SURINAME

Service Contract Dated 13 December 1980
Between State Oil Company Suriname N.V.
And Suriname Gulf Oil Company
SERVICE CONTRACT

between

State Oil Company Suriname N.V. having its established offices in Paramaribo (hereinafter referred to as "State Company")

and

Suriname Gulf Oil Company
(hereinafter referred to as "Contractor")

WHEREAS

the Concession Agreement between the State and the State Company grants to the State Company an exclusive license for the exploration for the presence of and an exclusive concession for the development of hydrocarbon resources within the area indicated and described in the aforementioned Concession Agreement,

WHEREAS

Contractor has declared its willingness to perform for the State Company the operations described herein which result from the abovementioned Concession Agreement,

WHEREAS

the Contractor has the technical competence and the financial ability to perform the exploration for and the development of hydrocarbons or to have the same performed, and is prepared to make available to the State Company said technical competence and financial ability to the extent and on terms contained herein,
NOW THEREFORE, in consideration of the mutual covenants herein contained, it is hereby agreed and declared as follows:

DEFINITIONS

Article 1

For all purposes, the following terms when appearing in this Contract, shall be deemed to have the meanings indicated hereinafter in this Article.

1. Accounting Guide means the financial directives and/or instructions for the accounting required to carry out this Contract which is attached hereto as Annex 2, and is a part of this Contract.

2. Affiliated Company means:
   a) A company or corporation which is the direct or indirect subsidiary of the State Company or Contractor;
   b) A company or corporation of which the State Company or Contractor is a direct or indirect subsidiary;
   c) A company or corporation which is a direct or indirect subsidiary of a corporation or company of which State Company or Contractor is a direct or indirect subsidiary.

For the purpose of this definition, a company or corporation is a “subsidiary” of another company or corporation if the latter owns more than fifty percent (50%) of all the shares of the former carrying voting rights by which its management is controlled.

d) A company or corporation with respect to which the State owns, directly, or indirectly more than fifty percent (50%) of all the shares of the former carrying voting rights by which management is controlled.

For purposes of this definition “Company” shall include natural persons, partnerships and other juridical entities.

3. Barrel means a quantity or unit of oil equal to forty-two (42) United States gallons at a temperature of sixty (60) degrees Fahrenheit.

4. Budget means expenditures and obligations expected to be made and incurred in carrying out a Marketing Program, Minimum Exploration Program and/or an Operating Program, as the case may be.

Calendar Year means the year commencing on January 1 at 0000 hours and ending on the next following January 1 at 0000 hours, and, for purposes of Fiscalization, cargoes shall be deemed to have been delivered to the lifting party in the year in which loading of the cargo commences.

5. Commercial Discovery means the discovery in the Contract Area of an accumulation or accumulations of Petroleum which would induce the Contractor, after taking into consideration the quantity, quality, density, place and depth where found, the required potential investment and the prevailing world market prices, to undertake the Development of said accumulation or accumulations of Petroleum.

\[ \text{CAC} \]
7. **Concession Agreement** means the agreement concluded between the State and the State Company granting to the State Company an exclusive license for the exploration for and an exclusive concession for the Development of Petroleum in the Contract Area.

8. **Domestic Supply Requirement** shall have the meaning stated in Article 14.

9. **Contract** means this present Contract between State Company and Contractor.

10. **Contract Account** has the meaning stated in Article 10.

11. **Contract Area** means the area defined as concession area in Annex I to this Contract minus such part thereof that is from time to time returned in accordance with the provisions of Article 6, consisting initially of approximately 13,500 square kilometers.

12. **Contractor** means Suriname Gulf Oil Company and in the event of a valid assignment, Suriname Gulf Oil Company (if it retains an interest) and all assignees, collectively.

13. **Coordinating Committee** means the committee as described in Article 11.

14. **Crude Oil** means crude mineral oil, including asphalt, ozokerite and all kinds of Petroleum and bitumens, both in solid and in liquid form, in their natural state or obtained from Natural Gas by condensation or extraction.

15. **Development** means the drilling, deepening, shutting, re-preparation and completion of wells, the fixing up of equipment, required elements and systems, and the performance of any activity required for the establishing and continuation of the discovery and production of Petroleum.

16. **Effective Date** means the date established pursuant to Article 20.

17. **Exploration** means the planning, performance and evaluation of all kinds of geological and geophysical, air-view and other research, as well as core-drillings, stratigraphic tests and other types of drillings intended for the discovery and production of Petroleum.

18. **Fiscalization** means the series of volumetric determinations corrected for temperature and pressure as well as water, sediments and other undesirable materials of Petroleum extracted from the Contract Area and delivered at the Point of Delivery and includes, when necessary, the computational conversion of such volumes to money value.

19. **Loan Repayment Oil** means the quantity of Crude Oil the value of which is equivalent to Reimburseable Cost.

20. **Marketing Program** means a program of Petroleum or petroleum products to be marketed during any given year.

21. **Minimum Exploration Program** means the operations to be performed by the Contractor as set out in Article 9.

22. **Natural Gas** means all gaseous hydrocarbons produced from wells, including wet mineral gas, dry mineral gas, casing head gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas.

23. **Operating Program** means a schedule of Petroleum Operations to be performed in any given year.
24. **Parties** means the State Company and the Contractor and **Party** means the State Company or the Contractor.

25. **Petroleum** means all hydrocarbons in liquid or gaseous state and all entrained substances, other than coal, from which hydrocarbon liquids or gases can be extracted, derived or otherwise produced including asphalt and other solid hydrocarbons suitable for production with or dissolution into liquids or gases, all hydrocarbons, liquids or gases produced therefrom generally considered as petroleum products in liquid or gaseous form.

26. **Petroleum Operations** means all activities both in and outside Suriname related to exploration, development, production, handling and transportation of Petroleum required for the proper implementation of this Contract.

27. **Point of Delivery** means the common delivery point or points for Petroleum, which shall be established by the Supervisory Committee, and shall be at the point where it passes the flange between the production facility delivery hose or pipeline and the cargo intake of a vessel or point of export, or, as the case may be, at the point of delivery in Suriname to a party where it leaves the production facilities.

28. **Production** means volumes of Petroleum produced from the Contract Area, less those quantities of Petroleum (a) which have been consumed or used for purposes of Petroleum Operations, (b) which have been lost during Petroleum Operations, (c) which have been recycled into reservoirs (a), and (d) gas hydrocarbons which have not been sold or for other reasons have not been delivered to the Delivery Point. For purposes of Fiscalization and share of Production determinations hereunder, the quantity of Production in any period shall be the total quantity of Petroleum delivered to the parties at the Point of Delivery.

29. **Production Operation** means all activities performed in Suriname for the development of Petroleum wells for the purpose of extracting, retaining, treating, measuring, storing, handling, and transporting Petroleum from the wellhead to the storage and/or Fiscalization points and any type of enhanced recovery operations to be performed with regard to aforementioned wells, including operations such as cycling, recycling, recompression, pressure maintenance, flooding with water, etc.

30. **Reimbursable Cost** means expenditures made and obligations incurred by Contractor from and after the Effective Date in carrying out Petroleum Operations, as recorded in accordance with the Accounting Guide.

31. **Subcontractor** means any natural person or legal entity contracted by the Contractor to perform activities or services relating to this Contract.

32. **Supervisory Committee** means the committee as described in Article II.

33. **Suriname** means the Republic of Suriname in a geographical sense as opposed to a juridical entity.

34. **State** means the government of the Republic of Suriname.

35. **Term** means the term of this Contract reckoning from the Effective Date.
SCOPE

Article 2

This Contract is a Service Contract in accordance with the provisions herein contained.

By virtue of this Contract Contractor is hereby designated and appointed, on the undermentioned conditions, to exclusively perform the Petroleum Operations in the Contract Area and Contractor shall accordingly be responsible for the management and performance of such Petroleum Operations as the Contractor has agreed to carry out.

Contractor shall thereby enable the State Company to fulfill the obligations contained in the Concession Agreement. Contractor shall render the technical assistance required for the management and conduct of Petroleum Operations described in this Contract.

Contractor shall be responsible for the provision of all funds necessary to conduct the Petroleum Operations to be carried out pursuant to the Contract. The funds so provided by Contractor in executing such Petroleum Operations shall be a non-recourse project loan and shall be reimbursed to Contractor by State Company solely from the proceeds of the Production realized by Contractor as provided for in Article 7. During the life of the Contract and from the Production obtained from Operations Contractor shall be entitled to remuneration as provided for in Article 7.

TERM

Article 3

1. The Term of this Contract shall be twenty-five (25) years from the Effective Date.

2. If at the end of the Term of twenty-five (25) years provided for in Paragraph 1 the Parties wish to renew this Contract, then negotiations will be conducted to arrive at the conditions that shall be applicable during the new term.

   If at the end of the first five (5) years from the Effective Date there has been no Commercial Discovery in the Contract Area, Contractor shall have the option either i) to terminate the Contract or, ii) to notify the State Company by letter not later than six (6) months before the end of the first five (5) years that in the opinion of the Contractor, on the basis of the activities carried out in the Contract Area up to that date, there are such indications that a Commercial Discovery may be expected within two (2) years, in which case this Contract shall remain in effect for such additional two (2) year period.

4. If at the end of this period of two (2) additional years, no Commercial Discovery has been achieved in the Contract Area, this Contract shall automatically terminate in its entirety.
LOCATION AND SIZE OF THE CONTRACT AREA

Article 4

1. The Contract Area is part of the off-shore area of Suriname. The original Contract Area is approximately 13,500 Km²; it is situated between the meridians of 55° 00' 00" and 35° 00' 00" West of Greenwich and between the coastline and the parallels of latitude of 6° 00' 00" and 7° 00' 00" North of the equator and it consists of the blocks indicated by the letters A, I, J, K, and S, and portions of the blocks indicated by the letters B and C on the figurative map attached hereto as Annex I.

2. The coastline is defined as the average sea level at the open sea and is the same as the O-meter new NIS which has been determined from 1968 to 1971 off the coast of Coronie (See End Report Determination NIS 1968-1971 KLM Aero Carto).

MINIMUM EXPLORATION PROGRAM

Article 5

1. Contractor shall commence the Petroleum Operations not later than sixty (60) days after the Effective Date. The State Company shall without delay make available to the Contractor all documents relating to the Contract Area which it obtains from the State by virtue of the Concession Agreement and which are pertinent to the performance of the Petroleum Operations.

2. Contractor shall conduct a program of geophysical work which will include detailed seismic survey work with the actual field operations to be initiated within twelve (12) months from the Effective Date. The detailed seismic data gathering shall use the most modern methods including multi-fold recordings in 12, 24, or 48-fold techniques, both in shallow water and deep water. The most advanced computer processing techniques will be used to enhance the seismic data. The cost of this program of geophysical work is to be a minimum of two (2) million U.S. Dollars, which cost shall include expenditures for data acquisition, processing, supervision, administration and interpretation, but Contractor will not be obligated to spend more than two (2) million U.S. Dollars for this phase of the operations.
3. Contractor shall be obligated to carry out a minimum exploratory drilling program consisting of a series of three (3) exploratory wells as follows:
   a) within twenty-four (24) months from the Effective Date, Contractor shall commence the drilling of the first well in this series of three (3) exploratory wells. Each well in this series will be drilled to "basement", or to such depth as appropriate to test prospective objectives as will be defined by Contractor prior to the drilling of such well or until an amount of two million United States Dollars ($2,000,000) for each well has been expended in an effort to reach the designated objective, whichever comes first.
   b) the program shall be scheduled so that within thirty-six (36) months from the Effective Date, Contractor shall commence the drilling (spud in) of the third and final well in this series.
   c) Within ninety (90) days following rig release upon the termination of the exploratory well referred to in sub-paragraph 3.b) above, or by the end of the thirty-sixth month whichever is later, Contractor may elect to renounce all rights granted and withdraw from the Contract Area in which instance there shall be no cause for any payment, penalty or compensation of any kind whatsoever due from, or any other obligation on the part of Contractor other than the obligation to deliver to the State Company and the State copies of the original data recorded and interpretations made.

5. If Contractor elects to continue Petroleum Operations following the completion of the exploratory drilling program described in Paragraph 3 above, the Contractor shall notify in writing the State Company of its intent to commence a sequence of four (4) exploratory or appraisal wells, the final well of which shall be commenced (spud in) prior to the end of the fifth year from the Effective Date. Each well in this sequence shall be drilled to such depth as appropriate to test prospective objectives as will be defined by Contractor prior to the drilling of each such well, or until an amount of two million United States Dollars ($2,000,000) has been expended, whichever comes first. Within ninety (90) days after the termination of each well the Contractor may either elect to renounce all rights granted and withdraw from the Contract Area in which instance there shall be no cause for any payment, penalty or compensation of any kind whatsoever due from, or any other obligation on the part of Contractor other than the obligation to deliver to the State Company and the State copies of the original data recorded and interpretations made, or continue the sequence of wells as the Contractor so chooses.

6. If, before the completion of the initial series of three (3) exploratory wells, Contractor wishes to terminate the Contract, such termination can only be realized against payment of a compensation to the State Company. The compensation shall amount to the sum of the positive differences between the
amount the Contractor is obligated to expend for the geophysical surveying and each of the three (3) wells described in Paragraphs 2 and 3 above and the amount expended for any not fully fulfilled obligation.

7. Contractor shall provide within thirty (30) days from the Effective Date to the State Company a bank guarantee enforceable on first demand in Paramaribo and issued by a major international bank chosen by Contractor and acceptable to the State Company which covers the total amount of expenditures as defined in Paragraphs 2 and 3 above. Said guarantee shall be adjusted quarterly as the exploratory operations progress.

8. Contractor shall have the right to advance exploratory works ahead of the schedule set forth above; however, no such advancement shall affect the right of Contractor to exercise the options set forth above at the times provided.

COMPULSORY SURRENDER OF AREA

Article 6

1. On or before the end of the third (3rd) year from the Effective Date, Contractor shall surrender twenty-five percent (25%) of the original Contract Area.

2. On or before the end of the fourth (4th) year from the Effective Date, Contractor shall surrender an additional portion equal to twenty-five percent (25%) of the original Contract Area.

3. On or before the end of the sixth (6th) year from the Effective Date, Contractor shall surrender an additional portion equal to twenty-five percent (25%) of the original Contract Area.

4. Contractor’s obligation to surrender portions of the original Contract Area, as referred to in the foregoing provisions, shall not be applicable to any portion of the original Contract Area where Petroleum has been discovered. For the purpose of delineation of areas where Petroleum has been discovered, all the geological and geophysical data, and data from wells drilled within said areas or which may have any relationship with it will be taken into consideration in the establishment of field limits consistent with standard geological and reservoir engineering practices.

5. The surrender shall take place in parcels which must be joined by either their respective sides or corners. As indicated on the figurative map attached as Annex 1, these parcels are numbered in block A from 31 up to and including 36, in block B 26 up to and including 36, in block C 23, 26, and from 31 up to and including 36, and in blocks 1, 3, K, and S, each from 1 up to and including 36, insular as these parcels of blocks are situated north of the Coastline.
EFFECTIVE DATE

Article 20

1. This Contract shall be binding on the parties when fully executed.
2. Effective Date means the date established by later agreement of the parties but failing such agreement on the thirtieth day following fulfillment of all the conditions stated in the next paragraph.
3. Commencement of the obligations of the parties under this Contract shall be conditional on:
   a. Legislation under which the Contract can be satisfactorily performed has been enacted;
   b. The State Company, having been duly constituted, has executed this Contract;
   c. A Concession Agreement under which the Contract can be satisfactorily performed has been granted.

PERMANENT REPRESENTATION AND NOTICE

Article 21

1. Suriname Gulf Oil Company, shall at all times be represented in Suriname and have an office in Paramaribo.
2. Unless provided otherwise in this Contract, all notices, requests, and other communications provided for in this Contract shall be made in writing and shall be deemed to have been properly given when delivered in person to an authorized representative of the party to whom the notice is directed or when sent by registered mail, tele or telegram, postage paid.

State Company
for the attention of Mr. S. G. J. Ramp
C/O H. J. J. B. N. Hoffman
R. K. M. S. Courantei
Paramaribo

Contractor
for the attention of Mr. R. L. Knowles
C/O Mr. R. L. Knowles
Mr. Knowles, Ltd.
Post Box No. 1
Paramaribo

3. Notices will be deemed effective as follows:
   a. personal delivery: on delivery
   b. mail: fourteen days following posting
   c. telegraph: twenty-four hours after transmission
   d. telegram: forty-eight hours after transmission

Any party may change its address hereunder by giving the other party fourteen days prior written notice.

GOOD FAITH

Article 22

The Parties undertake, during the term of this Contract and if and insofar as the provisions of the Contract so require, also after the termination of this Contract, to act in good faith with respect to each other's rights and shall adopt all reasonable measures to ensure the realization of the objectives under this Contract.
**Arbitration**

**Article 23**

1. Except for matters relating to taxes and royalties, including the determination of gross proceeds for the calculation of income taxes, every dispute arising between the parties which cannot be resolved amicably regarding the provisions of this Contract, including the assertion of one of the parties that there is a dispute, shall be submitted to the decision of an Arbitration Board.

The Arbitration Board shall be composed of three arbitrators. Each of the parties shall name an arbitrator and these two shall designate a third, who will act as chairman. If the arbitrators named by the parties do not succeed in naming a third, within thirty days after the latter of the two has been designated, the third arbitrator, at the request of one of the Parties, shall be appointed by the President of the International Court of Justice in the Hague and except as stated herein the Arbitration (Additional Facility) Rules of the International Center for Settlement of Investment Disputes shall apply.

If, for whatever reason, an arbitrator is unable or remains in default to perform his commission, then his substitute will be designated or appointed in the same manner. The chairman of the Arbitration Board may not be closely related to either of the parties.

2. The rights and duties of the parties under this Article 23 shall survive the termination of this Contract.

**Right to Transfer**

**Article 24**

1. Contractor will have the right, with prior written approval by the State Company, to enter into cooperation with local or internationally well-reputed foreign companies, for the realization of the objectives of this Contract.

2. Contractor will also have the right to transfer all or part of its rights and obligations pursuant to this Contract, with prior written approval by the State Company, to local or foreign companies which shall at least be equal to the Contractor with respect to economic and technical capacity.

3. The approval of the State Company as referred to in the foregoing paragraphs may only be withheld on the basis of a reasonable objection to cooperation or transfer.

4. Subject to the provisions of this Article, this Contract shall be binding upon and inure to the benefit of the parties hereto and their respective assigns and successors in interest.

5. The assignee of the Contractor shall be bound by the provisions of this Contract. This provision shall be incorporated in the transfer, in default of which the assignor shall remain liable.

6. If Contractor transfers all or part of its interest, rights and obligations under this Contract to an Affiliated Company, the assignor shall nevertheless remain ultimately liable for obligations assumed by the assignee.
FORCE MAJEURE

Article 25

1. Failure on the part of State Company or Contractor to fulfill any of the conditions of this Contract shall not be deemed a breach of this Contract to the extent such failure arises from force majeure, and if through force majeure the fulfillment by either party of any of the conditions of the Contract be delayed, the period of such delay shall be added to the periods fixed by this Contract for the conditions in question.

2. If the ability of either Contractor or State Company to fulfill any of the conditions of this Contract is affected by force majeure, the affected party shall give notice thereof to the other party without delay, stating the cause of such inability and the date of the commencement, and shall thereafter use its best efforts to remove such cause.

The same obligation to give notice shall rest on the party claiming force majeure, when the force majeure is removed. Said notice shall state the date on which the fulfillment of the performance concerned will be resumed.

3. "Force majeure" within the meaning of this Contract shall include but not be limited to acts of war, insurrection, sabotage, earthquakes, hurricanes, floods, storm or other natural disasters, fires, and strikes beyond the reasonable control of the party affected.

TERMINATION OF THE CONTRACT BY CONTRACTOR

Article 26

This Contract may be terminated at any time after having complied with the obligations as stipulated in Article 3 at the volunt of Contractor by giving ninety days notice thereof to State and State Company.
MANNER OF TERMINATION OF THE CONTRACT

Article 27

1. This Contract shall terminate:
   a. by expiry pursuant to Article 3, Paragraph 1;
   b. if no Commercial Discovery is made, in accordance with Article 3, Paragraph 3 or Paragraph 4;
   c. in the event of renunciation by Contractor in accordance with Article 5;
   d. by termination according to the provisions in Article 26;
   e. by cancellation in writing by one of the parties, if the other party is in serious default, with due observance of paragraphs 2 and 3 of this Article.

2. Termination in accordance with Paragraph 1.e. above shall only take place after the party in default has been notified by registered letter that there is a failure to perform one or more obligations, specifying the reasons, and the party in default has failed within a reasonable time limit after initial written notification thereof, in no event less than ninety days prior thereto, to fulfill said obligations or to provide satisfactory explanations concerning the cited failure.

3. Cancellation shall take place by notification by writ addressed to the party in default and shall be sent after the expiry of the reasonable time limit referred to in paragraph 2 of this Article, whereby the party that performs the cancellation declares that it desires said cancellation.

4. The foregoing shall be applicable without prejudice to the right to invoke arbitration in accordance with Article 23.

The termination shall come into effect without judicial intervention being required, on the first day of the third month after the writ referred to above has been received by the party in default and shall have no retroactive effect.

If arbitration according to the provisions in Article 23 is invoked on a dispute concerning the termination, the reasonable time limit according to paragraph 2 above shall not begin to run until the dispute has been decided by the award of the arbitrators.

If the Contract is terminated regardless of whatever reason and at whatever time, the parties shall be obligated to fulfill in a satisfactory manner their legal obligations towards each other, the State and third parties pursuant to this Contract, on condition however that if arbitration in accordance with Article 23 has been invoked concerning the termination, the obligations pursuant to this Contract shall not be applicable until the reasonable time limit referred to in paragraph 2 of this Article, following the award of the arbitrators whereby this termination has been upheld, has expired.

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FINAL PROVISIONS

Article 18

1. This Contract, its meaning and interpretation, and the relationship of the parties shall be governed by applicable law in Suriname.

2. This Contract has been executed in three counterparts in both the Dutch and English languages. Any counterpart of the Dutch version shall be adequate proof of the Contract and shall be the binding and controlling version. Nevertheless the parties have agreed on the translation into the English version and it is intended therefore that it be used for interpretational purposes if the meaning of the Dutch version is ambiguous.


For approval,

[Signature]

For the State Oil Company Suriname N.V.

[Signature]

By Dr. A.E. Jairon

[Signature]

For Suriname Gulf Oil Company

[Signature]

By Hervin J. Hill

[Signature]

Minister of Development

Dr. Ir. H. A. Adm

[Signature]

President

Memorial of Guyana

Annex 171

BARRONS CONFIDENTIAL
ANNEX 2

ACCOUNTING GUIDE

GENERAL PROVISIONS

The rules and procedures hereinafter set forth are the Accounting Guide referred to in Article 10 of the Contract.

The purpose of this Accounting Guide is to establish equitable methods for determining charges and credits applicable to operations under the Contract which are to be made to the Contract Account. The STATE COMPANY and CONTRACTOR agree that if any of such methods prove unfair or inequitable to either the STATE COMPANY or CONTRACTOR, they will in good faith endeavor to agree on changes in methods deemed necessary to correct any unfairness or inequity.

Books, registers and records shall be set up and maintained in such a way that all rights and obligations under petroleum operations clearly appear therefrom. The system shall be such that it produces supportive financial information for management decisions and enables CONTRACTOR to properly render account of its management.

In the event of a conflict between the provisions of this Accounting Guide and the provisions of the Contract to which this Accounting Guide is attached, the provisions of the Contract shall control.

Definitions

Definitions set forth in the Contract shall apply for purposes of this Accounting Guide.

List of co-ordinates to be attached to the map of the offshore area situated between the meridians of 57° 0' 0" and 55° 30' 0" West of Greenwich and between the coastline and the parallels of latitude of 6° 30' 0" and 7° 0' 0" North of the Equator.