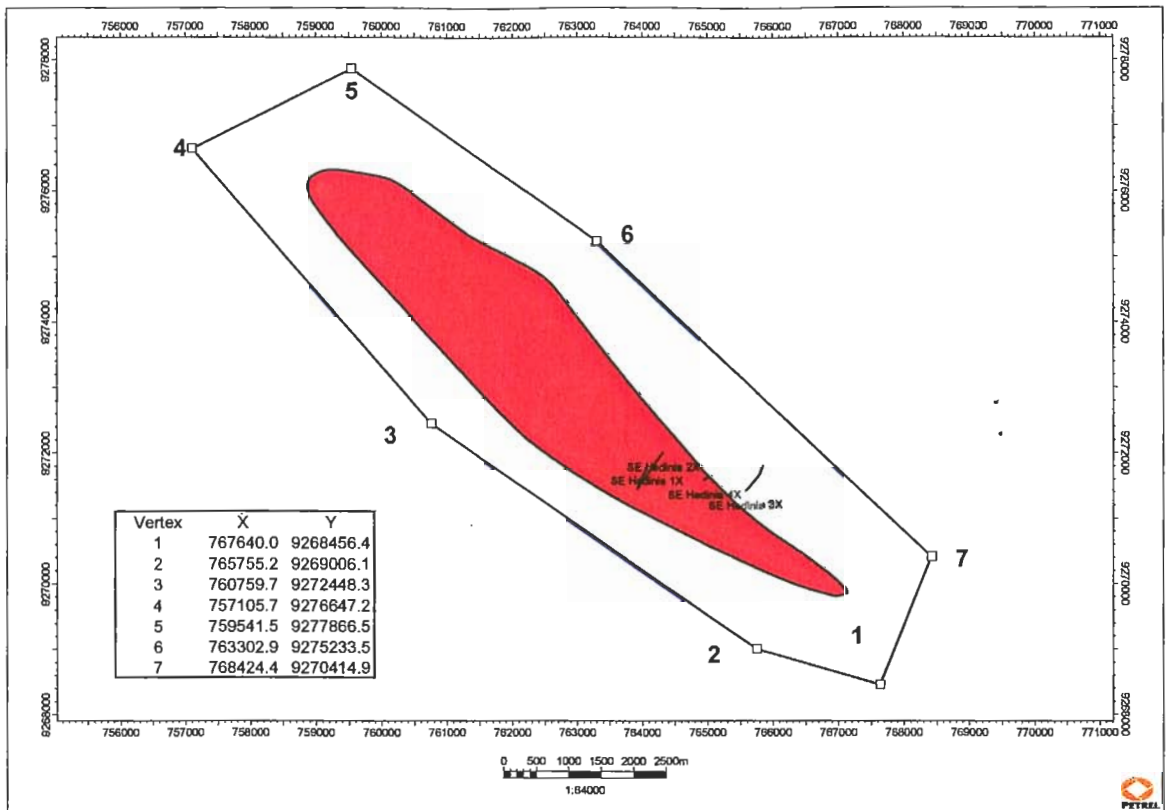
Table J: Co-ordinates of the SE Hedinia Field Area

Vertex	Easting (X)	Northing (Y)
1	767640.0	9268456.4
2	765755.2	9269006.1
3	760759.7	9272448.3
4	757105.7	9276647.2
5	759541.5	9277866.5
6	763302.9	9275233.5
7	768424.4	9270414.9

UTM Zone 54, Southern Hemisphere; ADG 66

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Figure J: SE Hedinia Field Area



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Agogo Field means the Petroleum bearing sandstones of the Toro Formation, Digimu Sandstone, Iagifu Sandstone and Hedinia Sandstone located within the Agogo Field Area as described within this definition. The top of the Toro Formation, Digimu Sandstone, Iagifu Sandstone and Hedinia Sandstone in the Agogo Field for the defining wells are given in Table K. The typical log response of the Toro Formation for the Agogo Field is shown in Figure K.

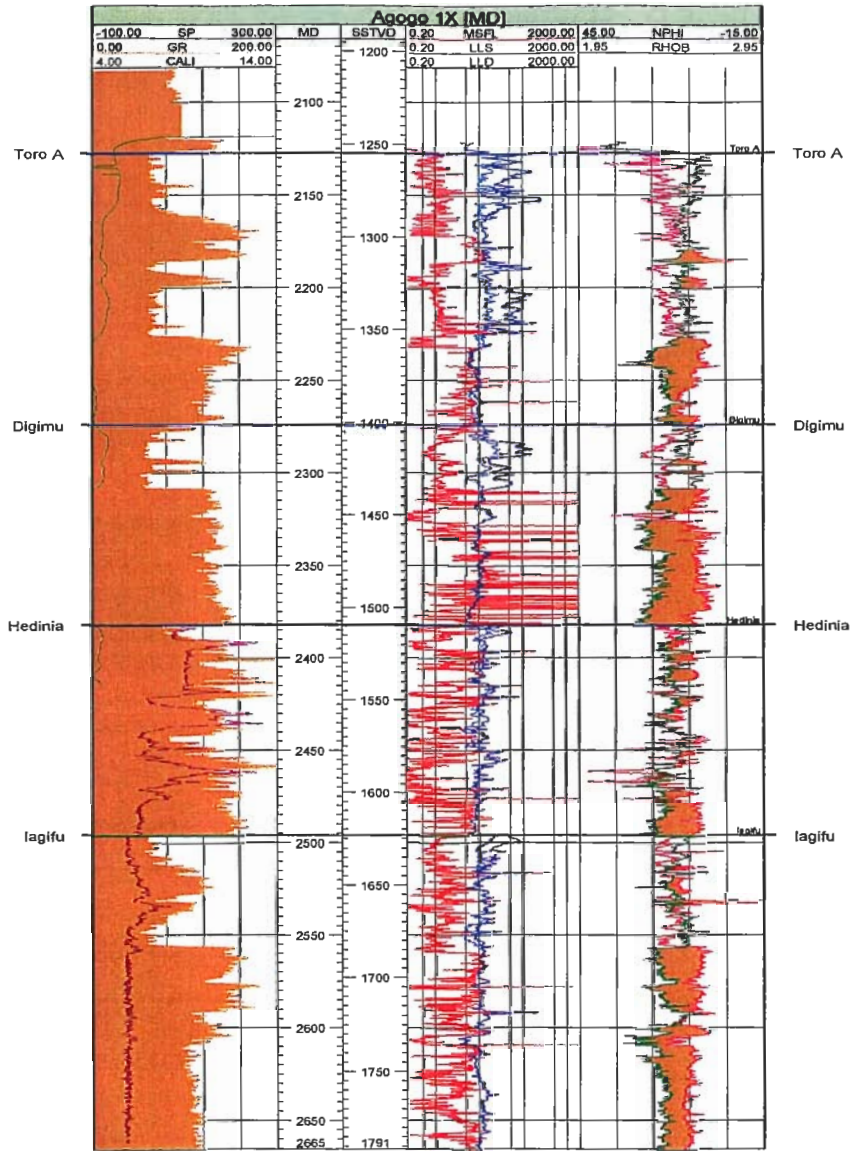
Any Petroleum penetrated by future wells drilled on the Agogo anticline, in the Agogo Field Area contemporaneous with, correlatable to or considered a lateral extension of the Toro Formation, Digimu Sandstone, Iagifu Sandstone and Hedinia Sandstone in existing wells, will also be considered part of the Agogo Field. Any Petroleum not accessed by current wells but in Pressure Communication with Petroleum in those wells that are part of the Agogo Field is also considered to be part of the Agogo Field.

Table K: List of Formation Tops of the Agogo Field

Well	Formation							
	Top Toro A		Top Digimu		Top Hedinia		Top Iagifu	
	m SS	m MD	m SS	m MD	m SS	m MD	m SS	m MD
ADD 1	-1403.0	2179.8						
ADD 1ST1	-1391.7	2186.6	-1522.9	2345.1				
ADD 2	-1327.7	2373.0	-1486.1	2598.3	-1598.3	2735.6	-1699.8	2842.3
ADD 3	-1350.9	2228.2	-1493.1	2388.0				
ADD 4	-1371.3	2230.6	-1516.0	2383.8				
ADT 1	-1517.8	2177.1	-1668.7	2328.7				
ADT 2	-1572.0	2245.4	-1735.8	2413.4	-1853.8	2533.0		
ADT 3	-1442.8	2290.3						
ADT 3AST1	-1571.2	2527.6						
ADT 3BST2	-1514.6	2395.6						
AGD 1	-1286.4	2305.5	-1440.2	2483.3				
AHT 1	-1418.8	2213.8						
AHT 1ST3	-1444.6	2269.2						
AHT 1ST3	-1613.1	2980.9						
AHT 2ST1	-1428.5	2325.0						
AHT 2ST1	-1950.8	3007.0						
Agogo 1X	-1254.7	2127.2	-1401.3	2274.0	-1509.4	2382.1	-1623.3	2496.1
Agogo 2X	-1369.4	2225.2	-1518.7	2374.8				
Agogo 2XST1	-1434.6	2525.3	-1593.0	2724.6				
Agogo 3X	-1410.9	2274.7	-1583.9	2449.9	-1623.3	2496.1	-1810.2	2681.2
Agogo 5X	-1692.7	2465.0						

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Figure K: Typical Log Response of the Toro Formation, Digimu Sandstone, Iagifu Sandstone and Hedinia Sandstone for the Agogo Field



Agogo Field Area

Agogo Field Area means that part of the PDL2 Area as is bounded by the co-ordinates in Table L. To avoid doubt, the Agogo Field Area includes both the surface area bounded by the co-ordinates in Table L and sub-surface volume below such surface area. Approximate outlines of the Agogo Field Area and the Agogo Field are shown in Figure L.

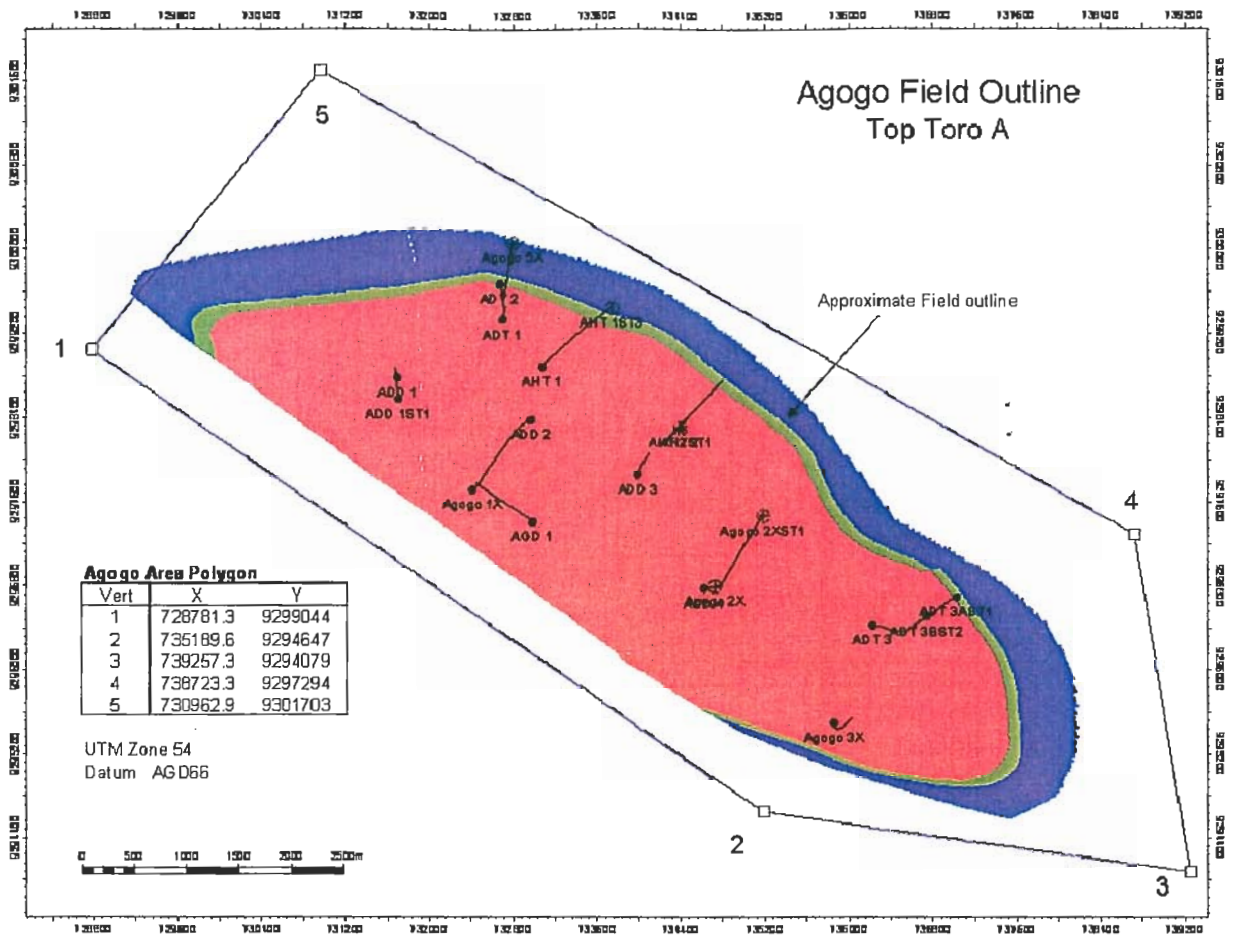
Table L: Co-ordinates of the Agogo Field Area

Vertex	Easting (X)	Northing (Y)
1	728781.3	9299044
2	735189.6	9294647
3	739257.3	9294079
4	738723.3	9297294
5	730962.9	9301703

UTM Zone 54, Southern Hemisphere; ADG 66

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Figure L: Agogo Field Area



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Moran Field

Moran Field means the Petroleum bearing sandstones of the Toro Formation and Digimu Sandstone located within the Moran Field Area as described within this definition. The top of the Toro Formation and Digimu Sandstone in the Moran Field for the defining wells is given in Table M. The typical log response of the Toro Formation and Digimu Sandstone for the Moran Field is shown in Figure M.

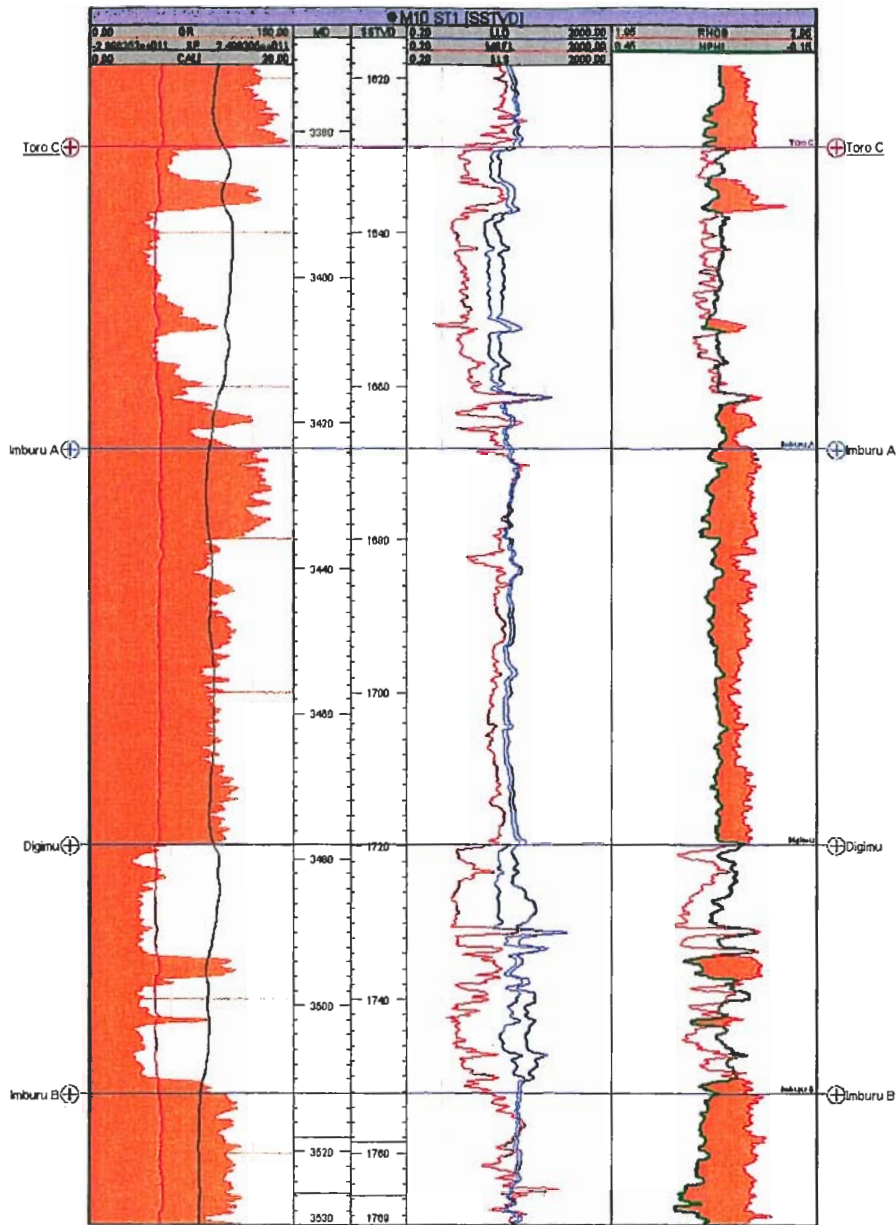
Any Petroleum penetrated by future wells drilled on the Moran structure, in the Moran Field Area contemporaneous with, correlatable to or considered a lateral extension of the Toro Formation and Digimu Sandstone in existing wells, will also be considered part of the Moran Field. Any Petroleum not accessed by current wells but in Pressure Communication with Petroleum in those wells that are part of the Moran Field is also considered to be part of the Moran Field.

Table M: List of Formation Tops of the Moran Field

Well	Formation			
	Top Toro C		Top Digimu	
	m SS	m MD	m SS	m MD
Moran 1X ST1	-1038.8	2819.1	-1139.3	2925.4
Moran 1X ST2	-1070.6	2843.2	-1244.5	3018.2
Moran 1X ST3	-1100.5	2871.9	-1338.8	3121.9
Moran 1X ST4	-1548.3	3420.9	-1722.2	3621.5
Moran 2X ST1	-1985.3	3970.6	-2081.8	4069.1
Moran 2X ST2	-740.1	2741.0	-828.8	2852.1
Moran 3X	-726.4	2291.2		
Moran 3X ST1				
Moran 3X ST2	-730.0	2418.7		
Moran 4X	-1382.7	3025.4	-1477.5	3121.8
Moran 5X	-1008.5	2625.6	-1117.4	2739.9
Moran 5X ST2	-603.6	2579.1	-692.0	2711.3
Moran 6X ST2	-1679.8	3756.9	-1790.9	3901.7
Moran 7	-1504.7	3215.9	-1617.2	3328.7
Moran 7 ST1	-1357.3	3111.4	-1441.8	3208.9
Moran 8	-1236.0	3106.9	-1380.4	3256.2
Moran 9 ST4	-1671.8	3347.4	-1830.5	3511.4
Moran 10 ST1	-1628.8	3382.0	-1719.8	3478.0
Moran 11	-1753.6	3816.6	-1880.3	3955.5
Moran 11 ST1	-1522.9	3537.7	-1694.5	3720.1
Moran 12A	-1511.8	2931.1	-1642.5	3092.7
Moran 13	-1449.7	2891.6	-1566.0	3038.3
NW Moran 1X ST3	-1856.1	3296.4	-1953.1	3396.1
NW Moran 1X ST4	-1959.8	3547.6	-2124.8	3769.3
NW Moran 1X ST5	-1801.8	3223.0	-1895.8	3317.1

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Figure M: Typical Log Response of the Toro Formation and Digimu Sandstone for the Moran Field



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Moran Field Area

Moran Field Area means those parts of the PDL2 Area, the PDL5 Area and the PDL6 Area as are bounded by the co-ordinates in Table N. To avoid doubt, the Moran Field Area includes both the surface area bounded by the co-ordinates in Table N and the sub-surface volume below such surface area. Approximate outlines for the Moran Field Area and the Moran Field are shown in Figure N.

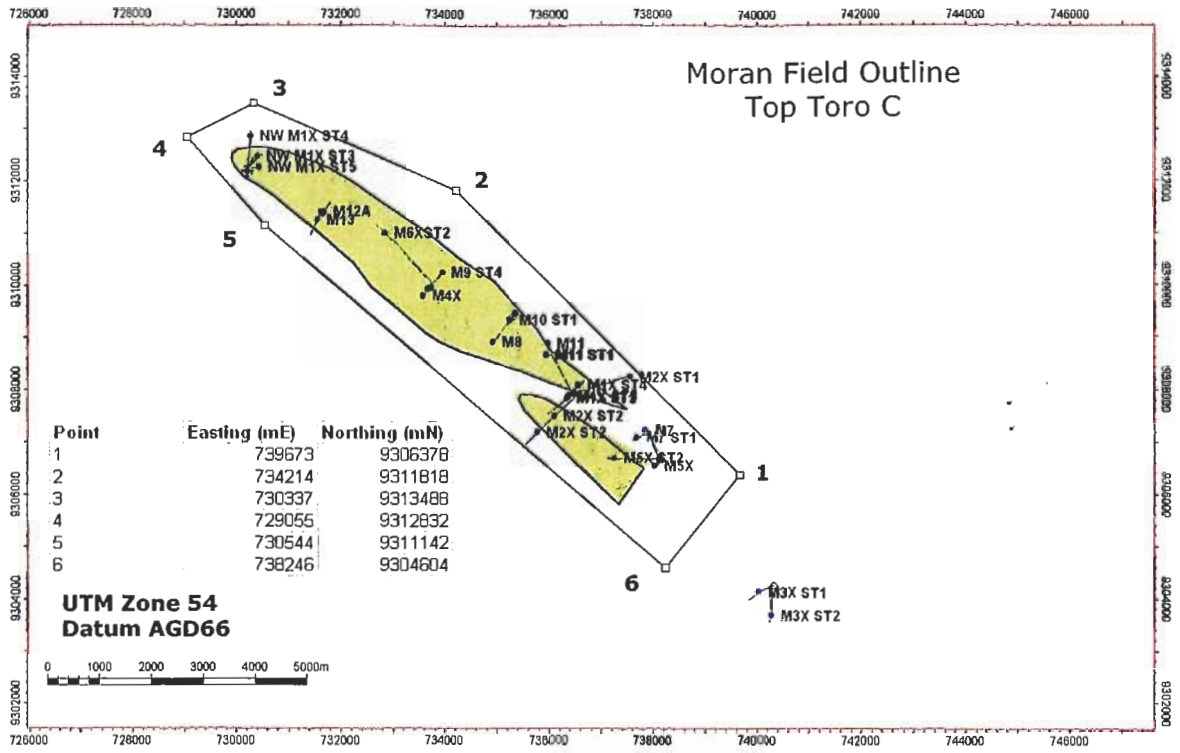
Table N: Co-ordinates of the Moran Field Area

Vertex	Easting (X)	Northing (Y)
1	739673	9306378
2	734214	9311818
3	730337	9313488
4	729055	9312832
5	730544	9311142
6	738246	9304604

UTM Zone 54, Southern Hemisphere; ADG 66

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Figure N: Moran Field Area



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Gobe Fields

Gobe Main Field means the Petroleum bearing sandstones of the Iagifu Sandstone located within the Gobe Field Area. The top of the Iagifu Sandstone in the Gobe Main Field for the defining wells is given in Table O1. The typical log response of the Iagifu Sandstone for the Gobe Main Field is shown in Figure O1.

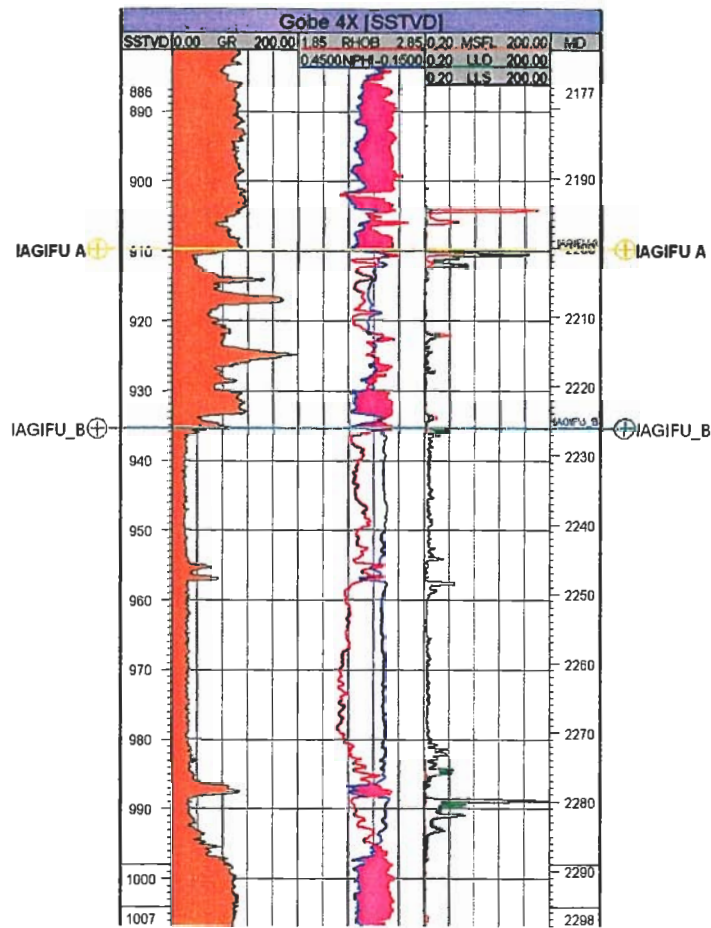
Any Petroleum penetrated by future wells drilled on the Gobe Main structure, in the Gobe Field Area contemporaneous with, correlatable to or considered a lateral extension of the Iagifu Sandstone in existing wells, will also be considered part of the Gobe Main Field. Any Petroleum not accessed by current wells but in Pressure Communication with Petroleum in those wells that are part of the Gobe Main Field is also considered to be part of the Gobe Main Field.

Table O1: List of Formation Tops of the Gobe Main Field

Well	Formation			
	Top Iagifu A		Top Iagifu B	
	m SS	m MD	m SS	m MD
Gobe Main 1	2658.1	-1138.4		
Gobe Main 1 ST1	2639.7	-1117.8	2685.3	-1146.6
Gobe Main 1 ST2	2646.5	-1133.3	2721.7	-1162.5
Gobe Main 2	2401.8	-1084.6	2432.1	-1111.3
Gobe Main 2 ST1	2426.2	-1107.1	2469.1	-1134.7
Gobe Main 3	2452.7	-1132.3	2477.9	-1151.5
Gobe Main 3 ST1	2482.8	-1122.9	2530.5	-1142.6
Gobe Main 4	2475.7	-1110.1	2511.0	-1135.1
Gobe Main 4 ST1	2540.7	-1126.2	2614.0	-1158.9
Gobe Main 4 ST2	2540.4	-1127.5	2612.4	-1160.3
Gobe Main 4 ST3	2540.7	-1127.6	2608.9	-1159.2
Gobe Main 5	2398.1	-1064.1	2518.6	-1125.3
Gobe Main 5 ST1	2425.9	-1095.3	2525.9	-1155.2
Gobe Main 5 ST2	2337.8	-1073.0	2476.6	-1131.8
Gobe Main 5 ST3	2425.9	-1113.8	2524.6	-1147.4
Gobe Main 7	2290.1	-1080.0	2321.5	-1109.3
Gobe 4X	2200.3	-909.8	2226.1	-935.4
Gobe 4X ST1	2388.5	-978.1	2447.5	-1019.1
Gobe 5AX ST1	2620.6	-1168.7	2668.6	-1207.4
Gobe 6X	2234.5	-1101.5	2273.3	-1140.2
Gobe 6X ST1	2290.6	-1097.7	2353.7	-1138.1
Gobe 6X ST2	2327.7	-1117.5	2418.6	-1158.8
Gobe 8X ST1	2382.9	-1184.1	2439.9	-1233.5
Gobe 8X ST3	2394.8	-1152.5		

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Figure O1: Typical Log Response of the Iagifu Sandstone from the Gobe Main Field



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Gobe 2X Field means the Petroleum bearing sandstones of the Iagifu Sandstone located within the Gobe Field Area. The top of the Iagifu Sandstone in the Gobe 2X Field for well Gobe-2X is given in Table O2. The typical log response of the Iagifu Sandstone for the Gobe 2X Field is shown in Figure O2.

Any Petroleum penetrated by future wells drilled on the Gobe 2X Field, in the Gobe Field Area contemporaneous with, correlatable to or considered a lateral extension of the Iagifu Sandstone in existing wells, will also be considered part of the Gobe 2X Field. Any Petroleum not accessed by current wells but in Pressure Communication with Petroleum in those wells that are part of the Gobe 2X Field is also considered to be part of the Gobe 2X Field.

Table O2: List of Formation Tops of the Gobe 2X Field

Well	Formation			
	Top Iagifu A		Top Iagifu B	
	m SS	m MD	m SS	m MD
Gobe 2X	-1077.3	2152.58		

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