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S E C R E T

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CP(79)

\_\_\_\_\_ 1979

CABINET

Copy No.....

Application for permission by Seagull/Denison and  
Major Crude Oil for exploration rights for petroleum  
in Guyana

MEMORANDUM BY THE CDE, MINISTER OF ENERGY AND NATURAL RESOURCES

Seagull Petroleum Limited is a small Company registered in the United States. The Company is a subsidiary of Denison Mines Ltd of Canada. The Company's headquarters is located in the Bahamas. The original proposals of the Company was to conduct onshore and offshore seismic surveys of the Guyana coastal and offshore basin "at no cost to the Guyana Government".

2. Two oil experts of Seagull visited Guyana/(<sup>during July, 1978</sup> separate visits, one expert at a time) and reviewed the data pertaining to oil exploration in the country. Subsequently, Seagull requested copies of all the data dealing with oil exploration in Guyana. This was agreed upon. The Company later had most of the data copied in Georgetown and had them transmitted to Houston, Texas, the operations Headquarters of Seagull.

3. Later the Company applied for exploration/exploitation rights over part of the offshore area - some <sup>11,550</sup>.....sq. miles. However Seagull was advised that its work programme was too limited for such a large area. Seagull later scaled down its area to 4390 sq. miles.

4. On 2nd April, 1979 a Heads of Agreement was signed permitting Seagull to carry out exploration/exploitation in Guyana. Seagull's work programme was as follows:

- 1st year - gather, review and re-interpret all available geological and geophysical data pertinent to the area.
- reprocessing of all existing tapes and seismic data that can be acquired from previous licence holders of the area.

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2nd year - not less than 750 line kilometres of reconnaissance seismic surveying; or drilling of at least one well at S.P.L.'s option.

3rd year - not less than 3000 line kilometres of detailed seismic surveying; or drilling of at least one well at S.P.L.'s option.

4th year - drilling of at least one well.

5th year - re-evaluation of geological and geophysical works performed, to be followed by either further detailed seismic surveying or drilling.

The agreement also included provisions for a tax holiday.

5. Seagull undertook extensive interpretation of the data supplied to it (The Company was also able to secure data from oil companies that once worked in Guyana). On the basis of such interpretation the Company found that several potential oil bearing structures were located outside its concession boundaries. It must be pointed out however, that within Seagull's concession there was not much coverage in terms of seismic data, thus the apparent lack of structure could be a reflection of the absence of sufficient data in that area.

6. Seagull's proposal was to secure additional coverage which would include the area where the structures are located - an addition of some 3,200 sq. miles - while retaining the same work programme. This was unacceptable. Seagull's next proposal called for the re-arrangement of its concession boundaries in order to encompass the structures, while keeping constant the total area - 4390 sq. miles. A telex to Seagull dated August 3, states as follows:-

"We are prepared to grant the requested 3,300 sq. miles provided Seagull/Daniell is prepared to relinquish an equivalent amount from the present concession area so as to aggregate to 4,390 sq. miles. If you agree we can negotiate a side agreement redesignating the new area".

7. During a meeting with Cde. Oscar Phillips and representatives of the Ministry of Energy and Natural Resources during August 1979, it was pointed out that while it is acceptable that Seagull would redesignate its concession boundaries it was required that Seagull should provide a more attractive work programme. The Ministry of Energy and Natural Resources proposal called for a work programme similar in detail to the one submitted by Major Crum

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was communicated to Seagull. Seagull did not accept.

8. On October 17, 1979 Seagull relinquished its right to explore and exploit for petroleum "in order to accommodate a new application for prospecting and exploring of hydrocarbons in the Guyana offshore shelf". However this was not accepted since it required the signature of Denison Mines Limited. It would appear therefore that Seagull/Denison still has legal title to the original area.

9. On the basis of negotiations it was agreed that Seagull would apply for a reduced area - 2483 sq. miles. In a letter from the Ministry of Energy and Natural Resources to Seagull dated November 7, 1979, Seagull is required to do the following:-

1. Within 1 year after the grant of an Oil Prospecting Licence (O.P.L.) Seagull is required to signify its intention to relinquish the area or produce a drilling programme based on the geophysical survey contemplated - 850 km seismic.
2. Drill one well within 2 years after grant of O.P.L. with possible extension of 3 months due to rig unavailability.
3. Drill a second well within 3 years after grant of O.P.L. and shall be permitted to conduct at least 300 km seismic surveys.
4. Drill a third well during 4 years after grant of O.P.L.
5. Commence the drilling of a fourth well after the 4th year after grant of O.P.L. or relinquish the area within 50 months.

No mention is made of the depth of the wells to be drilled. Seagull is required to give a response to our proposals by November 27, 1979.

10. In a telephone conversation Vercellino/Walrond on Saturday 24th November, 1979 Vercellino intimated that he had not received a reply to his proposals dated 25th October 1979. He indicated that he had called on the 21st November to enquire of P.S. Bovell of the situation.

11. By telephone conversation (Walrond/Vercellino) on Monday 26th November, Vercellino was told of the Government's final position which was written to Mr. Vercellino at his Bahamas Office, and which letter Mr. Vercellino claims he has not received in Texas. Mr. Vercellino says that he accepts the government's

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demands and requested a telex with the conditions as read on the phone, so that he could formally accept by return telex. He indicates he is willing to sign the agreement as soon as this is done. He indicates a preference of signing at either of our Missions in Washington or Ottawa because of some commitments both Edison and Seagull have for the remainder of the year. He is prepared to defray any expenses which will be incurred by anyone having to go to effect the signing.

B. Major Crude Oil

1. Major Crude is a small company registered in the United States on May 2, 1979, the company submitted formal proposals for exploration and exploitation rights in Guyana. Major has applied for two areas one ~~partly offshore~~ which encompasses both offshore and onshore portions approximately 2440 sq. miles (Area B) and the other off shore approximately 3,930 sq. miles (Area A).
2. During negotiations Major was advised that it would not be granted such large areas, having regard to its rather limited work programme.
3. In a letter to Major Crude dated 31st July, 1979 it was pointed out that settlement could be reached with respect to Area B and that Area A would be kept "under active review with a view to holding further discussions on same".
4. During further negotiations, Major pointed out that Area B has a low priority in terms of oil potential and that it could not accept Area B without having Area A. Major proposed dropping Area B and apply for Area A only, reducing Area A to 2040 sq. miles.
5. Major's proposals for Area A is summarised as follows:

1st year	-	review of data and conduct 1800 km seismic surveys.
2nd year	-	drill minimum of 2 wells, aggregate depth - 6,700metres)
3rd year	-	" "
4th year	-	" "
5th year	-	" "
6. Major's proposals were accepted.
7. In a letter to the Minister of Energy and Natural Resources

from the Commissioner, dated 22nd August, 1979 it was pointed out that because the company has not been able to produce "unequivocal statements as to its technical and financial capability, it has been necessary to investigate its whereabouts". In that letter it was pointed out that Major Crude does not appear to be a reputable company and that the company is being sued by another company for drilling too close to a producing well and that the State of Pennsylvania has a pending court action against Major Crude for drilling without a State permit. The letter concludes "The above seemingly suggests that there has been some degree of misrepresentation by Mr. Perry about the material facts surrounding Major Crude's operations and financial viability. Unless these can be clarified, and unequivocal statements about Major Crude Oil Company's financial and technical capabilities are presented, the discussions with this company should be terminated. At this juncture, it is for Major Crude to file proof of its capabilities."

8. Be that as it may, however, it was agreed that Major would be granted exploration/exploitation rights provided the company fulfilled certain requirements in a Letter of Intent written by Minister Jack dated 27th August, 1979. The Letter of Intent in part requires Major Crude to deposit US\$525,000.00 with the Guyana Cooperative Bank as security against Major's first year working obligations. The Bank in turn is required to issue a letter of guarantee to the Commissioner.

9. Another necessary condition which had to be fulfilled is that Major should present to the Commissioner, a certified copy of its financial undertakings and/or assets. Major indicated in discussions held in Georgetown that it would provide the necessary statements. This provision was also indicated to Major by way of letter dated 27th August, and up to the moment, it has not been provided.

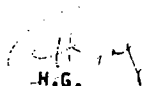
10. Since then, Major Crude has requested that the conditions of the Letter of Intent be varied to permit Major depositing a promissory note to the total value of \$US 525,000.00 with the Cooperative Bank.

C. GENERAL COMMENTS:

1. Seagull/Deminex was the first oil company to enter into agreement with Government after the activities of Shell and Deminex ceased. Major Crude came subsequently and initiated negotiations for an oil concession for areas surrounding Seagull's original concession.
2. Seagull's work indicated that interesting structures are outside their territory - within the area applied for by Major
3. Seagull has presented a comprehensive report of the oil potentials of the offshore areas of Guyana as provided for in their contract with Government.
4. Both Major and Seagull continued negotiations with Government to secure an exploration/exploitation licence for basically the same area.

The Cde. Minister responsible for the Ministry of Energy and Natural Resources now invites Cabinet to discuss and decide which of the two companies should be granted permission to carry out offshore exploration/exploitation for petroleum in Guyana.

(INITIALLED):

  
 H.G.  
 MINISTER.

 MINISTRY OF ENERGY & NATURAL RESOURCES  
 ENR:18/2628 & ENR:18/16/27

NOVEMBER, 1979.

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# MINUTES

No. ....

Cde Permanent Secretary,  
Ministry of Energy and Natural Resources

Unconfirmed Decision

CP(79)52nd Meeting (held on 27th November, 1979)

APPLICATION FOR PERMISSION BY SEAGULL/DENISON AND  
MAJOR CRUDE OIL FOR EXPLORATION RIGHTS FOR PETROLEUM  
IN GUYANA

Cabinet considered information submitted by the acting MINISTER OF ENERGY AND NATURAL RESOURCES with respect to negotiations by Seagull/Denison and Major Crude Oil for offshore petroleum exploration/exploitation rights.

Cabinet agreed that Major Crude Oil be granted permission to carry out offshore exploration/exploitation for petroleum in Guyana subject to vetting of the draft Agreement by the Cde Attorney General and Minister of Justice prior to signing.

- c.c. Cde Min. of E. & N.R.
- Cde A.G & Min. of J.
- Cde Sol. Genl.

..... *L. Rockliff* .....  
Secretary to the Cabinet  
28/11/79

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QASCR)

MINISTRY OF ENERGY  
AND NATURAL RESOURCES  
29 NOV 1979  
Received Registry

*Has this agreement been vetted by the sole  
Attorney General as presented in para 2 supra.*  
P. I. O  
*[Signature]* 30/11/79

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CP(81)

1981

Copy No.....

CABINET

AGREEMENT FOR AN OIL PROSPECTING LICENCE  
BETWEEN DENISON/SEAGULL AND GOVERNMENT

Memorandum by the Cde. Minister of Energy and Mines

Cabinet by Conclusion 21 of CP(79) 12th Meeting (held on 6th March, 1979) approved of the signing of the Agreement with Seagull Petroleum Ltd. for consideration of the issue of an Oil Prospecting Licence. At the time of the signing of the agreement, Seagull was joined by Denison Mines, quite a substantial Canadian uranium mining company which is now acquiring investments in oil and gas. Together both Seagull and Denison signed the agreement on the 2nd April, 1979.

2. By that agreement, the joint concessionaires were required for their work programme to execute as follows:

- 1 st year
- gather, review and reinterpret all available geological and geophysical data pertinent to the area;
  - reprocessing of all existing tapes and seismic data that can be acquired from previous licence holders of the area.

In connection with the above, Guyana agreed to grant the concessionaires access to technical data in its possession relating to the said area and also agreed to use its best efforts in assisting the concessionaires to obtain technical data from previous licence holders.

- 2 nd year
- to shoot not less than 750 line kilometers of reconnaissance seismic surveying; or drilling of at least one well at the company's option;

- 3 rd year
- to shoot not less than 300 line kilometers of detailed seismic surveying; or drilling of at least one well at the company's option;



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- |          |   |
|----------|---|
| 4th year | - the drilling of at least one well   |
| 5th year | - re-evaluation of geological and geophysical works performed, to be followed by either further detailed seismic surveys or drilling. |

In accordance with the above work programme Seagull/Denison executed its first year programme of reinterpretation and re-evaluation and as a result Seagull/Denison requested that the concession area be enlarged and delineated differently, in order to include the structures that were either identified or that may be identifiable. This Ministry, in response to the request from the concessionaire stated, that in as much as the Ministry was willing to consider a redesignated area reciprocal to the area which the company held, the company would have to give up the area it held and re-negotiate the terms and conditions of the agreement for an improved work programme. However, the sort of undertaking the company was giving for the improved programme were not firm enough to warrant a recommendation to Cabinet, an example of this was in the area of commitment to drill. Whereas, the Ministry required an undertaking of drilling wells to be completed, the company contended that in oil exploration vernacular such drilling should merely be stated as commence the drilling of a well.

3. While these negotiations were being conducted, Major Crude Oil of America, made application for a concession over an area which included a substantial part of the area for which Seagull/Denison was negotiating. By an agreement signed on 28th November 1979, Major was granted a concession, but failed to perform any of the obligations to which the company was committed and the agreement was terminated by Government by letter dated 9th February 1981.

4. Denison/Seagull has again approached the Ministry of Energy and Mines for a concession of the area it was seeking to acquire in 1979 when negotiations fell through. The Ministry of Energy and Mines has however offered a smaller area to Denison/Seagull which they have accepted. The terms and conditions negotiated with Denison/Seagull are much more attractive than those which were negotiated with Major Crude and are set out on a comparative basis at Annex "A" attached hereto. The initial area offered to Denison/Seagull is less than the

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area to which Major Crude would ultimately be entitled at the end of the fifth year. Moreover, it is a condition of the agreement negotiated with Denison/Seagull that at the time of the signing of the agreement Denison/Seagull must deliver a bond from their local banker to cover the conditions governing the value of the work programme and to pay the rental for the concession. For the first year's programme, the bond will be the sum of US\$250,000. Should the company fulfil the work obligations and go on through to the fifth year, the bonds will be as follows:

1 st year	-	US\$ 250,000
2 nd year	-	US\$ 925,000
3 rd year	-	US\$ 1,125,000
4 th year	-	US\$ 1,625,000
5 th year	-	US\$ 1,875,000

5. The conditions of the agreement are such that an aggressive exploration programme could be realised should Denison/Seagull fulfil their obligations. If the concessionaires fail to fulfil their obligations, the Bank will be obliged to pay the amount guaranteed by the bond and in terms of clause 26(b), Government is entitled, in addition to payment under the bond, to terminate the agreement for any contravention of the terms of this agreement or any law of Guyana if such contraventions are not remedied by the company after<sup>a</sup> ninety days notice was served on them. Denison/Seagull is required to complete the programme for each year and to make a commitment for the ensuing year by both programme and bond or  
..... give up the concession. A copy of the agreement which has been vetted by the Law Officers is at Annex "B".

6. The Minister of Energy and Mines wishes to inform Cabinet that the operating company for this concession will be Denison Mines Ltd. as is contained in Clause 1 of the agreement. / Denison Mines is a Canadian company of substantial mineral investments in the field of energy particularly uranium and more recently in oil and gas.

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7. The Cde. Minister of Energy and Mines invites Cabinet to approve of the grant of an offshore Petroleum Mining Concession to Danison/Saagull comprising of 5560 sq kilometers. The agreement with the joint concessionaires is to be signed by the Minister of Energy and Mines and that approval for an Oil Prospecting Licence be issued to the concessionaires, by the Cde. President.

Int'd.....  
H.D.J.

MINISTRY OF ENERGY AND MINES

EM:18/26/27

April 9, 1981

*Sent  
Bl  
9.4.81*

COUNTY OF DEMERARA

GUYANA

AGREEMENT made this 30<sup>th</sup> day of April 1981

BETWEEN

THE GOVERNMENT OF GUYANA represented by the  
Minister of Energy and Mines.

(hereinafter called "GUYANA") of the First  
Part

AND

DENISON MINES LIMITED, a company incorporated  
in the Province of Ontario, Canada, with  
registered offices at Suite 3900, South Tower,  
P.O. Box 40, Toronto, Ontario, Canada M5J2K2,  
of the Second Part.

AND

SEAGULL PETROLEUM (GUYANA) LIMITED  
a company incorporated in Nassau, Bahamas,  
with the registered offices at E.D. Sasón  
Building, Shirley & Parliament Streets, Nassau,  
Bahamas, of the Third Part.

(The parties of the second and third parts  
being herein collectively referred to as  
"DENISON/SEAGULL").

WHEREAS DENISON/SEAGULL is desirous of prospecting and exploring and possibly  
mining for petroleum in Guyana.

AND WHEREAS all petroleum existing within the on-shore and off-shore of Guyana  
is owned by Guyana.

NOW THEREFORE this Agreement witnesseth as follows:

1. DENISON/SEAGULL hereby appoints Denison Mines Limited to be their operator  
to carry on the operations to be carried on hereunder and to be the party to  
deal with GUYANA in all matters regarding such operations.

2. DEFINITIONS

Oil Concessions  
(Guyana)

For the purposes of this Agreement, including the recitals and schedules,  
notwithstanding any provision in the Petroleum (Production) Act Cap 65:05 of the

Laws of Guyana and the Regulations thereunder to the contrary, the words hereunder shall have the following meanings:

Act means: The Petroleum (Production) Act, Chapter 65:05 (Guyana) and Regulations issued pursuant thereto.

Affiliate means:

- i) a direct or indirect, parent or subsidiary of a member of DENISON/SEAGULL  
or
- ii) a direct or indirect subsidiary of a corporation of which either Denison Mines Ltd (DENISON) or Seagull Petroleum (Guyana) Ltd (SEAGULL) is also a direct or indirect subsidiary. A corporation shall be deemed a direct or indirect subsidiary of either DENISON or SEAGULL, if either has a total net ownership in the other of over fifty (50%) of all capital stock having voting rights.

Agreement means: This Agreement made between GUYANA and DENISON/SEAGULL including the schedules attached hereto, as the same may be modified, amended or supplemented and includes any O.P.L's or O.M.L's.

Barrel means: Forty-two (42) United States gallons of crude oil at a temperature of sixty (60) degrees Fahrenheit.

Budget means: An estimate of the cost of a work programme.

Calendar Year means: A period of twelve (12) months commencing with January 1 of each year and ending on the following December 31.

Casinghead Petroleum Spirit means: Any liquid hydrocarbons obtained from natural gas (before the crude oil from which it is derived has been measured for royalty) by separation or by any chemical or physical process.

Commercial Discovery means: The discovery of a petroleum field by one or more wells which field, in the opinion of DENISON/SEAGULL -

- i) justifies by its quantity, quality, place and depth where found the development of the said field and

- ii) assures continuous commercial production..

Commercial Production means: Production of petroleum from a field developed as a consequence of a commercial discovery which production, in the opinion of DENISON/SEAGULL would -

- i) recover all exploration costs, development costs and operating costs directly attributable to the development of that commercial discovery, and  
ii) produce an acceptable profit.

Contract Area means: The area comprising 7515 square kilometers defined in Schedule 'A' attached hereto, as the same may be reduced, from time to time, in accordance with the provisions of this Agreement.

Contract Year means: A period of 12 consecutive months commencing from the date of the grant or anniversary thereof, of an O.P.L.

Crude Oil means: Oil in its natural state before the same has been refined or otherwise treated but excluding water and foreign substances.

Crude Oil Value has the meaning ascribed thereto in clause 18 of this Agreement.

Development Costs means: All costs incurred in appraising and developing a petroleum field subsequent to a commercial discovery and the cost of constructing a pipe line.

Exploration Costs means:

- (a) the cost of acquiring and interpreting geological data;  
(b) geophysical acquisition, processing, reprocessing and interpretation costs; and  
(c) drilling costs, carried out as part of the work programme specified in clause 6, other than any part of the foregoing which may be included in development costs.

Force Majeure has the meaning ascribed thereto in clause 30 of this Agreement.

Foreign Exchange means: Currency other than that of Guyana.

Natural Gas means: Gas obtained from boreholes and wells and consisting primarily of hydrocarbons.

Operating Costs means: All expenditures made and financial obligations incurred by DENISON/SEAGULL, other than exploration costs and development costs in carrying out or related to petroleum operations in Guyana and will include, without restricting the generality of the foregoing, the cost of winning, saving and disposing of petroleum, employee costs, the cost of maintaining and operating offices, camps, housing and other facilities and head office overheads permissible under the Laws of Guyana.

O.M.L. means: An Oil Mining Lease issued pursuant to the Act.

O.P.L. means: An Oil Prospecting Licence issued pursuant to the Act.

Party or Parties mean: DENISON/SEAGULL or GUYANA, and GUYANA or DENISON/SEAGULL as the case may be.

Petroleum includes any mineral oil or relative hydrocarbon and natural gas existing in its natural condition in strata, but does not include coal or bituminous shales or other stratified deposits from which oil can be extracted by destructive distillation.

Petroleum Operations means: All organizational, prospecting, exploring, mining, exploiting, administration, refining, transportation and disposition operations respecting petroleum under the terms of this Agreement.

Production Area means: that portion of the contract area which corresponds to the eventual surface area of a petroleum field.

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Work Programme means: The petroleum operations which, in accordance with the provisions of clause 6 hereof, are contemplated by DENISON/SEAGULL to be carried out on or relating to the contract area during each contract year.

3. GRANT OF O.P.L. AND O.M.L.

Guyana shall immediately after the execution of this Agreement grant DENISON/SEAGULL an O.P.L. to prospect for petroleum in the contract area and in the event of any commercial discovery GUYANA shall thereupon grant DENISON/SEAGULL an O.M.L. for a production area for the purpose of winning petroleum. The O.P.L. or any O.M.L.'s granted to DENISON/SEAGULL pursuant to this Agreement shall not derogate from the rights granted to DENISON/SEAGULL hereunder and any rights, duties and obligations (including the obligation to pay royalty) hereunder shall be taken to satisfy any similar rights, duties and obligations under the O.P.L. or any O.M.L.'s granted DENISON/SEAGULL pursuant to this Agreement.

4. DURATION OF O.P.L. AND O.M.L.

The O.P.L. shall be for an initial period of 5 contract years renewable at the option of DENISON/SEAGULL for a further period of 5 contract years. An O.M.L. shall be for a term of 20 contract years from the date of issue and shall be renewable at the option of DENISON/SEAGULL for a further 5 contract years in the event commercial production can still be obtained.

5. SURRENDER OF CONTRACT AREA

- (a) DENISON/SEAGULL shall relinquish portions of the contract area as follows: 25% of the original contract area at the end of the first year and 10% of the original contract area at the end of each of the next four (4) contract years.



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- (b) DENISON/SEAGULL shall be at liberty to relinquish any additional portion(s) of the contract area apart from that mentioned in (a) above.

6. WORK PROGRAMME

- a) During the first five (5) contract years DENISON/SEAGULL shall, as part of its work programme, complete the following:

- First Contract Year - (i) A minimum of two thousand (2,000) line kilometers of reflection seismic surveys.
- (ii) In addition DENISON/SEAGULL shall drill a well to a minimum depth of three thousand (3,000) meters or to the basement whichever is the lesser PROVIDED THAT DENISON/SEAGULL considers that the aforesaid seismic surveys identifies a drillable prospect.
- (iii) Where DENISON/SEAGULL does not as aforesaid consider the drilling of the well warranted, then DENISON/SEAGULL shall carry out an additional five hundred (500) line kilometers of reflection seismic surveys PROVIDED that this additional seismic survey shall be completed and the reports submitted by the end of the first contract year.
- (iv) Minimum expenditure during the First Contract Year shall be US\$1,250,000.00;

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Second Contract Year - - the drilling of at least two (2) wells each to a minimum depth of 3,000 meters or to the basement whichever is the lesser.

Minimum expenditure during the Second Contract Year shall be US\$8,000,000.00;

Third Contract Year - the drilling of at least two (2) wells each to a minimum depth of 3,000 meters or to the basement whichever is the lesser.

Minimum expenditure during the Third Contract Year shall be US\$10,000,000.00.

Fourth Contract Year - the drilling of at least three (3) wells each to a minimum depth of 3,000 meters or to the basement whichever is the lesser.

Minimum expenditure during the Fourth Contract Year shall be US\$15,000,000.00.

Fifth Contract Year - the drilling of at least three (3) wells each to a minimum depth of 3,000 meters or to the basement whichever is the lesser.

Minimum expenditure during the Fifth Contract Year shall be US\$17,500,000.00.

- b) Should DENISON/SEAGULL elect to continue petroleum operations beyond the fifth contract year DENISON/SEAGULL shall submit to GUYANA an acceptable work programme and minimum expenditure obligations at least ninety (90) days before the end of the fifth and subsequent contract years.

c) Before the commencement of petroleum operations for each contract year but in any event not later than ninety (90) days after the commencement of each contract year, DENISON/ SEAGULL shall furnish to GUYANA a performance bond based on the estimated cost of the work programme.

The value of the Bond shall be calculated as follows:

- 100% for the first US\$50,000.00
- 50% for the next US\$50,000.00
- 25% for the next US\$400,000.00 or part thereof.
- 10% of any amount in excess of US\$500,000.00

d) It is understood and agreed that subject to the provisions of clause 26, where it becomes necessary for DENISON/SEAGULL to complete work of a previous year in a subsequent year, this shall in no way be deemed to effect the completion of the work for the subsequent year.

7. RENTALS

(a) The annual rentals shall be paid in advance to GUYANA as follows:

	<u>Per Square Kilometer or part thereof</u>
1 st Year	US\$ 7.50
2 nd Year	US\$ 10.00
3 rd Year	US\$ 12.50
4 th Year	US\$ 15.00
5 th Year	US\$ 20.00

(b) Payment of annual rentals will commence from the date of this Agreement.

(c) Annual rentals beyond the fifth contract year shall be subject to review.

*J.V.*  
*[Handwritten marks]*

*[Handwritten signature]*

8. ASSIGNMENT

DENISON/SEAGULL shall not assign, sell, transfer, convey or otherwise dispose of any or all of its assets or rights granted by the O.P.L. or O.M.L. to any person or company without the previous consent in writing of GUYANA and such consent shall not be unreasonably withheld.


The foregoing provisions of this clause shall not apply to:

- i) the disposition of petroleum
- ii) the disposition of any of their assets or rights to an affiliate which exists at the date of signing of this Agreement.

9. RIGHT TO CONTROL AND EXPORT EQUIPMENT AND PETROLEUM

- a) DENISON/SEAGULL shall retain control of all its equipment used or leased for use in petroleum operations and shall be entitled to freely remove the said equipment from Guyana at all times provided that such removal shall not unreasonably interfere with, hamper or delay the work obligations as contained in Clause 6.
- b) DENISON/SEAGULL shall be free to export, market and dispose of its share of petroleum and shall be exempted from any duty, fee or any other financial impost in respect of the export, etc. of its petroleum save and except royalties as prescribed in clause 17 hereof.

10. RIGHT TO INGRESS AND EGRESS

DENISON/SEAGULL shall have the right of ingress to and egress from, the Contract area and to and from facilities constructed pursuant to this Agreement, wherever located at all times. 

*J.V.*  
*L.*

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- b) If operations are delayed, curtailed or prevented by force majeure, then the time for carrying out the obligations hereunder shall be extended for a period equal to the period thus involved.
- c) The party whose ability to perform its obligations is so affected shall notify the other party thereof in writing, stating the cause, and both parties shall do all reasonably within their power to remove such cause.

32. FOREIGN PERSONNEL - EXCHANGE PROVISIONS

DENISON/SEAGULL and its contractors and sub-contractors shall be authorised to stipulate to their own non-Guyanese personnel that a part of the remuneration paid to them shall be paid in foreign currency to an account in the country of their original residence. In any case, foreign employees will be permitted to remit bona fide savings to their countries of origin or designation.

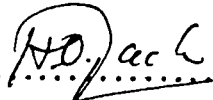
33. EFFECTIVENESS

- a) This Agreement shall come into force on the date it is signed by the parties.
- b) This Agreement shall not be annulled, amended or modified in any respect except by the mutual consent in writing of the parties.


IN WITNESS WHEREOF, the Parties hereto have executed this Agreement, on the date and year first shown above written.

Oil Concessions  
(Guyana)

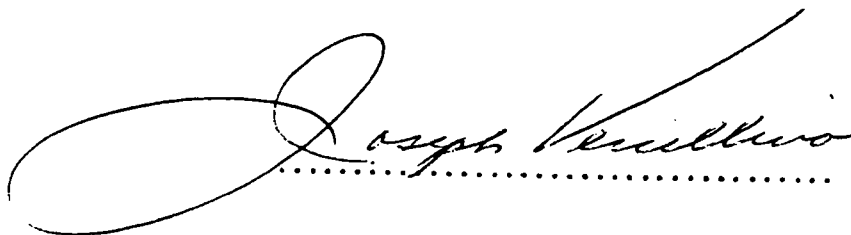
ON BEHALF OF THE GOVERNMENT OF GUYANA

  
.....  
H.O. JACK  
MINISTER OF ENERGY AND MINES


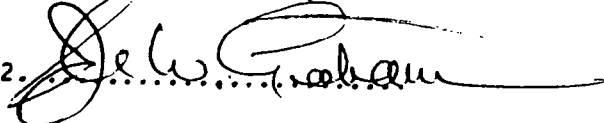
ON BEHALF OF DENISON MINES LIMITED

  
.....

ON BEHALF OF SEAGULL PETROLEUM(GUYANA)LIMITED

  
.....

WITNESSES:

1.   
.....
2.   
.....

16

SCHEDULE "A"

This is a Schedule "A" attached to and forming part of an Agreement dated 30 day of April 1981 made between GUYANA and DENISON/SEAGULL.

DESCRIPTION OF CONTRACT AREA

An area of approximately 7515 square kilometers offshore commencing from a point at the Guyana-Surinam border, 6 degrees 50 minutes North, 56 degrees 39 minutes West, then northeast along the Guyana-Surinam border to a point at 7 degrees 24 minutes North, 56 degrees 16 minutes West, then northwest along the 200 meter water depth contour to a point at 7 degrees 30 minutes North, 56 degrees 30 minutes West, then west to a point at 7 degrees 30 minutes North, 56 degrees 55 minutes West, then north to a point at 7 degrees 40 minutes North, 56 degrees 55 minutes West, then west to a point at 7 degrees 40 minutes North, 57 degrees 10 minutes West, then north to a point at 7 degrees 55 minutes North, 57 degrees 10 minutes West, then west to a point at 7 degrees 55 minutes North, 57 degrees 30 minutes West, then south to a point at 7 degrees 50 minutes North, 57 degrees 30 minutes West, then east to a point at 7 degrees 50 minutes North, 57 degrees 20 minutes West, then south to a point at 7 degrees 15 minutes North, 57 degrees 20 minutes West, then east to a point at 7 degrees 15 minutes North, 57 degrees 10 minutes West, then south to a point at 7 degrees 10 minutes North, 57 degrees 10 minutes West, then east to a point at 7 degrees 10 minutes North, 57 degrees 0 minutes West, then south to a point at 6 degrees 50 minutes North, 57 degrees 0 minutes West, then east to the point of commencement.

50

Permanent Secretary, Ministry of  
Energy and Mines.  
Comptroller of Customs and Excise.

II  
EM/12/26/27

5<sup>th</sup> May, 1981.

Agreement dated 30th April, 1981  
between the Government of Guyana and  
Denison Mines Limited and Seagull  
Petroleum (Guyana) Limited - Importation  
of Duty-Free Equipment.

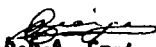
In furtherance of Guyana's thrust in mineral resources  
development an agreement was signed on the 30th April, 1981  
between the Government of Guyana and Denison/Seagull to  
prospect, explore and possibly mine for Petroleum in Guyana.

Under the terms of the said agreement, Denison/Seagull  
and its Contractors and subcontractors engaged in Petroleum  
operations are permitted to import duty-free machinery,  
equipment etc. A copy of the agreement is herewith attached.

By an agreement entered into on the 10th April, 1981  
by and between Denison/Seagull and Western Geophysical Company  
of America, a Delaware Corporation, of 10001 Richmond Avenue,  
Houston, Texas 77001, Western agreed to conduct a certain  
marine Geophysical survey offshore Guyana with Geophysical  
instruments furnished by Western.

The M.V. "Indian Seal", a marine seismic vessel is now  
anchored in Guyana's territorial waters and has on board the  
equipment as listed in the photostat copy of the Invoice and  
Declaration Form hereto annexed. The said equipment is  
absolutely essential for the setting up of Navigation Stations  
onshore and for carrying out the proposed seismic survey.  
John Fernando and Company Limited, the local agents of Western  
Geophysical are now in the process of completing the necessary  
documents for the importation of the equipment duty-free.

In these circumstances, I shall be most grateful for  
your permission to release the said equipment pending the formal  
completion of the relevant customs documents. Any delay in the  
clearance of the said equipment would result in added financial  
cost not only to the Western Geophysical but to the Guyana  
Government.

  
G.S.A. Cruijck,  
for Permanent Secretary.

c.c. Secretary to the Treasury.

Encl:

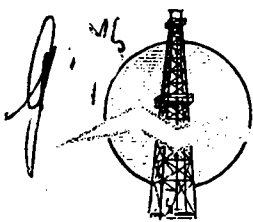
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RECEIVED BY THE SECRETARY

5.5.81 YP



Rec'd  
8-6-81  
J.



Two Allen Center, Suite 2770  
1200 Smith Street, Houston, Texas 77002  
Tel. (713) 658.9840 - Telex 774124 Seagull Hou

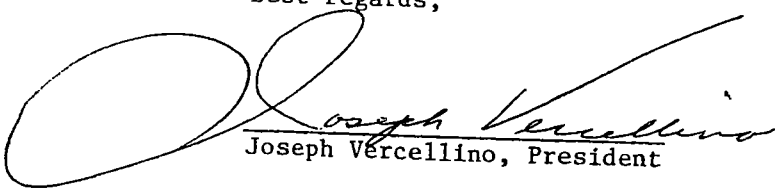
May 29, 1981

H. O. Bovell  
Permanent Secretary  
Ministry of Energy & Natural Resources  
41 Brickdam and Boyle Place  
Georgetown, Guyana

Dear Sir:

Pleased to advise that Western Geophysical has completed the offshore seismic program for Seagull-Denison as programmed. Tapes and records will be shipped from Georgetown to process center this weekend. We hope to have the final interpretations and results before October first. We will keep you informed.

Best regards,

  
Joseph Vercellino, President

JV/rls

cc: L. L. Samoil, Denison-Mines Ltd.  
Files

(74)

Oil Concessions  
(Guyana)

To the Honorable

*Pl. note. In terms of the agreement Seagull/Denison is obligated to let have full copies of raw data. We should therefore and request information on the delay that, and how soon we will have received the same.*

S E C R E T

CP 81

COPY NO: .....

THIS DOCUMENT IS THE PROPERTY OF THE CABINET

C A B I N E T

DEVELOPMENT CREDIT AGREEMENT FOR PETROLEUM PROJECT -  
INTERNATIONAL DEVELOPMENT ASSOCIATION

Memorandum by Cde. Minister of Energy and Mines

Early in 1980 the IBRD sent its consultants, Exploration Consultants Limited (E C I) to discuss with officials of the Ministry of Energy and Mines the status of the Nations Hydro-carbon development programme and to assist in formulating strategies which will accelerate the exploration programmes of the Nation. When these consultants came it will be remembered that Guyana had already considered and implemented contracts which were somewhat outside the scope of the present petroleum Mining Law, but within the ambit of the discretionary powers enjoyed by the political functionaries.

2. The discussion with the World Bank consultants dealt with the history of past concessionaires in the Guyana offshore area, the work they did and the information made available to the Nation. The report of these consultants identified certain areas of much needed assistance for the institutional development of the Petroleum Unit or corporation of which Government may be disposed to accomplish and were as follows:

- (a) office and laboratory equipment
- (b) data base files and office equipment
- (c) seismic data analysis
- (d) gravity and magnetic surveys
- (e) geological studies
- (f) well data
- (g) legislation/model agreements/accounting and
- (h) training of personnel at relevant levels.

Subsequent to that Mission (consultants) in 1980 another Mission visited in 1981 in order to work out in greater detail the specific areas for the programme loan. The loan agreement at appendix "A" entitled "Development Credit Agreement (Petroleum Exploration Promotion Project) between Guyana and International Development Association", is the document prepared by the World Bank for the implementation of Guyana's hydro-carbon development programme.

3. The loan is to be on soft terms for a fifty year period for a grace period of between fifteen and twenty years. The interest to be  $\frac{1}{2}$  of 1% of the principal and to 1 $\frac{1}{2}$ % when repayment begins. These terms are quite soft  
but/.....

but the content of the agreement is not quite in keeping with the understanding of the scope of the various elements of the programme indicated at paragraph two (2) herein.

4. Guyana has been invited to send a team to the I B R D to negotiate this agreement a copy which was first received through the diplomatic pouch a week ago. The agreement has been examined by officials of the Ministry of Finance and the Ministry of Energy and Mines with the Cde. Minister of Energy and Mines chairing one of these sessions. There are aspects of the agreement which do not allow for the conceptual approach which the Ministry of Energy and Mines has embarked upon for the development of hydro-carbons. A very clear example of this is at (b) of Section 3.03 which states as follows:

- (b) " The Borrower shall not make any final decision on the establishment of a state-owned petroleum corporation or entity including the timing, staffing and scope of activities of such corporation or entity without first reviewing the above-mentioned matters with the Association".

This is repugnant to the spirit of sovereignty of any Nation and together with (a) of the said section need to be modified to the extent that the amendment should only imply that due notice to the Association will be required in order to avoid any inhibition of the work programme through the transfer of personnel from the Petroleum Unit to the Corporation. In the Ministry's approach to the establishment of a Corporation <sup>from</sup> the Petroleum Unit which must be established in 1982 will form the nucleus of the exploration/exploitation arm of the Petroleum Corporation, which depending on the Nation's fortunes on and off-shore, will comprise of refining commercial and other arms as well.

5. The Minister of Energy and Mines also wishes to inform Cabinet that the United Nations Development Programme has also placed at the disposal of the Ministry of Energy and Mines assistance for the legal and other institutional framework for the petroleum development and it is proposed that the negotiating position of Guyana on this agreement is that those areas of assistance already embarked upon with UN will not be duplicated but the team will pursue a course of correlation between the UN Assistance and that of the World Bank. Moreover the apparent disproportionate distribution of allocation of funds shown at Schedule I of the draft loan agreement will have to be examined at the negotiations with a view of having a greater input into the training and exploration elements of the programme. The team is currently working on the detailed terms of reference for the United Nations grant assistance and will use this as a reference base for the negotiations with the World Bank.

6. The Cde. Minister of Energy and Mines recommend to Cabinet that a team comprising the following should go to Washington to negotiate the terms and conditions of the loan from the 16th to the 21st December, 1981

Cdes. H.O. Bovell	-	Permanent Secretary, Ministry of Energy and Mines
D. Biscoe	-	Principal Legal Adviser, Ministry of Energy and Mines
C.M. Pollydore	-	Petroleum Engineer/Geologist
W. Seaforth	-	Senior Economist, Ministry of Finance.

Oil Concessions  
(Guyana)

Cabinet/.....

Cabinet is also invited to approve of four return economy class fares for the four officers Georgetown/Washington/Georgetown at \$2 177.80 each and for the advance for six days as follows:

Cdes. H.O. Bovall	- 6 days at \$450. per day	\$2 700
D. Hiscesser	- 6 days at \$288. per day	\$1 728
C. Pollydore	- 6 days at \$288. per day	\$1 728
W. Seeforth	- 6 days at \$288. per day	\$1 728
		<hr/>
		\$7 884
		<hr/>

7. Cabinet is also invited to approve that advances totalling \$16,595.20 are to be met from Head - 01 Ministry of Finance - Accountant General Sub-head - 19 Special Visits and Representation at External Conferences.

.....  
(Initialed) H.O.J.  
Senior Minister

MINISTRY OF ENERGY AND MINES  
DECEMBER 11, 1981  
EM: 14/117/3

157

DENISON MINES LIMITED

Memorial of Guyana  
Annex 127

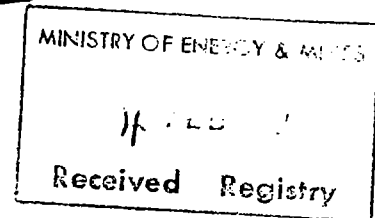
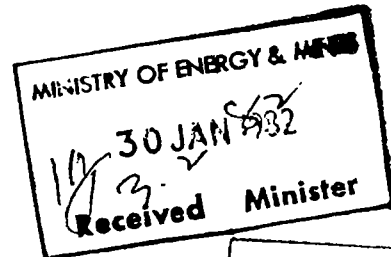
SUITE 3900, SOUTH TOWER  
P.O. BOX 40

ROYAL BANK PLAZA  
TORONTO, ONTARIO, CANADA  
M5J 2K2

TEL. 416-865-1991  
TELEX 065-24135

January 21, 1982

The Honorable H. O. Jack  
Minister of Energy and Mines  
Government of Guyana  
41 Brickdam & Boyle Place  
Georgetown, Guyana



Dear Mr. Jack:

Re: Offshore Prospecting Licence  
Denison Mines Limited/Seagull Petroleum (Guyana) Limited

I am pleased to inform you that Denison and Seagull have entered into a contract with Western Geophysical Company, of Houston, Texas, to perform an additional 500-line kilometer seismic survey over certain areas of the Offshore Prospecting Licence. The areas to be shot are those of specific interest which we believe to be highly prospective for future drilling and we believe that this additional program will assist us greatly in locating precisely areas which may be drilled in the second year of the Offshore Prospecting Licence.

We also wish to advise that in anticipation of positive results, we have commenced discussions with Gulf Oil Company relating to the possible sharing of a drilling contract which Gulf Oil has negotiated with Western Oceanic, Inc., which company is to provide a jackup-type drilling rig to Gulf for drilling operations on Gulf's offshore exploration contract in Suriname in mid-1982.

Inasmuch as we expect our new program to commence early in February, we would ask that your Ministry provide as much

...2.

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PS. Jyi pl  
32-02-DC

Oil Concessions  
(Guyana)

The Honorable H. O. Jack  
Minister of Energy and Mines  
Georgetown, Guyana

Page Two  
January 21, 1982

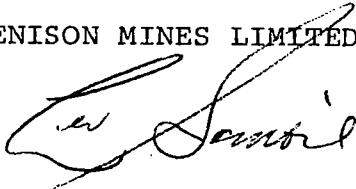
support as our contractor requires to facilitate these operations. We will, of course, advise you promptly that the exact schedule is defined and will provide reports to you as the work proceeds and is concluded.

We are very hopeful that the forthcoming activity will be successful in discovering hydrocarbons in Guyana and I look forward to visiting with you on my next trip to Guyana.

BC  
We take pleasure in enclosing a copy of our Annual Report for 1981.

Yours very truly,

DENISON MINES LIMITED



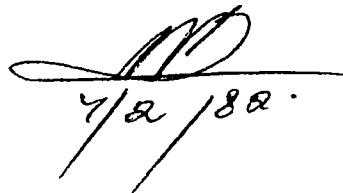
Leo L. Samoil  
Vice-President  
Oil & Gas Operations

LLS/cl  
Encl.

c.c. Mr. J. Vercellino  
President  
Seagull International Exploration Inc.  
Houston, Texas

P.A.S. *[initials]* (159)  
A.S.C.S. *[initials]*

*PL note for your information. We shall at all times endeavor to process whatever documents come to hand for this operation with due promptness.*



**FOR IMMEDIATE RELEASE**



# World Bank

1818 H Street, N.W., Washington, D.C. 20433, U.S.A. • Telephone: 202 477-1234

IDA NEWS RELEASE NO. 82/35  
February 18, 1982

Contact: **Ciro Gamarra**  
(202) 477-8034

## GUYANA TO PROMOTE PETROLEUM EXPLORATION WITH IDA ASSISTANCE

Petroleum exploration in Guyana will be promoted with the assistance of an SDR 1.7 million (\$2 million) credit, the International Development Association (IDA) announced today. The credit from the World Bank's affiliate will be used to provide the services of specialists to help the government in preparing a promotional program to attract foreign oil companies.

Guyana has sedimentary deposits that may contain oil or gas in commercial quantity. Exploration work at present is limited to the Takutu Rift Basin, onshore, where the Home Oil Company is drilling. Offshore, a single block of about 8,000 square kilometers (sq km) was recently leased to the Seagull-Dennison Group. The remaining offshore area of about 40,000 sq km is not under lease.

A petroleum unit is being set up in the Ministry of Energy and Mines to provide professional management over petroleum exploration activities. This unit will be provided with consultant advice and technical assistance to prepare itself for technical, legal, and accounting responsibilities. Guyana's present petroleum laws will be reviewed and regulations drawn up that will be consistent with attracting foreign private investment in the high-risk activity of petroleum search and development.

Guyana does not produce crude oil or natural gas, nor does it have refining facilities. Petroleum imports increased from \$22 million in 1973 to \$140 million in 1980, mainly as a result of rising import prices. A small commercial discovery would go a long way toward meeting the country's energy needs.

Under the project, consultants will also undertake an evaluation of the heavy oil potential in an area southeast of Georgetown.

The IDA credit to Guyana is for 50 years including 10 years of grace; it is interest-free but carries a service charge of 3/4 of 1% a year to help cover administrative costs.

The address of the Ministry of Energy and Mines is 41, Brickdam and Boyle Place, Georgetown, Guyana.

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NOTE: IDA credits are denominated in SDRs (Special Drawing Rights), which are valued on the basis of a "basket" of currencies. The U.S. dollar equivalent of the SDR amount of the IDA credit reflects the exchange rates existing at the time of negotiation of the credit.

Oil Concessions  
(Guyana)

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OFFICIAL  
DOCUMENTS

CREDIT NUMBER 1208 GUA

# Development Credit Agreement

(Petroleum Exploration Promotion Project)

between

GUYANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *November 24*, 1982



CREDIT NUMBER 1208 GUA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated *November 24*, 1982, between GUYANA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated June 30, 1980, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the term "Petroleum Unit" means the petroleum unit referred to in Section 3.01 (b) hereof.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to one million seven hundred thousand Special Drawing Rights (SDR 1,700,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Association, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

- 2 -

Section 2.03. Except as the Association shall otherwise agree, procurement of the goods and drilling services required for the Project and to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 3 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1985 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing July 15, 1992, and ending January 15, 2032, each installment to and including the installment payable on January 15, 2002, to be one-half of one per cent ( $1/2$  of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ( $1-1/2\%$ ) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower shall, through its Ministry of Energy and Mines or through such other agency as the Borrower with the prior agreement of the Association shall determine, carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

- 3 -

(b) The Borrower shall establish in the Ministry of Energy and Mines, in a form and with functions and staffing satisfactory to the Association, the petroleum unit referred to in Part A (3) (a) of the Project and, until the Project is completed, shall not make any changes in the form, functions and staffing of the Petroleum Unit without prior consultation with the Association.

Section 3.02. (a) In order to assist the Borrower in the carrying out of the Project, the Borrower shall employ petroleum exploration, management and accounting consultants and legal advisors whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association; and such employment to be made in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

(b) The Borrower shall prepare the terms of reference of the consultants and advisors mentioned in paragraph (a) hereof in consultation with the Association.

(c) The Borrower shall assign to the Petroleum Unit local counterpart staff who will be provided on-the-job training by the consultants mentioned in paragraph (a) above.

Section 3.03. (a) The Borrower's Ministry of Energy and Mines shall send to the Association for review and comments the recommendations of the legal advisors regarding the draft petroleum exploration and production laws and regulations no later than 60 days after receipt of such recommendations from the advisors and in any case before such draft laws and regulations are formally presented by the Ministry of Energy and Mines for approval by the Borrower.

(b) The Borrower shall consult with the Association before making any final decision on the establishment of a state-owned petroleum corporation or entity including the timing, staffing, and scope of activities of such corporation or entity.

Section 3.04. Before carrying out Part B of the Project, the Borrower shall with the assistance of the consultants to be employed under Section 3.02 hereof prepare, and provide the Association with, for its approval, proposals for executing surveys under Part B of the Project and thereafter a timetable

- 4 -

and detailed proposals for the drilling under Part B of the Project which shall clearly identify the number, location and depth of the proposed wells, implementation arrangements, cost estimates and such other information as the Association may reasonably request.

Section 3.05. The Borrower's Ministry of Energy and Mines shall no later than June 30, 1983 designate, and furnish the Association for its review and comments with the list of, candidates proposed for training included in the Project and a detailed description of such training.

Section 3.06. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported good to be financed out of the proceeds of the Credit against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) The Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

Section 3.07. (a) The Borrower shall furnish to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower: (i) shall maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Credit, and to disclose their use in the Project; (ii) shall enable the Association's representatives to visit the facilities and sites included in the Project and to examine the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) shall furnish to the Association at regular intervals all such information as the Association shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

- 5 -

(c) Upon the award by the Borrower of any contract for goods, works or services to be financed out of the proceeds of the Credit, the Association may publish a description thereof, the name and nationality of the party to whom the contract was awarded and the contract price.

(d) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall cause the Petroleum Unit to prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit.

Section 3.08. The Borrower undertakes to maintain a pricing policy for petroleum products that will be consistent with the full cost of importation and the efficient use of such products.

#### ARTICLE IV

##### Other Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained appropriate accounting practices the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) Without limitation to the foregoing, the Borrower shall cause the Ministry of Energy and Mines to maintain or cause to be maintained a special account into which shall be paid the proceeds of sales of geophysical data and reports produced under the Project, said proceeds of sales to be used exclusively to finance expenditures for oil exploration related activities of the Petroleum Unit.

(c) The Borrower shall: (i) have the accounts relating to the Project, including the special account referred to in paragraph (b) of this Section, for each fiscal year audited, in

- 6 -

accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and (iii) furnish to the Association such other information concerning said special accounts, records and expenditure and the audit thereof as the Association shall from time to time reasonably request.

Section 4.02. The Borrower shall cause the Ministry of Energy and Mines to send to the Association quarterly and annual reports on the progress of the Project in a form satisfactory to the Association, including summaries of expenditures and the use of funds under the Project.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Petroleum Unit has been established in accordance with Section 3.01 (b) hereof.

Section 5.02. The date *February 22*, 1983 is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representatives of the Borrower; Addresses

Section 6.01. The Minister of the Borrower responsible for Finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

- 7 -

For the Borrower:

Minister of Finance  
Main Street  
Georgetown  
Guyana

Cable address:

MINFIN  
Georgetown  
Guyana

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INDEVAS  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

GUYANA

By *151 Cedric H. Grant*  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By *151 Nicolas Ardito Barletta*  
Regional Vice President  
Latin American and the Caribbean

- 8 -

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Consultants services under:		100% of foreign expenditures
(a) Part A of the Project	650,000	
(b) Part B of the Project	75,000	
(2) Legal advisory services	130,000	100% of foreign expenditures
(3) Vehicles, office and laboratory equipment	160,000	100% of foreign expenditures
(4) Training	170,000	100% of foreign expenditures
(5) Drilling services	285,000	85%
(4) Unallocated	230,000	
	<hr/>	
TOTAL	1,700,000	
	<hr/> <hr/>	

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower.



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3. The disbursement percentages have been calculated in compliance with the policy of the Association that no proceeds of the Credit shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Credit decreases or increases, the Association may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Association.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement; and

(b) expenditures under Category (5) until the Association has approved the time table and detailed proposals required under Section 3.04 hereof.

5. Notwithstanding the allocation of an amount of the Credit or the disbursement percentages set forth in the table in paragraph 1 above, if the Association has reasonably estimated that the amount of the Credit then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Association may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Credit which are then allocated to another Category and which in the opinion of the Association are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Credit and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under the Development Credit Agreement, by notice to

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the Borrower, cancel such amount of the Credit as, in the Association's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.

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SCHEDULE 2

Description of the Project

The Project which is designed to assist the Borrower's petroleum exploration promotion program consists of the following Parts:

Part A: Petroleum Exploration Promotion

- (1) (a) Collection, compilation, organization and interpretation of existing geological and geophysical data;
- (b) Preparation of presentation documents on areas to be offered for exploration to foreign companies.
- (c) Provision to oil companies of information on Guyana's petroleum potential.
- (d) Monitoring of the activities of oil companies operating in Guyana.
- (e) Integration of data provided by such operating companies in the Ministry of Energy and Mines' interpretation of Guyana's basins.
- (2) (a) Revision of the Borrower's Petroleum Act and regulations and preparation of petroleum exploration and production contracts.
- (b) Negotiation of petroleum exploration and production contracts.
- (3) (a) Establishment of a petroleum unit to be responsible for overseeing petroleum exploration and development.
- (b) Establishment within the Petroleum Unit of a petroleum accounting and management system and procedures.
- (4) Training of Guyanese technical staff in petroleum exploration techniques, laboratory procedures and related activities including overseas and on the job training; and university

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training in petroleum geology and geophysics for staff members of the Petroleum Unit.

(5) Acquisition and purchase for the Petroleum Unit of vehicles, office and laboratory equipment and materials, including storage cabinets for geologic and geophysical data; technical books, and special copying machines for logs and profiles.

Part B: Evaluation of Heavy Oil Potential

Gravity and magnetic surveys in the coastal areas southeast of Georgetown to obtain information concerning hydrocarbon potential of the area and, on the basis of the surveys' findings, drilling of appropriate exploration wells as determined by the Borrower and the Association; and evaluation of sample cuttings for oil shows.

\* \* \*

The Project is expected to be completed by June 30, 1985.

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SCHEDULE 3

Procurement

A. Limited International Tendering

Vehicles, equipment and other goods required for the Project shall be procured by limited international tendering involving the solicitation of at least three quotations from suppliers.

B. Local Competitive Bidding

Drilling services under Part B of the Project shall be procured under contracts awarded after competitive bidding based on local advertising in accordance with local procurement procedures.

C. Review of Procurement Decisions by the Association

1. Review of invitations to bid and of proposed awards and final contracts:

With respect to all contracts for drilling services:

(a) Before bids are invited, the Borrower shall furnish to the Association, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Association shall reasonably request. Any further modification to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Association of the name of the bidder to which it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, and such other information as the Association shall reasonably request. The Association shall, if it determines that the intended award would be inconsistent with the procedures set forth in the current edition of the "Guidelines for Procurement under World Bank Loans and IDA Credits" or this Schedule, promptly inform the Borrower and state the reasons for such determination.

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(c) The terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked or prequalification invited.

(d) Two conformed copies of the contract shall be furnished to the Association promptly after its execution and prior to the delivery to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract.

2. With respect to the items procured by limited international tendering, the Borrower shall furnish the Association for its comments before the execution of the contracts relating thereto with (A) a detailed list of such items and of the names of the suppliers from which quotations have been solicited; and (B) a detailed report on the evaluation of the quotations received and such other information as the Association shall reasonably request.

3. Before agreeing to any material modification or waiver of the terms and conditions of a contract, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) which would increase the cost of the contract by more than 10% of the original price, the Borrower shall inform the Association of the proposed modification, waiver, extension or change order and the reasons therefor. The Association, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower and state the reasons for its determination.

INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

In witness whereof I have signed this Certificate and affixed the Seal of the Association thereunto the 24<sup>th</sup> day of Nov., 198 2.

*S. H. Chis*  
FOR SECRETARY