CONVENTION

(Convention)

AND

APPENDIXES

SCHEDULE OF OBLIGATIONS
(Cahier des Charges)

EXCHANGE REGULATIONS
(Procédure des Changes)

COORDINATES AND MAP OF THE PERMIT
(Coordonnées et Carte du Permis)

BETWEEN

THE STATE OF TUNISIA

AND

L'ENTREPRISE TUNISIENNE
D'ACTIVITES PETROLIERES

AND

ATLAS PETROLEUM EXPLORATION
WORLDWIDE, LTD.

AND

EUROGAS INTERNATIONAL INC.

Tunis

July 2005
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CONVENTION REGARDING THE WORK OF EXPLORATION AND EXPLOITATION OF HYDROCARBON DEPOSITS

BETWEEN THE UNDERSIGNED:

The STATE OF TUNISIA, hereinafter referred to as “the GRANTING AUTHORITY”, represented by Mr. Affif CHIELBI, Minister of Industry, Energy and Small and Medium Companies,

ON THE FIRST PART,

AND

L’ENTREPRISE TUNISIENNE D’ACTIVITES PETROLIERES, hereinafter referred to as “ETAP”, whose headquarters are located in Tunisia at 27 bis Avenue Khéreddine Pacha, 1002 Tunis - Belvédère, represented by Mr. Taieb EL KAMEL, Chief Executive Officer, duly authorized to sign this Convention;

AND

ATLAS PETROLEUM EXPLORATION WORLDWIDE, LTD., hereinafter referred to as “APEX”, a company established and governed according to the laws of the state of Delaware, United States of America, having its head office located at 18000 Groeschke Road, Building – A1, Suite 200, Houston, Texas 77084-5642, United States of America, and residing in Tunisia at 10 Rue 7000, 4th Floor, 1002 Tunis-Belvédère, represented by Mr. O. Duane GAITHER II, President and Chief Operating Officer;

AND

EUROGAS INTERNATIONAL INC., hereinafter referred to as “EUROGAS”, a company established and governed according to the laws of Barbados, having its head office located at Ernst & Young Business Services, PO Box 261, Bay Street, Bridgetown, Barbados, and residing in Tunisia at 10 Rue 7000, 4th Floor, 1002 Tunis - Belvédère, represented by Mr. Jaffar KHAN, President;

ON THE SECOND PART.

ETAP acting as PERMIT HOLDER.

APEX and EUROGAS acting as CONTRACTOR.
IT HAS BEEN ESTABLISHED THAT:

A Protocole d’Accord awarding the Sfax Offshore Prospecting License was signed on 12 July 2003 between the Tunisian State on one hand and ETAP, Gaither Petroleum Corporation (GPC) and Eurogas International Inc. (EUROGAS) on the other hand.

The Sfax Offshore Prospecting Permit is awarded to ETAP as Titleholder, by a Decree from the Minister of Industry and Energy dated 28 November 2003 and published in the Tunisian Official Gazette no. 98 dated 9 December 2003.

By virtue of a Transfer Agreement signed on 3 December 2003 between ETAP on one hand and GPC, EUROGAS and Atlas Petroleum Exploration Worldwide, Ltd. (APEX) on the other hand, the latter becoming, jointly with EUROGAS, the Contractor of the Sfax Offshore Prospecting Permit.

By virtue of the Decree from the Minister of Industry, Energy and Small and Medium Companies dated 21 February 2005 and published in the Tunisian Official Gazette no. 16 dated 25 February 2005, the surface area of the Sfax Offshore Prospecting Permit was extended of 428 km²; the total surface area of said Permit has become 4104 km².

ETAP, APEX and EUROGAS have jointly filed as of 18 June 2005, a request to transform the Sfax Offshore Prospecting License into an Exploration Permit under the rule of the Hydrocarbon Code, promulgated by Law No. 99-93 of 17 August 1999 promulgating the Hydrocarbon Code, as amended and supplemented by Law No. 2002-23 dated February 14, 2002, called “Sfax Offshore Permit” which consists of one thousand and twenty six elementary perimeters (1026 P.E.) of four square kilometers (4 km²) each, in its entirety, or four thousand one hundred and four square kilometers (4104 km²).

ETAP by the right conforming to Section VI of the Hydrocarbon Code to conclude a Production Sharing Contract with a contractor possessing the financial resources and necessary technical experience.

APEX and EUROGAS have proven that they possess the financial resources and technical experience required to exercise all of the Hydrocarbon exploration, appraisal, development and exploitation activities.

ETAP, APEX and EUROGAS have signed a Production Sharing Contract, “PSC”, under which APEX and EUROGAS shall exercise all the activities subject of this Convention and its appendixes.

By virtue of this Contract, APEX and EUROGAS may directly deduct a portion of the petroleum production or natural gas to recover all the exploration, appraisal, development, and production expenses as well as a portion under the heading of remuneration. ETAP shall receive the remaining portion of production.
THIS BEING ESTABLISHED, IT HAS BEEN AGREED THAT:

ARTICLE 1:

The Exploration Permit, as defined in Article 2 of the Schedule of Obligations appended to this Convention (Appendix A), shall be granted to ETAP by way of Ministerial Order from the Ministry governing Hydrocarbons, which shall be published in the Journal Officiel de la République Tunisienne (Official Government Gazette of Tunista or "JORT").

ARTICLE 2:

The CONTRACTOR undertakes to execute and finance all exploration and exploitation work shall conform to the provisions of the Hydrocarbon Code and all regulatory texts adopted for its enforcement and notably its Section VI, and shall conform to the provisions of the Productions Sharing Contract and this Convention and its appendixes.

The GRANTING AUTHORITY shall grant to the CONTRACTOR the profit of all of the advantages and privileges set out by the Hydrocarbon Code, and by this Convention as well as its appendixes.

The appendixes which form and integral part of the said Convention are:

APPENDIX A: SCHEDULE OF OBLIGATIONS
APPENDIX B: EXCHANGE REGULATIONS
APPENDIX C: DEFINITION AND MAP OF THE PERMIT

ETAP commits to carry out the obligations to which it is subject within the allotted time granted by virtue of this Convention and its appendixes and the Production Sharing Contract. Hydrocarbon exploration and exploitation work undertaken by the CONTRACTOR in areas covered by the Exploration Permit shall be subject to the provisions of the Hydrocarbon Code and all regulatory texts adopted for its enforcement, the provisions of this Convention and its appendixes, as well as the Productions Sharing Contract.

ARTICLE 3:

In accordance with the provisions of the Hydrocarbon Code and the regulatory texts adopted for its enforcement, the PERMIT HOLDER hereby agrees to pay the GRANTING AUTHORITY:

1. The royalty proportional to the production of Hydrocarbons, hereinafter referred to as "the Royalty", to the value or the volume of liquid or gaseous hydrocarbons produced within the scope of this Convention and which are sold or collected by the PERMIT HOLDER or on his behalf and shall be paid depending on the rates set out in Article 101.2.4 of the Hydrocarbon Code.
The deduction and payment of this Royalty, whether in kind or in cash, shall be carried out according to the procedures set forth in Section III of the Schedule of Obligations.

2. The duties and taxes set out in Article 100 of the Hydrocarbon Code:

It is specified that the said duties, taxes and the Royalty shall be due and payable even in the absence of any profit.

3. The tax on profits shall follow the rates set out in Article 101 of the Hydrocarbon Code. The payments made by the PERMIT HOLDER under the heading of the tax on profits shall replace all taxes which may be in the application of the provisions of the Income Tax Code for Natural Persons and Corporate: Tax.

The profits subject to tax shall be calculated in accordance with the provisions of Chapter 1 of Section VII of the Hydrocarbon Code.

For the determination of the net profits, the CONTRACTOR will hold in Tunisia an account in Tunisian Dinars where all the incurred expenses, expenditures, and charges will be recorded with respect to the activities subject to this Convention, including the adjustments necessary to correct the losses or profits of exchange which would result without these adjustments, of one or more modifications intervening in the rates of exchange between the Tunisian Dinar and the national currency of the concerned CONTRACTOR in which the aforementioned expenses, expenditures and charges were incurred, being agreed that these adjustments themselves will not be regarded as a profit or a loss for purposes of the income tax.

The depreciation of tangible capital assets and expenditures treated as capital assets pursuant to the Article 109.1 of the Hydrocarbon Code may be deferred, as necessary, and they may thus be charged to the years showing a profit until the assets are fully depreciated.

Any non-depreciated balance of the value of any such fixed assets lost or abandoned may be treated as deductible expenses relating to the fiscal year during which they were lost or abandoned.

For every year in which there is a profit, the charging and depreciation shall be made in the following order:

- Carry-over of previous losses;
- Deferred depreciation;
- Other depreciation.

4. The CONTRACTOR shall pay for his normal account and shall account for it under the heading of recoverable expenses, the duties, taxes and tariffs stated in Article 114 of the Hydrocarbon Code.

5. The CONTRACTOR is subject to payment of tax on profits as of Article 101.3 of the Hydrocarbon Code; however, the tax on profits arising from the Hydrocarbons owed by
each entity comprising CONTRACTOR under this Convention, shall be taken in full by
the PERMIT HOLDER and paid for the account of each entity comprising
CONTRACTOR and this conforming to the provisions of the Hydrocarbon Code.

ARTICLE 4:

At the end of the month of October each year, the CONTRACTOR is required to inform the
GRANTING AUTHORITY of its proposed exploration and exploitation programs for the
following year, accompanied by expenditure budgets. The CONTRACTOR shall advise the
GRANTING AUTHORITY of any revisions made to these programs.

The CONTRACTOR is required to inform the GRANTING AUTHORITY immediately of
any contracts regarding the supply of services, of work or materials which value exceeds the
equivalent of five hundred thousand U.S. Dollars (U.S. $500,000).

The CONTRACTOR agrees that its contractors and suppliers shall be selected through a call
for tenders and in a manner consistent with current practices in the international oil and gas
industry.

To this end, all contracts or agreements (other than those concerning employment, insurance,
financial instruments and those brought about by a case of Force Majeure), the value of which
exceeds two hundred fifty thousand U.S. Dollars (U.S. $250,000) shall be awarded following
broad requests for quotation, in order to obtain the most advantageous conditions for the
CONTRACTOR, all companies consulted, Tunisian or foreign, being placed on an equal
footing. However, the CONTRACTOR shall be exempted from the obligation to follow this
procedure if it promptly provides reasons justifying this exemption to the GRANTING
AUTHORITY.

ARTICLE 5:

The CONTRACTOR shall conduct all the operations diligently, in accordance with technical
regulations in effect or, failing this, in accordance with appropriate regulations, pursuant to
the proper practices applied in the international oil and gas industry, in order to achieve the
optimum ultimate recovery of the natural resources covered by its Permit and its Concessions
which derive therefrom. The rights and obligations of the CONTRACTOR with respect to the
minimum work obligations, reservoir conservation practices, the renewals, transfers, the
extension in the duration or of area, abandonment, and relinquishment shall be as set out by
the provisions of the Hydrocarbon Code and the regulatory texts adopted for its enforcement
and as stated in the Schedule of Obligations.

Any assignment, transfer or disposal, whatever form it may take, of the CONTRACTOR's
rights and obligations deriving from this Convention and its Appendixes shall be in
conformity with the terms and conditions as defined in the Production Sharing Contract
described in the preamble of this Convention.
ARTICLE 6:

The GRANTING AUTHORITY undertakes:

1. to grant to the PERMIT HOLDER the renewals of its Permit under the conditions established by the Hydrocarbon Code and the regulatory texts adopted for its enforcement, and by the Articles 3 to 5 inclusive and Article 9 of the Schedule of Obligations;

2. to award Exploitation Concessions to the PERMIT HOLDER under the conditions established by the Hydrocarbon Code and the regulatory texts adopted for its enforcement, and by the Schedule of Obligations;

3. to not place the PERMIT HOLDER anc/or the CONTRACTOR either directly or indirectly under a more restrictive regime than the common law regime in effect, within the scope of carrying out the activities required under this Convention and the Schedule of Obligations;

4. to not increase the registration or standard fees to which Hydrocarbon titles are subject, but to fix these fees in accordance with the Hydrocarbon Code at the time of signature of this Convention except for revision proportional with variations to the general price index in Tunisia;

5. to allow all the assets and goods imported under exemption in accordance with the provisions of Article 116 of the Hydrocarbon Code to be re-exported also under exemption, subject to the restrictions which may be decreed by the GRANTING AUTHORITY during a state of siege or war;

6. to allow the PERMIT HOLDER and the CONTRACTOR, when refueling their ships and other vessels, to benefit from the special system designed for the merchant navy;

7. that the PERMIT HOLDER and the CONTRACTOR are subject for the operations carried out within the scope of this Convention to the exchange regulations set out in Chapter 2 Section VII of the Hydrocarbon Code, as specified in Appendix B which forms an integral part to this Convention.

ARTICLE 7:

The PERMIT HOLDER and the CONTRACTOR undertakes to market the Hydrocarbons extracted under the optimal financial conditions. To this effect, they undertake to sell them where possible in accordance with the provisions of Article 53 of the Schedule of Obligations.

ARTICLE 8:

Any dispute arising out of or in connection with this Convention and its Appendixes between the GRANTING AUTHORITY and the CONTRACTOR as well as any company who may at
a later date accede to it will be conclusively settled according to the Rules of Arbitration of the International Chamber of Commerce, by three (3) arbitrators named in conformity with said Rules. The Law and the applicable procedure will be those of Tunisian legislation. The arbitration will be held in Paris (France) and the language utilized will be French.

The Parties promise to execute the rendered judgment without delay and renounce any appeal of the decision. The ratification of the judgment in order to execute it may be requested from any competent court.

ARTICLE 9:

If the execution of the terms and conditions stated herein suffer any delay because of a case of Force Majeure as defined in Article 56 of the Schedule of Obligations, the timeframe forecasted for said execution shall be extended by a time period equal to that during which the case of Force Majeure will have lasted. The Permit or the Exploitation Concession validity period, as the case may be, shall consequently be extended without penalties.

ARTICLE 10:

The rights and obligations of the PERMIT HOLDER and the CONTRACTOR are those resulting from the Hydrocarbons Code and the regulatory texts adopted for its enforcement in effect at the time of signing this Convention and those resulting from the said Convention.

ARTICLE 11:

The Convention and the collection of texts appended there are exempted from stamp duties. They shall be registered under the system of a standard fee, at the expense of the PERMIT HOLDER according to the provisions of Article 100.a of the Hydrocarbon Code.

Made in Tunis, 20 July 2005
in six (6) original copies.

For THE STATE OF TUNISIA

Afrif CHELBI
Minister of Industry, Energy and Small and Medium Companies
For L'ENTREPRISE TUNISIENNE D'ACTIVITES PETROLIERES

Taleb EL KAMEL
President Director General

For ATLAS PETROLEUM EXPLORATION WORLDWIDE, LTD.

O. Duane GAITHER II
President & Chief Operating Officer

For EUROGAS INTERNATIONAL INC.

Jaffar KHAN
President

Registered at the Finance Department
Cité Mahrajene, 1082 TUNIS
On: 09 Sept. 2005
No of voucher: 90364
No of registration: 05705950
Amount: 3,480,000 Dinars
APPENDIX A

SCHEDULE OF OBLIGATIONS
APPENDIX A

SCHEDULE OF OBLIGATIONS

Appended to the Convention granting authority for exploration and exploitation of deposits of Hydrocarbons in the Permit called “Sfax Offshore”.

ARTICLE 1: Purpose of the Schedule of Obligations

This Schedule of Obligations, which form an integral part of the Agreement granting authorization for the exploration and exploitation of deposits of Hydrocarbons in the Sfax Offshore Permit (hereinafter referred to as “the Permit”), is to specify the conditions under which the L'ENTREPRISE TUNISIENNE D'ACTIVITES PETROLIERES, “ETAP” hereinafter referred to by the term “the PERMIT HOLDER”, and the companies, EUROGAS INTERNATIONAL INC., “EUROGAS”, and ATLAS PETROLEUM EXPLORATION WORLDWIDE, LTD., “APEX”, act as the CONTRACTOR within the scope of the Production Sharing Contract and hereinafter referred to by the term “the CONTRACTOR”.

1. shall perform the work for the purpose of the exploration of Hydrocarbons;

2. shall proceed, in the case where they discover an economically exploitable deposit, with development and exploitation of this deposit.

SECTION I

EXPLORATION WORK

ARTICLE 2: Delineation of the Permit

The Permit mentioned in the Article 1 above shall be delineated in accordance with the provisions of Article 13 of the Hydrocarbon Code and consists of one thousand and twenty six elementary perimeters (1026 E.P.) or a total initial surface area of four thousand one hundred and four square kilometers (4104 km²).

ARTICLE 3: Minimum work obligations during the initial period of validity of the Permit

During the initial period of validity of the Permit fixed at four (4) years, the CONTRACTOR undertakes to carry the following minimum exploration work program:
- Interpret two hundred and fifty km (250 km) of existing 2D seismic data.
- Interpret two hundred fifty square km (250 km²) of existing 3D seismic data.
- Drill one (1) exploration well to a depth necessary to evaluate prospective reservoir(s) in the Block.

The amount of expenditures for carrying out this work is estimated at three million five hundred thousand US Dollars (US$ 3,500,000).

In the case where the CONTRACTOR carries out the work program for the initial period of validity of the Permit and those of any other renewal period, as defined in Article 5 below, it will have met its obligations even in the case where the work was carried out at a lower cost than the estimated cost.

If at the end of any period of validity of the Permit the CONTRACTOR did not carry out its engagements relating to the work pertaining to the considered period, it shall be bound to pay to the GRANTING AUTHORITY the amount necessary for the achievement or the completion of the said exploration work, within the limits of the estimated expenditures.

The said amount as well as the methods of its payment shall be notified by the GRANTING AUTHORITY to the CONTRACTOR.

In the event of a dispute as to the amount, which shall be raised no later than thirty (30) days from the date of the notification stipulated above, the GRANTING AUTHORITY and the CONTRACTOR shall appoint by a mutual agreement, an independent expert to settle the disagreement in the sixty (60) days following the formulation of the said dispute.

The appointed expert shall return his verdict in the sixty (60) days which follow his appointment. His sentence is immediately binding.

The expenses and fees of the appointed expert shall be borne, by equal share, by the CONTRACTOR and the GRANTING AUTHORITY.

ARTICLE 4: Justification of the amount of work performed

The CONTRACTOR is required to justify to the GRANTING AUTHORITY the amount of expenditures related to the exploration work thereby performed during the period of validity of the Permit.

ARTICLE 5: Permit renewal

In accordance with the provisions of the Section IV of Title III of the Hydrocarbon Code and the regulatory texts adopted for its enforcement and subject to satisfying the conditions provided for by the said Section, the PERMIT\textsuperscript{c} HOLDER shall have the right to two (2) renewal periods of a duration of three years (3) each.
For the first renewal period, the CONTRACTOR undertake to carry out the following minimum work program:

- Drill one (1) exploration well to a depth necessary to evaluate prospective reservoir(s) in the Block.

The amount of expenditures to carry out this work program is estimated at three million five hundred thousand US Dollars (US$ 3,500,000).

For the second renewal period, the CONTRACTOR undertake to carry out the following minimum work program:

- Drill one (1) exploration well to a depth necessary to evaluate prospective reservoir(s) in the Block.

The amount of expenditures to carry out this work program is estimated at three million five hundred thousand US Dollars (US$ 3,500,000).

SECTION II

DISCOVERY AND EXPLOITATION OF A HYDROCARBON DEPOSIT

ARTICLE 6: Award of an Exploitation Concession

If the CONTRACTOR can prove a discovery and if it meets the conditions fixed by the Hydrocarbon Code and the regulatory texts adopted for its enforcement, the PERMIT HOLDER shall have the right to obtain the transformation of a part of its Permit into an Exploitation Concession.

The Exploitation Concession shall be for a term of thirty (30) years and shall be established according to the provisions of the Hydrocarbon Code and the regulatory texts adopted for its enforcement and according to the following conditions:

- the perimeter shall be chosen according to state-of-the-art practices and by taking into account the results obtained by the CONTRACTOR;
- the perimeter shall not isolate an enclave enclosed within the Concession.

It is agreed that in the event of discoveries located outside the Exploitation Concession but within its Exploration Permit, the PERMIT HOLDER shall have the right to require the transformation to the Concession of the perimeter to include each new discovery.
ARTICLE 7: Exploitation obligation

The CONTRACTOR undertakes to exploit all of its Concessions in accordance with practices in the international petroleum industry ensuring that optimum recovery is achieved consistently with economical exploitation, and following terms which, without jeopardizing its fundamental interests as operator, shall meet the economic interests of Tunisia.

If the CONTRACTOR proves that no exploitation method can help to extract the hydrocarbons from the deposit at a cost allowing to get, considering the prices of said products on the world market, an economic exploitation, the CONTRACTOR shall be relieved from its exploitation obligation, subject to the limitations stated in Article 8 below.

ARTICLE 8:

1. As with the example stated in Article 7 above, If the GRANTING AUTHORITY, concerned with ensuring the country's supplies of Hydrocarbons, decides that an undeveloped deposit must be exploited, the CONTRACTOR may agree to do so, on the condition that the GRANTING AUTHORITY guarantees the sale of the Hydrocarbons produced at a fair market price covering all direct expenses and general exploitation expenses, capital expenses, taxes of all kinds, a share of the CONTRACTOR's general head office expenses and all amounts of previous exploration work (excluding all exploration costs incurred or to be incurred, for the remainder of the Concession or the area covered by the Permit), guaranteeing to the CONTRACTOR a net profit margin of ten percent (10%) of total gross expenditures mentioned above.

2. If, however, the obligation resulting from Paragraph 1 of this article causes CONTRACTOR to commit startup expenditures that are deemed excessive in view of normal exploration and exploitation programs or whose normal amortization cannot be forecast with sufficient certainty, the PERMIT HOLDER, the CONTRACTOR, and the GRANTING AUTHORITY shall work together to review the financing of the proposed operation.

In this case, CONTRACTOR shall never be required to unwillingly increase its investments in a given operation if that operation is not included in its overall exploration and exploitation programs.

If such an increase in investments becomes necessary, the PERMIT HOLDER, the CONTRACTOR, and the GRANTING AUTHORITY shall work together to review the financing thereof, all or part of which the GRANTING AUTHORITY shall be required to provide.

3. The PERMIT HOLDER and CONTRACTOR may at any time obtain their release from the obligations set forth in this article by relinquishing the part of the concession to which they apply, in the conditions provided in Article 47 of this Schedule.
Similarly, if a concession has not yet been granted, the PERMIT HOLDER may at any time obtain its release by not applying for the concession and abandoning its exploration permit on the structure involved.

ARTICLE 9: Renewal of the Exploration Permit in the event of discovery of a deposit

Upon expiry of the period covered by the second renewal and if the CONTRACTOR has made a discovery and has fulfilled the conditions defined in the Hydrocarbon Code and its work obligations as defined in Article 5 above, the PERMIT HOLDER shall be entitled to a third renewal of the initial permit for a period of four (4) years.

For the third renewal period, the CONTRACTOR undertakes to carry out the work program comprising the drilling of one (1) exploration or assessment well.

The amount of the expenditures for the completion of such work program is estimated at three million five hundred thousand US Dollars ($3,500,000).

SECTION III

ROYALTY PROPORTIONAL TO THE PRODUCTION OF HYDROCARBONS

ARTICLE 10: Royalty due on liquid hydrocarbons

1. The Royalty proportional to the quantities of liquid hydrocarbons produced under the Permit during exploration or exploitation work shall be paid in the case of cash payment or in the event of payment in kind be delivered free of charge to the GRANTING AUTHORITY, at a point called “the point of collection” defined in Article 12 of this Schedule of Obligations, with the necessary adjustments made to take into account water and impurities as well as the temperature and pressure conditions under which these measurements are made.

2. The liquid production to which account the proportional Royalty is due shall be measured at the outlet of the storage tanks situated on the production fields. The methods used for measurement shall be proposed by the CONTRACTOR and approved by the GRANTING AUTHORITY. These measurements shall be taken following a work schedule depending upon on site requirements. The GRANTING AUTHORITY shall be informed in good time. It may arrange for a representative to be present at the measurement operations, and to carry out any inspections involving both parties.

3. The proportional Royalty on production shall be paid monthly. It shall be collected during the first half of the month following the month in which it was due. The PERMIT HOLDER shall send to the GRANTING AUTHORITY a “statement of the quantities of
Hydrocarbons subject to the Royalty", with all appropriate supporting documents in which the conflicting production measurements shall be taken into consideration.

After verification and correction, where necessary, the above-mentioned statement shall be approved by the GRANTING AUTHORITY.

ARTICLE 11: Choice of method of payment for the proportional Royalty on production

The GRANTING AUTHORITY shall choose whether the method of payment of the proportional Royalty on production shall be in cash or in kind.

With respect to liquid hydrocarbons, the GRANTING AUTHORITY shall inform the PERMIT HOLDER, no later than June 30 of each year, of its choice of the method of payment and in the case of payment in kind, also its choice of the points of delivery mentioned in Articles 13 and 14 of this Schedule of Obligations. This decision shall be valid for the period beginning from January 1st to December 31 of the following year.

If the GRANTING AUTHORITY does not notify its decision within the time period stipulated, it shall be deemed to have chosen the method of payment in kind.

With respect to gas, the GRANTING AUTHORITY and the PERMIT HOLDER shall confer in order to establish the method of payment and the periods of its application.

ARTICLE 12: Cash collection methods for the proportional Royalty on liquid hydrocarbons

1. If the proportional Royalty is collected in cash, it shall be paid monthly on the basis of the following; firstly, the statement approved by the GRANTING AUTHORITY as stated in paragraph 3 of Article 10 of this Schedule of Obligations and secondly, the value of the liquid hydrocarbons determined at the outlet of the storage tanks located on the production field, hereinafter referred to as "collection point". It is agreed that this amount shall be established in relation to the actual sale prices, in accordance with Article 53 of this Schedule, after deducting costs of transport but not the customs formalities tax ("RPD") from said tanks to on board the vessel.

2. The price applied for each category of Hydrocarbons subject to the Royalty shall be the price mentioned in paragraph 3 of this Article for all quantities sold from the PERMIT HOLDER during the month in consideration, adjusted as appropriate to bring this price in line with the conditions of reference set out in paragraph 1 above and adopted for payment of the Royalty.

3. The sale price shall be the price that the PERMIT HOLDER actually received in accordance with Article 53 of this Schedule of Obligations and Article 50.1 of the Hydrocarbon Code, with respect to sales made to cover Tunisian domestic consumption requirements.
4. Unit prices to be applied for the month in question shall be computed in accordance with Article 53 of this Schedule of Obligations and shall be announced by the PERMIT HOLDER at the time of sending the monthly statement referred to in paragraph 3 of Article 10 of this Schedule of Obligations.

If the PERMIT HOLDER fails to announce the prices or does not announce them within the time stipulated, they shall be established automatically by the GRANTING AUTHORITY, following the principles defined in paragraphs 2, 3 and 4 of this Article, and on the basis of the items of information in its possession.

ARTICLE 13: Methods for collection in kind of the proportional Royalty on liquid hydrocarbons

If the proportional Royalty on liquid hydrocarbons is collected in kind, it shall be at the point of collection defined in Article 12 above. However, it may be delivered to another point referred to as “the point of delivery”, according to the provisions set out in this Article.

When sending to the GRANTING AUTHORITY the statement referred to in paragraph 3 of Article 10 above, the PERMIT HOLDER shall also inform it of the quantities of the different categories of liquid hydrocarbons constituting the proportional Royalty and the exact place where they shall be stored.

The GRANTING AUTHORITY may choose the point of delivery of the liquid hydrocarbons constituting the Royalty in kind, either as the point of collection, or as any other point located at one of the terminals of the main pipelines of the PERMIT HOLDER and the CONTRACTOR.

The GRANTING AUTHORITY shall arrange at its expense suitable reception facilities at the point agreed for delivery. These means shall be suitable with respect to size, safety and method of production of the Hydrocarbon deposit.

The GRANTING AUTHORITY may require the PERMIT HOLDER and CONTRACTOR to build the aforesaid receiving facilities, but only if they are normal facilities located near the production fields. It shall then supply the necessary materials and reimburse the PERMIT HOLDER and CONTRACTOR for their actual outlays in the currency of expenditure.

The liquid hydrocarbons constituting the Royalty in kind, will become the property of the GRANTING AUTHORITY starting from the “point of collection” and shall be delivered by the PERMIT HOLDER to the GRANTING AUTHORITY at the point of delivery determined by the latter.

If the point of delivery is different from the point of collection, i.e., located outside the PERMIT HOLDER’s and CONTRACTOR’s general transportation system, the GRANTING AUTHORITY shall reimburse to the CONTRACTOR the actual cost of the operations of handling and transport carried out by it between the point of collection and the point of
delivery, including the portion of depreciation of its facilities and insurance against losses and pollution which must be obligatorily subscribed.

The lifting of liquid hydrocarbons constituting the Royalty in kind shall be at the rate agreed each month between the PERMIT HOLDER and the GRANTING AUTHORITY.

Except in event of Force Majeure, the GRANTING AUTHORITY must inform the PERMIT HOLDER at least ten (10) days in advance of any changes which may affect the planned loading program.

The GRANTING AUTHORITY shall ensure that the quantities of Hydrocarbons that make up the Royalty due for the past month are lifted in the normal manner within the thirty (30) days following delivery by the PERMIT HOLDER of the information mentioned in paragraph 2 of this Article.

However, a lifting plan involving periods in excess of one month may be decided by mutual agreement.

If the GRANTING AUTHORITY collects the quantities of Hydrocarbons that make up the Royalty within a period of thirty (30) days, the PERMIT HOLDER shall not be entitled to any compensation.

However, the GRANTING AUTHORITY reserves the right to demand from the PERMIT HOLDER an extension of this period of thirty (30) days for a further period which may not be more than sixty (60) days.

The relaxation thus granted shall be compensated. The GRANTING AUTHORITY shall pay to the PERMIT HOLDER an indemnity calculated in accordance with a previously agreed rate remunerating the additional charges endured for this reason by the PERMIT HOLDER.

In any event, the PERMIT HOLDER cannot be required to extend the relaxation mentioned in paragraph 5 of this Article beyond a total of ninety (30 + 60) days. After this period, the uncollected Royalties shall no longer be owed in kind. Consequently, the PERMIT HOLDER shall have the right to sell the quantities not lifted by the GRANTING AUTHORITY on the petroleum market with the obligation to pay to the GRANTING AUTHORITY the proceeds from the sale under the conditions set out in Article 12 above.

In the case where the provisions set out in paragraph 6 of this Article, are enforced more than two (2) times in the course of the same financial year, the PERMIT HOLDER may demand that the Royalty be paid in cash until the end of the year in consideration.

ARTICLE 14: Royalty due on gaseous hydrocarbons

1. The PERMIT HOLDER shall pay, in event of payment in cash or delivery free of charge in event of payment in kind to the GRANTING AUTHORITY, a proportional Royalty on the production of gaseous hydrocarbons calculated according to the provisions of the Hydrocarbon Code and the regulatory texts adopted for its enforcement.
The Royalty will be collected:

- either in cash on the quantities of gas sold from the PERMIT HOLDER. The sales price under consideration is the price applied by the PERMIT HOLDER in accordance with the provisions of Article 53 of this Schedule of Obligations, after the necessary adjustments to the quantities considered at the "point of collection". This point of collection is the intake of the main gas pipeline of gas transport;

- or in kind on the quantities of gas produced from the PERMIT HOLDER, measured at the outlet of the processing facilities. The methods used for measurement shall be proposed by the PERMIT HOLDER, and approved by the GRANTING AUTHORITY.

The GRANTING AUTHORITY shall be informed in due time of the date at which the measurement of produced gas shall proceed. It may arrange for a representative to be present during the measuring operations and to carry out any inspections involving both parties.

The GRANTING AUTHORITY may choose as point of delivery, either the point of collection as defined in the preceding paragraph, or any other point situated at one of the terminals of the main pipelines of the PERMIT HOLDER and the CONTRACTOR, under the same conditions to those mentioned in paragraphs 3 and 4 of Article 13 above.

2. If the PERMIT HOLDER and the CONTRACTOR decide to extract, in a liquid form, certain Hydrocarbons which could be present in the natural gas, the GRANTING AUTHORITY shall collect the Royalty after processing. The Royalty on these liquid products shall be collected either in cash or in kind from a "secondary point of collection" which shall be where the liquid products are separated from the gas.

In the case where the payment of the Royalty is made in kind, a different point of delivery may be chosen by mutual agreement. This point of delivery shall necessarily coincide with one of the delivery facilities specified by the PERMIT HOLDER for its own needs.

The GRANTING AUTHORITY shall reimburse its share of the handling and transportation costs under the same conditions as those set out in paragraph 4 of Article 13 above.

In the case where the Royalty is collected in cash, it shall be calculated on the basis of the actual sale price, corrected by the necessary adjustment to the conditions corresponding to the secondary point of collection.

The choice of payment of the Royalty, in cash or in kind, shall be made under the same conditions set out in Article 11 above for liquid hydrocarbons.
3. Unless justifiably prohibited by the GRANTING AUTHORITY, the natural gasoline separated by simple pressure reduction and stabilization shall be considered to be a liquid hydrocarbon, which can be re-mixed with the crude oil.

A lifting plan involving periods of six (6) months may be decided by mutual agreement, with reference to the Royalty paid in natural gasoline or the volume of the said product allocated to the requirements of the Tunisian economy.

4. The PERMIT HOLDER and the CONTRACTOR shall not be obliged:

- either to extract any more condensate than is necessary in order to make the gas marketable, if it has found a commercial outlet for said gas;
- or to stabilize or store the natural gasoline;
- or to carry out any particular treatment or recycling operation.

5. In the case where the GRANTING AUTHORITY chooses to collect the Royalty in kind, it must provide at its own expense at the agreed points of delivery, suitable means of reception capable of receiving its share of the liquids as and when they become available following their production or upon their departure from the processing plants. The GRANTING AUTHORITY shall take charge of the liquids at its own risks from the time of delivery. It may not require the PERMIT HOLDER or CONTRACTOR to store these liquids.

6. In the case where the GRANTING AUTHORITY chooses to collect the Royalty in cash, this Royalty shall be paid monthly according to the provisions of paragraph 3 of Article 10 and Article 12 above.

7. If the GRANTING AUTHORITY is not in a position to receive the Royalty in kind under the conditions specified in paragraph 5 of this Article, it shall be considered to have renounced the right to collect in kind either all the quantities corresponding to the Royalty due or for part of the these quantities for which it does not have adequate means of reception.

SECTION IV

EXPLORATION AND EXPLOITATION FACILITIES OF THE PERMIT HOLDER AND THE CONTRACTOR

ARTICLE 15: Opportunities provided to the PERMIT HOLDER and the CONTRACTOR for their ancillary facilities

In accordance with the provisions of Articles 84 to 90 of the Hydrocarbon Code, the GRANTING AUTHORITY shall provide the PERMIT HOLDER and the CONTRACTOR with all opportunities for ensuring at their expense, in a rational and economical manner, prospecting, exploration, extraction, transportation, storage and removal of the products
resulting from their exploration and production, and also for any operation designed for the processing of said products in order to make them marketable.

These opportunities shall concern, as far as possible:

a. the development of storage depots on the production fields, in the shipping ports or near the processing plants;

b. the natural gas processing facilities;

c. the road, rail, air and sea communications, as well as connections to road, rail, air or sea networks;

d. the pipelines, pumping stations and any facilities for bulk transportation of Hydrocarbons;

e. the shipping stations located in the public domain at sea or in public seaports or airports;

f. the telecommunications and their connections to the Tunisian telecommunications networks;

g. the connections to the public power distribution networks and to private power lines;

h. the supplies of potable and industrial usage water.

ARTICLE 16: Facilities not of a public interest

1. The CONTRACTOR shall set up, at its own expense and risks, all the facilities it requires for its exploration and production operations which are not of a public interest, whether these be located inside or outside of the Permit and any ensuing Concessions.

Considered as facilities not of a public interest are:

a. the means of storage on the production fields located on land or sea;

b. the pipelines for taking the crude oil or gas from the wells and ensuring transportation to the storage or processing tanks;

c. the evacuation pipelines for the transport of crude oil by rail, by road or by sea, as well as the gas pipelines from the treatment and storage centers to the point of loading;

d. the storage tanks at the points of loading;

e. the bulk shipping facilities by pipeline for loading ships;
f. the special water conveyance for which the PERMIT HOLDER should obtain a license or concession;

g. the private electrical power lines;

h. the runways, service roads and rail lines for land and air access to the sites of the PERMIT HOLDER and the CONTRACTOR;

i. the telecommunications between the sites of the PERMIT HOLDER and the CONTRACTOR;

j. in general, the industrial facilities, workshops and offices for the exclusive use of the PERMIT HOLDER and the CONTRACTOR, and which constitute legal dependencies of their business;

k. the land, air and sea transport equipment owned by the PERMIT HOLDER and the CONTRACTOR permitting their access to their sites.

2. For the facilities mentioned in sub-paragraphs c., e., f. and g. of paragraph 1 of this Article, the PERMIT HOLDER and the CONTRACTOR shall be required, if the GRANTING AUTHORITY so requests of them, to allow third parties to use the said facilities subject to the following conditions:

a. the PERMIT HOLDER and the CONTRACTOR shall not be required either to build or to maintain larger facilities than those required for their own purposes;

b. the needs of PERMIT HOLDER and the CONTRACTOR shall be given priority over those of third party users;

c. use of said facilities by third parties shall not hinder the production carried out by the CONTRACTOR for its own needs and shall be at the sole risk of the third parties;

d. any third party users shall pay the PERMIT HOLDER and the CONTRACTOR a fair charge for the service provided.

The rates and conditions of use applicable to third party users shall be established by the Minister in charge of Hydrocarbons upon proposal from the PERMIT HOLDER and the CONTRACTOR in accordance with the provisions of the Hydrocarbon Code and the regulatory texts adopted for its enforcement.

3. The GRANTING AUTHORITY reserves the right to require the CONTRACTOR to enter into agreements with third party Permit or Concession holders designed for jointly fitting up and using the structures envisaged in sub-paragraphs c., e., f., g. and h. of paragraph 1 of this Article, if as a result, each of the companies involved would be able to save on investments.
4. The GRANTING AUTHORITY, within the scope of current legislation and regulations in effect, shall make every effort to provide the CONTRACTOR with the authorizations necessary for carrying out the operations mentioned in paragraph 1 of this Article.

ARTICLE 17: Use of existing public tools and equipment by the PERMIT HOLDER and the CONTRACTOR

The PERMIT HOLDER and the CONTRACTOR shall be permitted to use all the existing Tunisian public tools and equipment for their exploration and exploitation, in accordance with clauses, conditions and rates in effect and on a strictly equal footing with other users.

ARTICLE 18: Facilities of a public interest built by the GRANTING AUTHORITY at the request of the CONTRACTOR

1. If the CONTRACTOR proves its need to supplement the existing public tools and equipment or to carry out works of general public interest in order to develop its activity of exploration and exploitation of Hydrocarbons, it must inform the GRANTING AUTHORITY.

The GRANTING AUTHORITY, the PERMIT HOLDER and the CONTRACTOR undertake to confer in order to find the optimum solution for meeting the legitimate needs expressed by the CONTRACTOR, bearing in mind legislative and statutory provisions in force concerning the public property and services in question.

2. Except for provisions to the contrary specified in Articles 22, 23 and 24 of this Schedule of Obligations, the parties agree to apply the following terms:

   a. The CONTRACTOR shall inform the GRANTING AUTHORITY of its needs with respect to the facilities that it requests built.

      It shall support its request with a statement justifying the need for the said facilities and by a detailed construction plan.

      It shall mention in the plan the completion times it shall use if entrusted with the construction work. This schedule must correspond to its general plans for the development of its operations in Tunisia, as indicated in the reports and statements which it is required to submit to the GRANTING AUTHORITY in application of Section V of this Schedule of Obligations.

   b. The GRANTING AUTHORITY is required to inform the CONTRACTOR within a period of three (3) months of its comments concerning the technical provisions envisaged by the CONTRACTOR, and on its intentions concerning the methods in accordance with which the work shall be carried out.

      It reserves the right to either carry out the work itself or to entrust it to the CONTRACTOR.
c. If the GRANTING AUTHORITY decides to perform the requested work itself, it shall specify whether it intends to finance the capital project itself, or whether it intends to require the CONTRACTOR to reimburse all or part of its expenditures.

In the latter case, the CONTRACTOR shall be required to reimburse to the GRANTING AUTHORITY all or an agreed portion of the actual and duly justified expenditures, on monthly terms that shall begin to run the month following submission of the accounts, under penalty of default interest calculated at the legal rate.

d. In the cases mentioned in the sub-paragraph c. of this Article, the construction plans shall be completed by mutual agreement between the parties, in accordance with the rules of proper industry practice and following the general conditions, clauses and particular technical specifications applied by the GRANTING AUTHORITY.

The plans shall be approved by the Minister in charge of Hydrocarbons, after hearing the CONTRACTOR. It shall take the comments of the later into account whenever practical.

The CONTRACTOR shall be entitled to withdraw its application if it judges that the financial contribution imposed upon it is too high.

If it accepts the decision of the Minister in charge of Hydrocarbons, the GRANTING AUTHORITY shall be required to carry out the work diligently and ensure that the structures are brought into service within a normal period of time, bearing in mind the legitimate needs expressed by the CONTRACTOR and the means of construction likely to be implemented.

3. The structures thus carried out shall be made available to the CONTRACTOR in order to satisfy its requirements, but it may not claim exclusive use thereof.

The GRANTING AUTHORITY or any other public institution, office or agent appointed by it, shall ensure the use, maintenance and renewal of the structures under conditions which shall be established at the time of approval of the construction plans.

4. In return for the use of the said facilities, the CONTRACTOR shall pay to the operator the usage fees and charges which shall be established, after hearing the CONTRACTOR, by the Minister in charge of Hydrocarbons. These fees and charges shall be the same as those applied in Tunisia for similar enterprises or public services, where they exist. Otherwise, they shall be fixed in accordance with the provisions of the sub-paragraph d. of paragraph 2 of Article 16 of this Schedule of Obligations.

In the case where the CONTRACTOR, as stated in sub-paragraph c. of paragraph 2 of this Article, has reimbursed all or part of the capital expenditures, this will be taken into account in the same proportion in the calculation of the charges and fees for use.
ARTICLE 19: Facilities of a public interest built by the CONTRACTOR (license or permit for use of public equipment)

In the case mentioned in sub-paragraph b. of paragraph 2 of Article 18 of this Schedule of Obligations, where the GRANTING AUTHORITY decides to entrust the CONTRACTOR with construction work of a public interest, the latter shall benefit from a public equipment license or permit for the work in question.

1. Reference shall be made to legislation on the matter, if it already exists, for the type of facilities in question.

2. If none exist, and excepting the provisions to the contrary stated in Articles 22, 23 and 24 of this Schedule des Charges, the general provisions below shall be applied:

   a. The public equipment license or permit shall be granted in a separate certificate, independent from the Hydrocarbon Exploitation Concession decree.

   b. The CONTRACTOR shall construct and exploit the facilities at its own risks.

   c. The related plans shall be drawn up by the CONTRACTOR and approved by the GRANTING AUTHORITY.

   d. The GRANTING AUTHORITY shall also approve the measures for safety and use taken by the CONTRACTOR.

   e. The structures built by the CONTRACTOR on the administered property of the STATE, local administrations or public establishments shall return to the right of the GRANTING AUTHORITY at the end of the Hydrocarbon Exploitation Concession.

The license or permit for use of public equipment shall entail the obligation on the part of the PERMIT HOLDER and the CONTRACTOR to make their structures and facilities available to the GRANTING AUTHORITY and the public, on the understanding that the PERMIT HOLDER and the CONTRACTOR shall be entitled to give priority to their own requirements before meeting those of the other users. The rates for use shall be fixed as stated in sub-paragraph d. of paragraph 2 of Article 16 of this Schedule of Obligations.

ARTICLE 20: Duration of the licenses and permits granted for the ancillary facilities of the CONTRACTOR

1. The licenses and permits for occupation of public property, use of public equipment and rental of private property of the STATE, shall be granted to the CONTRACTOR for the period of validity of the Exploration Permit, in accordance with the procedures in force.

They shall be automatically extended if the PERMIT HOLDER obtains one or more Hydrocarbon Exploitation Concessions, granted in accordance with Article 6 of this Schedule of Obligations and until the last of these Concessions expires.
2. If, however, the structure which is the subject of the license or permit for occupation of public property or private property of the STATE or the license or permit for use of public equipment ceases to be used by the CONTRACTOR, the GRANTING AUTHORITY reserves the rights defined below:

a. When the above-mentioned structure permanently ceases to be used by the CONTRACTOR, the GRANTING AUTHORITY may automatically announce the cancellation of the license or permit of use of public equipment or relevant occupation;

b. Should the CONTRACTOR temporarily stop using the above-mentioned structure but may later need to resume its use, the GRANTING AUTHORITY shall have the right to temporarily use it under its own responsibility either for its own benefit, or on behalf of a third party it may designate. However, the CONTRACTOR shall resume using the said structure as soon as this becomes necessary for its exploration or exploitation activities.

ARTICLE 21: Various provisions relating to licenses or permits other than the Hydrocarbon Exploitation Concession

In any case, the regulations imposed on the CONTRACTOR concerning the use of a public service, the occupation of private or public STATE property and licenses or permits or authorizations of use of public equipment, shall be those in force at the time in question, in matters pertaining to the safety, preservation and administration of public property and STATE assets.

The above-mentioned licenses and permits shall give rise to payment by the CONTRACTOR of the registration fees, duties and charges applicable at the time of their granting in accordance with the procedures in force.

The rates, usage fees and charges shall be those of the general lists in force on the matter. The GRANTING AUTHORITY undertakes not to impose at the expense of the CONTRACTOR at the time of issue of the above mentioned licenses or permits, any usage royalties, taxes, charges, duties or fees which may affect the ancillary facilities of the CONTRACTOR in a discriminatory manner and constitute additional disguised taxes or charges which no longer represent just payment for a service provided.

ARTICLE 22: Provisions applicable to water reservoirs and conduits

1. The CONTRACTOR is deemed to be perfectly aware of all the difficulties and problems involved in the supply of potable water or water used for industry or agriculture, inside the perimeter covered by the initial Permit as defined in Article 2 of this Schedule of Obligations.
2. If the CONTRACTOR so requests, it may take out temporary or permanent subscription contracts for potable or industrial water public distribution networks, within the limits of its legitimate needs and of the volumes which these networks may ensure.

The subscriptions shall be granted in accordance with the general conditions, clauses and rates applicable for the considered public networks.

The connection lines shall be established at the request of the PERMIT HOLDER at its expense, following plans approved by the pertinent services of the Minister for Agriculture, in accordance with the technical conditions and clauses applicable to such connection lines in the administered area.

3. When the CONTRACTOR needs to have a temporary water supply to its work sites and particularly its drilling sites, and when the legitimate requirements of the CONTRACTOR cannot be met economically by using a connection pipe from an existing public water point or a public water distribution network, the GRANTING AUTHORITY undertakes to provide the CONTRACTOR with all the technical and administrative opportunities within the scope of the provisions contained in the current Water Code, and subject to the fees which may be paid to third parties, so that it may carry out the necessary work to collect and carry water from public lands.

The water collection work carried out by the CONTRACTOR in application of the above-mentioned permits, shall revert to the STATE without compensation, in their current condition at the time when the CONTRACTOR ceases to use them. Pipeline works are not included in this provision.

4. If the CONTRACTOR needs a permanent supply to its sites or ancillary facilities and in the case where it cannot be assured that its legitimate needs will be met in a manner sufficient, economical, long lasting and certain by a connection pipe from an existing public water point or a public water distribution network, the parties agree to collaborate in finding the manner to meet the legitimate needs of the CONTRACTOR.

5. The CONTRACTOR undertakes to comply with all the regulations and utilization rules established by the GRANTING AUTHORITY with respect to the water that it can collect and which belongs to an aquifer system already catalogued and identified in the inventory of water resources of Tunisia.

If, on the other hand, the drilling by the CONTRACTOR should lead to the discovery of a new aquifer system which is neither catalogued nor identified in the inventory of water resources and is not in contact with an already known aquifer system, the GRANTING AUTHORITY shall reserve a first right of refusal for the CONTRACTOR in the awarding of any licenses or permits for water collection in the said system.

Nevertheless, it is fully understood that this priority shall neither hinder the public interest, nor will it extend beyond the quantities of water necessary for the supplying of the facilities of the CONTRACTOR and of their ancillaries.
6. Before CONTRACTOR abandons any exploration well, the GRANTING AUTHORITY may require it to tap any underground water deemed exploitable, it being understood that the expenditures committed in this connection shall be paid by the STATE.

ARTICLE 23: Provisions applicable to railways

The CONTRACTOR, for the servicing of its sites, its pipelines, its storage facilities and its loading facilities may, at its own expense, lay out special railway junctions to connect with the public railway network.

The plans of these junctions will be established by the CONTRACTOR in accordance with the safety conditions and the technical conditions applicable to the Tunisian public system. These plans will be approved by the GRANTING AUTHORITY following a Land Titles search.

The GRANTING AUTHORITY reserves the right to modify the routes proposed by the CONTRACTOR, to take into account the results of the land titles search and to provide the shortest possible link, according to state-of-the-art methods, between the facilities of the CONTRACTOR and the public network.

ARTICLE 24: Provisions applicable to maritime facilities for loading and unloading

1. When the PERMIT HOLDER and the CONTRACTOR have to solve a problem with respect to maritime loading or unloading, they shall confer with the GRANTING AUTHORITY in order to set, by common agreement, the provisions to satisfy their legitimate requirements.

Apart from exceptional cases where the most economical solution would be to fit out such a loading or unloading station in open harbor, preference shall be given to any solution involving the use of a port open to trade.

2. The GRANTING AUTHORITY undertakes to provide all opportunities to the PERMIT HOLDER and the CONTRACTOR under the conditions specified in the legislation in force on regulating the sea ports and in the special regulations on Tunisian trade ports, and on an equal footing with respect to other producers of Hydrocarbons, so that it may have the following if the case arises:

- water bodies from public ports;
- an adequate number of berths capable of receiving ordinary tankers on mooring piles;
- public quay sides at ports necessary for preparing transit or storage facilities.

3. If the solution adopted is that of a loading or unloading station in natural harbor, the facilities (including floating pipelines) shall be built, marked with buoys and operated by the CONTRACTOR at its expense under the system of temporary use of public sea property.
The provisions adopted and regulations for operation shall be approved by the GRANTING AUTHORITY following the proposal of the CONTRACTOR.

ARTICLE 25: Provisions applicable to power stations

The power stations and power distribution networks installed by the CONTRACTOR are considered to be legal appurtenances of the business and shall be subject to all the regulations and inspections applied to similar facilities for the production and distribution of energy.

The CONTRACTOR generating electric power to supply its sites may sell at cost any power surplus to its proper needs to a distribution organization designated by the GRANTING AUTHORITY.

ARTICLE 26: Mineral substances other than liquid or gaseous hydrocarbons

If, during the exploration and production of Hydrocarbons, the CONTRACTOR extracts mineral substances other than liquid or gaseous hydrocarbons, without being able to separate the extraction of Hydrocarbons, the GRANTING AUTHORITY, the PERMIT HOLDER and the CONTRACTOR shall confer in order to decide whether or not said mineral substances must be separated and saved.

However, the CONTRACTOR shall not be required to produce, separate or save the products other than liquid or gaseous hydrocarbons if their separation and saving operations would be too costly or too difficult.

ARTICLE 27: Miscellaneous facilities

The following shall not be considered to be legal appurtenances of the business of the CONTRACTOR:

- facilities for the processing of liquid, solid or gaseous hydrocarbons and in particular refineries;
- facilities for the distribution of liquid or gaseous fuels to the public.

However, the status of legal appurtenances of the business of the CONTRACTOR shall be given to facilities for the preliminary preparation of the extracted Hydrocarbons, built by the PERMIT HOLDER for transportation and marketing of the said Hydrocarbons, and particularly facilities for the extraction of "condensate" from natural gas.
SECTION V
SUPERVISION AND CONTROL

ARTICLE 28: Documentation supplied to the CONTRACTOR by the GRANTING AUTHORITY

The GRANTING AUTHORITY shall supply the CONTRACTOR with the documentation in its possession concerning the following:

- cadastral survey and topography;
- general geology;
- geophysics;
- hydrology and inventory of water resources;
- wells.

However, the GRANTING AUTHORITY shall not supply it with information that is secret from the point of view of National Defense or confidential information supplied by holders of valid permits and/or concessions and which cannot be divulged to third parties without the consent of the interested parties.

ARTICLE 29: Technical supervision

The CONTRACTOR shall be subject to the supervision of the GRANTING AUTHORITY in accordance with the provisions set out in the Hydrocarbon Code in the conditions specified in Articles 31 to 44 below.

ARTICLE 30: Application of the Water Code

In both its exploration and production operations, the CONTRACTOR shall comply with the provisions of Tunisian legislation in force relating to public water and the conditions specified by the provisions of this Schedule of Obligations.

The water, which the CONTRACTOR may discover during the course of its operations, shall remain classified as public property. It is only open to permanent use by the CONTRACTOR in accordance with the permit or license procedure mentioned in the Water Code.

The CONTRACTOR shall take all the appropriate measures agreed with the appropriate service of the Ministry of Agriculture in order to protect the water tables.

The Ministry in charge of Agriculture reserves the right to stop or ban any drilling if the arrangements made cannot guarantee preservation of the water tables.
The CONTRACTOR shall be required to give the appropriate service of the Ministry in charge of Agriculture all the information which it may obtain while drilling concerning the water tables thereby encountered (position, static level, analyses, volume of flow) in the form prescribed.

ARTICLE 31: Site access

The GRANTING AUTHORITY may at any time, delegate on the work sites of the CONTRACTOR, and at its cost, an agent who shall have free access to all the facilities and their legal appurtenances in order to check the progress of the operations, carry out measurements and gauging of the Hydrocarbons, and in general, check that the rights and interests of the GRANTING AUTHORITY are being protected.

ARTICLE 32: Obligation to report on the operations

1. The CONTRACTOR shall send to the GRANTING AUTHORITY, at least thirty (30) days before starting the operations:

   - the planned geophysical prospecting program, which shall notably include a map showing the grid to be used and also the number of kilometers to be acquired and the date of commencement of the operations and their approximate duration;

   - a start-up report for any exploration well and a program concerning each development well. The set-up report shall specify the following:

   - the exploration objectives of the well and the planned depth;
   - the location of the planned well, defined by its geographical coordinates with an attached map extract;
   - the geological prognosis concerning the encountered formations;
   - the minimum coring and logging program;
   - a brief description of the equipment used;
   - the program envisaged for the casing;
   - the provisions envisaged for the water supply;
   - the possible procedures which the CONTRACTOR intends to use to start production of the well(s).

2. The CONTRACTOR shall send to the GRANTING AUTHORITY a progress report on the work in progress such as seismic survey, drilling and construction as such may be appropriate.

   It must submit a copy of the recordings carried out, as soon as possible
3. Drilling Log

CONTRACTOR shall be required to keep a paginated and initialed drilling log at each drilling site in a format accepted by the ISSUING AUTHORITY, in which the conditions of work performance shall be noted as the work progresses, without blanks or strikeovers, including but not limited to:

- the type and diameter of the bit;
- the progress of the drilling;
- the drilling parameters;
- the type and duration of the maneuvers and special operations such as coring, reaming, bit changing and instrumentation;
- any significant indices and incidents.

The drilling log shall be kept on site and shall be available to agents of the GRANTING AUTHORITY.

ARTICLE 33: Technical supervision of wells

1. Outside the coring and well monitoring operations envisaged in the start-up report mentioned in Article 32 above, the CONTRACTOR must ensure that all appropriate measures are taken in order to determine the characteristics of the encountered formations.

2. A collection of well cuttings and possible cores shall be established by the CONTRACTOR and kept by it in a place agreed to in advance at the disposal of the agents of the GRANTING AUTHORITY.

The CONTRACTOR shall have a right to take samples from the cores and the well cuttings, on which it will need to carry out analyses and examinations or to have these carried out.

As far as possible, such sample taking shall affect only part of the cores and cuttings having the same characteristic, so that the rest of the sample may remain in the collection and be examined by the GRANTING AUTHORITY’s agents. Except when not practical, the sample shall not be taken until after having been examined by a qualified representative of the GRANTING AUTHORITY.

In the case where this prior examination is not practical, a special report shall be given to the GRANTING AUTHORITY.

Furthermore, if the unique sample has not been destroyed, it shall be returned to the collection by the PERMIT HOLDER or by the GRANTING AUTHORITY after being subjected to examinations or analyses. The CONTRACTOR shall take good care of the rest of the cuttings and cores so that the GRANTING AUTHORITY may in turn take samples for its own collection, examinations and analyses.
The CONTRACTOR shall keep all cores and well cuttings remaining after the above-mentioned samples have been taken for as long as it sees fit. They shall be made available to the GRANTING AUTHORITY at the latest upon expiry of the Permit.

3. The CONTRACTOR shall give the GRANTING AUTHORITY sufficient advance notice to arrange for its representation, of all important operations such as logging, casing, cementing and production tests.

The CONTRACTOR shall advise the GRANTING AUTHORITY of any serious difficulty which is liable to compromise the continuation of a well or to significantly change the conditions of its completion.

4. The CONTRACTOR shall supply to the GRANTING AUTHORITY a copy of the reports on the examinations carried out on the cores and well cuttings and also on drilling operations, including the special activities mentioned in paragraph 3 of this Article.

ARTICLE 34: Termination of drilling

The PERMIT HOLDER may only permanently stop drilling a well after notifying the GRANTING AUTHORITY. Except for special circumstances, this notice shall be given a minimum seventy-two (72) hours in advance.

The CONTRACTOR shall submit, whether it is a definite abandonment or a temporary abandonment of the well, a program which shall be in conformity with the technical legislation in force or, failing that, to the most recent standards published by the American Petroleum Institute.

However, if the GRANTING AUTHORITY has not made its comments known within seventy-two (72) hours following the filing of the drilling abandonment program by the CONTRACTOR, it shall be deemed accepted.

ARTICLE 35: Final well report

Within a maximum period of three (3) months after the end of drilling, the CONTRACTOR shall send the GRANTING AUTHORITY a final report, called “Final Well Report”.

The Final Well Report shall at least include:

a. a copy of the complete profile of the said well, giving a cross-section of the encountered formations, the observations made and measurements taken during drilling, an outline of the casing remaining in the well, logs and results of production tests;

b. a report containing the geophysical and geological information referring directly to the well under consideration.
ARTICLE 36: Well tests

1. If during drilling the CONTRACTOR feels it necessary to carry out a test on a formation interval which it believes may produce Hydrocarbons, it shall, if practicable, notify the GRANTING AUTHORITY at least twenty-four (24) hours before beginning such a test.

2. Apart from the exceptions mentioned in paragraphs 3 and 5 of this Article, the CONTRACTOR shall decide to undertake or repeat a test.

3. During the well drilling, and at the request of the duly qualified representative of the GRANTING AUTHORITY, the CONTRACTOR shall be required to test any formation interval likely to contain Hydrocarbons, on the condition, however, that such a test may be carried out without hindering the normal progress of the work of the CONTRACTOR.

4. In the case where the performance or repetition of one of the tests carried out at the request of the GRANTING AUTHORITY, and despite the contrary opinion of the CONTRACTOR, the CONTRACTOR incurs a loss or expenditure, such a loss or expenditure shall be paid:

   - by the CONTRACTOR, if said test identifies a potentially exploitable hydrocarbon deposit;
   - by the GRANTING AUTHORITY if said test did not lead to a potentially exploitable hydrocarbon deposit.

5. When the drilling operations on a development well reasonably result in the assumption of the existence of a sufficiently large hydrocarbons zone not yet recognized, the CONTRACTOR shall be required to take every technically pertinent action to complete the reconnaissance of such zone.

ARTICLE 37: Progress report and annual program

Before the 1st of April every year, the CONTRACTOR shall be required to provide a general progress report on its activity during the preceding year in accordance with the provisions of the Hydrocarbon Code.

This progress report shall indicate the results obtained during the year in question and also the exploration and exploitation expenditures incurred by the CONTRACTOR.

This progress report will be written in the forms agreed to in advance by the GRANTING AUTHORITY and the CONTRACTOR.

ARTICLE 38: Methodical exploitation of a deposit

Any exploitation of a deposit must be rational and conducted following the generally accepted practices of the international petroleum industry. Its implementation shall ensure an optimum production level guaranteeing a maximum recovery of Hydrocarbons.
At least three (3) months before starting regular exploitation of a deposit, the CONTRACTOR must inform the GRANTING AUTHORITY of the exploitation outline. This outline must include the final destination for each of the effluents.

In wells producing liquid hydrocarbons, the production of gas must be reduced to a minimum within the allowable limits for optimum recovery of liquids. In wells which produce only gas, it is prohibited to allow discharge outside the gas network.

Waivers of the above rules may be granted by the GRANTING AUTHORITY at the duly justified and reasoned request of the CONTRACTOR.

Any major change to the provisions of the initial outline shall be immediately brought to the attention of the GRANTING AUTHORITY.

ARTICLE 39: Monitoring of producing wells

On each producing well, or each group of producing wells, the CONTRACTOR shall have devices for monitoring regularly, unambiguously and in accordance with the international petroleum industry practices, the parameters of production of these wells.

All documents concerning these controls shall be made available to the GRANTING AUTHORITY and at whose request the CONTRACTOR shall supply copies.

ARTICLE 40: Deposit preservation

The CONTRACTOR shall carry out the work, measures or tests necessary for the best understanding possible of the deposit.

The CONTRACTOR may be reminded by the GRANTING AUTHORITY to observe the rules of good practice, and to regulate the flow from the wells, so that the maximum reserve recovery is achieved.

ARTICLE 41: Coordination of exploration and exploitation carried out on the same deposit by several different operators

If the same deposit extends over the perimeters of several different exploitation concessions granted to different beneficiaries, the CONTRACTOR undertakes to conduct its exploration and production operations on its respective part of the deposit in conformity with a comprehensive plan.

This comprehensive plan shall be drawn up under the following conditions:
1. The GRANTING AUTHORITY shall invite each of the permit holders involved in the same deposit to collaborate in drawing up a single unique exploration and production plan applicable to the entire deposit.

This plan shall specify, if necessary, the bases in accordance with which the Hydrocarbons extracted shall be shared among the permit holders.

If appropriate, it shall specify the methods according to which a "Unitization Committee" shall be appointed to direct the joint exploration and production.

The GRANTING AUTHORITY may arrange for its own representation at meetings of said Committee.

2. If an amicable agreement cannot be reached among the interest holders within ninety (90) days from the GRANTING AUTHORITY's invitation, they shall be required to submit their individual exploration or production plans to the GRANTING AUTHORITY.

The GRANTING AUTHORITY shall propose arbitration by the Minister assigned to Hydrocarbons on the single exploration and exploitation plan, the bases for sharing the hydrocarbons, and the possible creation of a Unitization Committee.

3. Unless one of the permit holders involved would be seriously prejudiced as a result, the arbitration decision must attempt to follow as closely as possible the proposals made by a permit holder, or group of permit holders, representing at least three fourths (3/4) of the interests in question, especially bearing in mind the reserves in place.

The evaluation of interests and the reserves in place shall be assessed on the basis of the data acquired concerning the deposit at the time of announcement of the arbitration decision.

The unitization plan may be reviewed at the initiative of any of the interested parties or of the Minister in charge of Hydrocarbons if the subsequent progress achieved in the understanding of the deposit results in a modification of the assessment of interests involved and of the reserves in place.

4. The interested parties shall be required to comply with the arbitration decisions of the Minister in charge of Hydrocarbons as soon as they have been notified of these decisions.

ARTICLE 42: General obligation to provide documents

In addition to the documents listed in this Section, the CONTRACTOR shall be required to supply to the GRANTING AUTHORITY, upon request, the statistical information concerning the production, processing and possibly storage and movement of the hydrocarbons extracted during the exploration and production, stocks of equipment, personnel, as well as copies of documents such as maps, recording charts, statements, register or report extracts to support the information provided.
ARTICLE 43: Units of measurement

Information, figures, statements, maps and charts shall be supplied to the GRANTING AUTHORITY using the units of measurement or scales approved by the GRANTING AUTHORITY.

However, any system may be used by the internal departments of the CONTRACTOR provided the corresponding metric conversions are given.

ARTICLE 44: Maps and charts

1. Maps and charts shall be supplied by the CONTRACTOR using the base maps or charts of the Tunisian survey department, or using the base maps or charts drawn up by other survey departments on the condition they are approved by the GRANTING AUTHORITY.

If not, after the CONTRACTOR has conferred with the GRANTING AUTHORITY and the survey department, these maps and charts may be drawn up by the CONTRACTOR at its expense, using the scales and procedures most suitable for the exploration objective.

In all cases, they shall follow the general Tunisian triangulation and land surveying networks.

2. The GRANTING AUTHORITY and the CONTRACTOR shall confer in order to establish the conditions under which the latter may carry out the work involved in compiling survey maps, mapping, aerial photographs, photogrammetric restitution and whatever is necessary for its exploration or exploitation requirements.

If the CONTRACTOR entrusts said work to contractors other than the Tunisian Survey Department, it shall be required to ensure a liaison with the Tunisian Survey Department, so that the surveys carried out may be given and used by it.

The CONTRACTOR shall forward to the Tunisian Survey Department two prints of the aerial photographs it has taken or has arranged to have taken on its behalf.

3. The GRANTING AUTHORITY undertakes, within the limits of the restrictions and encumbrances imposed by the Ministry of National Defense, to grant the CONTRACTOR all rights of way and authorizations for the over-flight of aircraft or for taking aerial photographs, to enable it to carry out the topographical work in question.
SECTION VI

EXPIRY OF THE CONCESSION AND REVERSION OF FACILITIES OF THE
PERMIT HOLDER TO THE GRANTING AUTHORITY

ARTICLE 45: Expiry of the term of the Concession

1. Without prejudice to the provisions of Article 61 of the Hydrocarbon Code, the buildings in accordance with Articles 53-1 of the Hydrocarbon Code shall revert to the GRANTING AUTHORITY upon expiry of the term of the Concession in their existing condition. This provision is particularly applied to the following buildings and real property:

a. the land purchased or leased by the PERMIT HOLDER;

b. the property leases or temporary occupation rights of the PERMIT HOLDER;

Leases and contracts related to the locations or occupation of lands shall carry a clause explicitly reserving the right of the GRANTING AUTHORITY to take the place of the PERMIT HOLDER.

Similarly, the same shall hold for all contracts for power or water or special bulk transportation of Hydrocarbons.

A statement of condition and an inventory of the assets cited by this Article shall be drawn up after input from the parties in the six (6) months preceding the expiry of the Exploitation Concession.

c. wells, water wells and industrial buildings;

d. Access roads and trails, water intakes including piping and pumping facilities, power transportation lines including transformer, switch gear, and metering stations, and telecommunications resources belonging the PERMIT HOLDER;

e. buildings belonging to the PERMIT HOLDER, that it either uses for office or warehouse; the residential buildings for accommodating staff assigned to production and their additions; the property lease or occupation rights the PERMIT HOLDER may have on buildings belonging to third parties which it uses for the above mentioned purposes;

f. private rail connection lines serving the PERMIT HOLDER’S sites, or linking these to the public network;

It is understood that the facilities falling within the categories as listed above, and limited to this list, shall revert to the GRANTING AUTHORITY even though they may be situated outside the perimeter of the Concession, if they are essential for the functioning of this exclusive Concession.
2. If all or part of the facilities to revert to the GRANTING AUTHORITY under the conditions indicated in this Article are necessary or useful for the exploitation of other current Concessions or Permits of the PERMIT HOLDER, the conditions under which these facilities shall be used jointly by the PERMIT HOLDER and the GRANTING AUTHORITY proportionally to their respective requirements shall be decided by mutual agreement before their transfer to the GRANTING AUTHORITY.

Conversely, the same applies to the PERMIT HOLDER'S facilities which are not turned over to the GRANTING AUTHORITY and the use of which is essential to the latter for the normal progress of exploitation of the Concession which it has recovered.

ARTICLE 46: Buy-back option for facilities

1. Upon expiry of term of the Concession, the GRANTING AUTHORITY shall have the option to purchase for its own benefit, or where appropriate, for the benefit of a new permit holder of a concession or exploration permit which it shall designate, all or part of the assets listed hereinafter, other than those cited in Article 45 of this Schedule of Obligations and which would be necessary for the fulfillment of the exploitation and extraction of the Hydrocarbons collected:

a. the consumables, moveables and real estate belonging to the PERMIT HOLDER;

b. the facilities and tools required for the exploitation, handling and storage of the crude Hydrocarbons.

The decision of the GRANTING AUTHORITY specifying the facilities cited above and on which it intends to exercise the buy-back option shall be communicated to the PERMIT HOLDER no less than six (6) months prior to the expiry of the corresponding Concession.

2. The buy-back price shall correspond to the net accounting value of said assets. This price must be paid to the PERMIT HOLDER within two (2) months following expiry of the Concession, under penalty of default interest calculated at the legal rate, and without the need for prior formal notice.

In the event of exercising the buy-back right, the GRANTING AUTHORITY may require the PERMIT HOLDER, either on its own behalf or on behalf of a new permit or concession holder thereby appointed, to ensure that the facilities in question are made available, following the provisions contained in paragraph 2 of Article 45 above.

3. However, those assets cited in paragraph 1 of this Article shall not be the subject of a buy-back when they are, either in total or in part, necessary to the PERMIT HOLDER to allow it to carry out its exploitation on one of its Concessions which has not yet reached its expiry date.
ARTICLE 47: Expiry of the Concession by relinquishment

If the CONTRACTOR wishes to exercise its right to relinquish all or only part of one of the Concessions, it is obliged to notify the GRANTING AUTHORITY no later than twelve (12) months before the date of relinquishment.

The respective rights of the GRANTING AUTHORITY, the PERMIT HOLDER and the CONTRACTOR shall be governed in accordance with the provisions set out in the Hydrocarbon Code and Articles 45 and 46 of this Schedule of Obligations.

In the event of a partial relinquishment of the Concession, the provisions of the Hydrocarbon Code and this Schedule of Obligations shall continue to govern the rest of the Concession.

ARTICLE 48: Obligation to maintain structures in good condition

Until the end of the Concession, the CONTRACTOR shall be required to maintain the buildings, structures of any kind, petroleum facilities and legal appurtenances in good working condition and in particular to carry out the maintenance on existing wells and their pumping and control facilities.

ARTICLE 49: Penalties applicable in the event of delay in the transfer of the facilities

In the cases cited in Article 45 above, any delay on the part of the PERMIT HOLDER in the transfer of all or part of the facilities to be turned over to the GRANTING AUTHORITY, and following formal notice which has not been fulfilled within the space of one (1) month, shall provide the latter with the right to the payment of a penalty equal to one percent (1%) for the value of the facilities which are not transferred, per month that they are delayed.

ARTICLE 50: Expiry of the Concession by forfeiture

If one of the cases of forfeiture set out by Article 57 of the Hydrocarbon Code should arise, the Minister in charge of Hydrocarbons shall give the CONTRACTOR formal notice to remedy the situation within a period which may not exceed six (6) months.

If the CONTRACTOR in question has not remedied the situation within the given period of time, or if it has failed to provide satisfactory justification, the forfeiture shall be declared.

In this case, the Concession, buildings and related furniture cited in Article 53 of the Hydrocarbon Code shall revert to the GRANTING AUTHORITY free of charge.

ARTICLE 51: Liabilities of the CONTRACTOR towards third parties

Upon the expiry of the Concession by completion of the term, in the event of relinquishment, or in the event of forfeiture, the CONTRACTOR shall at the request of the GRANTING
AUTHORITY subscribe to insurance covering a period of ten (10) years the risks resulting from its activity and possible to arise after the reversion of the said Concession to the GRANTING AUTHORITY.

SECTION VII

ECONOMIC CLAUSES

ARTICLE 52: Hydrocarbon reserves for the requirements of the Tunisian economy

1. The priority right to purchase a share of production of liquid hydrocarbons extracted by the PERMIT HOLDER from its Concessions in Tunisia shall be exercised in order to meet Tunisia’s domestic consumption requirements and this, in accordance with the provisions of the Hydrocarbon Code and the following provisions:

   a. the obligation on the part of the PERMIT HOLDER to supply a share of its production in order to meet the requirements of the Tunisian domestic market, shall be independent of the proportional Royalty provided for in Article 101 of the Hydrocarbon Code;

   b. if the PERMIT HOLDER produces several qualities of crude oil, the purchasing right shall apply to each of these qualities, without exceeding, except with formal agreement of the PERMIT HOLDER, the maximum as provided for in the Hydrocarbon Code;

2. Delivery may be made in the form of finished product, at the choice of the PERMIT HOLDER. In the case of delivery in finished product obtained by refining carried out in Tunisia, delivery shall be made to the GRANTING AUTHORITY at the refinery exit.

The quality and proportions of refined products to be delivered shall be determined in relation to the results which would be obtained from the crude Hydrocarbons of the PERMIT HOLDER if they were treated in a Tunisian refinery, or in a European coastal refinery.

The prices shall be determined by reference to those for the same types of products which would be imported into Tunisia under normal conditions, reduced by an amount calculated to correspond to a reduction of ten percent (10%) of the value of the crude oil from which they would have been refined, with this value calculated in accordance with the provisions of the Hydrocarbon Code.

However, this reduction shall not apply to those products which are intended for export. The GRANTING AUTHORITY undertakes to provide all opportunities in order to allow the PERMIT HOLDER to set up a refinery whose products will be destined for export and/or a natural gas liquefaction plant and/or petrochemical plants for treating Hydrocarbons or their derivatives.
3. CONTRACTOR shall have no obligation to meet any of Tunisia’s domestic consumption requirements.

ARTICLE 53: Sale price of Hydrocarbons

For liquid hydrocarbons, the PERMIT HOLDER and the CONTRACTOR shall be bound to apply a sale price at export which is not lower than the “normal sale price” defined below, yet still allows them to find an outlet for all of their production.

The “normal sale price” of a liquid hydrocarbon in accordance with this Schedule of Obligations shall be that which, bearing in mind other relevant factors such as insurance and freight, is equivalent on markets constituting a normal outlet for Tunisian production, to a price comparable to that of liquid hydrocarbons from other sources and of comparable quality also competing to provide the normal supply of the same markets.

For gaseous hydrocarbons, the PERMIT HOLDER and the CONTRACTOR are bound to apply a sale price at export which is not lower than the normal sale price.

The normal sale price shall be obtained by the PERMIT HOLDER and the CONTRACTOR in their gas sales contracts.

The rates considered for the determination of the normal sale price shall be the rates normally applied in ordinary commercial transactions, excluding:

- direct or indirect sales of the seller through sale brokers to an affiliate company;
- exchanges, a barter transaction implying restrictions, forced sales and in general any sale of Hydrocarbons entirely or partly motivated by considerations other than those normally prevalent in a sale;
- sales resulting from agreement between governments or between governments and government controlled companies.

SECTION VIII

MISCELLANEOUS PROVISIONS

ARTICLE 54: CONTRACTOR personnel

The CONTRACTOR is bound to abide by the legislation and regulations in force in Tunisia concerning labor and social security.

The CONTRACTOR shall be free to employ such personnel as it deems necessary and appropriate to meet its obligations under this Convention and the PSC.
The CONTRACTOR shall be bound to contact the employment offices and local authorities including ETAP in order to hire unskilled or skilled personnel who may be recruited in Tunisia.

CONTRACTOR shall be bound to accept candidates offered by the said offices that the CONTRACTOR deems qualified for specific necessary jobs.

The proportion of Tunisians within the total staff of the CONTRACTOR shall be submitted to the GRANTING AUTHORITY for approval, it being agreed that the said employment shall be in accordance with the provisions of Article 62.2 of the Hydrocarbon Code.

**ARTICLE 55: National Defense and Territorial Security**

The CONTRACTOR shall obey the measures taken by the civil or military authorities in matters of National Defense or Territorial Security of the Tunisian Republic.

The above-mentioned measures could have the effect of suspending the application of certain clauses of this Schedule of Obligations and of the Convention to which they are annexed.

In any case, the permanent benefits that this Schedule of Obligations and the Convention to which they are annexed have been given to the CONTRACTOR, will remain in effect and will not be modified in their basic form.

The CONTRACTOR will not have any compensatory recourse concerning the decisions outlined above, such as those that will be applied by the ongoing legislation to any Tunisian company liable to be affected by similar measures.

**ARTICLE 56: Case of Force Majeure**

The CONTRACTOR shall not have defaulted on the obligations resulting from this Schedule of Obligations if it proves that its failure to fulfill said obligations is due to a case of Force Majeure as provided in Article 62.1 of the Hydrocarbon Code.

Shall be considered a case of Force Majeure any external event that is both unforeseeable and irresistible and prevents the affected party from performing all or part of its obligations under the Agreement and the Schedule of Obligations, such as the following:

a. any natural phenomenon, including flood, fire, storm, explosion, lightning, landslides, or earthquakes;

b. war, revolution, revolt, riot, or blockade;

c. strikes, except those by the CONTRACTOR's personnel;

d. government restrictions.
Delays due to Force Majeure shall not entitle the CONTRACTOR to any indemnity. However, they may entitle it to an equivalent extension of the term of validity of the Permit or the Exploitation Concessions on which such delays have occurred.

ARTICLE 57: Supply of Documentation for Oversight

The CONTRACTOR shall be obligated to make available to the GRANTING AUTHORITY all pertinent documents for the implementation of STATE oversight of the obligations accepted by the CONTRACTOR in this Schedule of Obligations and the Convention to which they are appended.

ARTICLE 58: Copies of Documents

Within one (1) month at the latest after signature of the Agreement, the CONTRACTOR shall give the Minister assigned to Hydrocarbons fifty (50) copies of such Convention, the Schedule of Obligations, and the appended documents as registered.

The same applies to any amendments and additional documents which may be drawn up at a later date and to be joined to this Convention and this Schedule of Obligations.

Made in Tunis, 26 July 2005
in six (6) original copies.

For THE STATE OF TUNISIA

Ahf CHELBI
Minister of Industry, Energy and Small and Medium Companies

For L'ENTREPRISE TUNISIENNE D'ACTIVITÉS PETROLIERES
Taleb EL KAMEL
President Director General

For ATLAS PETROLEUM EXPLORATION WORLDWIDE, LTD.
O. Duane GAITHER II
President & Chief Operating Officer

For EUROGAS INTERNATIONAL INC.
Jaffar KHAN
President
APPENDIX B

EXCHANGE REGULATIONS
APPENDIX B

PROCEDURE CONCERNING EXCHANGE CONTROLS APPLICABLE TO
THE SFAK OFFSHORE PERMIT

The currency exchange operations concerning Hydrocarbon exploration and exploitation activities of ATLAS PETROLEUM EXPLORATION WORLDWIDE, LTD. and of EUROGAS INTERNATIONAL INC, the companies comprising CONTRACTOR, referred to hereinafter as “the COMPANIES”, shall be governed by the following provisions:

ARTICLE 1: Non-resident companies

1. The COMPANIES are authorized to pay in foreign currencies, directly from their own available funds outside of Tunisia, all exploration and exploitation expenses, subject to the following provisions:

   - the COMPANIES will pay companies resident in Tunisia fully in Tunisian Dinars;

   - the COMPANIES may be paid in foreign currencies foreign contractors not residing in Tunisia that are specialized in hydrocarbons exploration and exploitation for the needs of the contracts made in the context of this Convention. If such contractors are fully paid abroad, they must agree to repatriate to Tunisia the amounts necessary for their local expenditures.

2. The COMPANIES assume the obligation to transfer to Tunisia during the exploration and development phases the currencies required to pay their expenses in Tunisian Dinars.

3. The COMPANIES shall, subscribe to insurance relative their activities as required in accordance with Article 44 of the Insurance Code, promulgated by Law no. 92-24 of 09 March 1992.

The COMPANIES will be allowed to freely cash, dispose of and re-export in foreign currencies their quota of the payments received from insurance companies in compensation of accidents occurring under the following conditions:

   - If the damaged facilities are repaired or replaced, the amounts expensed as a result of this will be reimbursed in foreign currencies and/or Tunisian Dinars in accordance with the expenditures actually incurred.

   - If the damaged facilities are neither repaired nor replaced the reimbursements will be made in the same currencies as the initial investments and in the same proportions.
- The insurance indemnities received in compensation for payments or investments made in Tunisian Dinars will be in Tunisian Dinars. Such compensation could be used to cover local expenses.

4. With respect to the salary paid to persons of foreign nationality who are employed by the COMPANIES in Tunisia, a reasonable portion of such salary shall be paid in Dinars in Tunisia and the balance, plus the benefits payable to such persons in the country where they have their residence, may be paid outside Tunisia in foreign currency.

Persons of foreign nationality employed by contractors and sub-contractors of the COMPANIES, for a period not to exceed six (6) months, may be paid outside Tunisia in foreign currencies in the case where the expenses for their stay in Tunisia are borne by their employer. After this six (6) month period, they will benefit from the same treatment granted to the COMPANIES employees pursuant to the provisions of the preceding paragraph.

It is understood that all foreign employees of the COMPANIES and of their contractors and sub-contractors employed in Tunisia shall be subject to income tax in Tunisia in accordance with the laws in force.

5. The COMPANIES shall not be authorized to resort to any form of financing from banks resident in Tunisia, except in the case of short-term overdrafts due to delays involving conversion into Tunisian Dinars of the available currencies in Tunisia.

6. The COMPANIES shall first request transfer of credit balances in Tunisian Dinars. If the transfer does not take place within the month following the request, following notification to the contrary from the Banque Centrale de Tunisie concerning any part of the COMPANIES credit balance in Tunisian Dinars, only the amount contested shall not be transferred or withheld from subsequent repatriations. The amount contested will then be submitted, during the month following the justified notification from the Banque Centrale de Tunisie to a Conciliation Board consisting of three (3) members, the first representing the Banque Centrale de Tunisie, the second representing the COMPANIES and the third appointed by the two parties; this third member must be of a different nationality from that of the two parties.

The decision of this Board shall be binding for the parties and must be pronounced within four (4) months following the justified notification by the Banque Centrale de Tunisie.

These provisions will be valid for the entire duration of this Convention and all amendments and additions which may be made later.

ARTICLE 2: Resident companies

Any resident company part or which would become part to this Convention and its appendixes, undertakes to comply with the Tunisian exchange control regulations as arranged by the following provisions:
1. The company is authorized to open professional accounts in currencies by the authorized intermediaries. These accounts will be fed up to 100% of its receipts in foreign currencies and will function in accordance with the exchange control regulations in force.

2. The company can freely carry out transfers related with payments of its committed recurring expenses in foreign currencies for its supply of goods and services within the framework of its activities of exploration and exploitation, as well as for the distribution of dividends belonging to its nonresident associates, by domiciling to one or more authorized intermediaries all its operations on the matter. The intermediary is bound for this reason to address to the Central Bank of Tunisia an information sheet supported by the suitable documents in proof for each transfer carried out.

3. The company can buy freely in Tunisian Dinars to the travel agencies established in Tunisia on presentation of the appropriate documents in proof, the prepaid tickets for the seconded non-resident personnel or personnel on mission in Tunisia by way of foreign technical assistance within the framework of the application execution of this Convention.

4. The payment of the imports can be carried out, when it is required, before the arrival of the goods in Tunisia on presentation to the authorized intermediary of a proforma invoice. A final invoice approved by the customs authorities shall be provided to the authorized intermediary for the auditing of the file.

5. Non-resident contractors can freely transfer the amount from the economies which they could make on their wages by domiciling their contracts of employment to only one authorized intermediary who is bound for this reason to address to the Central Bank of Tunisia an information sheet supported by the suitable documents in proof for each transfer carried out.
APPENDIX C

COORDINATES AND MAP OF PERMIT
SFAK OFFSHORE EXPLORATION PERMIT
ETAP / APEX / EUROGAS

COORDINATES OF THE VERTEXES
OF THE ELEMENTARY PERIMETERS (E.P.)

SURFACE AREA = 4104 Km² soit 1026 P.E.

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//Map of the Sfax Offshore Exploration Permit
ETAP / APEX / EUROGAS//