

Fill in this information to identify the case:

Debtor Cobalt International Energy, L.P.

United States Bankruptcy Court for the: Southern District of Texas
(State)

Case number 17-36711

Official Form 410
Proof of Claim

04/16

Read the instructions before filling out this form. This form is for making a claim for payment in a bankruptcy case. Do not use this form to make a request for payment of an administrative expense. Make such a request according to 11 U.S.C. § 503.

Filers must leave out or redact information that is entitled to privacy on this form or on any attached documents. Attach redacted copies or any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements. Do not send original documents; they may be destroyed after scanning. If the documents are not available, explain in an attachment.

A person who files a fraudulent claim could be fined up to \$500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Fill in all the information about the claim as of the date the case was filed. That date is on the notice of bankruptcy (Form 309) that you received.

Part 1: Identify the Claim

1. Who is the current creditor?	<u>BHP Billiton Petroleum Deepwater Inc.</u> Name of the current creditor (the person or entity to be paid for this claim)	
	Other names the creditor used with the debtor _____	
2. Has this claim been acquired from someone else?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. From whom? _____	
3. Where should notices and payments to the creditor be sent? Federal Rule of Bankruptcy Procedure (FRBP) 2002(g)	Where should notices to the creditor be sent?	Where should payments to the creditor be sent? (if different)
	<u>BHP Billiton Petroleum Deepwater Inc.</u> <u>Jason Buchman</u> <u>1500 Post Oak Blvd.</u> <u>Houston, TX 77056</u>	
	Contact phone <u>713-968-5725</u>	Contact phone _____
	Contact email <u>jason.buchman@bhpbilliton.com</u>	Contact email _____
	Uniform claim identifier for electronic payments in chapter 13 (if you use one): _____	
4. Does this claim amend one already filed?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Claim number on court claims registry (if known) _____ Filed on _____ MM / DD / YYYY	
5. Do you know if anyone else has filed a proof of claim for this claim?	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Who made the earlier filing? _____	



Part 2: Give Information About the Claim as of the Date the Case Was Filed

6. Do you have any number you use to identify the debtor? No
 Yes. Last 4 digits of the debtor's account or any number you use to identify the debtor: 6344 ____

7. How much is the claim? \$ 49117.18. Does this amount include interest or other charges?
 No
 Yes. Attach statement itemizing interest, fees, expenses, or other charges required by Bankruptcy Rule 3001(c)(2)(A).

8. What is the basis of the claim? Examples: Goods sold, money loaned, lease, services performed, personal injury or wrongful death, or credit card.
Attach redacted copies of any documents supporting the claim required by Bankruptcy Rule 3001(c).
Limit disclosing information that is entitled to privacy, such as health care information.
Unpaid joint interest billing invoices. See Addendum.

9. Is all or part of the claim secured? No
 Yes. The claim is secured by a lien on property.
Nature or property:
 Real estate: If the claim is secured by the debtor's principle residence, file a *Mortgage Proof of Claim Attachment* (Official Form 410-A) with this *Proof of Claim*.
 Motor vehicle
 Other. Describe: Oil and gas interests. See attached addendum.
Basis for perfection: Contractual and Statutory lien La. R.S. 9:4881
Attach redacted copies of documents, if any, that show evidence of perfection of a security interest (for example, a mortgage, lien, certificate of title, financing statement, or other document that shows the lien has been filed or recorded.)
Value of property: \$ _____
Amount of the claim that is secured: \$49117.18
Amount of the claim that is unsecured: \$ _____ (The sum of the secured and unsecured amount should match the amount in line 7.)
Amount necessary to cure any default as of the date of the petition: \$ _____
Annual Interest Rate (when case was filed) _____ %
 Fixed
 Variable

10. Is this claim based on a lease? No
 Yes. Amount necessary to cure any default as of the date of the petition. \$ _____

11. Is this claim subject to a right of setoff? No
 Yes. Identify the property: _____



12. Is all or part of the claim entitled to priority under 11 U.S.C. § 507(a)?

A claim may be partly priority and partly nonpriority. For example, in some categories, the law limits the amount entitled to priority.

No

Yes. Check all that apply:

	Amount entitled to priority
<input type="checkbox"/> Domestic support obligations (including alimony and child support) under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B).	\$ _____
<input type="checkbox"/> Up to \$2,850* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use. 11 U.S.C. § 507(a)(7).	\$ _____
<input type="checkbox"/> Wages, salaries, or commissions (up to \$12,850*) earned within 180 days before the bankruptcy petition is filed or the debtor's business ends, whichever is earlier. 11 U.S.C. § 507(a)(4).	\$ _____
<input type="checkbox"/> Taxes or penalties owed to governmental units. 11 U.S.C. § 507(a)(8).	\$ _____
<input type="checkbox"/> Contributions to an employee benefit plan. 11 U.S.C. § 507(a)(5).	\$ _____
<input type="checkbox"/> Other. Specify subsection of 11 U.S.C. § 507(a)(____) that applies.	\$ _____

* Amounts are subject to adjustment on 4/01/19 and every 3 years after that for cases begun on or after the date of adjustment.

13. Is all or part of the claim pursuant to 11 U.S.C. § 503(b)(9)?

No

Yes. Indicate the amount of your claim arising from the value of any goods received by the debtor within 20 days before the date of commencement of the above case, in which the goods have been sold to the Debtor in the ordinary course of such Debtor's business. Attach documentation supporting such claim.

\$ _____

Part 3: Sign Below

The person completing this proof of claim must sign and date it. FRBP 9011(b).

If you file this claim electronically, FRBP 5005(a)(2) authorizes courts to establish local rules specifying what a signature is.

A person who files a fraudulent claim could be fined up to \$500,000, imprisoned for up to 5 years, or both. 18 U.S.C. §§ 152, 157, and 3571.

Check the appropriate box:

I am the creditor.

I am the creditor's attorney or authorized agent.

I am the trustee, or the debtor, or their authorized agent. Bankruptcy Rule 3004.

I am a guarantor, surety, endorser, or other codebtor. Bankruptcy Rule 3005.

I understand that an authorized signature on this *Proof of Claim* serves as an acknowledgement that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.

I have examined the information in this *Proof of Claim* and have reasonable belief that the information is true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on date 03/19/2018
MM / DD / YYYY

/s/Solange Gomes
Signature

Print the name of the person who is completing and signing this claim:

Name Solange Gomes
First name Middle name Last name

Title Specialist Joint Venture

Company BHP Billiton Petroleum Deepwater Inc.
Identify the corporate servicer as the company if the authorized agent is a servicer.

Address _____

Contact phone _____ Email _____



KCC ePOC Electronic Claim Filing Summary

For phone assistance: Domestic (866) 967-1782 | International (310) 751-2682

Debtor: 17-36711 - Cobalt International Energy, L.P.		
District: Southern District of Texas, Houston Division		
Creditor: BHP Billiton Petroleum Deepwater Inc. Jason Buchman 1500 Post Oak Blvd. Houston, TX, 77056 Phone: 713-968-5725 Phone 2: Fax: Email: jason.buchman@bhpbilliton.com	Has Supporting Documentation: Yes, supporting documentation successfully uploaded Related Document Statement: Has Related Claim: No Related Claim Filed By: Filing Party: Authorized agent	
Other Names Used with Debtor:	Amends Claim: No Acquired Claim: No	
Basis of Claim: Unpaid joint interest billing invoices. See Addendum.	Last 4 Digits: Yes - 6344	Uniform Claim Identifier:
Total Amount of Claim: 49117.18	Includes Interest or Charges: No	
Has Priority Claim: No	Priority Under:	
Has Secured Claim: Yes: 49117.18 Amount of 503(b)(9): No Based on Lease: No Subject to Right of Setoff: No	Nature of Secured Amount: Other Describe: Oil and gas interests. See attached addendum. Value of Property: Annual Interest Rate: Arrearage Amount: Basis for Perfection: Contractual and Statutory lien La. R.S. 9:4881 Amount Unsecured:	
Submitted By: Solange Gomes on 19-Mar-2018 3:19:06 p.m. Pacific Time Title: Specialist Joint Venture Company: BHP Billiton Petroleum Deepwater Inc.		

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	§	
	§	Case No. 17-36711
COBALT INTERNATIONAL ENERGY, LP	§	Chapter 11
	§	
	§	
Debtor.	§	

**ADDENDUM TO PROOF OF CLAIM OF
BHP BILLITON PETROLEUM (DEEPWATER) INC.**

CLAIMANT: BHP Billiton Petroleum (Deepwater) Inc.
CLAIM TYPE: Secured
TOTAL CLAIM: \$49,117.18

1. This proof of claim (“Proof of Claim”) is made by BHP Billiton Petroleum (Deepwater) Inc. (“BHP”), creditor of Cobalt International Energy, LP (the “Debtor”) in the above-referenced chapter 11 case.

2. BHP is the operator of certain oil and gas wells located offshore adjacent to the State of Louisiana (the “Wells”), and the Debtor is a non-operator and owns a working interest in the Wells.

3. Pre-petition, the Debtor and BHP entered into, among other things, certain joint operating agreements in connection with the Wells (the “JOAs”). A true and accurate copy of the JOAs is attached hereto as **Exhibit 1**.

4. The Debtor has billed BHP for pre-petition joint interest billings (“JIBs”) in connection with operating the Wells under the terms of the JOAs.

5. As of the petition date, the Debtor has an outstanding balance of at least \$49,117.18 (the “Claim Amount”) on account of invoices due to BHP for unpaid JIBs. A true and accurate copy of the invoices evidencing the Claim Amount is attached hereto as **Exhibit 2**.

6. The JOAs provide BHP with, among other things, a lien or security interest against the Debtor’s interest in the Wells (the “Contractual Lien”). The Contractual Lien secures the entire amount of the Claim Amount related to the unpaid JIB invoices.

7. BHP also maintains a statutory lien under the Louisiana law, specifically La. R.S. § 9:4881, *et seq.* (the “Statutory Lien”) to secure payment of the unpaid JIB invoices.

8. Accordingly, the Claim Amount is a secured claim secured by the Contractual Lien and/or the Statutory Lien.

9. This claim is a secured claim, but it is not intended to be an election pursuant to 11 U.S.C. § 1111(b).

10. The filing of this Proof of Claim is not (a) a waiver or release of BHP's rights, claims or defenses against any person, entity or property; (b) a waiver or release of BHP's right to have any and all final orders in any and all non-core matters entered only after de novo review by a United States District Court; (c) a consent by BHP to the jurisdiction of this Court for any purpose other than with respect to this Proof of Claim; (d) an election of remedy; (e) a waiver or release of any rights which BHP may have to a jury trial; or (f) a waiver of the right to move to withdraw the reference with respect to the subject matter of this Proof of Claim, any objection thereto or any other proceedings which may be commenced in this case against or otherwise involving BHP, including without limitation, any adversary proceeding that was or may be commenced by any party in this case.

11. BHP reserves the right to amend and/or supplement this Proof of Claim and to assert any and all other claims of whatever kind or nature that it has, or it may have, that may come to the attention of BHP or arise after the filing of this Proof of Claim. The filing of this Proof of Claim shall not be deemed a waiver of any such claims or amounts.

12. All notices concerning this Proof of Claim should be sent to:

BHP Billiton Petroleum (Deepwater) Inc.
c/o Jason Buchman
1500 Post Oak Blvd.
Houston, TX 77056

FIREFOX PROSPECT

**OFFSHORE OPERATING AGREEMENT
GREEN CANYON AREA**

**OUTER CONTINENTAL SHELF
GULF OF MEXICO**

**EFFECTIVE
DECEMBER 1, 2007**

BETWEEN

**BHP BILLITON PETROLEUM (GOM) INC.,
BHP BILLITON PETROLEUM (DEEPWATER) INC.**

AND

COBALT INTERNATIONAL ENERGY, L.P.



AS-03680

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1
2

OPERATING AGREEMENT **OUTER CONTINENTAL SHELF – GULF OF MEXICO**

3 This Agreement, effective as of December 1, 2007 (the "Effective Date"), is
4 between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc.
5 and Cobalt International Energy, L.P. the signers of this Agreement, each referred to
6 individually as a "Party" and collectively as the "Parties."

7 Whereas, BHP Billiton Petroleum (GOM) Inc. is a non-Working Interest owner
8 Affiliate of BHP Billiton Petroleum (Deepwater) Inc. and is joining in the execution of this
9 Agreement as BHP Billiton Petroleum (Deepwater) Inc.'s designated agent solely for
10 the purpose of acting as Operator for BHP Billiton Petroleum (Deepwater) Inc. as set
11 forth in Article 4.1.

12 Whereas, the Parties own one or more Leases, identified in Exhibit "A-1"
13 (*Description of Leases*), and desire to explore, appraise, develop, and operate the
14 Leases for the production of Hydrocarbons.

15 Now, therefore, in consideration of the premises and mutual promises in this
16 Agreement, the Parties agree to explore, appraise, develop, and operate the Contract
17 Area under the following provisions:

18

ARTICLE 1 – CONTRACT APPLICATION

19

1.1 Application in General

20 This Agreement governs the rights and obligations of the Parties relating, without
21 limitation, to the exploration, appraisal, development, operation, production,
22 treatment, gathering, and storage of Hydrocarbons. This Agreement does not
23 apply to the fabrication or installation of Export Pipelines.

24

1.2 Application to the Contract Area

25 This Agreement applies to the entire Contract Area. Unless otherwise provided
26 in this Agreement, all the rights and obligations in and under the Leases
27 comprising the Contract Area, all property and rights acquired pursuant to this

1 Agreement, and all Hydrocarbons are owned by the Parties according to their
2 respective Working Interest or Participating Interest, as applicable.

3 **ARTICLE 2 – DEFINITIONS**

4 **2.1 Additional Testing, Logging, or Sidewall Coring**

5 Testing, (excluding Production Testing), logging, or sidewall coring that is in
6 addition to that approved by virtue of a previously approved well or subsequent
7 operation.

8 **2.2 Affiliate**

9 A corporation, company, limited liability company, partnership, or other legal
10 entity that:

11 (a) is owned or controlled by a Party,

12 (b) is owned or controlled by another corporation, company, limited liability
13 company, partnership, or other legal entity that is owned or controlled by a
14 Party,

15 (c) owns or controls a Party, or

16 (d) is owned or controlled by a corporation, company, limited liability company,
17 partnership, or other legal entity that owns or controls a Party.

18 For the purposes of this definition, ownership or control means the ownership,
19 directly or indirectly, of fifty percent (50%) or more of the shares, voting rights, or
20 interest in a corporation, company, limited liability company, partnership, or other
21 legal entity.

22 **2.3 Agreement**

23 This operating agreement, together with its attached Exhibits.

24 **2.4 Annual Operating Plan**

25 The operational plan and estimate of Costs for activities and operations, as
26 described in Article 6.4 (*Annual Operating Plan*).

1 **2.5 Appraisal Operation**

2 An operation (including, but not limited to, an operation after an Appraisal Well
3 has reached its Objective Depth but before the attempted completion of the well)
4 conducted under Article 11 (*Appraisal Operations*).

5 **2.6 Appraisal Well**

6 A well proposed and drilled as an Appraisal Operation [including, but not limited
7 to, a substitute well for an Appraisal Well abandoned under Article 11.1.4 (*AFE*
8 *Overruns and Substitute Well*)].

9 **2.7 Authorization for Expenditure (AFE)**

10 A written description and Cost estimate of a proposed activity or operation
11 accompanying a proposal for that activity or operation.

12 **2.8 Complete Recoupment**

13 The point in time when the Participating Parties have been reimbursed, through
14 Hydrocarbon Recoupment, through Disproportionate Spending, or through a
15 lump sum cash settlement, an amount equal to the Non-Participating Party's
16 Non-Participating Interest Share of the Costs of the Non-Consent Operation
17 multiplied by the applicable percentage provided in Article 16 (*Non-Consent*
18 *Operations*).

19 **2.9 Confidential Data**

20 All proprietary geophysical, geological, geochemical, drilling, or engineering data
21 acquired or derived from operations conducted under this Agreement and all
22 analyses, compilations, maps, models, interpretations, and other documents that
23 reflect or incorporate that data. The term also includes, but is not limited to:

- 24 (a) the provisions of this Agreement, subject to Exhibit "I;" and
25 (b) commercial, contractual and financial information acquired or derived from
26 activities or operations conducted under this Agreement;

27 however, the term does not include the fact that the Operator has let a contract
28 for an activity or operation to be conducted under this Agreement. The term
29 excludes "Confidential Information" as that term is defined in Exhibit "G."

30 **2.10 Contract Area**

31 The OCS Leases, or portions thereof, listed on Exhibit "A-1."



1 **2.11 Costs**

2 The monetary amount of all expenditures (or indebtedness) incurred by the
3 Operator and the Participating Parties in the conduct of activities and operations,
4 determined under this Agreement.

5 **2.12 Deepen or Deepening**

6 An operation to drill an existing well (including sidetracking a well) deeper than
7 the stratigraphic equivalent of the Objective Depth of any prior operation
8 conducted in the well.

9 **2.13 Deeper Drilling**

10 The drilling of an Appraisal Well or Development Well below the Deepest
11 Producing Reservoir in existence when the well is proposed.

12 **2.14 Deepest Producing Reservoir**

13 The deepest Producing Reservoir in existence when a drilling or Deeper Drilling
14 proposal is made.

15 **2.15 Define AFE**

16 The AFE for the Define Stage.

17 **2.16 Define Stage**

18 The stage of a Development Phase during which the Operator, with the
19 assistance of the Project Team, if applicable, will (a) commence the
20 implementation of a Development Plan, (b) complete enough of the detailed
21 design of the Development System to enable contractors to formulate their bids
22 on the components of the Development System, and (c) submit an Execution
23 AFE to the Parties for their review and approval.

1 **2.17 Development Operation**

2 An operation (including, but not limited to, a Recompletion, a Workover, the
3 attempted completion of an Exploratory Well or an Appraisal Well, or an
4 operation after a Development Well has reached its Objective Depth) conducted
5 under Article 13 (*Development Operations*) or under Article 11.6 (*Operations*
6 *Before the Approval of the Development Plan*).

7
8 **2.18 Development Phase**

9 The proposals, activities, and operations associated with determining the
10 feasibility of development and the design, fabrication or acquisition, and
11 installation of a Development System.

12 **2.19 Development Plan**

13 The plan for a Development Phase, as described in Article 12 (*Development*
14 *Phases*).

15 **2.20 Development System**

16 A Production System and its associated Facilities.

17 **2.21 Development Well**

18 A well proposed and drilled as a Development Operation [including, but not
19 limited to, a substitute well for a Development Well abandoned under Article
20 13.1.4 (*AFE Overruns and Substitute Well*)].

21 **2.22 Disproportionate Spending**

22 The payment of the Costs of an activity or operation by a Participating Party in
23 excess of its Participating Interest Share of the Costs of that activity or operation
24 in order to settle an Underinvestment previously incurred by that Participating
25 Party.

26 **2.23 Election, Elect, Elects, Elected, Electing**

27 A response or deemed response by a Party to a proposal requiring approval
28 under Article 8.2.2 (*Approval by Election*), or the act by a Party of responding to
29 a proposal requiring approval under Article 8.2.2 (*Approval by Election*).

1 **2.24 Enhanced Recovery Project Team AFE**

2 The AFE that is to accompany a proposal for the formation of a Project Team
3 whose sole scope of work is the design of an enhanced recovery and/or
4 pressure maintenance program.

5 **2.25 Execution AFE**

6 A collection of AFEs, which, according to the submitting Party's estimates, will
7 cover all of the Costs of the Execution Stage (which do not include the Costs of
8 Development Wells), and which shall be deemed by the Parties to have been
9 submitted as one AFE.

10 **2.26 Execution Stage**

11 The final stage of a Development Phase during which the Operator, with the
12 assistance of the Project Team, if applicable, will complete the implementation of
13 the Development Plan, implement the Execution AFE and commence the first
14 production of Hydrocarbons for that particular Development Phase.

15 **2.27 Exploratory Operation**

16 An operation (including, but not limited to, an operation after an Exploratory Well
17 has reached its Objective Depth but before the attempted completion of the well,
18 except for Production Testing) conducted under Article 10 (*Exploratory
19 Operations*).

20 **2.28 Exploratory Well**

21 A well proposed and drilled as an Exploratory Operation [including, but not
22 limited to, a substitute well for an Exploratory Well abandoned under Article
23 10.1.4 (*AFE Overruns and Substitute Well*)].

24 **2.29 Export Pipelines**

25 Pipelines to which a gathering line or lateral line downstream of the Development
26 System is connected and which are used to transport Hydrocarbons or produced
27 water to shore.

28 **2.30 Facilities**

29 Production equipment located downstream of the wellhead connections, which is
30 installed on or outside the Contract Area in order to enhance, handle or process
31 Hydrocarbon production or transport Hydrocarbons to processing facilities.
32 Facilities include, but are not limited to, control umbilicals, disposal wells and

1 their associated components, flowlines, gathering lines or lateral lines and their
2 associated components that are paid for by the Joint Account. Facilities exclude
3 (1) Production Systems, (2) Export Pipelines, (3) the equipment procured and
4 utilized for an enhanced recovery and pressure maintenance program described
5 in Article 12.11 (*Enhanced Recovery and/or Pressure Maintenance Program*
6 *Proposals*), and (4) the facilities referred to in Article 15.2 (*Facilities to Take in*
7 *Kind*).

8 **2.31 Feasibility AFE**

9 The AFE for the Feasibility Stage.

10 **2.32 Feasibility Stage**

11 The stage of a Development Phase during which the Operator, with the
12 assistance of the Feasibility Team, will attempt to find at least one scenario for
13 the development of Hydrocarbons, which is technologically and economically
14 feasible.

15 **2.33 Feasibility Team**

16 A group of employees, contractors and/or consultants of the Participating Parties
17 or their respective Affiliates that assists the Operator during the Feasibility Stage.

18 **2.34 Force Majeure**

19 An event or cause that is reasonably beyond the control of the Party claiming the
20 existence of such event or cause, which includes, but is not limited to, a flood,
21 storm, hurricane, loop current/eddy, or other act of God, a fire, loss of well
22 control, oil spill, or other environmental catastrophe, a war, a civil disturbance, a
23 terrorist act, a labor dispute, a strike, a lockout, an inability to immediately
24 comply with a law, order, rule, or regulation, a governmental action or delay in
25 granting necessary permits or permit approvals, and the inability to secure
26 materials or a rig.

27 **2.35 Gross Negligence or Willful Misconduct**

28 Conscious and intentional disregard or reckless disregard, not justifiable by
29 special circumstances, by a Party's corporate officer or a member of a Party's
30 regular salaried supervisory staff (or a member of a Party's non-supervisory staff
31 functioning at an equivalent level) of (a) a provision of this Agreement, (b) an
32 applicable law, (c) an approved well proposal, (d) an approved Development
33 Plan, or (e) any other operational plan approved under this Agreement. The

1 defined term Gross Negligence or Willful Misconduct excludes errors of
2 judgment and mistakes by the persons mentioned above while they are
3 exercising, in good faith, any function, authority, or discretion conferred upon
4 them under this Agreement.

5 **2.36 HSE**

6 Health, safety and environment.

7 **2.37 Hydrocarbon Recoupment**

8 An amount to be recovered by the Participating Parties from all or part of the
9 Non-Participating Interest Share of the proceeds from the sale of future
10 Hydrocarbon production equal to the Non-Participating Interest Share of the
11 Costs of the Non-Consent Operation multiplied by the applicable percentage in
12 Article 16 (*Non-Consent Operations*).

13 **2.38 Hydrocarbons**

14 The oil, gas, and associated liquid and gaseous by-products (except helium) that
15 may be produced from a well bore on the Contract Area.

16 **2.39 Joint Account**

17 The account maintained by the Operator under this Agreement, showing the
18 charges paid and credits received in connection with the activities and operations
19 conducted under this Agreement.

20 **2.40 Lease**

21 Each OCS federal oil and gas lease (or portion thereof) identified in Exhibit "A-1"
22 and each oil and gas lease covering one or more OCS blocks, or portions
23 thereof, in the Contract Area that is acquired during the term of this Agreement
24 by the Operator and the Non-Operating Parties (including substitutions for and
25 replacements of existing Leases).

26 **2.41 MMS**

27 The Minerals Management Service, United States Department of Interior, or its
28 successor agency.

29 **2.42 News Release**

30 A press release or other public announcement or disclosure by a Party
31 containing a reference, either directly or by implication, to this Agreement or the
32 activities or operations herein contemplated, including, but not limited to, any

1 public release via print media, broadcast news, internet, extranet, public
2 networks or service providers, and discussions with journalists.

3 **2.43 Non-Consent Operation**

4 An activity or operation proposed and approved under this Agreement in which
5 one or more Parties, having the contractual right to do so, Elect or Vote not to
6 participate, except when an activity or operation is approved by Vote and the
7 approval binds all Parties.

8 **2.44 Non-Operating Party**

9 A Party other than the Operator.

10 **2.45 Non-Participating Party**

11 A Party who, having the contractual right to do so, Elects or Votes not to
12 participate in sharing the Costs, risks, and benefits (including the rights to
13 Hydrocarbons) of an activity or operation proposed and approved under this
14 Agreement, except when an activity or operation is approved by Vote and the
15 approval binds all Parties.

16 **2.46 Non-Participating Interest Share**

17 The percentage of participation in the Costs, risks, and benefits (including rights
18 to Hydrocarbons) that a Non-Participating Party would have had in a proposed
19 activity or operation if all Parties had participated in that proposed activity or
20 operation.

21 **2.47 Objective Depth**

22 For each well, the shallower of the total footage to be drilled by that well (as
23 measured in true vertical subsea depth) or the penetration by the drill bit to the
24 base of the deepest target formation or interval in that well, as that depth or
25 target formation or interval is stated in the AFE for the well.

26 **2.48 OCS**

27 The Outer Continental Shelf of the Gulf of Mexico.

28 **2.49 Offsite Host Facilities**

29 Production equipment that is (a) used to process or handle Hydrocarbon
30 production and (b) owned by one or more third parties or by one or more
31 Participating Parties in an Execution AFE (under which that production
32 equipment is to be utilized for Hydrocarbon production), whose respective

1 ownership interests in the production equipment are not exactly the same as
2 their respective Participating Interest Shares in the Execution AFE.

3 **2.50 Operator**

4 The Party designated in Article 4.1 (*Designation of the Operator*), a successor
5 Operator selected under Article 4.5 (*Selection of Successor Operator*), and, if
6 applicable, a substitute Operator selected under Article 4.2 (*Substitute Operator*).

7 **2.51 Overinvested Party**

8 A Party entitled to receive its Participating Interest Share of an Underinvestment.

9 **2.52 Participating Interest Share**

10 A Participating Party's percentage of participation in:

11 (a) the Costs, risks, and benefits (including rights to Hydrocarbons) of an
12 approved activity or operation; or,

13 (b) if applicable, interests to be assigned to the Parties.

14 A Participating Party's percentage of participation is either the proportion,
15 expressed as a percentage, that the Participating Party's Working Interest bears
16 to the total Working Interests of all Participating Parties or such different basis for
17 Cost sharing or assignment as the Participating Parties agree upon.

18 **2.53 Participating Party**

19 A Party who, having the contractual right to do so, participates in the sharing of:

20 (a) the Costs, risks, and benefits (including rights to Hydrocarbons) of an
21 approved activity or operation; or,

22 (b) if applicable, the interests to be assigned to the Parties.

23 The term includes a Party who does not Vote to participate in a proposed activity
24 or operation, but is nonetheless bound to participate in that proposed activity or
25 operation if it is approved by Vote.

26 **2.54 Post-Production Project Team AFE**

27 An AFE submitted in association with the continuance of the Project Team under
28 Article 12.8 (*Post-Production Project Team AFEs*).

1 **2.55 Producible Reservoir**

2 An underground accumulation of Hydrocarbons (a) separate from and not in
3 Hydrocarbon communication with another accumulation of Hydrocarbons, and
4 (b) into which a Producible Well has been drilled.

5 **2.56 Producible Well**

6 A well on the Contract Area that:

- 7 (a) produces Hydrocarbons;
- 8 (b) meets, according to the MMS, the “well producibility criteria” in Title 30 CFR
9 250.116 or any succeeding order or regulation issued by an appropriate
10 governmental authority; or
- 11 (c) the Participating Parties in the subject well unanimously agree is a
12 Producible Well.

13 **2.57 Production System**

14 A system or combination of systems on the Contract Area to develop, produce,
15 store, distribute, and initiate the transportation of, Hydrocarbons. The term
16 includes:

- 17 (a) an offshore surface structure, whether fixed, compliant, or floating;
- 18 (b) a subsea structure or template designed as a guide to or to provide
19 structural rigidity to one or more wells;
- 20 (c) any combination of the items mentioned in clauses (a) and (b);
- 21 (d) any other type of structure designed to develop and produce Hydrocarbons;
22 and
- 23 (e) all associated components of the items mentioned above, including, but not
24 limited to, a drilling rig, mooring lines and anchor piles.

25 Production System excludes Facilities, mobile offshore drilling units, and the
26 facilities referred to in Article 15.2 (*Facilities to Take in Kind*).

1 **2.58 Production Testing**

2 Operations for the controlled flow of Hydrocarbons to the surface for the purpose
3 of measuring flow rates or flowing pressures, or gaining other subsurface data.

4 **2.59 Project Team**

5 A group of employees, contractors and/or consultants of the Participating Parties
6 or their respective Affiliates, who assists the Operator in carrying out the scope
7 of work for the Selection Stage, Define Stage and Execution Stage and the
8 scope of work under Articles 12.8 (*Post-Production Project Team AFEs*) and
9 12.11 (*Enhanced Recovery and/or Pressure Maintenance Program Proposals*).

10 **2.60 Recompletion**

11 A Development Operation in a single well bore in which a completion in one
12 Producing Reservoir is abandoned in order to attempt a completion in a different
13 Producing Reservoir. To “Recomplete” means to conduct a Recompletion.

14 **2.61 Selection AFE**

15 The AFE for the Selection Stage.

16 **2.62 Selection Stage**

17 The stage of a Development Phase during which the Operator, with the
18 assistance of the Project Team, if applicable, will determine whether to

19 (a) install a Development System on the Contract Area, or

20 (b) tie-back to, and utilize,

21 (i) a Development System resulting from a previous Development
22 Phase or

23 (ii) a development system and/or facilities located outside the Contract
24 Area

25 in order to produce Hydrocarbons.

26 **2.63 Sidetracking**

27 An operation to directionally control or intentionally deviate a well to change the
28 bottomhole location to another bottomhole location not deeper than the
29 stratigraphic equivalent of the Objective Depth of an operation previously
30 conducted in the well, unless the intentional deviation is done to straighten the

1 hole, drill around junk, or overcome other mechanical difficulties. To “Sidetrack”
2 means to conduct a Sidetracking.

3 **2.64 Transfer of Interest**

4 A conveyance, assignment, transfer, farmout, exchange, or other disposition of
5 all or part of a Party’s undivided Working Interest.

6 **2.65 Underinvested Party**

7 A Party with an Underinvestment.

8 **2.66 Underinvestment**

9 A monetary obligation incurred under this Agreement to be settled under Article
10 16.9 (*Settlement of Underinvestments*).

11 **2.67 Vote**

12 As a noun, a response or deemed response by a Party to a proposal requiring
13 approval under Article 8.2.1 (*Approval by Vote*); as a verb, to respond to a
14 proposal requiring approval under Article 8.2.1 (*Approval by Vote*).

15 **2.68 Well Plan**

16 A detailed written description accompanying a proposal to drill an Exploratory
17 Well, Appraisal Well, or Development Well, or to conduct a Workover,
18 Recompletion, well repair or subsequent operation at Objective Depth, which
19 must include, at a minimum:

- 20 (a) the surface and target bottomhole locations of the operation, if applicable;
- 21 (b) the expected commencement date of the operation and the anticipated
22 time necessary to conclude the operation;
- 23 (c) the total vertical subsea depth to be drilled, along with the specified
24 Objective Depth (and the target zones to be penetrated), if applicable;
- 25 (d) the proposed drilling plan, if applicable, and the proposed completion plan,
26 including the casing program and directional details, if applicable;
- 27 (e) details of all coring, logging, and other evaluation operations to be
28 conducted, if applicable; and

1 (f) information about the drilling rig to be used, including day rates, water
2 depth rating, and other limitations relevant to the operations to be
3 conducted, if applicable.

4 **2.69 Working Interest**

5 The record title leasehold interest or, where applicable, the operating rights of
6 each Party in and to each Lease (expressed as the percentage provided in
7 Exhibit "A-1"). If a Party's record title interest is different from its operating rights,
8 the Working Interest of each Party is the interest provided in Exhibit "A-1."

9 **2.70 Workover**

10 A Development Operation conducted in an existing well after the well has been
11 completed in one or more Producing Reservoirs to restore, maintain, or improve
12 production from one or more of those Producing Reservoirs.

13 **ARTICLE 3 – EXHIBITS**

14 **3.1 Exhibits**

15 All references in this Agreement to "Exhibits" without further qualification mean
16 the Exhibits listed below and attached to this Agreement. Each Exhibit is made a
17 part of this Agreement and is incorporated into this Agreement by this reference.
18 If any provision of an Exhibit conflicts with any provision of the body of this
19 Agreement, the provision of the body of this Agreement shall prevail, with the
20 exception of Exhibits "C," "D," and "G," each provision of which shall prevail over
21 any provision of the body of this Agreement, except as provided in Article 6.2.4
22 (*Long Lead Well Operation AFEs*). If any provision of Exhibit "C" conflicts with
23 any provision of Exhibit "G," the provision of Exhibit "G" shall prevail. If any
24 provision of Exhibit "C" conflicts with any provision of Exhibit "D," the provision of
25 Exhibit "C" shall prevail.

26 **Exhibit "A-1"** Description of Leases, Working Interests of the Parties, and
27 Representatives

28 **Exhibit "A-2"** AMI Area

29 **Exhibit "B"** Insurance Provisions

30 **Exhibit "C"** Accounting Procedure

1	Exhibit “D”	Gas Balancing Agreement
2	Exhibit “E”	Certification of Non-segregated Facilities
3	Exhibit “F”	Security Interest Provisions
4	Exhibit “G”	Project Team and Technology Sharing
5	Exhibit “H”	Dispute Resolution Procedure
6	Exhibit “I”	Well Data Trade and Confidentiality Agreement
7	Exhibit “J”	Health, Safety and Environment
8	Exhibit “K”	Geophysical Operations Provisions

ARTICLE 4 – SELECTION OF OPERATOR

4.1 Designation of the Operator

BHP Billiton Petroleum (GOM) Inc. is designated as the Operator of the Contract Area. The Parties shall promptly execute and file all documents required by the MMS in connection with the designation of BHP Billiton Petroleum (GOM) Inc. as Operator or with the designation of any other Party as a substitute or successor Operator. Unless agreed otherwise by all the Parties, the Operator shall be classified as the designated applicant for oil spill financial responsibility purposes, and each Non-Operating Party shall promptly execute the appropriate documentation reflecting that classification and promptly provide that documentation to the Operator for filing with the MMS.

4.2 Substitute Operator

4.2.1 Substitute Operator if Operator is a Non-Participating Party

Except as otherwise provided in Article 4.2.3 (*Circumstances Under Which the Operator Must Conduct a Non-Consent Operation*), if the Operator is a Non-Participating Party in a Non-Consent Operation, the Participating Parties may approve by Vote the designation of any Participating Party as the substitute Operator. The substitute Operator shall serve as the Operator only (a) for the Non-Consent Operation (if the Non-Consent Operation is the drilling of a well, through the release of the drilling rig for that well), (b) of the Lease affected by the Non-

1 Consent Operation, and (c) with the same authority, rights, obligations,
2 and duties as the Operator, subject to the limitations in (a) and (b). If a
3 Non-Operating Party is the only Participating Party in a Non-Consent
4 Operation, then the Non-Operating Party shall be designated as the
5 substitute Operator for that Non-Consent Operation, with no Vote
6 required, unless the Non-Operating Party elects not to accept the
7 designation. A Non-Operating Party, who is a Participating Party, shall
8 not be designated as a substitute Operator against its will. If a
9 substitute Operator is not designated under the foregoing procedures,
10 the Operator shall, upon the unanimous agreement of the Participating
11 Parties, conduct the Non-Consent Operation on behalf of the
12 Participating Parties and at the Participating Parties' sole Cost and risk
13 under Article 16 (*Non-Consent Operations*). If the Participating Parties
14 do not approve by Vote a substitute Operator to conduct the Non-
15 Consent Operation or do not unanimously agree that the Operator shall
16 conduct the Non-Consent Operation on behalf of the Participating
17 Parties, then the proposal of the Non-Consent Operation shall be
18 deemed withdrawn, with the effect as if the proposal for the Non-
19 Consent Operation had never been proposed and approved.

20 **4.2.2 Substitute Operator if Operator Fails to Commence Drilling**
21 **Operations**

22 If the Operator fails to timely commence an Exploratory Well in
23 accordance with Article 10.1.3 (Timely Operations), an Appraisal Well
24 in accordance with Article 11.1.3 (Timely Operations) or a Development
25 Well in accordance with Article 13.1.3 (Timely Operations), the non-
26 operating Participating Parties may select a substitute Operator in the
27 same manner as the selection of a successor Operator under Article
28 4.5 (Selection of Successor Operator), and the substitute Operator
29 shall serve as the Operator only (a) for the drilling of that well through
30 the release of the drilling rig for that well, (b) of the Lease on which the
31 well is drilled, and (c) with the same authority, rights, obligations, and
32 duties as the Operator, subject to the limitations in (a) and (b).

33 **4.2.3 Circumstances Under Which the Operator Must Conduct a Non-**
34 **Consent Operation**

35 If:

- 1 (a) a drilling rig is on location and the Operator becomes a Non-
2 Participating Party (i) in a supplemental AFE pursuant to the
3 terms of Article 6.2.2 (*Supplemental AFEs*), or (ii) after reaching
4 Objective Depth as provided in Article 10.2 (*Exploratory*
5 *Operations at Objective Depth*), Article 11.2 (*Appraisal Operations*
6 *at Objective Depth*) or Article 13.2 (*Development Operations at*
7 *Objective Depth*), or
- 8 (b) the Operator becomes a Non-Participating Party in an operation
9 to be conducted on or from a Development System operated by
10 the Operator,

11 the Operator, as a Non-Participating Party, shall conduct the Non-
12 Consent Operation on behalf of the Participating Parties and at the
13 Participating Parties' sole Cost and risk under Article 16 (*Non-Consent*
14 *Operations*).

15 **4.2.4 Operator's Conduct of a Non-Consent Operation in Which it is a**
16 **Non-Participating Party**

17 When, under Article 4.2.1 (*Substitute Operator if Operator is a Non-*
18 *Participating Party*) or Article 4.2.3 (*Circumstances Under Which the*
19 *Operator Must Conduct a Non-Consent Operation*), the Operator
20 conducts a Non-Consent Operation in which it is a Non-Participating
21 Party, it shall follow the practices and standards in Article 5 (*Rights and*
22 *Duties of Operator*). The Operator shall not be required to proceed with
23 the Non-Consent Operation until the Participating Parties have
24 advanced the Costs of the Non-Consent Operation to the Operator.
25 The Operator shall never be obligated to expend any of its own funds
26 for the Non-Consent Operation.

27 **4.2.5 Appointment of a Substitute Operator**

28 After expiration of all applicable response periods for the Non-Consent
29 Operation and selection of a substitute Operator, each Party shall
30 promptly provide the substitute Operator with the appropriate MMS
31 designation of operator forms and certification of oil spill financial
32 responsibility forms. The Operator and the substitute Operator shall
33 coordinate the change of operatorship to avoid interfering with ongoing

activities and operations, if any, including but not limited to, lease maintenance activities and operations.

4.2.6 Redesignation of Operator

Within fifteen (15) days after conclusion of the Non-Consent Operation, all Parties shall execute and provide the Operator with the appropriate MMS designation of operator forms and certification of oil spill financial responsibility forms to return operatorship to the Operator, thereby superseding the Parties' designation of the substitute Operator under Article 4.2.5 (*Appointment of a Substitute Operator*).

4.3 Resignation of Operator

Subject to Article 4.5 (*Selection of Successor Operator*), the Operator may resign at any time by giving written notice to the Parties, except that the Operator may not resign during a Force Majeure or an emergency that poses a threat to life, safety, property, or the environment. If the Operator ceases to own a Working Interest, the Operator automatically shall be deemed to have resigned as the Operator without any action by the Non-Operating Parties.

4.4 Removal of Operator

The Operator may be removed under the following circumstances:

4.4.1 Removal Upon Assignment

If the Operator assigns part of its Working Interest (excluding an interest assigned to an Affiliate) and the assignment reduces the Operator's Working Interest to less than the Working Interest of a Non-Operating Party, whether accomplished by one or more assignments, then the removal of the Operator requires approval by Vote.

4.4.2 Removal for Cause by Vote

Under the following circumstances, the removal of the Operator shall be approved by Vote, excluding the Vote of the Operator:

- (a) the Operator is found liable by a final judicial decision or a final decision under binding arbitration for an act of Gross Negligence or Willful Misconduct regarding the Contract Area;

- 1 (b) the Operator commits a substantial breach of a material provision
2 of this Agreement and fails to cure the breach within thirty (30)
3 days after receipt of written notice of the breach from a Non-
4 Operating Party. If the breach specified in the notice reasonably
5 cannot be corrected within the thirty (30) day period, but the
6 Operator within said period begins action to correct the breach
7 and thereafter diligently carries the corrective action to
8 completion, the Operator shall not be removed. The Operator
9 shall not be removed under this Article 4.4.2 if the Operator is
10 able to prove the non-existence of the alleged breach within thirty
11 (30) days after receipt of written notice of the alleged breach;
- 12 (c) the Operator becomes insolvent or unable to pay its debts as they
13 mature, makes an assignment for the benefit of its creditors,
14 commits an act of bankruptcy, or seeks relief under laws providing
15 for the relief of debtors;
- 16 (d) a receiver is appointed for the Operator or for substantially all of
17 its property or affairs; or
- 18 (e) the Operator fails to timely commence the fabrication or
19 acquisition of the Development System in accordance with Article
20 12.7.9 (*Timely Operations for Development Systems*).

21 **4.4.3 Timing of Vote to Remove Operator**

22 A Vote to remove the Operator for cause as provided in this Article 4.4
23 shall be taken within ninety (90) days after the Non-Operating Party's
24 actual knowledge of the cause.

25 **4.5 Selection of Successor Operator**

26 Upon the resignation or removal of the Operator, a successor Operator shall be
27 approved by Vote, subject to this limitation on the Voting right of Operator: if the
28 resigned or removed Operator is not entitled to Vote, fails to Vote, or Votes only
29 to succeed itself, then the successor Operator shall be approved by Vote after
30 excluding the Vote of the resigned or removed Operator. If the Operator assigns
31 all or a part of its Working Interest, then under Article 4.3 (*Resignation of*
32 *Operator*) or Article 4.4.1 (*Removal Upon Assignment*) the Party who acquired all
33 or a part of the former Operator's Working Interest shall not be excluded from

1 Voting for a successor Operator. If there are only two Parties to this Agreement
2 when the Operator resigns or is removed, then the Non-Operating Party
3 automatically has the right, but not the obligation, to become the Operator. If no
4 Party is willing to become the Operator, this Agreement shall terminate under
5 Article 27.1 (*Term*).

6 **4.6 Effective Date of Resignation or Removal**

7 The resignation or removal of the Operator shall become effective as of 7:00
8 a.m. on the first day of the month following a period of ninety (90) days from, and
9 inclusive of, the day of the Parties' receipt of the applicable notice, unless a
10 longer period is required for the Parties to obtain approval of the designation of
11 the successor Operator, and certification for oil spill financial responsibility
12 purposes by the MMS, in which case the resignation or removal of the Operator
13 shall become effective at 7:00 a.m. on the day immediately following MMS
14 approval. The resignation or removal of the outgoing Operator shall not
15 prejudice any rights, obligations, or liabilities of the outgoing Operator which
16 accrued during its tenure. The outgoing Operator and the successor Operator
17 may charge the Joint Account for the reasonable Costs incurred in connection
18 with the change of operatorship, except when the change of operatorship results
19 from a merger, consolidation, reorganization or sale or transfer to an Affiliate of
20 the Operator.

21 **4.7 Delivery of Property**

22 On the effective date of resignation or removal of the Operator, the outgoing
23 Operator shall deliver to the successor Operator custodianship of the Joint
24 Account and possession of all items purchased for the Joint Account under this
25 Agreement, all Hydrocarbons that are not the separate property of a Party, all
26 equipment, materials, and appurtenances purchased for the Joint Account under
27 this Agreement, and all books, records, and inventories relating to the Joint
28 Account (other than those books, records, and inventories maintained by the
29 outgoing Operator as the owner of a Working Interest). The outgoing Operator
30 shall further use its reasonable efforts to transfer to the successor Operator, as
31 of the effective date of the resignation or removal, its rights as Operator under all
32 contracts exclusively relating to the activities or operations conducted under this
33 Agreement, and the successor Operator shall assume all obligations of the
34 Operator that are assignable under the contracts. The Parties may audit the
35 Joint Account and conduct an inventory of all property and all Hydrocarbons that

1 are not the separate property of a Party, and the inventory shall be used in the
2 return of, and the accounting by the outgoing Operator of, the property and the
3 Hydrocarbons that are not the separate property of a Party. The inventory and
4 audit shall be conducted under Exhibit "C."

5 ARTICLE 5 – RIGHTS AND DUTIES OF OPERATOR

6 **5.1 Exclusive Right to Operate**

7 Except as otherwise provided, the Operator has the exclusive right and duty to
8 conduct (or cause to be conducted) all activities or operations under this
9 Agreement. In performing services under this Agreement for the Non-Operating
10 Parties, the Operator is an independent contractor, not subject to the control or
11 direction of Non-Operating Parties, except as provided in Article 8.2 (*Voting and*
12 *Election Procedures*) or Article 8.5 (*Approved by Unanimous Agreement*). The
13 Operator is not the agent or fiduciary of the Non-Operating Parties. With the
14 exception of any Feasibility Team or Project Team formed under this Agreement,
15 the Operator shall select and determine the number of employees, Affiliates,
16 contractors and/or consultants used in conducting activities or operations under
17 this Agreement and the hours of labor and the compensation for those
18 employees, Affiliates, contractors and/or consultants. All of those employees,
19 Affiliates, contractors and/or consultants shall be the employees, Affiliates,
20 contractors and/or consultants of the Operator. The Operator shall contract for
21 and employ any drilling rigs, tools, machinery, equipment, materials, supplies,
22 and personnel reasonably necessary for the Operator to conduct the activities or
23 operations provided for in this Agreement; however, if a substitute Operator is
24 designated to drill a well, the substitute Operator may utilize a rig, which it owns
25 or has under contract, for the drilling of that well.

26 **5.2 Workmanlike Conduct**

27 The Operator shall timely commence and conduct all activities or operations in a
28 good and workmanlike manner, as would a prudent operator under the same or
29 similar circumstances. **THE OPERATOR SHALL NOT BE LIABLE TO THE**
30 **NON-OPERATING PARTIES FOR, AND THE NON-OPERATING PARTIES**
31 **SHALL SEVERALLY AND IN PROPORTION TO THEIR PARTICIPATING**
32 **INTERESTS INDEMNIFY THE OPERATOR AGAINST, LOSSES SUSTAINED**
33 **OR LIABILITIES INCURRED, EXCEPT AS MAY RESULT FROM**

1 OPERATOR'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. UNLESS
2 OTHERWISE PROVIDED IN THIS AGREEMENT, THE OPERATOR SHALL
3 CONSULT WITH THE NON-OPERATING PARTIES AND KEEP THEM
4 INFORMED OF IMPORTANT MATTERS. The Operator shall never be required
5 to conduct an activity or operation under this Agreement that it, as a reasonable
6 and prudent operator in similar circumstances, believes would be unsafe or
7 would endanger persons, property or the environment.

8 **5.3 Drilling Operations**

9 The Operator may have drilling operations conducted by qualified and
10 responsible independent contractors who are not an Affiliate of the Operator and
11 are employed under competitive contracts. A competitive contract is a contract
12 (a) that was entered into, extended, or renewed under an option to extend the
13 contract within five (5) years before the commencement of drilling operations and
14 (b) that contains terms, rates, and provisions that, when the contract was entered
15 into, did not exceed those generally prevailing on the OCS for operations
16 involving drilling rigs of an equivalent type, operating in similar environments and
17 water depths, equipped to the Operator's standard conditions, and capable of
18 drilling the proposed well or conducting other required operations within the
19 schedule in the well AFE. The Operator may employ its own or its Affiliate's
20 equipment, personnel, drilling rig, Workover rig, and snubbing unit in the conduct
21 of those operations, either under Exhibit "C" or under a written agreement among
22 the Participating Parties. If the Operator's or its Affiliate's equipment, personnel,
23 drilling rig, Workover rig, or snubbing unit is employed in conducting operations
24 under this Agreement, the terms, conditions, and rates for that employment shall
25 be consistent with those currently prevailing in competitive contracts for the
26 deepwater OCS.

27 **5.4 Liens and Encumbrances**

28 The Operator shall endeavor to keep the Leases, Production Systems, Facilities,
29 and other equipment purchased for the Joint Account under this Agreement and
30 the Hydrocarbons free from liens and encumbrances (except those provided in
31 Exhibit "F") that might arise by reason of the activities or operations conducted
32 under this Agreement. If a lien is placed on the Leases, Production Systems,
33 Facilities, other equipment, or any Hydrocarbons, the Operator shall make
34 reasonable efforts to remove the lien.

1 **5.5 Records**

2 The Operator shall keep accurate books, accounts, and records of activities or
3 operations under this Agreement in compliance with the Accounting Procedure in
4 Exhibit "C." Unless otherwise provided in this Agreement, all records of the Joint
5 Account shall be available to a Non-Operating Party at all reasonable times
6 during the Operator's normal office hours under Exhibit "C." The Operator shall
7 use good-faith efforts to ensure the settlements, billings, and reports rendered to
8 each Party under this Agreement are complete and accurate. The Operator
9 shall notify the other Parties promptly upon the discovery of any error or
10 omission pertaining to the settlements, billings, and reports rendered to each
11 Party. This provision does not affect a Party's audit rights under this Agreement.
12 This provision shall also apply to each Non-Operating Party's books, accounts,
13 and records kept to support its charges to a Project Team.

14 **5.6 Reports to Government Agencies**

15 The Operator shall make timely reports to all governmental authorities to which it
16 has a duty to make reports and shall furnish copies of the reports to the
17 Participating Parties. The Operator shall provide each Non-Operating Party with
18 a copy of each notice, order, and directive received from the MMS. As soon as
19 reasonably practicable, each Party shall give written notice to the other Parties
20 before each meeting with government authorities of which it has notice and that
21 affect the Contract Area.

22 **5.7 Information to Participating Parties**

23 The Operator shall, as soon as reasonably practicable and to the extent that the
24 information has then been obtained or received by the Operator, furnish each
25 Participating Party the following information about well operations:

- 26 (a) a copy of each application for a permit to drill and all amendments to that
27 application;
- 28 (b) drilling and Workover reports, which shall include, but not be limited to, the
29 current depth, the corresponding lithological information, data on drilling
30 fluid characteristics, information about drilling difficulties or delays (if any),
31 mud checks, mud logs, and Hydrocarbon information, casing and
32 cementation tallies, and estimated cumulative Costs, to be sent by
33 facsimile or electronic transmission within twelve (12) hours (exclusive of
34 Saturdays, Sundays, and federal holidays) of well operations conducted in

1 the preceding twenty-four (24) hour period; provided, however, the
2 information and data set forth in this Article 5.7(b) shall be provided in “real
3 time” if it is available to the Operator in “real time” and a Participating Party
4 has contractual rights to utilize the “real time” system that the Operator is
5 utilizing and has agreed to pay any incremental expenses associated with
6 its accessing that information and data from that “real time system”;

- 7 (c) complete report of all core data and analyses;
- 8 (d) copies of logs and surveys as run, including all digitally recorded data;
- 9 (e) copies of well test results, bottomhole pressure surveys, Hydrocarbon
10 analyses, and other similar information, including PVT analyses;
- 11 (f) copies of reports made to regulatory agencies;
- 12 (g) forty-eight (48) hours’ advance notice of logging, coring, or testing
13 operations (or, if conditions do not permit that much advance notice, as
14 much advance notice as is reasonably possible);
- 15 (h) upon written request, and if sufficient quantities are available, samples of
16 cutting and sidewall cores, marked as to depth, to be packaged and
17 shipped at the expense of the requesting Party;
- 18 (i) copies of drilling prognoses;
- 19 (j) if conventional cores are taken, a Participating Party shall be allowed
20 access to the rig to inspect and evaluate said cores;
- 21 (k) samples of Hydrocarbons, if sufficient quantities are available, after
22 performing routine tests; and
- 23 (l) weekly forecasts of production and downtime.

24 Upon written request, the Operator shall use reasonable efforts to furnish to a
25 requesting Participating Party any additional available information (including a
26 complete slabbed section of all recovered cores, if requested and available),
27 acquired by the Operator for the Participating Parties, not otherwise furnished
28 under this Article (not including any derivative information independently
29 developed at Operator’s sole cost and risk). The Costs of gathering and

1 furnishing the additional available information shall be charged to the
2 Participating Party that requested it.

3 **5.8 Completed Well Information**

4 Operator shall, as soon as reasonably practicable, furnish to each Participating
5 Party the following information pertaining to each completed well; provided,
6 however, the following information shall be provided in “real time” if it is available
7 to the Operator in “real time” and a Participating Party has contractual rights to
8 utilize the “real time” system that the Operator is utilizing and has agreed to pay
9 any incremental expenses associated with its accessing that information from
10 that “real time system”:

- 11 (a) monthly report of production and injection;
- 12 (b) copies of routine reports made to regulatory agencies;
- 13 (c) report on the status of wells not producing and not abandoned;
- 14 (d) report on Hydrocarbons produced during Production Testing;
- 15 (e) bottomhole pressure data and surface pressure data; and
- 16 (f) composite of all logs run (for example, TDT, Carbon-Oxygen, Spinner
17 Surveys, and Casing Collar).

18 **5.9 Information to Non-Participating Parties**

19 The Operator shall furnish to each Non-Participating Party:

- 20 (a) as soon as reasonably practicable, copies of all non-confidential reports
21 made to regulatory agencies, and
- 22 (b) if applicable, after Complete Recoupment, the information specified in
23 Articles 5.7 (*Information to Participating Parties*) and 5.8 (*Completed Well*
24 *Information*).

25 **5.10 Health, Safety, and Environment:**

26 With the goal of achieving safe and reliable activities and operations in
27 compliance with all applicable laws and regulations, including avoiding significant
28 and unintended impact on (i) the health or safety of people, (ii) property, or (iii)

1 the environment, the Operator shall, with the support and cooperation of the
2 Non-Operators, while it conducts activities or operations under this Agreement:

- 3 (a) design and manage activities or operations to standards intended to
4 achieve sustained reliability and promote the effective management of HSE
5 risks;
- 6 (b) apply structured HSE management systems and procedures consistent
7 with those generally applied in the petroleum industry to effectively manage
8 HSE risks and pursue sustained reliability of operations under this
9 Agreement; and
- 10 (c) conform with locally applicable HSE related statutory requirements that
11 may apply.

12 In fulfilling its duties and obligations hereunder, the Operator shall act in
13 accordance with the provisions of Exhibit "K."

14 **ARTICLE 6 – EXPENDITURES AND ANNUAL OPERATING PLAN**

15 **6.1 Basis of Charges to the Parties**

16 Except as otherwise provided in this Agreement, the Operator shall pay all Costs
17 of all activities and operations under this Agreement, and each Participating
18 Party shall reimburse the Operator in proportion to its Participating Interest Share
19 for the Costs of these activities and operations. All charges, credits, and
20 accounting for expenditures shall be made under Exhibit "C." Funds received by
21 the Operator under this Agreement may be commingled with the Operator's own
22 funds.

23 **6.2 AFEs**

24 The Operator shall not undertake an activity or operation whose Costs are three
25 hundred fifty thousand dollars (\$350,000) or more, unless an AFE has been
26 included in a proposal for an activity or operation and the proposal has been
27 approved by Vote, Election, or unanimous agreement, whichever is applicable,
28 or the Operator is exercising one of its discretionary powers under this
29 Agreement. An approved proposal grants the Operator authority to commit or
30 expend funds on the approved proposal for the account of the Participating

1 Parties. For an activity or operation whose Costs are in excess of one hundred
2 dollars (\$100,000), but less than three hundred fifty thousand dollars (\$350,000),
3 the Operator shall furnish the Participating Parties with an AFE for information
4 purposes only. Notwithstanding the foregoing, in the event of an emergency, or
5 if in the sole discretion of the Operator a perceived emergency exists that poses
6 an imminent threat to life, safety, property, or the environment, the Operator may
7 immediately make those expenditures for the Joint Account as, in its opinion as a
8 reasonable and prudent operator, are necessary to deal with the emergency, but
9 only to the extent necessary to stabilize the situation and alleviate the imminent
10 threat. The Operator shall report to the Participating Parties, as promptly as
11 possible, the nature of the emergency, the action taken, and the Costs incurred.

12 **6.2.1 AFE Overrun Notice**

13 For informational purposes only, the Operator shall provide an AFE
14 overrun notice to all the Participating Parties if it appears (based upon
15 Operator's reasonable estimate) that the actual total Costs associated
16 with an original AFE will exceed the estimated total expenditures in that
17 original AFE by more than ten percent (10%) but will not require the
18 submission of a supplemental AFE under Article 6.2.2 (*Supplemental*
19 *AFEs*).

20 **6.2.2 Supplemental AFEs**

21 Except as provided in Article 6.2.3 (*Further Operations During a Force*
22 *Majeure*), if it appears (based upon the Operator's reasonable
23 estimate) that the actual Costs associated with an original AFE or its
24 approved supplemental AFEs will exceed the relevant permitted over-
25 expenditure set forth below, the Operator shall promptly submit a
26 supplemental AFE to the Participating Parties. A supplemental AFE
27 shall include the dollar amount of the permitted over-expenditure from
28 the previously approved AFE as part of the dollar amount of that
29 supplemental AFE. Subject to Article 8.6.1 (*Well Proposals,*
30 *Recompletions, and Workovers*), after receipt of the supplemental AFE
31 each Participating Party has the right to make an Election as to its
32 further participation in the approved activity or operation. If a proposed
33 supplemental AFE is approved by Election, the Operator shall continue
34 to conduct the approved activity or operation associated with the
35 supplemental AFE at the sole Cost and risk of the Participating Parties

1 in the supplemental AFE. Any Participating Party making an Election
2 not to participate in an approved supplemental AFE becomes a Non-
3 Participating Party in the activity or operation associated with the
4 original AFE once the actual Costs expended on the activity or
5 operation exceed the permitted over-expenditure amount of the last
6 AFE in which the Non-Participating Party Elected to participate, without
7 regard to whether all the activities or operations (including plugging and
8 abandonment) in the original AFE have been conducted at the time of
9 its Election not to participate. A Non-Participating Party in a
10 supplemental AFE is subject to the same Hydrocarbon Recoupment
11 premium, Underinvestment, or acreage forfeiture provision in Article 16
12 (*Non-Consent Operations*) that would apply to a Party Electing or
13 Voting not to participate in the originally approved activity or operation,
14 except a Hydrocarbon Recoupment premium or an Underinvestment
15 shall apply only to the Costs of the approved activity or operation not
16 borne by the Non-Participating Party. If a supplemental AFE is not
17 approved by Election, the Operator shall conclude the activity or
18 operation as soon as practical, and each Participating Party will be
19 responsible for its Participating Interest Share of the Costs of the
20 activity or operation, including Costs in excess of the permitted over-
21 expenditure amount.

22 **6.2.2.1 Permitted Over-expenditures on Well Operations**

23 The permitted over-expenditure for an Exploratory Operation,
24 an Appraisal Operation, or a Development Operation is an
25 amount equal to fifteen percent (15%) of the estimated Costs
26 in the original AFE for that operation and its approved
27 supplemental AFEs.

28 **6.2.2.2 Permitted Over-expenditures on the Feasibility AFE, a**
29 **Post-Production Project Team AFE, or an Enhanced**
30 **Recovery Project Team AFE**

31 The permitted over-expenditure for the Feasibility AFE, a
32 Post-Production Project Team AFE or an Enhanced Recovery
33 Project Team AFE is an amount equal to fifteen percent
34 (15%) of the estimated total Costs in the original AFE for that

1 activity and its approved supplemental AFEs, or ten million
2 dollars (\$10,000,000), whichever is less.

3 **6.2.2.3 Permitted Over-expenditures on a Selection AFE or Define**
4 **AFE**

5 The permitted over-expenditure for the Selection AFE or the
6 Define AFE is an amount equal to fifteen percent (15%) of the
7 estimated total Costs in the original AFE for that activity and
8 its approved supplemental AFEs, or ten million dollars
9 (\$10,000,000), whichever is less.

10 **6.2.2.4 Permitted Over-expenditures on an Execution AFE**

11 The permitted over-expenditure for the Execution AFE is an
12 amount equal to fifteen percent (15%) of the estimated total
13 Costs in the original AFE for that activity and its approved
14 supplemental AFEs. The “estimated total Costs in the original
15 AFE for that activity and its approved supplemental AFEs” is
16 the total dollar amount of the Execution AFE and all approved
17 Long Lead Development System AFEs.

18 **6.2.2.5 Permitted Over-expenditures on All Other AFEs**

19 The permitted over-expenditure for all other AFEs is amount
20 equal to fifteen percent (15%) of the estimated total Costs in
21 the original AFE for that activity or operation and its approved
22 supplemental AFEs, or ten million dollars (\$10,000,000),
23 whichever is less.

24 **6.2.3 Further Operations During a Force Majeure**

25 No Party is permitted to make an Election not to participate in further
26 activities or operations under Article 6.2.2 (*Supplemental AFEs*) during
27 a Force Majeure or during an emergency that poses a threat to life,
28 safety, property, or the environment, but may make an Election not to
29 participate in further activities or operations that are to be conducted
30 after the termination of the Force Majeure or emergency.
31 Notwithstanding any contrary provision of this Agreement, if Costs
32 arising as a result of Force Majeure or emergency cause the amount of
33 an original AFE and its approved supplemental AFEs to exceed their
34 permitted over-expenditure in Article 6.2.2 (*Supplemental AFEs*), no

1 supplemental AFE will be required; however, once stabilization takes
2 place and Force Majeure or emergency expenditures are no longer
3 being incurred, the Operator shall submit to the Participating Parties a
4 supplemental AFE for the activities or operations that are to be
5 conducted after termination of the Force Majeure or emergency in
6 order for them to make an Election under Article 6.2.2 (*Supplemental*
7 *AFEs*) as to their participation in those activities or operations.

8 **6.2.4 Long Lead Well Operation AFEs**

9 In addition to the Operator's right under Article 12.6 (*Long Lead*
10 *Development System AFEs*) to submit Long Lead Development System
11 AFEs for long lead-time items prior to the submission of the Execution
12 AFE, the Operator may submit an AFE to the Parties, which will allow
13 the Operator to make advance commitments for or purchases of
14 equipment or services, which are commercially reasonable and
15 necessary to facilitate the early and orderly commencement of any kind
16 of well or well operation (including any associated tie-back Facilities)
17 ("Long Lead Items") (a "Long Lead Well Operation AFE").

18 **6.2.4.1 Approval of a Long Lead Well Operation AFE**

19 Each Long Lead Well Operation AFE requires the unanimous
20 agreement of the Parties.

21 **6.2.4.2 Non-Participating Parties in the Operations Associated** 22 **with the Long Lead Well Operation AFE**

23 If a Party, who participated in a Long Lead Well Operation
24 AFE, does not participate in a well or well operation, for which
25 Long Lead Items were procured under that AFE, and if the
26 Operator commences that well or well operation within two (2)
27 years of the approval of that Long Lead Well Operation AFE,
28 the Operator shall reimburse that Party its Participating
29 Interest Share of the Costs of those Long Lead Items within
30 thirty (30) days of the commencement of that well or well
31 operation; provided, however, that Party's share of those
32 Costs shall be included in the calculation of any Hydrocarbon
33 Recoupment to which it is subject as a result of that well or
34 well operation. The Operator shall invoice the Participating

1 Parties in that well or well operation for their proportionate
2 share of the reimbursement under this Article 6.2.4.2 in
3 accordance with Exhibit "C."

4 **6.2.4.3 Reimbursement for Items Associated with a Long Lead**
5 **Well Operation AFE, which Are Not Used**

6 If the Operator does not commence a well or well operation,
7 for which Long Lead Items were procured, within two (2)
8 years from the approval of the Long Lead Well Operation
9 AFE, which included those Long Lead Items, the Operator
10 shall reimburse the Participating Parties in the Long Lead
11 Well Operation AFE their Participating Interest share of the
12 Costs of the Long Lead Items within thirty (30) days of the
13 conclusion of that two (2) year period.

14 **6.3 Security Rights**

15 See Exhibit "F" (LOUISIANA).

16 **6.4 Annual Operating Plan**

17 **6.4.1 Effect and Content of Annual Operating Plan**

18 The Annual Operating Plan is for informational and planning purposes
19 and does not obligate any Party to any course of action or expenditures
20 or constitute a Vote, Election or unanimous agreement to participate in
21 any specific activity or operation. To the extent known on the date of
22 submission of the Annual Operating Plan, the Annual Operating Plan
23 shall include the following items, without limitation:

24 **6.4.1.1 Capital Budget**

- 25 (a) a list of proposed wells to be drilled including their
26 anticipated order, drilling time, depths, surface and
27 bottomhole locations, objective sands, type of well
28 (Development, Appraisal), purpose of well (production,
29 injection), and estimated Costs;
- 30 (b) capital well operations listed by well, with their estimated
31 Cost;

- 1 (c) capital projects that have estimated gross Costs greater
2 than two million dollars (\$2,000,000). The term "capital
3 project" includes addition of new equipment, expansion
4 or upgrades of existing equipment; and
- 5 (d) an estimated total amount (in aggregate) for capital
6 projects.

7 **6.4.1.2 Expense Budget**

- 8 (a) expense well operations listed by well, with their
9 estimated Cost;
- 10 (b) expense projects that have estimated gross Costs
11 greater than two million dollars (\$2,000,000). The term
12 "expense project" includes repair, replacement,
13 inspection, and maintenance of existing equipment;
- 14 (c) an estimated total amount (in aggregate) for expense
15 projects; and
- 16 (d) estimated Operations and Maintenance (O&M)
17 expenditures for the year may be shown in the
18 aggregate. O&M expenses include the ongoing,
19 everyday expenditures necessary to operate the field.

20 **6.4.1.3 Operator Forecasts and Informational Items**

- 21 (a) production forecasts;
- 22 (b) injection forecasts;
- 23 (c) fuel gas forecasts;
- 24 (d) scheduled or planned downtime exceeding three (3)
25 days;
- 26 (e) data collection programs;
- 27 (f) Facility constraint and ullage forecast;

- 1 (g) geochemical or geophysical survey(s) or special test(s)
2 that might be contemplated; and
3 (h) other areas deemed of significance by the Operator.

4 **6.4.2 Submission of Draft Annual Operating Plan**

5 Beginning in the year in which a Development Plan is approved, and in
6 each subsequent year, the Operator shall develop and submit to the
7 Non-Operating Parties, by July 1, a draft Annual Operating Plan for the
8 next calendar year. The Annual Operating Plan process will be used
9 (a) as a reporting mechanism by which the Operator will inform the
10 Non-Operating Parties of results of the previous year's activities and
11 operations, (b) to review ongoing activities and operations, and (c) for
12 the remainder of the current year and the next succeeding calendar
13 year, to forecast and plan activities and operations and to forecast
14 anticipated Hydrocarbon production volumes, operating expenses, and
15 capital expenditures.

16 **6.4.3 Review of Draft Annual Operating Plan**

17 The Non-Operating Parties may provide suggested changes, additions
18 or deletions to the Annual Operating Plan to the Operator and all other
19 Parties in writing before September 1 of each year. The Operator will
20 then make changes that it deems necessary (if any) and submit the
21 final Annual Operating Plan to the Non-Operating Parties no later than
22 November 1 of each year, at which time the Annual Operating Plan is
23 deemed adopted by all Parties.

24 **ARTICLE 7 – CONFIDENTIALITY OF DATA**

25 **7.1 Confidentiality Obligation**

26 Confidential Data acquired or obtained by a Party shall be kept confidential
27 during the term of this Agreement and shall not be disclosed to a third party,
28 unless it is disclosed under Article 7.1.1 (*Exceptions to Confidentiality*) or 7.1.2
29 (*Permitted Disclosures*). Each Party shall maintain the secrecy of the
30 Confidential Data, using the standard of care it normally uses in protecting its
31 own confidential information and trade secrets.



1 **7.1.1 Exceptions to Confidentiality**

2 The confidentiality obligation shall not apply to Confidential Data that is:

- 3 (a) now or later becomes part of the public domain (other than as a
4 result of a wrongful act or omission by a Party);
- 5 (b) now or later becomes available to a Party on a non-confidential
6 basis from a source, other than a Party, that is legally permitted to
7 disclose the item of Confidential Data;
- 8 (c) known to a Party on a non-confidential basis before disclosure of
9 the Confidential Data to it under this Agreement or to which that
10 Party was otherwise entitled at the time of disclosure; or
- 11 (d) independently developed by employees, Affiliates, contractors
12 and/or consultants of a Party who have not had access to the
13 Confidential Data.

14 **7.1.2 Permitted Disclosures**

15

16 **7.1.2.1 Operator's Permitted Disclosures**

17 The Operator may disclose items of Confidential Data to
18 those third parties as may be necessary to conduct activities
19 and operations under this Agreement, if the third parties are
20 bound by written agreement to keep the Confidential Data
21 secret for (i) the period of time set forth in the Operator's
22 service agreement with those third parties or (ii) ten (10) years
23 from the commencement of services if a service agreement
24 does not exist with those third parties. Notwithstanding the
25 foregoing, should the Operator disclose Confidential Data to
26 an Affiliate, then the Operator shall require its Affiliate to
27 handle, hold and protect the Confidential Data as if it were a
28 Party to this Agreement.

29 **7.1.2.2 All Parties' Permitted Disclosures**

30 Subject to the restriction that a third party shall be bound by
31 written agreement not to use or disclose the Confidential Data
32 pursuant to the terms of Section 7.1.2.1, except for the

1 express purpose for which the disclosure is to be made, all
2 Parties may disclose, in whole or in part, the Confidential
3 Data to the following receiving parties, who may remove the
4 Confidential Data from the custody and premises of the Party
5 making such disclosure:

- 6 (a) to its Affiliate;
- 7 (b) to a bona fide, financially responsible, prospective
8 assignee of any portion of the Party's Working Interest
9 (including but not limited to an entity with whom a Party
10 or its Affiliates is conducting bona fide negotiations
11 directed toward a merger, consolidation or a sale of a
12 Party's or an Affiliate's shares or substantially all of its
13 assets on the OCS);
- 14 (c) to potential contractors, professional consultants, or
15 outside legal counsel engaged by or on behalf of the
16 Party and acting in a capacity where that disclosure is
17 essential to the contractor's, consultant's, or outside
18 legal counsel's work;
- 19 (d) to a bank or other financial institution to the extent
20 appropriate to a Party arranging financing for its
21 obligations under this Agreement;
- 22 (e) to the extent required by a Lease, or by law, order,
23 decree, regulation, or rule (including without limitation,
24 those of any regulatory agency, securities commission,
25 stock exchange, judicial or administrative proceeding). If
26 a Party is required to disclose Confidential Data under
27 this Article 7.1.2.2(e), the Party shall promptly provide all
28 other Parties to this Agreement written notice of those
29 proceedings so that the non-disclosing Parties may seek
30 a protective order or other remedy. A disclosing Party
31 shall furnish only such Confidential Data as is legally
32 required and will use its reasonable efforts to obtain

1 confidential treatment for any Confidential Data
2 disclosed;

3 (f) to an entity allocating or desiring to transport, process or
4 purchase Hydrocarbons produced under this Agreement
5 for the purpose of making Hydrocarbon reserve
6 estimates or other technical evaluations or allocating
7 Hydrocarbon products to source points;

8 (g) to third parties for benchmarking studies and industry
9 performance reviews; provided that the Confidential
10 Data disclosed does not include competitive information
11 or data and the studies blind the identities of the
12 participants and the origin of the Confidential Data; and

13 (h) to a contractor for the purpose of offsite storage of
14 Confidential Data.

15 **7.1.3 Limited Releases to Offshore Scout Association**

16 The Operator may disclose Confidential Data to the Offshore Oil
17 Scouts Association at their weekly meetings. The Confidential Data
18 that may be disclosed is limited to information concerning well
19 locations, well operations, and well completions to the extent
20 reasonable and customary in industry practice or required under the by-
21 laws of the Offshore Oil Scouts Association.

22 **7.1.4 Continuing Confidentiality Obligation**

23 A Party who ceases to own a Working Interest remains bound by the
24 confidentiality and use obligations of this Agreement as to Confidential
25 Data obtained through this Agreement under Article 7.1 (*Confidentiality
26 Obligation*).

27 **7.2 Ownership of Confidential Data**

28 Except as otherwise provided for in this Article 7, all Confidential Data produced
29 as a result of an activity or operation shall be the property of all Participating
30 Parties in that activity or operation. A Non-Participating Party has no rights in or
31 access to Confidential Data produced or derived from a Non-Consent Operation
32 unless and until Complete Recoupment has taken place.

1 **7.2.1 Trades of Confidential Data**

2 Any Participating Party may propose the exchange or trade of any
3 Confidential Data or other similar data and information owned by a third
4 party. Upon approval of said exchange or trade by Vote of the
5 Participating Parties, that approval shall bind all Participating Parties,
6 and the Operator shall utilize the Well Data Trade and Confidentiality
7 Agreement in Exhibit "I" in order to consummate that exchange or trade
8 with the third party. The Operator shall promptly provide all
9 Participating Parties copies of the third party data obtained along with
10 copies of any agreement relating to that exchange or trade.

11 **7.2.2 Ownership of Non-Consent Data**

12 After Complete Recoupment has taken place and a Non-Participating
13 Party has become a Participating Party in an activity or operation, that
14 Non-Participating Party shall become an owner of the Confidential Data
15 and information resulting from that activity or operation. Within fifteen
16 (15) days after Complete Recoupment, the Operator shall furnish that
17 Confidential Data and information to the former Non-Participating Party.

18 **7.3 Access to the Lease and Rig**

19 Except as provided in Article 6.3(B) (*Default*) in Exhibit "F", each Participating
20 Party may attend meetings between the Operator and any contractors
21 constructing the Production System or Facilities specified in the Execution AFE
22 as well as access to the construction sites. Except as otherwise provided in
23 Article 6.3(B) (*Default*) in Exhibit "F", each Participating Party shall have access
24 to all drilling rigs, Production Systems, and Facilities to observe and inspect
25 operations and wells in which it participates (and the pertinent records and other
26 data). Access by the Participating Party to a drilling rig, Production System, or
27 Facility serving a Contract Area shall be scheduled through the Operator at least
28 forty-eight (48) hours in advance (or, if conditions do not permit that much
29 advance scheduling, with as much advance scheduling as is reasonably
30 possible). Each Party's access will be at reasonable times and may not
31 unreasonably interfere with operations at the site.

32 **7.4 Development of Proprietary Information and/or Technology**

33 The ownership, use, treatment, and disclosure of proprietary information or
34 technology, including, but not limited to, drilling technology, production

1 technology, production systems and facilities, and their transportation and
2 installation, pipelines, flowlines, and offshore oil and gas transportation that are
3 charged to the Joint Account shall be handled under Exhibit "G."

4 **ARTICLE 8 – APPROVALS AND NOTICES**

5 **8.1 Classes of Matters**

6 Action will be taken on a proposed activity or operation only after the procedures
7 and approval requirements in this Agreement have been satisfied. There are
8 four general classes of activities or operations under this Agreement: (a) those
9 requiring approval by Vote, (b) those requiring approval by Election, (c) those
10 requiring approval by unanimous agreement, and (d) those within the discretion
11 of the Operator.

12 **8.1.1 Voting and Electing Interest**

13 If all Parties are entitled to make an Election or Vote, each Party has an
14 Electing interest or a Voting interest equal to its Working Interest or its
15 Participating Interest Share, as applicable. If a Party does not have a
16 right to make an Election or Vote, each of the other Parties has an
17 Electing interest or a Voting interest, as applicable, equal to its Working
18 Interest or its Participating Interest Share, as applicable, divided by the
19 total Working Interest or Participating Interest, as applicable, of those
20 Parties who have a right to make an Election or Vote.

21 **8.2 Voting and Election Procedures**

22 The Parties shall Vote or make an Election on proposals requiring a Vote or
23 Election in the order in which those proposals are submitted, except as specified
24 in Articles 10.2 (*Exploratory Operations at Objective Depth*), 11.2 (*Appraisal*
25 *Operations at Objective Depth*), and 13.2 (*Development Operations at Objective*
26 *Depth*). Subject to Article 6.2 (*AFEs*), after receipt of a notice properly given for
27 an activity or operation requiring a Vote or Election, the Parties entitled to make
28 that Vote or Election (a) may Vote or make an Election in accordance with this
29 Article 8.2 (*Voting and Election Procedures*) and Article 8.7 (*Giving and*
30 *Receiving Notices and Responses*) or (b) shall be deemed to have Voted or
31 made an Election as provided in Article 8.6.5 (*Failure to Vote or Make an*
32 *Election*).

1 A Vote or Election to participate in a proposal is evidenced by a Party making a
2 written affirmative response to the proposal or by a Party's execution of the AFE
3 associated with the proposal. Except as otherwise provided in this Agreement, a
4 Vote or Election not to participate in a proposal is evidenced by a Party's written
5 negative response to the proposal, a Party's failure to make a timely written
6 affirmative response to the proposal or to timely execute the AFE associated with
7 the proposal, or a Party's failure to timely make a subsequent Vote or Election
8 under Article 8.3 (*Second Opportunity to Participate*).

9 **8.2.1 Approval by Vote**

10 Approval by Vote shall be decided by a Vote of the Parties as follows:

- 11 (a) when one Party or two Parties are entitled to Vote, approval by
12 Vote shall require an affirmative Vote of one or more Parties with
13 a Voting interest of fifty-one percent (51%) or more, or if two
14 Parties entitled to Vote have the same Voting interest, the
15 affirmative Vote of all Parties entitled to Vote; and
- 16 (b) when more than two Parties are entitled to Vote, approval by Vote
17 shall require an affirmative Vote of two (2) or more Parties entitled
18 to Vote with a combined Voting interest of fifty-one percent (51%)
19 or more.

20 **8.2.2 Approval by Election**

21 Approval by Election shall be decided by an affirmative Election by one
22 or more Parties, entitled to make an Election, with a combined Electing
23 interest of more than twenty percent (20%) or more.

24 **8.3 Second Opportunity to Participate**

25 Unless otherwise provided to the contrary in this Agreement, if an activity or
26 operation is approved by Vote or Election but is not approved by all of the
27 Parties, a Party who Voted or Elected not to participate in the approved activity
28 or operation may make a subsequent Vote or Election to participate in the
29 approved activity or operation within forty-eight (48) hours (exclusive of
30 Saturdays, Sundays, and federal holidays) of its receipt of the original Voting or
31 Election results from the Operator. If a Party does not exercise its right to make
32 a subsequent Vote or Election to participate, it shall become a Non-Participating
33 Party in the approved activity or operation. If (a) all the Parties entitled to do so

1 make an original Vote or Election or a subsequent Vote or Election to participate
2 in a proposed activity or operation or (b) an approval by Vote is binding on all
3 Parties, then the Operator shall commence the activity or operation in
4 accordance with the applicable timely operations provisions of this Agreement.

5 **8.4 Participation by Fewer Than All Parties**

6 If, after the period in which a Party may make a subsequent Vote or Election to
7 participate, there is at least one Non-Participating Party in the approved activity
8 or operation, each Party who made an original or a subsequent Vote or Election
9 to participate in the approved activity or operation shall, within forty-eight (48)
10 hours (exclusive of Saturdays, Sundays, and federal holidays) of its receipt of the
11 subsequent Voting or Election results,

12 (a) limit its participation in the approved activity or operation to its Working
13 Interest share, or

14 (b) agree to bear its Participating Interest Share of the approved activity or
15 operation

16 by written correspondence to the Operator. Failure to submit that written
17 correspondence shall be deemed a written correspondence under (a). If a Party,
18 who made an original or a subsequent Vote or Election to participate in the
19 approved activity or operation, submits or is deemed to have submitted a written
20 correspondence under (a) and the other Parties who made an original or a
21 subsequent Vote or Election to participate in the approved activity or operation
22 do not agree to bear all of the remaining Costs of the approved activity or
23 operation within thirty (30) days after the written correspondence period, the
24 proposal of the approved activity or operation and all Votes and Elections in
25 regard to the approved activity or operation shall be deemed withdrawn. Once
26 the Parties, who made an original or a subsequent Vote or Election to participate
27 in an approved activity or operation in which there is a Non-Participating Party,
28 agree to bear all of the Costs of the approved activity or operation, the Operator
29 shall commence the activity or operation at the sole Cost and risk of the
30 Participating Parties in accordance with the applicable timely operations
31 provisions of this Agreement. Notwithstanding the foregoing, the election periods
32 in Articles 10.2 (*Exploratory Operations at Objective Depth*), 11.2 (*Appraisal*
33 *Operations at Objective Depth*), and 13.2 (*Development Operations at Objective*
34 *Depth*) shall govern in the event of a conflict.

1 **8.5 Approval by Unanimous Agreement**

2 After receipt of a notice for a proposal that requires unanimous agreement, each
3 Party entitled to approve (or disapprove) that activity or operation may indicate its
4 approval or disapproval by providing a written statement in a response. Unless
5 otherwise specifically provided, failure of a Party to make such a response is
6 deemed its disapproval.

7 **8.6 Response Time for Notices**

8 After receipt of an AFE or notice under this Article 8, the Parties may (a) submit
9 their Vote or (b) make an Election or (c) submit a written statement, whichever is
10 applicable. If requested in writing by a Party entitled to (a) submit their Vote or
11 (b) make an Election or (c) submit a written statement on an AFE or notice, the
12 Operator shall give prompt notice of the results of those Votes, Elections or
13 written statements to each Party entitled to (a) submit their Vote or (b) make an
14 Election or (c) submit a written statement, as applicable. Except as otherwise
15 provided in this Agreement, the response times for each type of proposal shall
16 be as follows:

17 **8.6.1 Well Proposals, Recompletions, and Workovers**

18 When a well, Recompletion or Workover is proposed, each Party
19 entitled to Vote or make an Election or submit a written statement,
20 whichever is applicable, has thirty (30) days after receipt of the
21 proposal (inclusive of Saturdays, Sundays, and federal holidays) to
22 respond to it. If a drilling rig is on location and day rate rig charges are
23 being charged to the Joint Account and if a Party, who is entitled to do
24 so, has proposed the immediate commencement of a substitute well or
25 a supplemental AFE to a well, or a Recompletion or Workover in or
26 through the same well bore in which the previous operation was
27 conducted or has submitted a supplemental AFE to a well, and if the rig
28 that is on location is to conduct the operation or is to be utilized under
29 the supplemental AFE, a Party entitled to Vote or make an Election or
30 submit a written statement, has forty-eight (48) hours after receipt of
31 the proposal (inclusive of Saturdays, Sundays, and federal holidays) to
32 respond to it. The response times for subsequent operations at
33 Objective Depth are provided in Article 10.2 (*Exploratory Operations at*
34 *Objective Depth*), Article 11.2 (*Appraisal Operations at Objective*
35 *Depth*), and Article 13.2 (*Development Operations at Objective Depth*).

1 **8.6.2 Execution AFE**

2 Each Party entitled to make an Election on an Execution AFE has one
3 hundred and twenty (120) days after the date of its receipt of the
4 Execution AFE to make that Election.

5 **8.6.3 Other AFE Related Operations**

6 Except as otherwise provided in Articles 8.6.1 (*Well Proposals,*
7 *Recompletions, and Workovers*) and 8.6.2 (*Execution AFE*), the
8 response time to a proposed AFE, activity or operation will depend
9 upon the gross AFE amount. Response times will be as follows:

10 (a) AFE of \$250,000 or more but less than \$25,000,000; response
11 will be made within thirty (30) days after receipt of said proposal;

12 (b) AFE of \$25,000,000 or more but less than \$100,000,000;
13 response will be made within ninety (90) days after receipt of said
14 proposal; and

15 (c) AFE of \$100,000,000 or more; response will be made within one
16 hundred twenty (120) days after receipt of said proposal.

17 **8.6.4 Other Proposals**

18 For all other proposals requiring notice, and all supplemental AFEs
19 other than those subject to Article 8.6.1 (*Well Proposals,*
20 *Recompletions, and Workovers*), each Party has thirty (30) days after
21 receipt of the proposal to respond to it.

22 **8.6.5 Failure to Vote or Make an Election**

23 Unless otherwise specifically provided, failure of a Party to Vote or
24 make an Election, whichever is applicable, within the period required by
25 this Agreement is deemed to be a Vote or Election not to participate.

26 **8.6.6 Suspensions of Operations and Suspensions of Production**

27 Notwithstanding any contrary provision in Article 8.6 (*Response Time*
28 *for Notices*), if the MMS grants a Suspension of Production ("SOP"), a
29 Suspension of Operations ("SOO"), or similar regulatory grant, for all or
30 part of the Contract Area, and if the SOP, SOO, or grant requires the
31 commencement of an activity or operation before the expiration of the
32 period for Voting, making an Election, or submitting a written statement,

1 as provided in Article 8.5 (*Approval by Unanimous Agreement*) for that
2 activity or operation, the Parties shall cast their Votes, make their
3 Elections, or submit their written statement on the activity or operation
4 at least thirty (30) days (inclusive of Saturdays, Sundays and federal
5 holidays) before the commencement date required in the SOO, SOP,
6 or grant.

7 **8.6.7 Standby Charges**

8 The Participating Parties in a well or well operation conducted
9 immediately prior to the delivery of (a) a proposal for a substitute well or
10 a subsequent operation in a well or (b) a supplemental AFE are
11 responsible for charges associated with the well or well operation that
12 accrue before that delivery. All charges, which accrue after that
13 delivery, are the responsibility of the Participating Parties in the
14 substitute well, subsequent operation or supplemental AFE. If (a) the
15 proposal of a substitute well or subsequent operation or (b) the
16 supplemental AFE is not approved, the Participating Parties in the well
17 or well operation conducted immediately prior to the delivery of that
18 proposal or supplemental AFE are responsible for the charges that
19 accrue after that delivery.

20 **8.7 Giving and Receiving Notices and Responses**

21 Except as otherwise provided in this Agreement, all notices and responses
22 required or permitted by this Agreement shall be in writing and shall be delivered
23 in person or by mail, courier service, e-mail, facsimile transmission or any other
24 means of electronic communication that provides a record of the receipt thereof,
25 with postage and charges prepaid, addressed to the Parties at the addresses in
26 Exhibit "A-1." A notice is deemed delivered only when received by the Party to
27 whom it was directed, and the period for a Party to deliver a response begins on
28 the date the notice is received. "Receipt" of a written notice, means actual
29 delivery of the notice to the Party's address or transmission to the facsimile
30 number provided in Exhibit "A-1." A response is deemed delivered when it is
31 deposited in the United States mail, delivered to a courier, transmitted by
32 facsimile transmission, or is personally delivered to a Party.

33 However, when a drilling rig is on location and day rate rig charges are being
34 charged to the Joint Account, notices or responses pertaining to operations

utilizing a drilling rig shall be given orally or by telephone. "Receipt" of an oral or telephone notice means actual and immediate communication to the Party to be notified. All telephone or oral notices or responses permitted by this Agreement shall be confirmed immediately thereafter by facsimile transmission. A message left on an answering machine or with an answering service or other third person is not adequate telephone or oral notice or response. If a Party is unavailable to receive a notice or response required to be given orally or by telephone, the notice or response may be delivered by facsimile transmission.

8.8 Content of Notices

A notice requiring a response shall indicate the appropriate response time specified in Article 8.6 (*Response Time for Notices*). A well proposal notice shall include the type of well being proposed, (for example, Exploratory Well, Appraisal Well, or Development Well), a Well Plan, and an AFE that includes the Costs of permanently plugging and abandoning the well. If a proposed activity or operation is subject to Article 16.4 (*Non-Consent Operations to Maintain Contract Area*), the notice shall specify that the proposal is a Contract Area maintenance activity or operation.

8.9 Designation of Representatives

The names, addresses, and telephone and facsimile numbers of a designated representative and alternate for each Party to whom notices or responses shall be directed, are provided in Exhibit "A-1." The designated representative and the alternate may be changed by written notice to the other Parties.

8.10 Meetings

Any Party may call a meeting. Except in an emergency, no meeting shall be called on less than ten (10) days' advance notice (inclusive of Saturdays, Sundays and federal holidays), and the notice shall include a proposed agenda. The Operator shall be chairman of each meeting and take minutes of each meeting. Only matters included in the agenda may be considered at a meeting unless unanimously agreed to by the Parties.

8.11 Obligations of Well Participation

Subject to Article 6.2 (*AFEs*), a Participating Party in an Exploratory Well, an Appraisal Well or a Development Well is responsible for its Participating Interest Share of all necessary Costs in the original well AFE, which shall include only the

1 Cost to drill, test (except Production Testing), and log the well to its Objective
2 Depth, or shallower depth if applicable, and to plug and abandon the well.

3 **ARTICLE 9 – NEWS RELEASES**

4 **9.1 Proposal of News Releases**

5 Any Party may propose for issuance a News Release about the activities or
6 operations covered by this Agreement by submitting the text of the News
7 Release to the Parties. A News Release proposal requires the unanimous
8 agreement of the Parties. The Parties shall respond to a News Release
9 proposal within seventy-two (72) hours of their receipt of it by agreeing or
10 disagreeing with the text of the proposed News Release, or by submitting
11 alternative text for the News Release. If a Party submits alternative text for the
12 News Release, the Parties shall have forty-eight (48) hours to agree or disagree
13 with any of the proposed texts of the News Release. If a Party fails to respond,
14 the Party shall be deemed to have not approved any of the proposed News
15 Releases.

16 **9.1.1 Operator's News Release**

17 If the Parties do not unanimously agree to any of the texts of a
18 proposed News Release within the time period set forth in Article 9.1
19 (*Proposal of News Releases*), the Operator has the exclusive right for
20 one hundred and twenty (120) hours, following the last response under
21 Article 9.1 (*Proposal of News Releases*), to submit a News Release on
22 the subject matter of the original proposal to the Parties in accordance
23 with this Article 9.1.1. If the News Release pertains to a well or an
24 operation in a well, the Operator must limit the content of the News
25 Release to the following information:

- 26 (a) the name of the well or operation and the water depth;
- 27 (b) the location of the well by protraction area, block, and adjacent
28 state;
- 29 (c) the lease bonus paid and the lease acquisition date;
- 30 (d) the result of a Production Test, if conducted;

1 (e) the participants in, and their Working Interest in, the well or
2 operation; and

3 (f) the surrounding acreage controlled by the participants.

4 If the News Release does not pertain to a well or an operation in a well,
5 it may only contain information that is not Confidential Data or
6 Confidential Information (as defined in Exhibit "G") and does not
7 substantially undermine the Parties' competitive advantage in the area
8 surrounding, or trend or play pertaining to, the Contract Area. The
9 Operator shall transmit the News Release to the Non-Operating Parties
10 not less than seventy-two (72) hours (exclusive of Saturdays, Sundays,
11 and federal holidays) before the time at which the Operator wishes to
12 issue it. Any Party may have its name excluded from the News
13 Release by notifying the Operator of that desire within forty-eight (48)
14 hours of that Party's receipt of the News Release.

15 **9.1.2 Non-Operating Party's News Release**

16 If the Operator does issue the News Release within seventy-two (72)
17 hours of the termination of the seventy-two (72) hour period referred to
18 in Article 9.1.1 (*Operator's News Release*), any Participating Party may
19 prepare and issue its own News Release, using the content guidelines
20 and procedures provided in Article 9.1.1 (*Operator's News Release*),
21 simultaneously with or following the Operator's News Release. If the
22 Operator does not issue the News Release within seventy-two (72)
23 hours of the termination of the seventy-two (72) hour period referred to
24 in Article 9.1.1 (*Operator's News Release*), any Participating Party may
25 prepare and issue its own News Release, using the content guidelines
26 and procedures provided in Article 9.1.1 (*Operator's News Release*).

27 **9.2 Emergency New Releases**

28 In an emergency involving extensive property damage, loss of human life, or
29 other clear emergency and where there is insufficient time to obtain approval
30 from the other Parties, the Operator may furnish factual information necessary to
31 satisfy legitimate public interest or governmental authorities having jurisdiction.
32 The Operator shall immediately notify the Parties of the information furnished in
33 response to the emergency.

1 **9.3 Mandatory News Releases**

2 Each Party has the right to issue a News Release which contains information not
3 otherwise permitted under Article 9 (*News Releases*) in order to comply with the
4 laws, orders, rules, or regulations of the country in which its parent company is
5 incorporated; provided, however, prior to issuing that News Release, that Party
6 must submit, not less than seventy-two (72) hours (exclusive of Saturdays,
7 Sundays, and federal holidays) before issuance of the News Release, the text of
8 that News Release to the other Parties.

9 **ARTICLE 10 – EXPLORATORY OPERATIONS**

10 **10.1 Proposal of Exploratory Wells**

11 Any Party may propose drilling an Exploratory Well within the Contract Area by
12 giving notice of the proposal (along with the associated AFE and Well Plan) to
13 the other Parties. Each proposed Exploratory Well requires approval by Election.

14 Each Non-Participating Party in an Exploratory Well will be subject to either an
15 acreage forfeiture or Hydrocarbon Recoupment as provided in Article 16 (*Non-*
16 *Consent Operations*).

17 **10.1.1 Revision of Well Plan**

18 A revision to an approved well proposal, Well Plan or AFE prior to the
19 commencement of actual drilling operations on an Exploratory Well
20 requires the unanimous agreement of the Participating Parties. In the
21 absence of unanimous agreement on a proposed revision to the Well
22 Plan or AFE, the Well Plan and AFE will stand as approved. Only a
23 major revision to an approved Well Plan or AFE will give a Non-
24 Participating Party an additional opportunity to participate in an
25 Exploratory Well. A revision is deemed a major revision if the Objective
26 Depth of an Exploratory Well is changed or the bottomhole location is
27 moved more than one thousand feet (1,000') in which case each Non-
28 Participating Party in the well may, for a period of ten (10) days after
29 receipt of the revised Well Plan and revised AFE, notify the Operator in
30 writing that it will participate in the revised Exploratory Well.

31 A Non-Participating Party timely submitting its participation notification
32 under this Agreement due to a major revision in a Well Plan (a) shall

1 become an Underinvested Party for Costs incurred on the modified
2 Exploratory Well prior to the approved major modification, and (b) with
3 regard to that well, shall no longer be subject to Article 16 (*Non-*
4 *Consent Operations*). The Non-Participating Party's Underinvestment
5 obligation, resulting from its participation decision, shall be calculated
6 as follows: actual Costs expended on that Exploratory Well multiplied
7 by the Non-Participating Party's percentage Participating Interest Share
8 in the modified Exploratory Well. If the Non-Participating Party forfeited
9 and assigned its right, title, and interest in the Contract Area by not
10 participating in that Exploratory Well, then within thirty (30) days after
11 the Operator's receipt of the Non-Participating Party's participation
12 notification under this Agreement, the Participating Parties in the
13 original Exploratory Well proposal shall assign to the Non-Participating
14 Party one hundred percent (100%) of the Non-Participating Party's
15 former Working Interest in the Contract Area.

16 **10.1.2 Automatic Revision of the Well Plan**

17 During the drilling of an Exploratory Well, the Well Plan may be revised
18 by the Operator as is necessary for it to employ prudent oilfield
19 practices or to conduct safe operations, and those revisions will not
20 require the approval of the Participating Parties as long as the
21 Operator's revisions carry out the scope and intent of the approved
22 Well Plan and AFE, except as provided in Article 6.2.2 (*Supplemental*
23 *AFEs*).

24 **10.1.3 Timely Operations**

25 Except as provided below, drilling operations on an Exploratory Well
26 shall be commenced within one hundred and eighty (180) days after
27 the end of the period for the approval of the Exploratory Well.
28 However, an additional one hundred twenty (120) days shall be given
29 to timely commence operations should the rig the Operator (or
30 substitute Operator, if applicable) has contracted to conduct such
31 operation is delayed and or unavailable through no fault of the
32 Operator. If the Operator, except for an occurrence of Force Majeure
33 (excluding the inability to secure materials or a rig), does not
34 commence drilling operations on the Exploratory Well within that one
35 hundred and eighty (180) day period or within the additional one

1 hundred twenty (120) day period if applicable, the approved Exploratory
2 Well proposal shall be deemed withdrawn, with the effect as if the
3 Exploratory Well had never been approved.

4 If a Party submits an identical Exploratory Well proposal (except for any
5 necessary modifications resulting from a change in the drilling rig to be
6 utilized) within thirty (30) days after the deemed withdrawal of the
7 approved original Exploratory Well proposal and if that identical
8 Exploratory Well proposal is approved by the Parties, the Operator, if it
9 is a Participating Party, shall commence drilling operations on the
10 identical Exploratory Well within ninety (90) days after the end of the
11 response period for that proposal. If the Operator, except for an
12 occurrence of Force Majeure (excluding the inability to secure materials
13 or a drilling rig), fails to commence drilling operations on the identical
14 Exploratory Well within that ninety (90) day period, the Non-Operating
15 Parties may select a substitute Operator in accordance with Article
16 4.2.2 (*Substitute Operator if Operator Fails to Commence Drilling*
17 *Operations*), excluding, however, the Vote of the Operator, to drill the
18 identical Exploratory Well, which shall be commenced by the substitute
19 Operator within one hundred eighty (180) days after being selected as
20 substitute Operator.

21 If an approved original or identical Exploratory Well proposal is deemed
22 withdrawn due to a failure to timely commence drilling operations on
23 that well, all Costs incurred, which are attributable to the preparation
24 for, or in furtherance of, that Exploratory Well, will be chargeable to the
25 Participating Parties. Drilling operations for an Exploratory Well under
26 this Article 10.1.3 shall be deemed to have commenced on the date the
27 rig arrives on location or, if the rig is already on location, the date when
28 actual drilling operations for the approved Exploratory Well are
29 undertaken.

30 31 **10.1.4 AFE Overruns and Substitute Well**

32 Once an Exploratory Well is commenced, the Operator shall drill the
33 well with due diligence to its Objective Depth, subject to:

- 1 (a) all supplemental AFEs required under Article 6.2.2 (*Supplemental*
2 *AFEs*),
- 3 (b) the Operator encountering mechanical difficulties, uncontrolled
4 influx of subsurface water, loss of well control, abnormal well or
5 formation pressures, pressured or heaving shale, granite or other
6 practicably impenetrable substances or other similar conditions in
7 the well bore or damage to the well bore that, in the Operator's
8 sole opinion, render further well operations impractical, and
- 9 (c) the unanimous agreement of the Participating Parties to cease
10 drilling an Exploratory Well before reaching Objective Depth.

11 If an Exploratory Well is abandoned due to the conditions described
12 under Article 10.1.4(b), then any Participating Party in the abandoned
13 Exploratory Well may, within twenty (20) days after abandonment of
14 that Exploratory Well, propose the drilling of a substitute well for the
15 abandoned Exploratory Well by giving notice of the proposal (along
16 with the associated AFE and Well Plan) to all other Participating Parties
17 in the abandoned Exploratory Well, and that proposal requires approval
18 by Election of the Participating Parties in the abandoned Exploratory
19 Well. Notwithstanding any contrary provision of Article 10.4 (Conclusion
20 of Exploratory Operations), the substitute well shall be an Exploratory
21 Well. The Well Plan for the substitute Exploratory Well shall be
22 substantially the same as the Well Plan for the abandoned Exploratory
23 Well and shall also take into account the conditions that rendered
24 further drilling of the abandoned Exploratory Well impractical.

25 If the bottomhole location is moved more than one thousand feet
26 (1000'), each Non-Participating Party in the abandoned well may, for a
27 period of fifteen (15) days after receipt of the approved substitute
28 Exploratory Well proposal and its associated AFE, notify the Operator,
29 in writing, that it will participate in the substitute Exploratory Well. If the
30 Non-Participating Party forfeited and assigned its right, title, and
31 interest in the Contract Area by not participating in the abandoned
32 Exploratory Well, then within thirty (30) days after the Operator's receipt
33 of the Non-Participating Party's participation notification under this
34 Agreement, the Participating Parties in the abandoned Exploratory Well

1 shall assign to the Non-Participating Party one hundred percent (100%)
2 of the Non-Participating Party's former Working Interest in the Contract
3 Area.

4 Each Non-Participating Party in a substitute Exploratory Well or an
5 approved supplemental AFE for an Exploratory Well will be subject to
6 either an acreage forfeiture or Hydrocarbon Recoupment, as provided
7 in Article 16 (Non-Consent Operations).

8 **10.2 Exploratory Operations at Objective Depth**

9 After an Exploratory Well has been drilled to its Objective Depth and all
10 operations in the controlling AFE have been conducted or terminated (except
11 temporary abandonment and permanent plugging and abandonment) and all
12 logs and test results have been distributed to the Participating Parties, the
13 Operator shall promptly notify the Parties entitled to make an Election on an
14 operation proposed under this Article 10.2, of its proposal to conduct subsequent
15 operations in the well. Except for a proposal to permanently plug and abandon
16 the well, the Operator's proposal shall include an associated AFE and a plan for
17 the operation. The Parties entitled to make that Election are:

- 18 (a) the Participating Parties, and
- 19 (b) the Non-Participating Parties in the original well proposal if (1) the
20 subsequent Exploratory Operation proposal is made at the well's Objective
21 Depth and is for a Sidetrack under (d) below or Deepening and (2) Article
22 16.2 (*Acreage Forfeiture Provisions*) was not applicable to the drilling of
23 that Exploratory Well.

24 The Operator's proposal shall be for one of the following operations:

- 25 (a) conduct Additional Testing, Logging, or Sidewall Coring of the formations
26 encountered prior to setting production casing;
- 27 (b) Sidetrack the well bore to conventionally core the formations encountered;
- 28 (c) Deepen the well to a new Objective Depth;

- 1 (d) Sidetrack the well (however, if in the Operator's sole opinion a casing string
2 is required to Deepen the well, then option "d" shall have priority over
3 Deepening the well to a new Objective Depth);
- 4 (e) conduct Production Testing;
- 5 (f) conduct other operations on the well not listed;
- 6 (g) temporarily abandon the well; or
- 7 (h) permanently plug and abandon the well.

8 If an Exploratory Well is temporarily abandoned under (g), then any additional
9 operation in that well shall be proposed as a new well operation. A proposal to
10 complete an Exploratory Well that has been temporarily abandoned under
11 clause (g) shall be deemed a Development Operation proposal.

12 If the Operator fails to submit its proposal to the Participating Parties within
13 twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal holidays)
14 after receipt of all logs and test results from an Exploratory Well by the
15 Participating Parties, then any Participating Party may make a proposal. In that
16 event, the procedures in this Article 10.2 shall apply to that proposal, and any
17 reference in this Article 10.2 to the "Operator's proposal" shall include a proposal
18 made by a Participating Party.

19 **10.2.1 Response to Operator's Proposal**

20 A Participating Party may, within twenty-four (24) hours (inclusive of
21 Saturdays, Sundays, and federal holidays) of its receipt of the
22 Operator's proposal, make a separate proposal (along with an
23 associated AFE and a plan for the operation, except if the proposal is
24 to permanently plug and abandon the well) for one of the operations in
25 Article 10.2 (*Exploratory Operations at Objective Depth*), and the
26 Operator, immediately after the expiration of the twenty-four (24) hour
27 period for making a separate proposal shall provide the Parties entitled
28 to make an Election with a copy of all separate proposals so made. If
29 no separate proposal is made, the Parties entitled to make an Election
30 shall, within forty-eight (48) hours (inclusive of Saturdays, Sundays,
31 and federal holidays) of their receipt of the Operator's proposal, make
32 an Election on the Operator's proposal (except for a proposal to

1 permanently plug and abandon). If a separate proposal is made, the
2 Parties entitled to make an Election shall make an Election under the
3 procedure in Article 10.2.2 (*Response to Highest Priority Proposal*). If
4 a proposal to permanently plug and abandon the well is the only
5 operation proposed, then the approval and Cost allocation provisions of
6 Article 10.3 (*Permanent Plugging and Abandonment and Cost*
7 *Allocation*) shall apply to that proposal. If Article 8.3 (*Second*
8 *Opportunity to Participate*) or Article 8.4 (*Participation by Fewer Than*
9 *All Parties*), or both, apply to any Election in Article 10.2 (*Exploratory*
10 *Operations at Objective Depth*), then the response period in those
11 articles shall be twenty-four (24) hours (inclusive of Saturdays,
12 Sundays, and federal holidays) instead of forty-eight (48) hours
13 (exclusive of Saturdays, Sundays, and federal holidays).
14 Notwithstanding any contrary provision of this Agreement, if one or
15 more operations are proposed before the distribution of information
16 resulting from the previously approved operation, then the response
17 periods set forth above shall not commence until the Parties entitled to
18 make an Election have received the information from the previously
19 approved operation.

20 **10.2.2 Response to Highest Priority Proposal**

21 If a separate proposal is made, each Party entitled to make an Election
22 shall, within twenty-four (24) hours (inclusive of Saturdays, Sundays,
23 and federal holidays) after its receipt from the Operator of a complete
24 copy of all separate proposals, make its Election on the highest priority
25 proposal (except a proposal to permanently plug and abandon the
26 well). Article 10.2(a) has the highest priority, and Article 10.2(h) has
27 the lowest priority. If different depths or locations are proposed for the
28 same type of operation, preference shall be given to the shallowest
29 depth, or the location nearest from the existing well bore, as applicable.
30 If the proposal with the highest priority is approved, then the lower
31 priority proposals shall be deemed withdrawn. Once the approved
32 operation is completed, the Parties shall follow the procedure provided
33 in this Article 10.2 (*Exploratory Operations at Objective Depth*) for all
34 other proposals for operations in the well bore until such time as the
35 well is temporarily abandoned or permanently abandoned.

1 **10.2.3 Response on Next Highest Priority Proposal**

2 If the proposal with the highest priority is not approved, then the next
3 highest priority proposal shall be deemed the highest priority proposal
4 and it shall be subject to the approval procedure in Article 10.2.2
5 (*Response to Highest Priority Proposal*). This process will continue until
6 a proposal is approved to either temporarily abandon or permanently
7 plug and abandon an Exploratory Well.

8 **10.2.4 Non-Participating Parties in Exploratory Operations at Objective**
9 **Depth**

10 A Non-Participating Party in an Exploratory Operation conducted on an
11 Exploratory Well after it has reached its Objective Depth [except as
12 provided for in this Article 10.2 (*Exploratory Operations at Objective*
13 *Depth*)] is subject to Article 16.5.1.1 (*Non-Consent Exploratory*
14 *Operations at Objective Depth*) and is relieved of the Costs and risks of
15 that Exploratory Operation, except that a Non-Participating Party in that
16 Exploratory Operation remains responsible for its Participating Interest
17 Share of the Costs of plugging and abandoning an Exploratory Well,
18 less and except all Costs of plugging and abandoning associated solely
19 with the subsequent Exploratory Operation in which it was a Non-
20 Participating Party.

21 **10.2.5 Participation in a Sidetrack or Deepening by a Non-Participating**
22 **Party in an Exploratory Well at Initial Objective Depth**

23 If an Exploratory Well is drilled to its initial Objective Depth and a Non-
24 Participating Party in that Exploratory Well becomes a Participating
25 Party in an approved Sidetracking or Deepening under Article 10.2(c)
26 or (d), that former Non-Participating Party shall become an
27 Underinvested Party in an amount equal to its Non-Participating
28 Interest Share of the Costs of that Exploratory Well prior to that
29 Sidetracking or Deepening. The original Participating Parties in an
30 Exploratory Well are Overinvested Parties in that amount. A former
31 Non-Participating Party in an Exploratory Well that becomes a
32 Participating Party in an approved Sidetracking or Deepening, remains
33 a Non-Participating Party in that Exploratory Well to initial Objective
34 Depth until (a) its Underinvestment is eliminated under Article 16.9
35 (*Settlement of Underinvestments*), and (b) the Hydrocarbon

1 Recoupment recoverable under Article 16.5.1 (*Non-Consent*
2 *Exploratory Operations down to Objective Depth in the First Exploratory*
3 *Well*), less the amount of the Underinvestment, has been recovered by
4 the original Participating Parties. If a former Non-Participating Party
5 becomes a Participating Party in more than one approved Sidetracking
6 or Deepening in the same Exploratory Well, that former Non-
7 Participating Party shall become an Underinvested Party only with
8 regard to the first Sidetracking or Deepening it approves; however, that
9 Underinvestment shall not be relieved by an Underinvested Party's
10 subsequent participation.

11 **10.3 Permanent Plugging and Abandonment and Cost Allocation**

12 The permanent plugging and abandonment of an Exploratory Well that:

- 13 (a) is to be plugged due to mechanical difficulties or impenetrable conditions
14 before the well has been drilled to its Objective Depth under Article 10.1.4
15 (b),
- 16 (b) is to be plugged under Article 10.2 (*Exploratory Operations at Objective*
17 *Depth*), or
- 18 (c) has been previously temporarily abandoned under Article 10.2 (*Exploratory*
19 *Operations at Objective Depth*)

20 and has not produced Hydrocarbons (other than as a result of Production
21 Testing), requires the approval of the Participating Parties by Vote. Approval to
22 plug and abandon an Exploratory Well that has produced Hydrocarbons (other
23 than as a result of Production Testing) shall be governed by Article 18.1
24 (*Abandonment of Wells*). If a proposal to plug and abandon an Exploratory Well
25 receives approval by Vote, the approved proposal binds all Parties. If any
26 Participating Party fails to respond within the applicable response period for a
27 proposal to plug and abandon an Exploratory Well, that Participating Party shall
28 be deemed to have approved the plugging and abandonment of that Exploratory
29 Well. If a rig is on location, a proposal to plug and abandon an Exploratory Well
30 under either Article 10.3(a) or 10.3(b) does not receive approval by Vote, and if
31 within twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal
32 holidays) after receipt of that proposal no other operation is proposed (and
33 subsequently approved) for the well by a Party entitled to make a proposal, the

Operator may nevertheless proceed to plug and abandon that Exploratory Well, and shall give each Participating Party notice of that fact. If the proposal to plug and abandon an Exploratory Well that has not produced Hydrocarbons (other than as a result of Production Testing) does not receive approval by Vote, but the Operator deems the well bore not to be safe or in sound enough condition for it to perform further operations, the Operator may nevertheless proceed to plug and abandon that Exploratory Well, and shall give each Participating Party notice of that fact.

The Participating Parties in an Exploratory Well proposal shall pay all Costs of plugging and abandoning that Exploratory Well, except all increased plugging and abandoning Costs associated solely with a Non-Consent Operation approved under Article 10.2 (*Exploratory Operations at Objective Depth*) or Article 6.2.2 (*Supplemental AFEs*). The Participating Parties in that Non-Consent Operation are responsible for the increased plugging and abandoning Costs attributable to that Non-Consent Operation.

10.4 Conclusion of Exploratory Operations

Except as provided in Article 10.1.4 (*AFE Overruns and Substitute Well*) after the permanent or temporary abandonment of the first Producing Well and the release of the rig from that Producing Well, Exploratory Operations conclude, and all subsequent operations in the Contract Area are either Appraisal Operations or Development Operations.

ARTICLE 11 – APPRAISAL OPERATIONS

11.1 Proposal of Appraisal Wells

After the conclusion of Exploratory Operations, any Party may propose drilling an Appraisal Well by giving notice of the proposal (along with the associated AFE and Well Plan) to the other Parties. Each proposed Appraisal Well requires approval by Election.

Each Non-Participating Party in an Appraisal Well will be subject to either an acreage forfeiture or Hydrocarbon Recoupment as provided in Article 16 (*Non-Consent Operations*).

1 **11.1.1 Revision of Well Plan**

2 Any revisions of the Well Plan or AFE for an Appraisal Well shall take
3 place under the same terms and conditions as those set forth for an
4 Exploratory Well in Article 10.1.1 (*Revision of Well Plan*).

5 **11.1.2 Automatic Revision of the Well Plan**

6 The Well Plan for an Appraisal Well shall automatically be revised
7 under the same terms and conditions as those set forth for an
8 Exploratory Well in Article 10.1.2 (*Automatic Revision of the Well Plan*).

9 **11.1.3 Timely Operations**

10 Except as provided below, drilling operations on an Appraisal Well shall
11 be commenced within one hundred and eighty (180) days after the end
12 of the period for the approval of the Appraisal Well. If the Operator,
13 except for an occurrence of Force Majeure, does not commence drilling
14 operations on the Appraisal Well within that one hundred and eighty
15 (180) day period, the approved Appraisal Well proposal shall be
16 deemed withdrawn, with the effect as if the Appraisal Well had never
17 been proposed and approved.

18 If a Party submits an identical Appraisal Well proposal (except for any
19 necessary modifications resulting from a change in the drilling rig to be
20 utilized by the Operator) within thirty (30) days after the deemed
21 withdrawal of the approved original Appraisal Well proposal and if that
22 identical Appraisal Well proposal is approved and if the Operator is a
23 Participating Party in the identical Appraisal Well proposal, the
24 Operator shall commence drilling operations on that well within one
25 hundred twenty (120) days after the end of the response period for that
26 proposal. If the Operator, except for an occurrence of Force Majeure
27 (excluding the inability to secure materials or a drilling rig), fails to
28 commence drilling operations on the identical Appraisal Well within that
29 one hundred twenty (120) day period, the approved identical Appraisal
30 Well proposal shall be deemed withdrawn, with the effect as if the
31 identical Appraisal Well proposal had never been proposed and
32 approved, and the Non-Operating Parties may then select a substitute
33 Operator under Article 4.2.2 (*Substitute Operator if Operator Fails to*
34 *Commence Drilling Operations*). Within thirty (30) days of the selection

1 of the substitute Operator, the substitute Operator shall propose the
2 drilling of an identical Appraisal Well (except for any necessary
3 modifications resulting from a change in the drilling rig to be utilized by
4 the substitute Operator), and it shall commence drilling operations on
5 that well within one hundred and twenty (120) days after the end of the
6 period for the approval of that Well.

7 If an approved original or identical Appraisal Well proposal is deemed
8 withdrawn due to a failure to timely commence drilling operations on
9 that well, all Costs incurred, which are attributable to the preparation
10 for, or in furtherance of, that Appraisal Well, will be chargeable to the
11 Participating Parties. Drilling operations for an Appraisal Well under
12 this Article 11.1.3 shall be deemed to have commenced on the date the
13 rig arrives on location or, if the rig is already on location, the date when
14 actual drilling operations for the approved Appraisal Well are
15 undertaken.

16 **11.1.4 AFE Overruns and Substitute Well**

17 Once an Appraisal Well is commenced, the Operator shall drill the well
18 with due diligence to its Objective Depth, subject to:

- 19 (a) all supplemental AFEs required under Article 6.2.2 (*Supplemental*
20 *AFEs*);
- 21 (b) the Operator encountering mechanical difficulties, uncontrolled
22 influx of subsurface water, loss of well control, abnormal well or
23 formation pressures, pressured or heaving shale, granite or other
24 practicably impenetrable substances or other similar conditions in
25 the well bore or damage to the well bore that, in the Operator's
26 sole opinion, render further well operations impractical; and
- 27 (c) the unanimous agreement of the Participating Parties to cease
28 drilling an Appraisal Well before reaching Objective Depth.

29 If an Appraisal Well is abandoned due to the conditions described
30 under Article 11.1.4(b), then any Participating Party in the abandoned
31 Appraisal Well may, within fifteen (15) days after abandonment of that
32 Appraisal Well, propose the drilling of a substitute well for the

1 abandoned Appraisal Well by giving notice of the proposal (along with
2 the associated AFE and Well Plan) to all other Participating Parties in
3 the abandoned Appraisal Well, and that proposal requires approval by
4 Election of the Participating Parties in the abandoned Appraisal Well.
5 Notwithstanding any contrary provision of Article 11.6 (*Conclusion of*
6 *Appraisal Operations*), the substitute well shall be an Appraisal Well.
7 The Well Plan for the substitute Appraisal Well shall be substantially
8 the same as the abandoned Appraisal Well's Well Plan and shall also
9 take into account the conditions that rendered further drilling of the
10 abandoned Appraisal Well impractical.

11 Each Non-Participating Party in a substitute Appraisal Well or an
12 approved supplemental AFE for an Appraisal Well will be subject to
13 either an acreage forfeiture or Hydrocarbon Recoupment, as provided
14 in Article 16 (*Non-Consent Operations*).

15 **11.2 Appraisal Operations at Objective Depth**

16 After an Appraisal Well has been drilled to its Objective Depth and all operations
17 in the controlling AFE have been conducted or terminated (except temporary
18 abandonment and permanent plugging and abandonment) and all logs and test
19 results have been distributed to the Participating Parties, the Operator shall
20 promptly notify the Parties entitled to make an Election on an operation proposed
21 under this Article 11.2 (*Appraisal Operations at Objective Depth*), of its proposal
22 to conduct subsequent operations in the well. Except for a proposal to
23 permanently plug and abandon the well, the Operator's proposal shall include an
24 associated AFE and a plan for the operation. The Parties entitled to make that
25 Election are:

- 26 (a) the Participating Parties, and
- 27 (b) the Non-Participating Parties in the original well proposal, if (1) the
28 subsequent Appraisal Operation proposal is made at the well's Objective
29 Depth and is for a Sidetrack under (c) below or Deepening and (2) if Article
30 16.4 (*Non-Consent Operations to Maintain Contract Area*) was not
31 applicable to the drilling of that Appraisal Well.

32 The Operator's proposal shall be for one of the following operations:

- 1 (a) conduct Additional Testing, Logging, or Sidewall Coring of the formations
2 encountered prior to setting production casing;
- 3 (b) Sidetrack the well bore to conventionally core the formations encountered;
- 4 (c) Sidetrack the well;
- 5 (d) Deepen the well to a new Objective Depth;
- 6 (e) conduct Production Testing;
- 7 (f) conduct other operations on the well not listed;
- 8 (g) temporarily abandon the well; or
- 9 (h) permanently plug and abandon the well.

10 If the Appraisal Well is temporarily abandoned under (g), then any additional
11 operation in that well shall be proposed as a new well operation. A proposal to
12 complete an Appraisal Well that has been temporarily abandoned under clause
13 (g) shall be deemed a Development Operation proposal.

14 If the Operator fails to submit its proposal to the Participating Parties within
15 twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal holidays)
16 after receipt by the Participating Parties of all logs and test results from an
17 Appraisal Well, then any Participating Party may make a proposal. In that event,
18 the procedures in this Article 11.2 shall apply to that proposal, and any reference
19 in this Article 11.2 to the "Operator's proposal" shall include a proposal made by
20 a Participating Party.

21 **11.2.1 Response to Operator's Proposal**

22 A Participating Party may, within twenty-four (24) hours (inclusive of
23 Saturdays, Sundays, and federal holidays) of its receipt of the
24 Operator's proposal, make a separate proposal (along with an
25 associated AFE and a plan for the operation, except if the proposal is
26 to permanently plug and abandon the well) for one of the operations in
27 Article 11.2 (*Appraisal Operations at Objective Depth*), and the
28 Operator, immediately after the expiration of the twenty-four (24) hour
29 period for making a separate proposal shall provide the Parties entitled
30 to make an Election with a copy of all separate proposals so made. If

no separate proposal is made, the Parties entitled to make an Election shall, within forty-eight (48) hours (inclusive of Saturdays, Sundays, and federal holidays) of its receipt of the Operator's proposal, make an Election on the Operator's proposal (except for a proposal to permanently plug and abandon). If a separate proposal is made, the Parties entitled to make an Election shall make an Election under the procedure in Article 11.2.2 (*Response to Highest Priority Proposal*). If a proposal to permanently plug and abandon the well is the only operation proposed, then the approval and Cost allocation provisions of Article 11.4 (*Permanent Plugging and Abandonment and Cost Allocation*) shall apply to that proposal. If Article 8.3 (*Second Opportunity to Participate*) or Article 8.4 (*Participation by Fewer Than All Parties*), or both, apply to any Election in Article 11.2 (*Appraisal Operations at Objective Depth*), then the response period in those articles shall be twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal holidays) instead of forty-eight (48) hours (exclusive of Saturdays, Sundays, and federal holidays). Notwithstanding any contrary provision of this Agreement, if one or more operations are proposed before the distribution of information from the previously approved operation, then the response periods provided above shall not begin until the Parties entitled to make an Election have received the information from the previously approved operation.

11.2.2 Response to Highest Priority Proposal

If a separate proposal is made, each Party entitled to make an Election shall, within twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal holidays) after its receipt from the Operator of a complete copy of all separate proposals, make its Election on the highest priority proposal (except a proposal to permanently plug and abandon the well). Article 11.2(a) has the highest priority, and Article 11.2(h) has the lowest priority. If different depths or locations are proposed for the same type of operation, preference shall be given to the shallowest depth, or the location nearest to the existing well bore, as applicable. If the proposal with the highest priority is approved, then the lower priority proposals shall be deemed withdrawn. Once the approved operation is completed, the Parties shall follow the procedure provided in Article

1 11.2 (*Appraisal Operations at Objective Depth*) for all other proposals
2 for operations in the well bore until such time as the well is temporarily
3 abandoned or permanently abandoned.

4 **11.2.3 Response on Next Highest Priority Proposal**

5 If the proposal with the highest priority is not approved, then the next
6 highest priority proposal shall be deemed the highest priority proposal
7 and it shall be subject to the approval procedure in Article 11.2.2
8 (*Response to Highest Priority Proposal*). This process will continue
9 until a proposal is approved to either temporarily abandon or
10 permanently plug and abandon an Appraisal Well.

11 **11.2.4 Non-Participating Parties in Appraisal Operations at Objective**
12 **Depth**

13 A Non-Participating Party in an Appraisal Operation conducted on an
14 Appraisal Well after it has reached its Objective Depth [except as
15 provided for in this Article 11.2 (*Appraisal Operations at Objective*
16 *Depth*)] is subject to Article 16.5.2 (*Non-Consent Appraisal Operations*)
17 and is relieved of the Costs and risks of that Appraisal Operation,
18 except that a Non-Participating Party in that Appraisal Operation
19 remains responsible for its Participating Interest Share of the Costs of
20 plugging and abandoning an Appraisal Well, less and except all Costs
21 of plugging and abandoning associated solely with the subsequent
22 Appraisal Operation in which it was a Non-Participating Party.

23 **11.2.5 Participation in a Sidetrack or Deepening by a Non-Participating**
24 **Party in an Appraisal Well at Initial Objective Depth**

25 If an Appraisal Well is drilled to its Objective Depth and a Non-
26 Participating Party in that Appraisal Well becomes a Participating Party
27 in an approved Sidetracking or Deepening under Article 11.2(c) or (d),
28 that former Non-Participating Party shall become an Underinvested
29 Party in an amount equal to its Non-Participating Interest Share of the
30 Costs of that Appraisal Well to its Objective Depth prior to that
31 Sidetracking or Deepening. The original Participating Parties in that
32 Appraisal Well are Overinvested Parties in that amount. A former Non-
33 Participating Party in an Appraisal Well that becomes a Participating
34 Party in an approved Sidetracking or Deepening, remains a Non-

1 Participating Party in the Appraisal Well to initial Objective Depth until
2 (a) its Underinvestment is eliminated under Article 16.9 (*Settlement of*
3 *Underinvestments*), and (b) the Hydrocarbon Recoupment recoverable
4 under Article 16.5.2 (*Non-Consent Appraisal Operations*) less the
5 Underinvestment, has been recovered by the original Participating
6 Parties. If a former Non-Participating Party becomes a Participating
7 Party in more than one approved Sidetracking or Deepening in the
8 same Appraisal Well, that former Non-Participating Party shall become
9 an Underinvested Party only with regard to the first Sidetracking or
10 Deepening it approves; however, that Underinvestment shall not be
11 relieved by an Underinvested Party's subsequent participation.

12 **11.3 Appraisal Well Proposals That Include Drilling Below the Deepest**
13 **Producible Reservoir**

14 Any Party may propose an Appraisal Well with an Objective Depth below the
15 Deepest Producing Reservoir, and in response to that well proposal each Party
16 may in writing limit its participation in the drilling of that Appraisal Well to the
17 base of the Deepest Producing Reservoir to be penetrated by that Appraisal
18 Well. A Party who limits its participation in an Appraisal Well to the base of the
19 Deepest Producing Reservoir shall bear its Participating Interest Share of the
20 Cost and risk of drilling that Appraisal Well to the base of the Deepest Producing
21 Reservoir (including abandonment), and it shall be a Non-Participating Party for
22 the Deeper Drilling and shall be subject to Article 16.5.2 (*Non-Consent Appraisal*
23 *Operations*) in regard to drilling between those depths.

24 **11.4 Permanent Plugging and Abandonment and Cost Allocation**

25 The permanent plugging and abandonment of an Appraisal Well that:

- 26 (a) is to be plugged due to mechanical difficulties or impenetrable conditions
27 before the well has been drilled to its Objective Depth under Article 11.1.4
28 (b),
- 29 (b) is to be plugged under Article 11.2 (*Appraisal Operations at Objective*
30 *Depth*), or
- 31 (c) has been previously temporarily abandoned under Article 11.2 (*Appraisal*
32 *Operations at Objective Depth*)

1 and has not produced Hydrocarbons (other than as a result of Production
2 Testing), requires the approval of the Participating Parties by Vote. Approval to
3 plug and abandon an Appraisal Well that has produced Hydrocarbons (other
4 than as a result of Production Testing) shall be governed by Article 18.1
5 (*Abandonment of Wells*). If a proposal to plug and abandon an Appraisal Well
6 receives approval by Vote, the approved proposal binds all Parties. If any
7 Participating Party fails to respond within the applicable response period for a
8 proposal to plug and abandon an Appraisal Well, that Participating Party shall be
9 deemed to have approved the plugging and abandonment of that Appraisal Well.
10 If a rig is on location and a proposal to plug and abandon an Appraisal Well
11 under either Article 11.4(a) or 11.4(b) does not receive approval by Vote, and if
12 within twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal
13 holidays) from receipt of that proposal no other operation is proposed (and
14 subsequently approved) for the well by a Party entitled to make a proposal, the
15 Operator may nevertheless proceed to plug and abandon that Appraisal Well,
16 and shall give each Participating Party notice of that fact. If the proposal to plug
17 and abandon an Appraisal Well that has not produced Hydrocarbons (other than
18 as a result of Production Testing) does not receive approval by Vote, but the
19 Operator deems the well bore not to be safe or in sound enough condition for it
20 to perform further operations, the Operator may nevertheless proceed to plug
21 and abandon that Appraisal Well, and shall give each Participating Party notice
22 of that fact.

23 The Participating Parties in an Appraisal Well proposal shall pay all Costs of
24 plugging and abandoning that Appraisal Well, except all increased plugging and
25 abandoning Costs associated solely with a Non-Consent Operation approved
26 under Article 11.2 (*Appraisal Operations at Objective Depth*) or Article 6.2.2
27 (*Supplemental AFEs*). The Participating Parties in that Non-Consent Operation
28 are responsible for the increased plugging and abandoning Costs attributable to
29 that Non-Consent Operation.

30 **11.5 Conclusion of Appraisal Operations**

31 Upon the earlier of:

32 (a) the approval of the conclusion of Appraisal Operations by Vote; or

- 1 (b) the point in time when no Appraisal Operation has been approved within a
2 period of twelve (12) months from the rig release (or cessation of
3 operations) from the previous Appraisal Operation; or
- 4 (c) the abandonment of the second (2nd) Appraisal Well, whether permanent or
5 temporary, and the release of the rig from that Appraisal Well (including
6 any substitute well for that Appraisal Well);

7 Appraisal Operations for the ensuing Development Phase shall conclude and all
8 subsequent operations in the Contract Area will be Development Operations for
9 the ensuing Development Phase, including operations on temporarily abandoned
10 Appraisal Wells.

11 However, if an Appraisal Operation is being conducted at the occurrence of
12 either (a) or (b) above, Appraisal Operations for the ensuing Development Phase
13 shall conclude when the well bore in which the Appraisal Operation is being
14 conducted is either temporarily or permanently abandoned.

15 **11.6 Operations Before the Approval of the Development Plan**

16 After the occurrence of (a), (b) or (c) in Article 11.5 (Conclusion of Appraisal
17 Operations) but before the approval of a Development Plan for the ensuing
18 Development Phase, any Party may propose the drilling of an additional well as
19 a Development Well. Unless Article 16.4 (Non-Consent Operations to Maintain
20 Contract Area) applies to the proposal of that well, that proposal shall require the
21 unanimous agreement of the Parties. Any substitute well for, and all operations
22 at Objective Depth conducted in or through the well bore of that well shall be
23 deemed Development Operations, and shall be proposed, approved, and
24 conducted accordingly.

25 **ARTICLE 12 – DEVELOPMENT PHASES**

26 **12.1 Phased Development**

27 In view of the Costs and scope of developing and producing Hydrocarbons from
28 the Contract Area, the Parties may agree to undertake an initial Development
29 Phase and one or more subsequent Development Phases. A separate
30 Development Plan shall be prepared for each Development Phase, and each
31 Development Plan shall be generated, approved, and implemented under this

1 Article 12 (*Development Phases*). Each Development Phase may be comprised
2 of as many as four stages -- the Feasibility Stage, the Selection Stage, the
3 Define Stage and the Execution Stage. For each stage undertaken, subject to
4 the provisions of this Article 12 (*Development Phases*), any Party may submit a
5 proposal and an associated AFE for the Parties' approval. Each stage AFE shall
6 cover all of the estimated Costs to be incurred during that stage, except for the
7 Costs of drilling wells, including those of the Feasibility Team or Project Team.

8 **12.2 Feasibility Team Proposal**

9 The Feasibility Stage commences upon the approval of a proposal for the
10 formation of a Feasibility Team and the Feasibility AFE. No Party may propose
11 the formation of a Feasibility Team for a Development Phase until such time as
12 any previously formed Feasibility Team for that Development Phase has
13 terminated. For a period of three hundred and sixty-five days (365) days from rig
14 release from the first Exploratory Well, the Operator has the exclusive right to
15 propose the formation of a Feasibility Team and submit to the Parties a
16 Feasibility AFE accompanied by a memorandum describing in detail the
17 anticipated scope of work to be undertaken by the Feasibility Team and third
18 party contractors and/or consultants during the Feasibility Stage, the estimated
19 type and number of staff required to complete that scope of work, the estimated
20 duration of the Feasibility Stage and the estimated Costs of the Feasibility Stage.
21 If the Operator does not propose the formation of a Feasibility Team and submit
22 the Feasibility AFE during its exclusive period, any Party may propose the
23 formation of a Feasibility Team and submit a Feasibility AFE.

24 The Feasibility Team will operate under the direction of the Operator. The
25 employees of the Operator and Non-Operators and the contractors and/or
26 consultants, set forth in the Feasibility AFE, shall initially compose the Feasibility
27 Team. The Operator may, from time to time, revise the membership of the
28 Feasibility Team, at its sole discretion, as long as the revisions are necessary to
29 accomplish the scope of work set forth in the Feasibility AFE. The Operator shall
30 charge the Joint Account for the labor of the Feasibility Team members in the
31 same manner in which it charges the Joint Account for the labor of the Project
32 Team members.

33
34 Each Feasibility Team member remains an employee of its respective employer,
35 and each employer remains responsible for its employee's salaries and benefits,

1 as well as maintaining worker's compensation insurance for its employee.
2 Accordingly, each employer will continue to administer the compensation,
3 benefits, allowances, and careers of its employees on the Feasibility Team.
4 However, Feasibility Team members will receive team assignments and general
5 supervision from the Operator in connection with their day-to-day work. An
6 individual on a Feasibility Team will, insofar as it is possible and consistent with
7 the needs of his or her employer, serve on the Feasibility Team for the duration
8 of the Feasibility Team, unless that individual is designated a temporary
9 Feasibility Team member by his or her employer or the Operator. If a Feasibility
10 Team member is designated a temporary Feasibility Team member by his or her
11 employer or the Operator, that Feasibility Team member will leave the Feasibility
12 Team upon completion of (a) the term designated by his or her employer for his
13 or her service on the team or (b) the specific task or portion of the Feasibility
14 Team's work assigned to that member by the Operator.

15 The Feasibility Team shall prepare an in-depth report containing its analyses of
16 all of the development scenarios it considered and its findings as to the
17 existence of at least one development scenario for a Producing Well on the
18 Contract Area, which is technologically and economically feasible, and shall
19 present a copy of that report to each of the Participating Parties as soon as it is
20 completed.

21 **12.2.1 Feasibility AFE Approval**

22 A Feasibility AFE requires approval by Election.

23 A Non-Participating Party in the Feasibility AFE is subject to Article
24 16.5.3 (*Non-Consent Proprietary Geophysical Operations, Feasibility*
25 *AFEs, Selection AFEs, Define AFEs, Long Lead Development System*
26 *AFEs, Post-Production Project Team AFEs, or Enhanced Recovery*
27 *Project Team AFEs*).

28 **12.2.2 Feasibility Team and Feasibility Stage Conclusion**

29 The Feasibility Team and the Feasibility Stage terminate immediately
30 after (a) the Feasibility Team has (i) completed the scope of work in the
31 Feasibility AFE and its supplemental AFEs and (ii) presented to the
32 Participating Parties the report referred to in Article 12.2 (*Feasibility*
33 *Team Proposal*) or (b) the Participating Parties Vote to terminate the
34 Feasibility Team prior to the occurrence of both of those events.

1 **12.3 Commencement of the Selection Stage**

2 The Selection Stage commences upon the approval of the Selection AFE.

3 **12.3.1 Proposal of a Project Team**

4 If a Feasibility AFE is approved, the Operator has the exclusive right for a period
5 of one hundred and twenty (120) days from the conclusion of the Feasibility
6 Stage to submit a Selection AFE. That AFE may call for the formation of a
7 Project Team. It shall be accompanied by a memorandum describing in detail
8 the anticipated scope of work to be undertaken during the Selection Stage, the
9 estimated type and number of staff required to complete that scope of work, the
10 estimated duration of the Selection Stage and the estimated Costs of the
11 Selection Stage. If the Operator does not submit a Selection AFE during its
12 exclusive period referred to in this paragraph, any Party may submit a Selection
13 AFE.

14 If a Feasibility AFE is not approved, but the drilling of one Appraisal Well into a
15 Producing Reservoir and its permanent or temporary abandonment have taken
16 place, the Operator has an exclusive right for a period of two hundred and ten
17 (210) days from the conclusion of those operations to submit the Selection AFE.
18 If the Operator does not submit a Selection AFE during its exclusive period
19 referred to in this paragraph, any Party may submit a Selection AFE. In
20 response to any proposal made under this paragraph, a Party may propose the
21 formation of a Feasibility Team and submit to the Parties a Feasibility AFE. A
22 Feasibility AFE and Feasibility Team proposal under this paragraph shall take
23 precedence over a Selection AFE proposal under this paragraph, and the Parties
24 shall proceed as if the Feasibility AFE and Feasibility Team proposal, made
25 under this paragraph, had been made under Article 12.2 (*Feasibility Team
26 Proposal*). If the Parties do not approve the Feasibility AFE and Feasibility Team
27 proposal made under this paragraph, the Parties shall proceed with the Selection
28 AFE proposal made under this paragraph as if the Feasibility AFE and Feasibility
29 Team proposal, made under this paragraph, had not been made.

30 If the Selection AFE proposes the formation of a Project Team, the formation
31 and administration of that Project Team shall be handled under Exhibit "G."

32

1 The Operator shall directly charge the Joint Account for all Costs associated with
2 the Project Team, including those of Affiliates, for which the Operator is internally
3 billed. The components of those Costs may include, but are not limited to:

- 4 a) Digital Business
- 5 b) Accounting
- 6 c) Building Services and Building & Grounds Maintenance
- 7 d) Human Resources
- 8 e) Procurement
- 9 f) Government & Public Affairs
- 10 g) Health, Safety & Environment
- 11 h) Security
- 12 i) Audit
- 13 j) Tax
- 14 k) Crisis Management
- 15 l) Environmental Compliance
- 16 m) Marketing
- 17 n) Security, and
- 18 n) Similar Costs.

19 All other Project Team Costs shall be handled under Exhibit "C."

20
21 No Party may propose the formation of a Project Team for a Development
22 Phase until such time as a previously formed Project Team for that Development
23 Phase has terminated.

24 **12.3.2 Selection AFE Approval**

25 A Selection AFE requires approval by Election.

26 A Non-Participating Party in a Selection AFE is subject to Article 16.5.3 (*Non-*
27 *Consent Proprietary Geophysical Operations, Feasibility AFEs, Selection AFEs,*
28 *Define AFEs, Long Lead Development System AFEs, Post-Production Project*
29 *Team AFEs, or Enhanced Recovery Project Team AFEs).*

1 **12.4 Proposal of a Development Plan**

2 The Operator has the exclusive right for a period of one hundred and eighty
3 (180) days from the commencement of the Selection Stage to submit a
4 Development Plan for the Parties' review and approval.

5 **12.4.1 Content of the Development Plan**

6 A Development Plan shall contain at a minimum the following information:

7 (a) **Development System:** Description of the Development System including:

8 (i) the type of Production System proposed, for example, tension leg
9 well jacket, floating production system, including the Production
10 System's location, configuration (number of well slots or subsea
11 tiebacks), and production capacity;

12 (ii) the Facilities and their daily processing capacity for Hydrocarbon
13 production and the gathering system necessary to transport the
14 Hydrocarbons from the well heads to one or more interconnects with
15 the pipeline or offtake point servicing the Contract Area;

16 (iii) a projected time schedule for designing, contracting, fabricating,
17 constructing, or otherwise acquiring, transporting, and installing the
18 Development System;

19 (iv) the estimated date of initial Hydrocarbon production and the
20 estimated initial daily rate of Hydrocarbon production;

21 (v) the estimated Costs (not in the form of an AFE) of the Development
22 System;

23 (vi) all proposed hydrate or paraffin control systems or techniques,
24 method of pressure maintenance, or enhanced recovery plan; and

25 (vii) a description of the proposed well completion techniques, that is,
26 dual versus single;

27 (viii) The equipment and space on, and the weight and the buoyancy of,
28 the Development System, which are required to make the enhanced
29 recovery and pressure maintenance plans and objectives referred to
30 in Article 12.4.1(j)(iii)(D) possible;



- 1 (b) **Producible Reservoirs:** A description of the Hydrocarbon bearing
2 geological formations expected to be developed under the Development
3 Plan along with the area and depth of sands or reservoirs to be developed
4 by the Production System;
- 5 (c) **Recoverable Reserves and Production Profile:** An estimate of
6 recoverable reserves for the proposed Development Plan and a schedule
7 of the estimated daily rate of Hydrocarbon production thereafter;
- 8 (d) **Pre-drilling Operations:** A description of pre-drilling operations, if any,
9 planned in support of later development, including an estimate of the
10 timing, Cost, and location of each pre-drilling operation;
- 11 (e) **Development Wells:** A description of drilling plans for all Development
12 Wells in the Development Plan and the completion plans for all temporarily
13 abandoned Exploratory Wells or temporarily abandoned Appraisal Wells
14 that are to be completed and all Development Wells in the Development
15 Plan, including an estimate of the timing, Cost, and surface and bottomhole
16 location of each well;
- 17 (f) **Tieback Operations:** If the Development Plan requires the tieback or use
18 of Offsite Host Facilities, a commitment from the owner of that Offsite Host
19 Facilities to handle or process Hydrocarbons, the amount of all tariffs,
20 processing or other fees the owner of that Offsite Host Facilities will charge
21 the Participating Parties to handle or process Hydrocarbons, and the
22 guaranteed capacity on the Offsite Host Facilities for the Hydrocarbons;
- 23 (g) **Define AFE:** An AFE containing the estimated Costs of the Define Stage,
24 accompanied by a memorandum describing in detail the anticipated scope
25 of work to be undertaken during the Define Stage, the estimated type and
26 number of staff required to complete that scope of work, the estimated
27 duration of the Define Stage and the estimated Costs of the Define Stage;
28 if a Project Team was not formed during the Selection Stage, the proposing
29 Party may submit, along with the Define AFE, a proposal for the formation
30 of a Project Team accompanied by a memorandum similar to the one
31 referred to in Article 12.3.1 (*Proposal of a Project Team*);

- 1 (h) **Field Operating Scheme:** A description of the field operating scheme, its
2 method, requirements, expected frequencies of intervention, and Costs;
- 3 (i) **Field Abandonment:** A description of field abandonment plan (if
4 applicable);
- 5 (j) **Reservoir Plan:** A reservoir plan that provides strategies, objectives, and
6 methods for developing, managing, and depleting each Producing
7 Reservoir during its producible life and that includes, but is not limited to:
- 8 (i) an estimate of the number of wells slots dedicated to each reservoir,
9 including the planned number of producers and injectors;
- 10 (ii) the planned bottomhole locations and timing of each anticipated well
11 for each Producing Reservoir;
- 12 (iii) a reservoir management and depletion strategy for each Producing
13 Reservoir addressing issues that include, but are not limited to:
- 14 (A) estimates of oil and gas in place;
- 15 (B) reservoir rock and fluid characteristics;
- 16 (C) depletion mechanism;
- 17 (D) enhanced recovery and pressure maintenance plans and
18 objectives;
- 19 (E) reservoir surveillance programs (for example, cased-hole
20 logging, static pressures) and their objectives;
- 21 (F) well performance goals (for example, target production rates,
22 target injection rates, maximum rates or drawdown limits,
23 maximum GOR, maximum water cut, gas-lift targets);
- 24 (G) reservoir performance goals (for example, target pressures or
25 pressure profiles, target voidage replacement ratios, gas cap
26 maintenance goals); and
- 27 (H) other relevant information;

- 1 (k) **Disposal Wells:** The estimated Cost of disposal wells, if applicable;
- 2 (l) **Hydrocarbon Transmission System:** the type of Hydrocarbon
3 transmission system to be made available to the Participating Parties (for
4 example, pipeline versus barge); and
- 5 (m) **Other Data:** Provided such information is available, any other information
6 reasonably necessary to perform an evaluation of the technical and
7 economic feasibility of the Development System provided for in the
8 Development Plan.

9 **12.5 Development Plan Approval**

10
11 **12.5.1 Approval of Operator's Development Plan Submitted During its**
12 **Exclusive Period**

13 The Operator has one hundred and twenty (120) days after submitting
14 the Development Plan provided in Article 12.4 to obtain the unanimous
15 agreement of the Parties on (a) the Development Plan submitted during
16 its exclusive period or (b) the latest amended version of that plan which
17 has been the result of comments by, or discussions among, the other
18 Parties or the Project Team, if one exists, and the Operator (the "Latest
19 Amended Version of the Plan").

20 **12.5.2 Approval of a Development Plan After the Conclusion of the**
21 **Operator's Exclusive Period**

22 If:

- 23 (a) the Operator fails within the one hundred and twenty (120) day
24 period in Article 12.5.1 (*Approval of Operator's Development Plan*
25 *Submitted During its Exclusive Period*) to gain the unanimous
26 agreement of the Parties on its Development Plan or Latest
27 Amended Version of the Plan, whichever is applicable, or
- 28 (b) the Operator fails to submit a Development Plan during its
29 exclusive period,

30 any Party may submit a Development Plan and an AFE for the actual
31 Costs it incurred in order to generate that Development Plan, and the
32 Parties have sixty (60) days in which to approve by Vote the Operator's

1 Development Plan or Latest Amended Version of the Plan, whichever
2 is applicable, or another Party's Development Plan or Latest Amended
3 Version of the Plan, whichever is applicable, and its associated AFE.
4 No new Development Plan may be submitted during the sixty (60) day
5 period.

6 **12.5.3 Approval of a Development Plan if One is Not Approved by Vote**

7 If no Development Plan or Latest Amended Version of the Plan is
8 approved by Vote during the sixty (60) day period in Article 12.5.2
9 (*Approval of a Development Plan After the Conclusion of the Operator's*
10 *Exclusive Period*), and if there is only one Development Plan or Latest
11 Amended Version of the Plan, whichever is applicable, submitted and
12 that Development Plan or the Latest Amended Version of the Plan,
13 whichever is applicable, receives an affirmative Vote of at least fifty
14 percent (50%) of the Voting interest, that Development Plan or the
15 Latest Amended Version of the Plan, whichever is applicable, shall be
16 deemed approved by the Parties. If there are two (2) or more
17 Development Plans or Latest Amended Version of the Plans,
18 whichever is applicable, submitted and one Development Plan or the
19 Latest Amended Version of the Plan, whichever is applicable, receives
20 an affirmative Vote of at least fifty percent (50%) of the Voting interest
21 and the other Development Plan or Latest Amended Version of the
22 Plan, whichever is applicable, receives an affirmative Vote of less than
23 fifty percent (50%) of the Voting interest, then the Development Plan or
24 the Latest Amended Version of the Plan, whichever is applicable,
25 receiving the affirmative Vote of at least fifty percent (50%) of the
26 Voting interest shall be deemed approved by the Parties. If two
27 competing Development Plans or Latest Amended Version of the
28 Plans, whichever is applicable, each receive an affirmative Vote of fifty
29 percent (50%) of the Voting interest, then the Development Plan or
30 Latest Amended Version of the Plan, whichever is applicable, for which
31 the Operator affirmatively Votes, shall be deemed approved.

32 **12.5.4 Approved Development Plan**

33 By unanimously agreeing to or Voting to approve a Development Plan
34 or Latest Amended Version of the Plan, whichever is applicable, or
35 subsequently Voting to participate in an approved Development Plan,

1 under Article 8.3 (*Second Opportunity to Participate*), each Participating
2 Party in an approved Development Plan also agrees or Votes to
3 participate in its Define AFE, the AFE referred to in Article 12.5.2
4 (*Approval of a Development Plan After the Conclusion of the Operator's*
5 *Exclusive Period*), if applicable, and the formation of a Project Team
6 during the Define Stage, if applicable. If the Parties do not approve a
7 Selection AFE and do not form a Project Team during the Selection
8 Stage and if the Operator's Development Plan or Latest Amended
9 Version of the Plan, whichever is applicable, is approved, the Operator
10 shall directly charge the Joint Account the actual Costs it incurred in
11 order to generate and submit the approved plan. Upon the approval of
12 the Development Plan or Latest Amended Version of the Plan,
13 whichever is applicable, the Selection Stage concludes and Appraisal
14 Operations are deemed concluded; provided, however, if an Appraisal
15 Operation is being conducted when the Development Plan is approved,
16 Appraisal Operations shall be deemed concluded when the well bore in
17 which the Appraisal Operation is being conducted is either temporarily
18 or permanently abandoned. Any Non-Participating Party in the
19 approved Development Plan's Define AFE is subject to Article 16.5.3
20 (*Non-Consent Proprietary Geophysical Operations, Feasibility AFEs,*
21 *Selection AFEs, Define AFEs, Long Lead Development System AFEs,*
22 *Post-Production Project Team AFEs, or Enhanced Recovery Project*
23 *Team AFEs*).

24 **12.6 Long Lead Development System AFEs**

25 After the conclusion of the Selection Stage, in order to facilitate the early and
26 orderly commencement of the Execution Stage, the Operator has the right, prior
27 to the approval of the Execution AFE, to submit AFEs ("Long Lead Development
28 System AFEs") for (a) the acquisition of long lead-time items for the
29 Development System, (b) preliminary activities related to the fabrication,
30 transportation or installation of the Development System, or (c) any other activity
31 necessary to assist the Operator in the implementation of the Development Plan.
32 A Long Lead Development System AFE, whose total estimated cost when
33 combined with the estimated cost of all approved Long Lead Development
34 System AFEs, does not exceed one hundred twenty-five million dollars
35 (\$125,000,000), requires approval by Vote of the Participating Parties in the

1 Development Plan. A Long Lead Development System AFE, whose total
2 estimated cost when combined with the estimated cost of all approved Long
3 Lead Development System AFEs exceeds one hundred twenty-five million
4 (\$125,000,000) dollars, requires approval by the unanimous agreement of the
5 Participating Parties in the Development Plan. Any Non-Participating Party in a
6 Long Lead Development System AFE is subject to Article 16.5.3 (*Non-Consent
7 Proprietary Geophysical Operations, Feasibility AFEs, Selection AFEs, Define
8 AFEs, Long Lead Development System AFEs, Post-Production Project Team
9 AFEs, or Enhanced Recovery Project Team AFEs*).

10 **12.7 Define Stage and Execution Stage**

11 The Define Stage commences upon the approval of the Development Plan.

12 **12.7.1 Execution AFE**

13 The Operator has an exclusive period of two hundred fifty-five (255) days
14 from the commencement of the Define Stage to submit an Execution AFE,
15 which conforms with the Development Plan approved during the Selection
16 Stage to all Parties for approval by Election. The Execution AFE shall not
17 include any Cost estimates or AFEs for Development Wells. If the
18 Operator does not submit the Execution AFE during its exclusive period,
19 any Party may submit an Execution AFE, which conforms with the
20 approved Development Plan, and an AFE for the actual Costs it has
21 incurred to generate the Execution AFE. If a Project Team was not
22 formed during the Selection Stage or the Define Stage, the proposing
23 Party may submit as a part of the Execution AFE a proposal for the
24 formation of a Project Team accompanied by a memorandum similar to
25 the one referred to in Article 12.3.1 (*Proposal of a Project Team*).

26 **12.7.2 Approval of an Execution AFE and Commencement of the Execution 27 Stage**

28 By Electing to participate in an Execution AFE, each Participating Party in
29 an approved Execution AFE also Elects to participate in (a) the AFE for
30 the actual Costs incurred by the proposing Party in order to generate the
31 approved Execution AFE, referred to in Article 12.7.1 (*Execution AFE*), if
32 applicable, and (b) the formation of a Project Team during the Execution
33 Stage, if applicable. If the Parties do not form a Project Team during the
34 Selection Stage or the Define Stage and if the Operator's Execution AFE

1 is approved, the Operator shall directly charge the Joint Account the
2 actual Costs it incurred in order to generate and submit the Execution
3 AFE. The Define Stage concludes and the Execution Stage commences
4 upon the approval of the Execution AFE. A Non-Participating Party in the
5 Execution AFE for the initial Development System is subject to Article
6 16.2 (*Acreage Forfeiture Provisions*).

7 **12.7.3 Minor Modifications to Development Plans**

8 In implementing a Development Plan, the Operator shall advise the
9 Participating Parties of its own progress and that of the Project Team, if
10 one exists. As additional information becomes available, the Operator
11 may, prior to the installation of the Development System, make minor
12 modifications to the Development Plan without the approval of the
13 Participating Parties if those minor modifications are both reasonable and
14 prudent. For purposes of this paragraph, a minor modification is

15 (a) a modification, which (i) (A) is proposed prior to the commencement of
16 the Execution Stage and does not cause the estimated Cost of the
17 Define AFE to increase by more than fifteen percent (15%), or (B) is
18 proposed after the commencement of the Execution Stage and does
19 not cause the estimated Cost of the Execution AFE to increase by
20 more than fifteen percent (15%) and (ii) is not a major modification as
21 defined in Article 12.7.4 (*Major Modifications to Development Plans*);

22 or

23 (b) a modification that is necessary for health, safety, or environmental
24 reasons or regulatory requirements and does not cause the estimated
25 Cost of the Execution AFE to increase by more than fifteen percent
26 (15%), even if that modification constitutes a major modification as
27 defined in Article 12.7.4 (*Major Modifications to Development Plans*).

28 The “estimated Cost of the Execution AFE” is the total dollar amount of
29 the Execution AFE and all approved Long Lead Development System
30 AFEs. If the Operator exercises its discretionary right to make a minor
31 modification for health, safety or environmental reasons or regulatory
32 requirements, the Operator shall give each Participating Party in the
33 Development Plan written notice of that fact. A minor modification shall

not materially change the risk or timing of the Development Plan and is binding on all the Participating Parties in the Development Plan.

12.7.4 Major Modifications to Development Plans

A major modification shall be deemed to have occurred when:

(a) the type of Production System, for example, tension leg well jacket, floating production system, is to be changed; or

(b) the number of well slots of the Production System is to be changed by at least twenty-five percent (25%); or

(c) the type of Hydrocarbon transmission system is changed (for example, pipeline versus barge); or

(d) the overall Cost of the Development System is to be increased or decreased more than fifteen percent (15%); or

(e) the initial selection of the location of the Production System is to be changed by more than five thousand feet (5000') laterally in any direction; or

(f) the initial daily production processing capacity of the Facilities is to be changed by at least twenty-five percent (25%); or

(g) the number of Development Wells is to be increased or decreased by at least twenty percent (20%); or

(h) the proposed hydrate or paraffin control system or technique, pressure maintenance system, or enhanced recovery plan is to be changed; or

(i) the proposed number of well completions per wellbore, that is, dual versus single, is to be changed; or

(j) the timing of the installation of the Production System or the timing of initial Hydrocarbon production from the Production System is to be changed by more than one hundred and fifty (150) days; or

1 (k) in the case of a tieback to an Offsite Host Facility or a pre-existing
2 Development System, the gathering and pipeline system necessary to
3 transport the Hydrocarbons from the wellheads to an Offsite Host Facility
4 or a pre-existing Development System, as provided in the Development
5 Plan, is to be changed; or

6 (l) the Operator proposes not to complete a Development Plan.

7 The “overall Cost of the Development System” is the total dollar amount of the
8 Execution AFE and all approved Long Lead Development System AFEs.

9 **12.7.5 Major Modifications to Development Plans Prior to the Approval of**
10 **the Execution AFE**

11 Whenever a major modification to a Development Plan is proposed
12 during the Define Stage (prior to the approval of the Execution AFE), the
13 Operator shall furnish the Participating Parties in the Development Plan
14 with the proposed modification to the Development Plan (and associated
15 AFEs). That major modification shall require approval by

16 unanimous agreement of the Participating Parties in the Development
17 Plan. If that major modification is approved, the Operator shall
18 immediately provide the modified Development Plan (and associated
19 AFEs) to each Non-Participating Party in the Development Plan. That
20 Non-Participating Party has the right for a period of thirty (30) days, after
21 receipt of the modified Development Plan (and associated AFEs), in
22 which to notify the Operator in writing that it will participate in the
23 modified Development Plan (and associated AFEs). If that Non-
24 Participating Party participates in the modified Development Plan, it shall
25 be an Underinvested Party in an amount equal to its Non-Participating
26 Interest Share of the actual Costs incurred on activities associated with
27 the original Development Plan (and associated AFEs).

28 **12.7.6 Major Modifications to Development Plans After the Approval of the**
29 **Execution AFE**

30 Whenever a major modification to a Development Plan is proposed
31 during the Execution Stage (after the approval of an Execution AFE) and
32 prior to the installation of the Development System, the Operator shall
33 furnish the Participating Parties in the Execution AFE with the proposed

1 modification to the Development Plan (and associated AFEs). That
2 major modification shall require unanimous agreement

3 of the Participating Parties in the Execution AFE. If that major
4 modification is as provided in Article 12.7.4(a), (c), (d), (f), (g), (j), (k), or
5 (m)

6 and is approved, the Operator shall immediately provide the modified
7 Development Plan (and associated AFEs) to each Non-Participating
8 Party in the Execution AFE. For the time provided in Article 8.6
9 (*Response Time for Notices*) after receipt of the modified Development
10 Plan (and associated AFEs), the Non-Participating Party may notify the
11 Operator in writing that it will participate in the modified Development
12 Plan (and associated AFEs). If that Non-Participating Party participates
13 in the modified Development Plan, it shall be an Underinvested Party in
14 an amount equal to its Non-Participating Interest Share of the actual
15 Costs incurred on activities associated with (a) the Execution AFE and
16 (b) the original Development Plan (and associated AFEs) if it did not
17 participate in that Development Plan. Within thirty (30) days of the
18 elimination of the Underinvestment, the Participating Parties in the
19 Execution AFE for the initial Development Phase shall deliver to that
20 Non-Participating Party an assignment of one hundred percent (100%)
21 of its former Working Interest in the Contract Area, the wells therein and
22 production therefrom. If the Execution AFE was for a subsequent
23 Development Phase, the Non-Participating Party shall not be subject to
24 Article 16.5.5 (*Non-Consent Subsequent Development System and
25 Additional Facilities*) in regard to that AFE.

26 **12.7.7 Approval of Major Modifications**

27 If the major modification of the Development Plan is approved, the
28 Development Plan (and associated AFEs) shall be deemed modified, and
29 the Operator shall carry out the modified Development Plan. If a major
30 modification is not approved, the Operator shall continue to implement the
31 Development Plan as it was before the proposed major modification.

1 **12.7.8 Termination of a Development Plan**

2 A Development Plan terminates if (a) the Execution AFE for that
3 Development Plan is not approved by Election, (b) the Participating
4 Parties in the Define Stage or in the Execution AFE unanimously agree to
5 terminate the Development Plan, or (c) the fabrication or acquisition of the
6 Development System is not commenced within the time frame provided in
7 Article 12.7.9 (*Timely Operations for Development Systems*).

8 **12.7.8.1 Termination Prior to Execution AFE Approval**

9 The Costs, risks, and liabilities of generating and
10 implementing a Development Plan that is terminated before
11 its associated Execution AFE has been approved by
12 Election shall be borne by the Parties who participated in the
13 Define AFE and its supplemental AFEs, if any.

14 **12.7.8.2 Termination After Execution AFE Approval**

15 The Costs, risks, and liabilities of generating and
16 implementing a Development Plan that is terminated after its
17 associated Execution AFE has been approved by Election
18 shall be borne by the Participating Parties in the Execution
19 AFE and its supplemental AFEs, if any.

20 **12.7.9 Timely Operations for Development Systems**

21 The Operator shall commence or cause to be commenced the fabrication
22 or acquisition of a Development System (a) within one hundred and eighty
23 (180) days after the end of the period for Elections of the Execution AFE
24 or (b) ninety (90) days prior to the date the Operator is required to
25 commence that fabrication or acquisition under an SOP or Unit Plan,
26 whichever is earlier. If the Operator, except for an occurrence of Force
27 Majeure fails to commence the fabrication or acquisition of a Development
28 System within the applicable time period set forth above in this Article
29 12.7.9, the Non-Operating Parties may then select a successor Operator
30 under Article 4.5 (*Selection of Successor Operator*). Within ninety (90)
31 days of the selection of the successor Operator, the successor Operator
32 shall commence the fabrication or acquisition of a Development System in
33 the approved Development Plan. The fabrication or acquisition of a
34 Development System commences on the date the first major fabrication

1 contract for the Development System is awarded or the date the purchase
2 contract for a Development System is executed.

3 **12.8 Post-Production Project Team AFEs**

4 The Execution Stage concludes upon the first production of Hydrocarbons from
5 the Development System. At least sixty (60) days, but not more than one
6 hundred and twenty (120) days, prior to the first production of Hydrocarbons from
7 the Development System, the Operator may propose for approval by Vote the
8 continuance of the Project Team, if one exists, on a much smaller scale, or the
9 formation of the Project Team, if one does not exist, in order to assist the
10 Operator in the drilling of additional Development Wells approved by the Parties,
11 de-bottlenecking the Development System, ramping up Hydrocarbon production,
12 maximizing the recovery of Hydrocarbons during the Development Phase and
13 activities related thereto. With its proposal, the Operator shall include an initial
14 Post-Production Project Team AFE accompanied by a memorandum similar to
15 the one described in Article 12.3.1 (*Proposal of Project Team*).

16 At least forty-five (45) days, but not more than ninety (90) days, prior to the date
17 on which the Operator anticipates the scope of work set forth in its original
18 proposal for the continuance or formation of the Project Team and its associated
19 AFE and memorandum to be completed, the Operator may propose for approval
20 by Vote of the Parties the further continuance of the Project Team to assist the
21 Operator in reservoir management and production optimizing activities other than
22 contemplated under Article 12.11 (*Enhanced Recovery and/or Pressure*
23 *Maintenance Program Proposals*). With that proposal, the Operator shall include
24 a second Post-Production Project Team AFE accompanied by a memorandum
25 similar to the one described in Article 12.3.1 (*Proposal of Project Team*). The
26 administration of the Project Team during the period that it carries out the scope
27 of work referred to in this Article 12.8 shall be handled under Exhibit "G." The
28 Costs of the Project Team will be handled as they are under Article 12.3.1
29 (*Proposal of Project Team*). A Non-Participating Party in either or both of the two
30 Post-Production Project Team AFEs is subject to Article 16.5.3 (*Non-Consent*
31 *Proprietary Geophysical Operations, Feasibility AFEs, Selection AFEs, Define*
32 *AFEs, Long Lead Development System AFEs, Post-Production Project Team*
33 *AFEs, or Enhanced Recovery Project Team AFEs*).

1
2 **12.9 Subsequent Development Phases**

3 At any time after the installation of the initial Development System for the initial
4 Development Phase, any Participating Party may propose a subsequent
5 Development Phase and the installation of a subsequent Development System.
6 That proposal shall require approval by Vote except as provided in Article 16.4
7 (*Non-Consent Operations to Maintain Contract Area*).

8 **12.9.1 Proposal of a Subsequent Development Phase**

9 If a subsequent Development Phase is approved, the procedures specified in this
10 Article 12 (*Development Phases*) shall apply to the proposal of the subsequent
11 Development Phase.

12 **12.9.2 Execution AFE in a Subsequent Development Phase**

13 Each Non-Participating Party in an Execution AFE for a subsequent Development
14 Phase is subject to the non-consent provisions in Article 16.5.5 (*Non-Consent*
15 *Subsequent Development System and Additional Facilities*), not Article 16.2
16 (*Acreage Forfeiture Provisions*). Although a Non-Participating Party in an
17 Execution AFE for a subsequent Development Phase will retain its Working
18 Interest in the Contract Area, that Party will only be entitled to Hydrocarbon
19 production from the subsequent Development Phase, in which it did not
20 participate, after it has satisfied the non-consent provisions in Article 16.5.5 (*Non-*
21 *Consent Subsequent Development System and Additional Facilities*). A Non-
22 Participating Party in a subsequent Development Phase shall not unreasonably
23 interfere with any activities or operations in that subsequent Development Phase.
24 In all events, the Participating Parties in the Execution AFE for a subsequent
25 Development Phase shall control the sequence of, and shall conduct, all activities
26 and operations in that subsequent Development Phase.

27 **12.10 Access to Existing Facilities**

28 A Participating Party in a subsequent Development Phase may propose to
29 access the Facilities installed for a previous Development Phase in accordance
30 with Article 14 (*Facilities and Gathering Systems*). The proposal shall require
31 approval by Vote of the Participating Parties in the previous Development Phase
32 and shall include the basic terms under which the access is to be granted. If the
33 proposal is approved, it shall be incorporated into a formal "Facilities Use and
34 Production Handling Agreement" and shall bind all Parties.

1 **12.11 Enhanced Recovery and/or Pressure Maintenance Program Proposals**

2 Any Party may propose the formation of a Project Team separate and apart from
3 any Project Team already in existence for the purpose of assisting the Operator
4 in designing an enhanced recovery and/or pressure maintenance program for a
5 particular Development Phase by submitting to the Parties for approval by
6 Election an Enhanced Recovery Project Team AFE accompanied by a
7 memorandum similar to the one described in Article 12.3.1 (*Proposal of Project*
8 *Team*). Any Non-Participating Party in that Enhanced Recovery Project Team
9 AFE is subject to Article 16.5.3 (*Non-Consent Proprietary Geophysical*
10 *Operations, Feasibility AFEs, Selection AFEs, Define AFEs, Long Lead*
11 *Development System AFEs, Post-Production Project Team AFEs, or Enhanced*
12 *Recovery Project Team AFEs*). The formation and administration of a Project
13 Team for an enhanced recovery and/or pressure maintenance program will be
14 handled under Exhibit "G." The Costs of the Project Team will be handled as
15 they are under Article 12.3.1 (*Proposal of Project Team*). After the Operator has
16 designed the enhanced recovery and/or pressure maintenance program with the
17 assistance of that Project Team, the Operator may submit an enhanced recovery
18 and/or pressure maintenance program proposal and AFE to the Parties for
19 approval by Vote. The program proposal and AFE shall contain sufficient detail
20 to allow the Parties to adequately evaluate the scope, timing, Costs, and benefits
21 of the proposed program and AFE. If approved, that proposal and AFE will be
22 binding on all of the Participating Parties in the Execution AFE for that
23 Development Phase, and the Operator shall commence the program at the Cost
24 and risk of those Parties.

25 **ARTICLE 13 – DEVELOPMENT OPERATIONS**

26 **13.1 Proposal of Development Wells and Development Operations**

27 It is the intent of the Parties to proceed with the development of the Contract
28 Area under an approved Development Plan. Development Wells shall be subject
29 to separate AFEs unless a Development Plan calls for a number of Development
30 Wells to be drilled together in order to set conductor casing or to be pre-drilled
31 together prior to the installation of the Development System, in which case those
32 wells may be included in a single AFE.

1 Once a Development Well has been completed and placed on production, the
2 Participating Parties in that well must unanimously agree to allow any Party to
3 conduct a Non-Consent Operation in that well, unless that well becomes
4 incapable of producing in paying quantities. A proposal to conduct Development
5 Operations in a Producing Reservoir requires the unanimous agreement of the
6 Parties, unless the proposing Party designates the Producing Reservoir as an
7 Objective Depth or completion zone in the proposal.

8 **13.1.1 Proposal of Development Wells Included in a Development Plan**

9 Subject to Article 13.1 (*Proposal of Development Wells and*
10 *Development Operations*), any Participating Party in a Development
11 Plan and Execution AFE may propose drilling a Development Well that
12 was included in the Development Plan by giving notice of the proposal
13 (along with the associated AFE and Well Plan) to the other Parties.
14 Each proposed Development Well that was included in the
15 Development Plan requires approval by Election.

16 Each Non-Participating Party in a Development Well will be subject to
17 either acreage forfeiture or Hydrocarbon Recoupment as provided in
18 Article 16 (*Non-Consent Operations*).

19 **13.1.1.1 Revision of Well Plan**

20 Unless otherwise provided for in the Development Well
21 proposal and AFE, any revisions of the Well Plan or AFE for a
22 Development Well shall take place under the same terms and
23 conditions as those set forth for an Exploratory Well in Article
24 10.1.1 (*Revision of Well Plan*).

25 **13.1.1.2 Automatic Revision of the Well Plan**

26 The Well Plan for a Development Well shall automatically be
27 revised under the same terms and conditions as those set
28 forth for an Exploratory Well in Article 10.1.2 (*Automatic*
29 *Revision of the Well Plan*).

30 **13.1.2 Proposal of Development Operations Not Included in a**
31 **Development Plan**

32 Subject to Article 13.1 (*Proposal of Development Wells and*
33 *Development Operations*), any Participating Party in an Execution AFE

1 may propose drilling a Development Well that was not included in the
2 Development Plan associated with that Execution AFE by giving notice
3 of the proposal (along with the associated AFE and Well Plan) to the
4 other Parties. The proposal shall specify that the well was not included
5 in the Development Plan. Each proposed Development Well that was
6 not included in the Development Plan requires approval by Vote.

7 Each Non-Participating Party in a Development Well will be subject to
8 either acreage forfeiture or Hydrocarbon Recoupment, as provided in
9 Article 16 (*Non-Consent Operations*).

10 **13.1.3 Timely Operations**

11 Except as provided below, drilling operations on a Development Well
12 shall be commenced within one hundred and eighty (180) days after
13 the end of the period for the approval of the Development Well. If the
14 Operator, except for an occurrence of Force Majeure, does not
15 commence drilling operations on the Development Well within that one
16 hundred and eighty (180) day period, the approved Development Well
17 proposal shall be deemed withdrawn, with the effect as if the
18 Development Well had never been proposed and approved.

19 **13.1.4 AFE Overruns and Substitute Well**

20 Once a Development Well is commenced, the Operator shall drill the
21 well with due diligence to its Objective Depth, subject to:

- 22 (a) all supplemental AFEs required under Article 6.2.2 (*Supplemental*
23 *AFEs*),
- 24 (b) the Operator encountering mechanical difficulties, uncontrolled
25 influx of subsurface water, loss of well control, abnormal well or
26 formation pressures, pressured or heaving shale, granite or other
27 practicably impenetrable substances or other similar conditions in
28 the well bore or damage to the well bore that render, in the
29 Operator's sole opinion, further well operations impractical, and
- 30 (c) the unanimous agreement of the Participating Parties to cease
31 drilling a Development Well before reaching Objective Depth.

1 If a Development Well is abandoned due to the conditions described
2 under Article 13.1.4(b), then any Participating Party in the abandoned
3 Development Well may, within ten (10) days after abandonment of that
4 Development Well, propose the drilling of a substitute well for the
5 abandoned Development Well by giving notice of the proposal (along
6 with the associated AFE and Well Plan) to all other Participating Parties
7 in the abandoned Development Well, and that proposal requires
8 approval by Election of the Participating Parties in the abandoned
9 Development Well. The Well Plan for the substitute Development Well
10 shall be substantially the same as the abandoned Development Well's
11 Well Plan and shall also take into account those conditions that
12 rendered further drilling of the abandoned Development Well
13 impractical.

14 Each Non-Participating Party in a substitute Development Well or an
15 approved supplemental AFE for a Development Well will be subject to
16 either an acreage forfeiture or Hydrocarbon Recoupment, as provided
17 in Article 16 (*Non-Consent Operations*).

18 **13.2 Development Operations at Objective Depth**

19 After a Development Well has been drilled to its Objective Depth, all operations
20 in the controlling AFE have been conducted or terminated (except temporary
21 abandonment and permanent plugging and abandonment), and all logs and test
22 results have been distributed to the Participating Parties, the Operator shall
23 promptly notify the Parties entitled to make an Election on an operation proposed
24 under this Article 13.2, of its proposal to conduct subsequent operations in the
25 well. Except for a proposal to permanently plug and abandon the well, the
26 Operator's proposal shall include an associated AFE and a plan for the
27 operation. The Parties entitled to make an Election under this Article 13.2 are:

- 28 (a) the Participating Parties, and
- 29 (b) the Non-Participating Parties in the original well proposal, if (1) the
30 subsequent Development Operation proposal is made at the well's
31 Objective Depth and is for a Sidetrack or Deepening and (2) Article 16.4
32 (*Non-Consent Operations to Maintain Contract Area*) was not applicable to
33 the drilling of that Development Well.

1 The Operator's proposal shall be for one of the following operations:

- 2 (a) conduct Additional Testing, Logging, or Sidewall Coring of the formations
3 encountered prior to setting production casing;
- 4 (b) complete the well at the Objective Depth in the objective zone or formation;
- 5 (c) Sidetrack the well;
- 6 (d) plug back the well and attempt a completion in a shallower zone or
7 formation;
- 8 (e) Deepen the well to a new Objective Depth;
- 9 (f) conduct other operations on the well not listed;
- 10 (g) temporarily abandon the well; or
- 11 (h) permanently plug and abandon the well.

12 If the Operator fails to submit its proposal to the Participating Parties within
13 twenty (24) hours (inclusive of Saturdays, Sundays, and federal holidays) after
14 receipt of all logs and test results from a Development Well, then any
15 Participating Party may make a proposal. In that event, the procedures in this
16 Article 13.2 (*Development Operations at Objective Depth*) shall apply to that
17 proposal, and any reference in this Article 13.2 to the "Operator's proposal" shall
18 include a proposal made by a Participating Party.

19 **13.2.1 Response to Operator's Proposal**

20 A Participating Party may, within twenty-four (24) hours (inclusive of
21 Saturdays, Sundays, and federal holidays) of its receipt of the
22 Operator's proposal, make a separate proposal (along with an
23 associated AFE and a plan for the operation), except if the proposal is
24 to permanently plug and abandon the well) for one of the operations in
25 Article 13.2 (*Development Operations at Objective Depth*), and the
26 Operator, immediately after the expiration of the twenty-four (24) hour
27 period for making a separate proposal shall provide the Parties entitled
28 to make an Election with a copy of all separate proposals so made. If
29 no separate proposal is made, the Parties entitled to make an Election
30 shall, within forty-eight (48) hours (inclusive of Saturdays, Sundays,

and federal holidays) of its receipt of the Operator's proposal, make an Election on the Operator's proposal (except for a proposal to permanently plug and abandon). If a separate proposal is made, the Parties entitled to make an Election shall make an Election under the procedure in Article 13.2.2 (*Response to Highest Priority Proposal*). If a proposal to permanently plug and abandon the well is the only operation proposed, then the approval and Cost allocation provisions of Article 13.5 (*Permanent Plugging and Abandonment and Cost Allocation*) shall apply to the proposal. If Article 8.3 (*Second Opportunity to Participate*) or Article 8.4 (*Participation by Fewer Than All Parties*), or both, apply to an Election, then the response period in those articles shall be twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal holidays) instead of forty-eight (48) hours (exclusive of Saturdays, Sundays, and federal holidays). Notwithstanding any contrary provision of this Agreement, if one or more operations are proposed before the distribution of information from the previous approved operation, then the response periods provided above shall not begin until the Parties entitled to make an Election in Article 13.2 (*Development Operations at Objective Depth*) have received the information from the previous approved operation.

13.2.2 Response to Highest Priority Proposal

If a separate proposal is made, each Party entitled to make an Election shall, within twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal holidays) after its receipt from the Operator of a complete copy of all separate proposals, make its Election on the highest priority proposal (except a proposal to permanently plug and abandon the well). Article 13.2(a) has the highest priority, and Article 13.2(h) has the lowest priority. If different depths or locations are proposed for the same type of operation, preference shall be given to the shallowest depth, or the location nearest from the existing well bore, as applicable. If the proposal with the highest priority is approved, then the lower priority proposals shall be deemed withdrawn. Once the approved operation is completed, the Parties shall follow the procedure provided in this Article 13.2 (*Development Operations at Objective Depth*) for all other proposals for operations in the well bore until such time as the well is temporarily abandoned or permanently abandoned.

1 **13.2.3 Response on Next Highest Priority Proposal**

2 If the proposal with the highest priority is not approved, then the next
3 highest priority proposal shall be deemed the highest priority proposal,
4 and it shall be subject to the approval procedure in Article 13.2.2
5 (*Response to Highest Priority Proposal*). This process will continue
6 until a proposal is approved to complete the Development Well,
7 temporarily plug and abandon the Development Well, or permanently
8 plug and abandon a Development Well.

9 **13.2.4 Non-Participating Parties in Development Operations at Objective**
10 **Depth**

11 A Non-Participating Party in a Development Operation conducted on a
12 Development Well after it has reached its Objective Depth [except as
13 provided for in this Article 13.2 (*Development Operations at Objective*
14 *Depth*)] is subject to Article 16.5.4 (*Non-Consent Development*
15 *Operations*) and is relieved of the Costs and risks of that Development
16 Operation, except that a Non-Participating Party in that Development
17 Operation remains responsible for its Participating Interest Share of the
18 Costs of plugging and abandoning a Development Well, less and
19 except all Costs of plugging and abandoning associated solely with the
20 subsequent Development Operation in which it was a Non-
21 Participating Party.

22 **13.2.5 Participation in a Sidetrack or Deepening by a Non-Participating**
23 **Party in a Development Well at Initial Objective Depth**

24 If a Development Well is drilled to its Objective Depth and a Non-
25 Participating Party in that Development Well becomes a Participating
26 Party in an approved Sidetracking or Deepening under Article 13.2 (c)
27 or (e), that former Non-Participating Party shall become an
28 Underinvested Party in an amount equal to its Non-Participating
29 Interest Share of the Costs of that Development Well to its Objective
30 Depth prior to that Sidetracking or Deepening. The original
31 Participating Parties in a Development Well are Overinvested Parties in
32 that amount. A former Non-Participating Party in a Development Well
33 that becomes a Participating Party in an approved Sidetracking or
34 Deepening remains a Non-Participating Party in that Development Well
35 to initial Objective Depth until (a) its Underinvestment is eliminated

1 under Article 16.9 (*Settlement of Underinvestments*) and (b) the
2 Hydrocarbon Recoupment recoverable under Article 16.5.4 (*Non-*
3 *Consent Development Operations*) less the Underinvestment, has been
4 recovered by the original Participating Parties. If a former Non-
5 Participating Party becomes a Participating Party in more than one
6 approved Sidetracking or Deepening in the same Development Well,
7 that former Non-Participating Party shall become an Underinvested
8 Party only with regard to the first Sidetracking or Deepening it
9 approves; however, that Underinvestment shall not be relieved by an
10 Underinvested Party's subsequent participation.

11 **13.3 Development Well Proposals That Include Drilling Below the Deepest**
12 **Producible Reservoir**

13 Any Party may propose a Development Well with an Objective Depth below the
14 Deepest Producible Reservoir, and in response to that well proposal each Party
15 may, in writing, limit its participation in the drilling of that Development Well to the
16 base of the Deepest Producible Reservoir to be penetrated by that Development
17 Well. A Party who limits its participation in a Development Well to the base of
18 the Deepest Producible Reservoir shall bear its Participating Interest Share of
19 the Cost and risk of drilling that Development Well to the base of the Deepest
20 Producible Reservoir (including abandonment), and it shall be a Non-
21 Participating Party for the Deeper Drilling and shall be subject to Article 16.5.4
22 (*Non-Consent Development Operations*) in regard to the Deeper Drilling.

23 **13.3.1 Multiple Completion Alternatives Above and Below the Deepest**
24 **Producible Reservoir**

25 If a Party Electing to limit its participation in a well to the base of the
26 Deepest Producible Reservoir to be penetrated by the well under
27 Article 11.3 (*Appraisal Well Proposals That Include Drilling Below the*
28 *Deepest Producible Reservoir*) or Article 13.3 (*Development Well*
29 *Proposals That Include Drilling Below the Deepest Producible*
30 *Reservoir*) considers the well to be capable of producing at or above
31 the Deepest Producible Reservoir and has notified the Participating
32 Parties down to Objective Depth of its desire to complete the well at or
33 above the Deepest Producible Reservoir, the well will be drilled subject
34 to the following provisions:

1 (a) **Multiple Completion:** If before drilling of the well commences, all
2 Participating Parties in the well agree that multiple well
3 completions are possible and practicable and that those
4 completions will involve (i) a completion at or above the Deepest
5 Producing Reservoir and (ii) a completion below the Deepest
6 Producing Reservoir, the Participating Parties in the Deeper
7 Drilling will bear one hundred percent (100%) of the Costs of
8 drilling the well to an Objective Depth below the Deepest
9 Producing Reservoir, that are in excess of the original Costs to
10 drill and complete the well in the Deepest Producing Reservoir.

11 (b) **Single Completions:** If prior to the commencement of the drilling
12 of the well, the Participating Parties do not unanimously agree
13 that multiple well completions are possible, then the first
14 completion shall be at the objective deeper than the Deepest
15 Producing Reservoir. A Non-Participating Party in the Deeper
16 Drilling is an Overinvested Party in the well in an amount equal to
17 its Participating Interest Share of the Costs of drilling the well to
18 the Deepest Producing Reservoir, and the Participating Parties in
19 the Deeper Drilling on the well are Underinvested Parties for that
20 amount upon the first of the following events to occur:

21 (i) the well is not a Producing Well at a depth deeper than the
22 Deepest Producing Reservoir and the well is plugged back
23 to a zone at or above the Deepest Producing Reservoir;

24 (ii) the well is completed as a Producing Well at a depth
25 deeper than Deepest Producing Reservoir, but
26 Hydrocarbon production from that depth is later depleted
27 prior to Complete Recoupment (in regard to Deeper
28 Drilling) and the well is plugged back to a zone at or above
29 the Deepest Producing Reservoir;

30 (iii) the well is completed as a Producing Well at a depth
31 deeper than the Deepest Producing Reservoir and the
32 Participating Parties have achieved Complete Recoupment
33 (in regard to the Deeper Drilling) from Hydrocarbon

1 production from a zone deeper than the Deepest
2 Producible Reservoir,

- 3 (iv) the well is plugged and abandoned prior to an attempted
4 completion at or above the Deepest Producible Reservoir.

5 The Underinvestment will be depreciated at the rate of one-half percent
6 (1/2%) per month from the date the Deeper Drilling commences to the
7 date the Non-Participating Party is entitled to share in the Hydrocarbon
8 production from zones deeper than Deepest Producible Reservoir, but
9 that depreciation will not reduce the Underinvestment below seventy-
10 five percent (75%) of the original Underinvestment.

11 **13.3.2 Completion Attempts At or Above the Deepest Producible**
12 **Reservoir**

13 If a Development Well in which Deeper Drilling is conducted is not
14 completed for production below the Deepest Producible Reservoir, then
15 the Participating Parties in that well down to the Deepest Producible
16 Reservoir may use the well for completion in a zone at or above the
17 Deepest Producible Reservoir. The Parties who paid their
18 proportionate share of the drilling Costs to the base of the Deepest
19 Producible Reservoir under Article 13.3 (*Development Well Proposals*
20 *That Include Drilling Below the Deepest Producible Reservoir*) may
21 participate in the completion attempt in the zone at or above the
22 Deepest Producible Reservoir. The Participating Parties in the Deeper
23 Drilling operation shall bear the Costs (including plugging back Costs)
24 necessary to place the well in proper condition for its completion in the
25 zone at or above the Deepest Producible Reservoir. If a well drilled
26 below the Deepest Producible Reservoir is damaged to the extent that
27 it is rendered incapable of being completed and produced at or above
28 the Deepest Producible Reservoir, the Participating Parties in the
29 Deeper Drilling are obligated to reimburse the Non-Participating Parties
30 in the Deeper Drilling for their Participating Interest Share of the Costs
31 of drilling the well to the base of the Deepest Producible Reservoir.

32 **13.4 Recompletions and Workovers**

33 Any of the Participating Parties in the subsequent Development Operation,
34 Recompletion, or Workover that resulted in the most recent Hydrocarbon

1 production from a Development Well may propose a Recompletion in or
2 Workover of that Development Well. Each Recompletion or Workover, including
3 the permanent plugging and abandonment of a Producing Reservoir, requires
4 approval by Vote of those Participating Parties. A Non-Participating Party in a
5 Recompletion or Workover is subject to Article 16.5.4 (*Non-Consent*
6 *Development Operations*) and is relieved of the Costs and risks of the
7 Recompletion or Workover but remains responsible for its Participating Interest
8 Share of the Costs of plugging and abandoning the Development Well, less and
9 except any Costs of plugging and abandoning associated solely with a
10 Recompletion or Workover in which it is a Non-Participating Party.

11 **13.5 Permanent Plugging and Abandonment and Cost Allocation**

12 The permanent plugging and abandonment of a Development Well that:

- 13 (a) is to be plugged due to mechanical difficulties or impenetrable conditions
14 before the well has been drilled to its Objective Depth under Article 13.1.4
15 (b),
- 16 (b) is to be plugged under Article 13.2 (*Development Operations at Objective*
17 *Depth*), or
- 18 (c) has been previously temporarily abandoned under Article 13.2
19 (*Development Operations at Objective Depth*)

20 and has not produced Hydrocarbons (other than as a result of Production
21 Testing), requires the approval of the Participating Parties by Vote. Approval to
22 plug and abandon a Development Well that has produced Hydrocarbons (other
23 than as a result of Production Testing) shall be governed by Article 18.1
24 (*Abandonment of Wells*). If a proposal to plug and abandon a Development Well
25 receives approval by Vote, the approved proposal binds all Parties. If any
26 Participating Party fails to respond within the applicable response period for a
27 proposal to plug and abandon a Development Well, that Participating Party shall
28 be deemed to have approved the plugging and abandonment of that
29 Development Well. If a rig is on location and a proposal to plug and abandon a
30 Development Well under either Article 13.5(a) or 13.5(b) does not receive
31 approval by Vote, and if within twenty-four (24) hours (inclusive of Saturdays,
32 Sundays, and federal holidays) after receipt of that proposal no other operation
33 is proposed (and subsequently approved) for the well by a Party entitled to make

1 a proposal, the Operator may nevertheless proceed to plug and abandon the
2 Development Well, and shall give each Participating Party notice of that fact. If
3 the proposal to plug and abandon a Development Well that has not produced
4 Hydrocarbons (other than as a result of Production Testing) does not receive
5 approval by Vote, but the Operator deems the well bore not to be safe or in
6 sound enough condition for it to perform further operations, the Operator may
7 nevertheless proceed to plug and abandon that Development Well and shall give
8 each Participating Party notice of that fact.

9 The Participating Parties in a Development Well proposal shall pay all Costs of
10 plugging and abandoning that Development Well, except all increased plugging
11 and abandoning Costs associated solely with a Non-Consent Operation
12 approved under Article 13.2 (*Development Operations at Objective Depth*) or
13 Article 6.2.2 (*Supplemental AFEs*). The Participating Parties in that Non-
14 Consent Operation are responsible for the increased plugging and abandoning
15 Costs attributable to that Non-Consent Operation.

16 **ARTICLE 14 – FACILITIES AND GATHERING SYSTEMS**

17 **14.1 Facilities as a Part of Development Plan**

18 The Development Plan shall provide for the installation of all Facilities necessary
19 to handle or service Hydrocarbons produced pursuant to that Development Plan.
20 If the approved Development Plan provides that Hydrocarbon production can
21 most efficiently be processed and handled by Offsite Host Facilities, the
22 Development Plan shall provide for a Development System designed to use
23 Offsite Host Facilities.

24 **14.2 Use of Offsite Host Facilities**

25 In the event the approved Development Plan provides that Hydrocarbon
26 production can most efficiently be processed and handled by Offsite Host
27 Facilities, the Participating Parties shall use reasonable efforts to secure a formal
28 "Facilities Use and Production Handling Agreement" from the owners of the
29 Offsite Host Facilities under the terms submitted to the Parties by the Operator
30 under Article 12.4.1(f) (*Tieback Operations*), but no Participating Party shall have
31 a duty (fiduciary or otherwise) to secure capacity in the Offsite Host Facilities on
32 behalf of any other Participating Party. However, any capacity secured by that

1 “Facilities Use and Production Handling Agreement” to Offsite Host Facilities
2 shall be shared proportionately by the Participating Parties, who executed the
3 “Facilities Use and Production Handling Agreement”, on the basis of their
4 Participating Interest Share in the Development System, unless those Parties
5 agree to a different proportionate share of the capacity. This Agreement shall
6 govern all operations and activities regarding Hydrocarbon production, which are
7 not specifically addressed in the “Facilities Use and Production Handling
8 Agreement.” This Article 14.2 shall not constitute a limit on a Party's right to
9 install its own facilities under Article 15 (*Disposition of Hydrocarbon Production*).

10 **14.3 Use of Development Systems**

11 The Participating Parties in a Development System have priority access to and
12 utilization of the Facilities associated with the Development System in order to
13 operate and develop the Contract Area under an approved Development Plan.

14 **14.4 Processing Priorities**

15 The Participating Parties in a Development System jointly own all processing and
16 handling capacity associated with that Development System. The use of excess
17 processing or handling capacity in that Development System is subject to the
18 following priority of usage:

- 19 a) First priority to Hydrocarbon production from the Development Phase
20 during which the existing processing Facilities were fabricated and
21 installed;
- 22 b) Second priority to Hydrocarbon production from a Development Phase
23 during which the existing processing Facilities were not fabricated and
24 installed;
- 25 c) Third priority to hydrocarbon production from outside the Contract Area
26 that is owned one hundred percent (100%) by all Participating Parties in
27 the Development System in the same percentage as their ownership in
28 that Development System;
- 29 d) Fourth priority to hydrocarbon production from outside the Contract Area
30 that is owned one hundred percent (100%) by all of the Participating
31 Parties in the Development System but not in the same percentage as
32 their ownership in the Development System;

- 1 e) Fifth priority to hydrocarbon production from outside the Contract Area
2 that is owned by all Participating Parties in the Development System and
3 a third party;
- 4 f) Sixth priority to hydrocarbon production from outside the Contract Area
5 that is owned by one or more Participating Parties in the Development
6 System, but not by all of them, and a third party; and
- 7 g) Seventh priority to hydrocarbon production from outside the Contract Area
8 that is owned one hundred percent (100%) by a third party.

9 Any hydrocarbon production processing and handling capacity offered to parties
10 under d), e), f) and g) of this Article 14.4 shall be processed and handled under a
11 "Facilities Use and Production Handling Agreement" unanimously agreed to by
12 the Participating Parties in the Execution AFE for that Development System and,
13 if applicable, the Participating Parties in any additional Facilities which are to be
14 used for the processing or handling of those hydrocarbons.

15 **14.5 Approval of Additional Facilities**

16 This Article 14.5 shall only apply to Facilities that were not included in an
17 approved Development Plan and are to be utilized for Hydrocarbon production.
18 Any Participating Party in an Execution AFE for a Development System may
19 propose the installation of additional Facilities beyond those specified in the
20 Development Plan associated with that Development System by giving notice to
21 the other Participating Parties (along with an associated AFE), together with
22 information adequate to describe the proposed Facilities. Except as provided in
23 Article 15.2 (*Facilities to Take In Kind*), the installation of additional Facilities
24 beyond the scope of a Development Plan requires the approval by Vote of the
25 Participating Parties in the Execution AFE (and all supplemental AFEs) for the
26 Development System that is to receive the additional Facilities. Upon approval
27 of such a proposal, the Operator shall proceed to install the additional Facilities,
28 provided that, in the judgment of the Operator, the additional Facilities do not
29 interfere with continuing operations on the Contract Area and there is sufficient
30 deck space and buoyancy available to support the proposed additional Facilities.
31 A Non-Participating Party in a proposal for additional Facilities shall be subject to
32 Article 16.5.5 (*Non-Consent Subsequent Production System and Additional*
33 *Facilities*). If the Facilities proposal is for a disposal well, that Facilities proposal
34 shall contain the same information provided in a Development Well proposal.



1 **14.6 Expansion or Modification of Existing Production System**

2 This Article 14.6 shall only apply to expansions or modifications of a Production
3 System that are to be utilized for activities or operations on the Contract Area.
4 After installation of a Production System described and approved in a
5 Development Plan, any Participating Party in that Production System may
6 propose the expansion or modification of that Production System by written
7 notice (along with its associated AFE) to the other Participating Parties in that
8 Production System. That proposal requires the approval by Vote of the
9 Participating Parties in that Production System. If approved, that proposal will be
10 binding on all Participating Parties in that Production System and the Operator
11 shall commence that expansion or modification at the sole Cost and risk of all of
12 the Participating Parties in that Production System unless otherwise agreed.

13 **14.7 Additions, Expansion or Modification of Production System or Facilities for**
14 **Health, Safety or Environmental Reasons**

15 If a proposal for additional Facilities or a proposal for the expansion or
16 modification of a Production System does not receive approval by Vote of the
17 Participating Parties in the Execution AFE (and all supplemental AFEs) for the
18 Development System that is to receive additional Facilities or have its Production
19 System expanded or modified, whichever is applicable, and that proposal is
20 necessary for health, safety, or environmental reasons and has been mandated
21 by governmental authority or judicial process, the Operator may, at its discretion,
22 install those additional Facilities or make those expansions or modifications to
23 the Production System. If the Operator elects to exercise its discretionary right
24 to make those installations, modifications, or expansions, the Operator shall
25 provide written notice of its decision to each Participating Party in the Execution
26 AFE (and all supplemental AFEs) for the Development System that is to receive
27 additional Facilities or have its Production System expanded or modified,
28 whichever applies.

29

ARTICLE 15 – DISPOSITION OF HYDROCARBON PRODUCTION

15.1 Duty to Take in Kind

Each Party has the right and duty to take in kind or separately dispose of its share of the Hydrocarbons, excluding (i) Hydrocarbons that are unavoidably lost and (ii) Hydrocarbon production that the Operator uses in production or Development Operations or in preparing and treating Hydrocarbons for marketing or transportation in an Export Pipeline.

15.2 Facilities to Take in Kind

Each Participating Party in the Execution AFE for a Development System has the right, at its sole cost and risk, to construct and install facilities on and connect pipelines to the Development System for purposes of taking its share of Hydrocarbon production in kind, provided that, in the judgment of the Operator, the installation and operation of those facilities and pipelines will not unreasonably interfere with continuing operations on the Development System or the Contract Area.

15.3 Failure to Take Oil or Condensate in Kind

If a Party fails to take in kind or dispose of its share of the oil or condensate produced from the Contract Area, the Operator may, but is not obligated to, purchase for its own account, sell to others, or otherwise dispose of all or part of that oil or condensate at the same price at which the Operator calculates and pays lessor's royalty on its oil or condensate, or if lessor takes its royalty in kind, sell that oil or condensate to others at the price prevailing in the area for oil or condensate of the same kind, gravity, and quality reasonably obtainable by the Operator under the circumstances, subject to revocation by the non-taking Party upon thirty (30) days written notice to the Operator but shall not take effect until the Operator's sales contract with a third party terminates. The Operator is not obligated to obtain a price equal to the price at which its oil or condensate is sold. The Operator's right to take in kind or dispose of a non-taking Party's share of the oil or condensate is subject to the non-taking Party's right, at any time and from time to time, to take in kind or dispose of its share of the oil or condensate. All contracts of sale by the Operator for another Party's oil or condensate shall be only for such reasonable periods not to exceed one (1) year. Proceeds of all sales by the Operator under this Article 15.3 shall be paid within fifteen (15) days of Operator's receipt of such proceeds so that the Parties

entitled to those proceeds will be able to make timely payments, without penalty, of lessor's royalty on the oil or condensate, which generated the proceeds.

Unless required by governmental authority or judicial process, no Party shall be forced to share an available market with a non-taking Party.

15.4 Gas Balancing Provision

If for any reason a Party fails to take or market its full share of gas as produced, the gas balancing and accounting between the Parties shall be handled under Exhibit "D."

15.5 Expenses of Delivery in Kind

All Costs incurred by the Operator in making delivery of a Party's share of Hydrocarbon production or disposing of same shall be borne by that Party.

ARTICLE 16 – NON-CONSENT OPERATIONS

16.1 Conduct of Non-Consent Operations

Any activity or operation that invokes this Article 16 (*Non-Consent Operations*) must be proposed by a Party in good faith, using Cost estimates and Objective Depths that are reasonable for the Contract Area. Non-Consent Operations shall not unreasonably interfere with activities or operations conducted by all Parties, unless the Non-Consent activity or operation will maintain all or a portion of the Contract Area under Article 16.4 (*Non-Consent Operations to Maintain Contract Area*).

16.1.1 Costs

The Costs of a Non-Consent Operation shall be borne by the Participating Parties in accordance with their Participating Interest Share in the Non-Consent Operation (unless otherwise agreed by the Participating Parties). Within ninety (90) days after a Non-Consent Operation has been conducted, the Operator shall furnish all other Parties with either (a) an itemized statement of the Cost of the Non-Consent Operation and an inventory of the pertinent equipment or (b) a detailed statement of monthly billings. The Operator shall furnish to the Parties a monthly statement showing operating, maintenance, and other expenses attributable to the Non-Consent Operation together with

1 a statement of the quantity of Hydrocarbons produced, and the
2 revenues from the sale of Hydrocarbon production for the preceding
3 month from operations subject to Hydrocarbon Recoupment under this
4 Article 16. In accounting for the revenues from Non-Consent
5 Operations, Hydrocarbon production need not be separately metered,
6 but may be determined upon the basis of monthly well tests, or as
7 otherwise permitted in the MMS Surface or Subsurface Commingling
8 Approval. Operating expenses shall be allocated under Article 16.8.3
9 (*Operating and Maintenance Charges*). If a Party takes its share of
10 production in kind under Article 15 (*Disposition of Hydrocarbon*
11 *Production*), that Party shall advise the Operator (in writing on or before
12 the tenth day of the month following the month in which the
13 Hydrocarbon production is sold or used off the premises) of the
14 volumes of Hydrocarbons sold or used off the premises and the prices
15 received for those Hydrocarbons so that the Operator may calculate the
16 balance of any Hydrocarbon Recoupment amounts.

17 The calculation of the balance of Hydrocarbon Recoupment shall be
18 accomplished as follows:

19 The Operator shall prepare the monthly statement of the quantities of
20 oil and gas produced and the amounts of the proceeds from the sale of
21 all Non-Participating Parties' relinquished production based on the
22 proceeds received for the Operator's share of production. When
23 Operator's payout calculation indicates that payout has occurred,
24 Operator shall promptly notify all Parties. The Participating Parties
25 shall then provide the Operator all information pertaining to the
26 cumulative proceeds received from the sale of the Non-Participating
27 Parties' relinquished production. The Operator shall revise the payout
28 date using the actual proceeds from the sale of the Non-Participating
29 Party's relinquished production and administer subsequent adjustments
30 between the Parties.

1 **16.1.2 Multiple Completions**

2 Non-Consent Operations shall not be conducted in a well having
3 multiple completions unless:

- 4 (a) each of the multiple completions are owned by the same Parties
5 in the same proportion;
- 6 (b) none of the previous well completions are capable of producing in
7 paying quantities; or
- 8 (c) the Participating Parties in the well containing the multiple
9 completions unanimously agree to those Non-Consent
10 Operations.

11 For the purposes of this Article 16, each completion is a separate well.

12 **16.2 Acreage Forfeiture Provisions**

13 In view of the significantly greater risks associated with the first Exploratory Well
14 and the Execution AFE for the initial Development System, the Participating
15 Parties in the first Exploratory Well or that Execution AFE are entitled to an
16 assignment of all of the right, title, and interest (including operating rights) in the
17 Contract Area of the Non-Participating Parties in that well or AFE as provided
18 below.

19 **16.2.1 First Exploratory Well**

20 If a Participating Party proceeds with the timely commencement of the
21 drilling of the first Exploratory Well as a Non-Consent Operation and

- 22 (a) the first Exploratory Well is drilled to its Objective Depth;
- 23 (b) the first Exploratory Well is drilled to a depth shallower than its
24 Objective Depth and one hundred percent (100%) or more of the
25 total amount of the AFE for that Exploratory Well is expended; or
- 26 (c) the first Exploratory Well is abandoned under Article 10.1.4 (*AFE*
27 *Overruns and Substitute Well*) prior to reaching its Objective
28 Depth and prior to the Participating Parties expending at least one
29 hundred percent (100%) or more of the AFE for that Exploratory
30 Well, but the Participating Parties timely commence the drilling of

1 a substitute well, and the cumulative Costs of that Exploratory
2 Well and its substitute well equal or exceed one hundred percent
3 (100%) of the total amount of the AFE for the original first
4 Exploratory Well;

5 then within thirty (30) days after notice of the occurrence of an event
6 described in clause (a), (b), or (c), a Non-Participating Party in the first
7 Exploratory Well or its substitute well, as applicable, shall execute and
8 deliver an assignment of all of its right, title, and interest in the Contract
9 Area, free of all Lease Burdens as defined in Article 19.1 (*Burdens on*
10 *Hydrocarbon Production*), effective on the date actual drilling
11 operations for the well are commenced, to the Participating Parties in
12 the first Exploratory Well or its substitute well, as applicable, with no
13 reimbursement by and at no Cost to those Participating Parties. If an
14 assignment is made under this Article 16.2.1, then each Participating
15 Party shall accept its Participating Interest Share, as determined under
16 Article 8.4 (*Participation by Fewer Than All Parties*), of the Non-
17 Participating Party's assigned interest. The Non-Participating Party's
18 Election or Vote not to participate in the first Exploratory Well shall be
19 deemed a withdrawal under Article 17 (*Withdrawal From Agreement*),
20 and the Parties shall be subject to Article 17 (*Withdrawal From*
21 *Agreement*). After the satisfaction of Article 16.2.1(a), (b) or (c), a Non-
22 Consent Operation performed in the first Exploratory Well's well bore or
23 its substitute's well bore, as applicable, shall not be subject to this
24 Article 16.2.1 but shall be subject to the Hydrocarbon Recoupment
25 premium provided in Article 16.5.1.1 (*Non-Consent Exploratory*
26 *Operations at Objective Depth*), except as provided in Article 16.4
27 (*Non-Consent Operations to Maintain Contract Area*).

28 **16.2.2 Execution AFE**

29 Within thirty (30) days of notice of the timely commencement of the
30 activities or operations associated with the Execution AFE for the initial
31 Development System, a Non-Participating Party in that Execution AFE
32 shall execute and deliver an assignment of all of its right, title, and
33 interest in the Contract Area to the Participating Parties in that
34 Execution AFE, free of all Lease Burdens as defined in Article 19.1
35 (*Burdens on Hydrocarbon Production*), effective on the date the

1 construction or acquisition of the initial Development System is
2 commenced, with no reimbursement by and at no Cost to those
3 Participating Parties. If an assignment is made under this Article
4 16.2.2, then each Participating Party shall accept its Participating
5 Interest Share, as determined under Article 8.4 (*Participation by Fewer*
6 *Than All Parties*), of the Non-Participating Party's assigned interest.
7 The Non-Participating Party's Election not to participate in the
8 Execution AFE for the initial Development System shall be deemed a
9 withdrawal under Article 17 (*Withdrawal From Agreement*), and the
10 Parties shall be subject to Article 17 (*Withdrawal From Agreement*).

11 **16.3 Costs and Liabilities of Prior Operations**

12 Subject to Article 6.2.2 (*Supplemental AFEs*), a Non-Participating Party subject
13 to a non-consent provision remains liable for its share of previously incurred
14 Costs and liabilities for activities and operations in which it was a Participating
15 Party, and there shall be no re-allocation of Costs for activities and operations in
16 which it was a Participating Party, except as provided in Article 13.3.1 (*Multiple*
17 *Completion Alternatives Above and Below the Deepest Producing Reservoir*).

18 **16.4 Non-Consent Operations to Maintain Contract Area**

19 If a proposal is made for

- 20 (a) an activity or operation required under a governmental agency order,
21 notice, regulation, or Lease to maintain all or part of the Contract Area; or
- 22 (b) an activity or operation
- 23 (i) within the final three hundred and sixty-five (365) days of the primary
24 term of a Lease, and if the Lease is not held by any means and will
25 expire under its own terms, or
- 26 (ii) within one hundred twenty (120) days prior to the deadline for an
27 activity or operation required under an SOO or SOP activity schedule
28 or a unit plan of operation,

29 and the proposal requires approval by Vote or Election or unanimous agreement
30 and that approval or agreement is not obtained within the applicable response
31 period, then, notwithstanding any contrary provision of Article 8 (*Approvals and*
32 *Notices*), the proposed activity or operation shall be deemed to have been

1 approved, and all Parties that Voted or Elected or agreed by written statement to
2 participate in the proposed activity or operation may proceed with the proposed
3 activity or operation at their sole Cost and risk. However, before those Parties
4 commence that activity or operation, they shall give written notice to the other
5 Parties of their intention to commence that activity or operation. The other
6 Parties shall have a second opportunity to participate in that activity or operation,
7 under Article 8.3 (*Second Opportunity to Participate*).

8 **16.4.1 Acreage Forfeiture in the Entire Contract Area**

9 If it is necessary to conduct an activity or operation referred to in Article
10 16.4 (*Non-Consent Operations to Maintain Contract Area*) in order to
11 maintain the entire Contract Area, then each Non-Participating Party in
12 that activity or operation shall relinquish and permanently assign,
13 effective on the date the operation is commenced, to the Participating
14 Parties one hundred percent (100%) of the Non-Participating Party's
15 Working Interest in the entire Contract Area, including property and
16 equipment acquired under this Agreement, within thirty (30) days of the
17 commencement of that activity or operation. Failure to participate in
18 that activity or operation is deemed a withdrawal, and the Parties will be
19 subject to Article 17 (*Withdrawal From Agreement*).

20 **16.4.2 Acreage Forfeiture in a Portion of a Contract Area**

21 If it is necessary to conduct an activity or operation referred to in Article
22 16.4 (*Non-Consent Operations to Maintain Contract Area*) in order to
23 maintain a portion of the Contract Area, then each Non-Participating
24 Party in that activity or operation shall relinquish and permanently
25 assign, effective on the date the operation is commenced, to the
26 Participating Parties one hundred percent (100%) of the Non-
27 Participating Party's Working Interest in the affected portion of the
28 Contract Area, including property and equipment acquired under this
29 Agreement, within thirty (30) days of the commencement of that activity
30 or operation. That assignment shall be conveyed to the Participating
31 Parties in proportion to their Participating Interest Share in that activity
32 or operation. The Non-Participating Party shall bear all expenses
33 associated with that assignment and shall be subject to Article 17.3.1
34 (*Prior Expenses*), Article 17.3.2 (*Confidentiality*) and Article 17.3.3
35 (*Emergencies and Force Majeure*) with respect to the assigned

1 acreage. If a Development System does not exist at the time of the
2 forfeiture assignment or if the Non-Participating Party, who forfeited its
3 interest under this Article 16.4, was a Non-Participating Party in the
4 Development System which is located in the non-forfeited portion of the
5 Contract Area, upon MMS approval of that assignment, the assigned
6 acreage shall be expunged from Exhibit "A-1," and it shall no longer be
7 included in the Contract Area. If that assignment is to two or more
8 Participating Parties in that activity or operation, then (a) the assigned
9 acreage shall be deemed to be governed by an operating agreement
10 incorporating identical provisions as the provisions in this Agreement,
11 except to the extent they are clearly inappropriate, (b) the execution of
12 the operating agreement by those Participating Parties shall be
13 considered a mere formality only, (c) the Operator of the assigned
14 acreage shall promptly prepare that operating agreement, and (d) the
15 Participating Parties shall promptly execute it. If a Development
16 System is located on the non-forfeited portion of the Contract Area and
17 if the Participating Parties in the operation or activity, which were
18 conducted in order to save the forfeited portion of the Contract Area, are
19 Participating Parties in that Development System, the Parties shall
20 amend this Agreement to provide for a separate operational area for the
21 forfeited portion of the Contract Area and a separate operational area for
22 the non-forfeited portion of the Contract Area, and this Agreement shall
23 apply separately to each operational area; provided however, the
24 Participating Parties in the Development System located on the non-
25 forfeited portion of the Contract Area, who participated in the operation
26 or activity, which was conducted in order to save the forfeited portion of
27 the Contract Area, shall have the same priority of access to that
28 Development System as the Parties in the separate operational area for
29 the non-forfeited portion of the Contract Area.

30 **16.4.3 Limitations on Acreage Forfeiture**

31 Notwithstanding the foregoing, if more than one activity or operation is
32 conducted under Article 16.4 (*Non-Consent Operations to Maintain*
33 *Contract Area*), any one of which would maintain the entire Contract
34 Area or the affected portion of the Contract Area, a Participating Party
35 in any one of those activities or operations shall not be required to
36 make an assignment under Article 16.4 (*Non-Consent Operations to*

Maintain Contract Area). In addition, no Party is required to relinquish or assign all or any portion of its Working Interest in the Contract Area if a governmental agency order, notice, regulation, Lease provision, SOO or SOP activity schedule, or unit plan of operation requiring the activity or operation is appealed and successfully overturned.

16.5 Percentage Hydrocarbon Recoupment for Non-Consent Operations

Except as provided in Articles 16.2 (*Acreage Forfeiture Provisions*) and 16.4 (*Non-Consent Operations to Maintain Contract Area*), upon the timely commencement of a Non-Consent Operation, each Non-Participating Party's Working Interest and leasehold operating rights in the Non-Consent Operation along with its title to that portion of future Hydrocarbon production provided in this Article 16.5, if any, shall be owned by and vested in each Participating Party in accordance with its Participating Party Interest Share in the Non-Consent Operation under Article 8.4 (*Participation by Fewer Than All Parties*). A third-party cash contribution made for Confidential Data from a Non-Consent Operation shall be deducted from the Non-Participating Interest Share of the Costs of the well operation or of drilling and completing the well, as applicable, prior to computation of the Hydrocarbon Recoupment amount.

16.5.1 Non-Consent Exploratory Operations down to Objective Depth in the First Exploratory Well

Since the Participating Parties in the first Exploratory Well are entitled to an assignment of all of the right, title, and interest (including operating rights) in the Contract Area of the Non-Participating Parties in that well as provided in Article 16.2.1 (*First Exploratory Well*), there is no Hydrocarbon Recoupment for Non-Consent Exploratory Operations conducted in the first Exploratory Well down to its Objective Depth.

16.5.1.1 Non-Consent Exploratory Operations At Objective Depth

The Hydrocarbon Recoupment amount for all non-consent Exploratory Operations conducted after the first Exploratory Well has reached its Objective Depth, be they non-consent Exploratory Wells other than the first Exploratory Well or operations conducted subsequent to an Exploratory Well, including the first Exploratory Well, reaching its Objective Depth, is the Non-Participating Interest Share of the Costs of

1 that Non-consent Operation multiplied by eight hundred
2 percent (800%).

3 **16.5.2 Non-Consent Appraisal Operations**

4 The Hydrocarbon Recoupment amount for all Appraisal Operations
5 conducted as Non-Consent Operations is the Non-Participating Interest
6 Share of the Costs of the Appraisal Operation multiplied by six hundred
7 percent (600%).

8 **16.5.3 Non-Consent Proprietary Geophysical Operations, Feasibility**
9 **AFEs, Selection AFEs, Define AFEs, Long Lead Development**
10 **System AFEs, Post-Production Project Team AFEs, or Enhanced**
11 **Recovery Project Team AFEs**

12 If a Non-Participating Party in a Proprietary Geophysical Operation,

13 Feasibility AFE, Define AFE, Long Lead Development System AFE,
14 Post-Production Project Team AFE, or Enhanced Recovery Project
15 Team AFE takes, or is deemed to have taken, the steps set forth in
16 Article 16.9 (*Settlement of Underinvestments*), that Party is an
17 Underinvested Party in an amount equal to two hundred percent
18 (200%) of the amount it would have paid had it participated in that
19 activity, operation or AFE until the Underinvestment is eliminated under
20 Article 16.9 (*Settlement of Underinvestments*). If a Non-Participating
21 Party in a Selection AFE takes, or is deemed to have taken, the steps
22 set forth in Article 16.9 (*Settlement of Underinvestments*), that Party is
23 an Underinvested Party in an amount equal to one hundred and ten
24 percent (110%) of the amount that the it would have paid had it
25 participated in that AFE until the Underinvestment is eliminated under
26 Article 16.9 (*Settlement of Underinvestments*).

27 **16.5.4 Non-Consent Development Operations**

28 The Hydrocarbon Recoupment amount for all Development Operations
29 conducted as Non-Consent Operations is the Non-Participating Interest
30 Share of the Costs of the Development Operation multiplied by four
31 hundred percent (400%).

1 **16.5.5 Non-Consent Subsequent Development System and Additional**
2 **Facilities**

3 The Hydrocarbon Recoupment amount for a non-consent Execution
4 AFE for a subsequent Development System or additional Facilities not
5 included in an Execution AFE is the Non-Participating Interest Share of
6 the Cost incurred with respect to that Execution AFE or those additional
7 Facilities not included in an Execution AFE multiplied by three hundred
8 percent (300%).

9 **16.5.6 Additional Hydrocarbon Recoupment**

10 In addition to the percentage Hydrocarbon Recoupment for the various
11 Non-Consent Operations set forth above, the Participating Parties are
12 entitled to recoup:

- 13 (a) one hundred and ten percent (110%) of the Non-Participating
14 Interest Share of the Cost of using an existing Development
15 System that is needed to serve a Production System or Facilities
16 installed as a Non-Consent Operation, in which the Non-
17 Participating Party has a Participating Interest; plus
- 18 (b) one hundred and ten percent (110%) of the Non-Participating
19 Interest Share of the Cost of operating expenses, maintenance
20 Costs, royalties, and severance, gathering, and production taxes
21 and other governmental fees based on production.

22 **16.5.7 Hydrocarbon Recoupment From Production**

23 Hydrocarbon Recoupment for a Non-Consent Operation shall be made
24 from the Hydrocarbon production as follows:

25 **16.5.7.1 Non-Consent Exploratory Operations, Non-Consent**
26 **Appraisal Operations, and Non-Consent Development**
27 **Operations That Discover or Extend a Producing**
28 **Reservoir**

29 For

- 30 (a) an Exploratory Operation,
31 (b) an Appraisal Operation, or



1 (c) a Development Operation,

2 that is conducted as a Non-Consent Operation and discovers
3 a new Producing Reservoir or extends an existing Producing
4 Reservoir (as the Producing Reservoirs existed at the time
5 the Development Operation was proposed), each Non-
6 Participating Party shall satisfy Hydrocarbon Recoupment
7 from

8 (i) one hundred percent (100%) of its Non-Participating
9 Interest Share of all Hydrocarbons produced and saved
10 from the Non-Consent Operation, if the Non-Consent
11 Operation results in Hydrocarbon production, and

12 (ii) fifty percent (50%) of its Participating Interest Share of
13 all Hydrocarbons produced and saved from operations
14 conducted after the Non-Consent Operation that result
15 in Hydrocarbon production from the same Producing
16 Reservoir discovered or extended by the Non-Consent
17 Operation.

18 **16.5.7.2 Non-Consent Development Operations in an Existing**
19 **Producing Reservoir**

20 If a Development Operation is conducted as a Non-Consent
21 Operation and does not discover a new Producing Reservoir
22 and also does not extend an existing Producing Reservoir (as
23 the Producing Reservoirs existed at the time the
24 Development Operation was proposed), each Non-
25 Participating Party shall satisfy Hydrocarbon Recoupment
26 from one hundred percent (100%) of its Non-Participating
27 Interest Share of Hydrocarbons produced and saved from the
28 Non-Consent Operation, if the Non-Consent Operation results
29 in Hydrocarbon production.

30 **16.5.7.3 Non-Consent Subsequent Development Systems**

31 If the construction and installation of a subsequent
32 Development System is conducted as a Non-Consent

1 Operation, each Non-Participating Party shall satisfy
2 Hydrocarbon Recoupment from:

3 (a) one hundred percent (100%) of its Non-Participating
4 Interest Share or its Participating Interest Share
5 (whichever applies) of Hydrocarbons produced and
6 saved from all Development Operations that are
7 conducted from that subsequent Development System,
8 and

9 (b) one hundred percent (100%) of its Non-Participating
10 Interest Share or its Participating Interest Share
11 (whichever applies) of Hydrocarbons produced and
12 saved from all wells that benefit from injection or
13 disposal wells drilled and/or operated from that
14 subsequent Development System.

15 **16.6 Restoration of Interests to Non-Participating Party**

16 Except as provided in Articles 16.2 (*Acreage Forfeiture Provisions*) and 16.4
17 (*Non-Consent Operations to Maintain Contract Area*), a Non-Participating Party's
18 Working Interest and leasehold operating rights revert to the Non-Participating
19 Party, effective at 7:00 a.m. of the day after the occurrence of the first of the
20 following events:

21 (a) the well bore of the Non-Consent Operation is not a Producing Well on the
22 date the permanent plugging and abandonment of the well concludes;

23 (b) Hydrocarbon production recouped under Article 16.5.7 (*Hydrocarbon*
24 *Recoupment From Production*) as result of a Non-Consent Operation
25 ceases prior to Complete Recoupment;

26 (c) the Participating Parties Sidetrack or Deepen an Exploratory Well,
27 Appraisal Well or Development Well and that well does not qualify as a
28 Producing Well; or

29 (d) upon Complete Recoupment.

30 However, only upon Complete Recoupment does a former Non-Participating
31 Party become a Participating Party in the Non-Consent Operation.

1 **16.6.1 Dry Hole Reversion**

2 If a Non-Consent Operation, other than a Non-Consent Operation
3 under Articles 16.2 (*Acreage Forfeiture Provisions*) and 16.4 (*Non-*
4 *Consent Operations to Maintain Contract Area*), results in an event
5 provided in Article 16.6(a) or (b) and a Non-Participating Party's
6 Working Interest and leasehold operating rights revert back to the Non-
7 Participating Party, all well equipment in place as a result of that Non-
8 Consent Operation and all Development Systems fabricated and
9 installed as a result of that Non-Consent Operation and rights to future
10 Hydrocarbon production from a Producing Reservoir discovered or
11 extended by that Non-Consent Operation as described in Article 16.5.7
12 (*Hydrocarbon Recoupment From Production*) remain vested in the
13 Participating Parties. Any salvage value in excess of Complete
14 Recoupment will be credited to all Parties according to their Working
15 Interest and without regard to their participation status.

16 **16.6.2 Sidetracking or Deepening a Non-Consent Well**

17 If a Non-Participating Party participates in a Sidetracking or Deepening
18 as provided in Article 10.2.5 (*Participation in Sidetrack or Deepening by*
19 *a Non-Participating Party in an Exploratory Well at Initial Objective*
20 *Depth*), Article 11.2.5 (*Participation in Sidetrack or Deepening by a*
21 *Non-Participating Party in an Appraisal Well at Initial Objective Depth*)
22 or Article 13.2.5 (*Participation in Sidetrack or Deepening by a Non-*
23 *Participating Party in a Development Well at Initial Objective Depth*),
24 and if the Participating Parties have recouped the Cost of the original
25 well down to its Objective Depth at the time the Sidetrack or Deepening
26 is approved by Election, then the Non-Participating Party shall not be
27 an Underinvested Party in the Sidetracking or Deepening of that well,
28 and the Participating Parties in the original well shall achieve Complete
29 Recoupment under Article 16.5.7.1 (*Non-Consent Exploratory*
30 *Operations, Non-Consent Appraisal Operations, and Non-Consent*
31 *Development Operations That Discover or Extend a Producing*
32 *Reservoir*) or Article 16.5.7.2 (*Non-Consent Development Operations in*
33 *an Existing Producing Reservoir*), whichever applies.

1 **16.7 Operations From a Subsequent Non-Consent Development System**

2 A Party who Elected not to participate in a subsequent Development System
3 may participate in Development Operations from that subsequent Development
4 System. If that Non-Participating Party participates in such a Development
5 Operation, then the Non-Participating Party shall make to the Operator a lump
6 sum payment of any remaining Hydrocarbon Recoupment and Underinvestment
7 under Article 16 (*Non-Consent Operations*) for which it is still liable. The
8 Operator shall then distribute to the Participating Parties in the subsequent
9 Development System their Participating Interest Share of the payment. Upon
10 that payment, the Non-Participating Party will become an owner and a
11 Participating Party in the subsequent Development System.

12 **16.8 Allocation of Development System Costs to Non-Consent Operations**

13 In the event a well is drilled from or produced through a Production System or is
14 produced through Facilities whose Participating Parties are different from the
15 Participating Parties in that well or if the Participating Parties' Participating
16 Interest Shares in that Production System or Facilities are different from their
17 Participating Interest Shares in that well, the rights of the Participating Parties in
18 that well and the Costs to use the Production System or Facilities for that well
19 shall be determined as follows:

20 **16.8.1 Investment Charges**

21 (a) The Participating Parties in that well shall pay to the Operator a
22 one-time slot usage fee for the use of a slot on the Production
23 System equal to two percent (2%) of the Cost of the Production
24 System; provided, however, each Non-Participating Party's share
25 of the slot usage fee shall be included in the calculation of any
26 Hydrocarbon Recoupment to which it is subject as a result of the
27 Non-Consent Operation's utilizing that slot. Within fifteen (15)
28 days of its receipt of that fee, the Operator shall distribute to the
29 Participating Parties in the Production System their Participating
30 Interest Share of that payment. For purposes of calculating the
31 slot usage fee, the total Cost of the Production System shall be
32 reduced by .625 percent per month, commencing on the date the
33 Production System was installed and continuing every month
34 thereafter until the month actual drilling operations on that well is
35 commenced; however, the total Cost of the Production System

1 shall not be reduced by more than fifty percent (50%) of the total
2 Production System's costs. The Cost of additions to the
3 Production System shall be reduced in the same manner
4 commencing the first month after the addition is installed.

5 If that well is abandoned, having never produced Hydrocarbons,
6 the right of the Participating Parties in that well to use the
7 Production System slot through which the well was drilled shall
8 terminate unless those Parties commence drilling a substitute well
9 for the abandoned well through the same slot within ninety (90)
10 days of the abandonment. If that substitute well is abandoned,
11 having never produced Hydrocarbons, the right of the
12 Participating Parties in that well to use the Production System slot
13 through which the well was drilled shall terminate.

14 The slot usage fee shall not apply to a slot deemed to be
15 "surplus." A slot may be deemed surplus only by the unanimous
16 agreement of the owners of the Production System.

17 (b) The Participating Parties in that well shall pay to the owners of the
18 Facilities a sum equal to that portion of the total Cost of those
19 Facilities that the throughput volume of the Non-Consent
20 Operation bears to the total design throughput volume of the
21 Facilities. Throughput volume shall be estimated by the Operator
22 in barrels produced per day (5.8 mcf of gas determined at a
23 pressure of 14.73 pounds per square inch atmospheric and a
24 temperature of sixty (60) degrees Fahrenheit equaling one barrel
25 of oil and one barrel of water equaling one barrel of oil), using an
26 average daily volume of the first three months of Hydrocarbon
27 and water production from the Non-Consent Operation. For
28 purposes of calculating the Facilities usage fee, the total Cost of
29 the Facilities, shall be reduced by .625 percent per month,
30 commencing from the date when the Facilities were installed and
31 continuing every month thereafter until the first month during
32 which production from the Non-Consent Operation commences,
33 but the total Cost of the Facilities shall not be reduced more than
34 fifty percent (50%) of the total Facilities' Cost. If a modification,

1 expansion, or addition to the Facilities is made after commencing
2 first production and before connection of the Non-Consent
3 Operation to the Facilities, the Facilities investment shall be
4 reduced in the same manner described above, from the month in
5 which the Facilities modification, expansion or addition is
6 completed until the first month during which production from the
7 Non-Consent Operation is commenced.

8 **16.8.2 Payments**

9 Payment of a usage fee shall not be deemed to be a purchase by the
10 Participating Parties of an additional interest in the Production System
11 or Facilities. Payments under Article 16.8.1 (*Investment Charges*) shall
12 be due and payable on commencement of initial production from the
13 Non-Consent Operation.

14 **16.8.3 Operating and Maintenance Charges**

15 The Participating Parties in a well drilled as a Non-Consent Operation
16 shall pay all Costs necessary to connect the well to the Production
17 System. The Costs of operating and maintaining the Facilities and the
18 Production System shall be allocated equally among all active
19 completions served. Subsea production system operating and
20 maintenance Costs shall be allocated equally among all subsea well
21 completions served by the subsea production system. Operating and
22 maintenance Costs for the Facilities shall be allocated to each well
23 served in the proportion that the volume throughput of the well bears to
24 the total volume throughput of all wells handled by the Facilities.

25 **16.9 Settlement of Underinvestments**

26 A Non-Participating Party shall become an Underinvested Party and become
27 liable for settling an Underinvestment if it (a) makes a revised Election or Vote to
28 become a Participating Party in an AFE, activity or operation in which it originally
29 Elected or Voted not to participate, (b) Elects to participate (i) in the Sidetracking
30 or Deepening of a wellbore in which it did not participate to Objective Depth or (ii)
31 in a Sidetracking or Deepening thereafter, (c) Elects to participate in a
32 Development Plan after a Major Modification of that plan has been approved, or
33 (d) Elects to participate in Development Operations from a subsequent
34 Development System in which it did not participate. A Non-Participating Party in

1 a Selection AFE, who elects to participate in the Define AFE, which follows it,
2 shall automatically be deemed to have submitted to the Operator a written
3 statement memorializing its subsequent Election to (a) participate in that
4 Selection AFE, in which it originally Elected not to participate, and (b) become an
5 Underinvested Party in regard to that AFE. A Non-Participating Party in a Define
6 AFE, who elects to participate in the Execution AFE, which follows it, shall
7 automatically be deemed to have submitted to the Operator a written statement
8 memorializing its subsequent Election to (a) participate in the Define AFE in
9 which it originally Elected not to participate and (b) become an Underinvested
10 Party in regard to that AFE. A Non-Participating Party in a Long Lead
11 Development System AFE, who elects to participate in the activity or operation
12 for which the long lead item in the Long Lead Development System AFE was
13 procured, shall automatically be deemed to have submitted to the Operator a
14 written statement memorializing its subsequent Election to (a) participate in that
15 Long Lead Development System AFE, in which it originally Elected not to
16 participate, and (b) become an Underinvested Party in regard to that AFE.
17 Except as provided in Article 16.9.1 (*Cash Settlement of Underinvestment*), an
18 Underinvested Party shall settle its Underinvestment through Disproportionate
19 Spending. The Underinvested Party shall be responsible for and pay one
20 hundred percent (100%) of the Overinvested Parties' share of the Costs (or if
21 there are two or more Underinvested Parties, a proportion of those Costs based
22 on each Party's Underinvestment) in subsequent activities or operations or AFEs
23 under this Agreement in which that Underinvested Party and one or more
24 Overinvested Parties participate until the amount of the Underinvestment is
25 eliminated, except under Article 13.3.1 (*Multiple Completion Alternatives Above
26 and Below the Deepest Producing Reservoir*) the Underinvested Party shall be
27 responsible for and pay one hundred percent (100%) of the Overinvested
28 Parties' share of the Costs (or if there are two or more Underinvested Parties, a
29 proportion of those Costs based on each Party's Underinvestment) in
30 subsequent activities or operations or AFEs within the Contract Area in which
31 one or more Overinvested Parties participate until the amount of the
32 Underinvestment is eliminated.

33 **16.9.1 Cash Settlement of Underinvestment**

34 If the Parties do not plan or propose further activities or operations
35 under this Agreement (for which Costs would be allocated to the
36 elimination of an Underinvestment), the Underinvested Party shall pay

1 the Overinvested Parties the remaining Underinvestment amount in
2 cash under Exhibit "C." If Disproportionate Spending in the Contract
3 Area does not eliminate an Underinvestment within two (2) years after
4 the date the Underinvestment is incurred, or upon final accounting and
5 settlement under this Agreement, or before the Underinvested Party
6 withdraws from the Contract Area under Article 17 (*Withdrawal From*
7 *Agreement*), whichever comes first, the Underinvested Party shall pay
8 the Overinvested Parties the remaining Underinvestment in cash under
9 Article 17 (*Withdrawal From Agreement*) and Exhibit "C."

10 **ARTICLE 17 – WITHDRAWAL FROM AGREEMENT**

11 **17.1 Right to Withdraw**

12 Subject to this Article 17.1, any Party may withdraw from this Agreement (the
13 "Withdrawing Party") by giving prior written notice to all other Parties stating its
14 decision to withdraw ("the withdrawal notice"). The withdrawal notice shall
15 specify an effective date of withdrawal that is at least sixty (60) days, but not
16 more than ninety (90) days, after the date of the withdrawal notice. Within thirty
17 (30) days of receipt of the withdrawal notice, the other Parties may join in the
18 withdrawal by giving written notice of that fact to the Operator ("written notice to
19 join in the withdrawal") and upon giving written notice to join in the withdrawal are
20 "Other Withdrawing Parties." The withdrawal notice and the written notice to join
21 in the withdrawal are unconditional and irrevocable offers by the Withdrawing
22 Party and the Other Withdrawing Parties to convey to the Parties who do not join
23 in the withdrawal ("the Remaining Parties") the Withdrawing Party's and the
24 Other Withdrawing Parties' entire Working Interest in all of the Leases,
25 Hydrocarbon production, and other property and equipment owned under this
26 Agreement.

27 **17.2 Response to Withdrawal Notice**

28 Failure to respond to a withdrawal notice is deemed a decision not to join in the
29 withdrawal.

30 **17.2.1 Unanimous Withdrawal**

31 If all the other Parties join in the withdrawal,

- 1 (a) no assignment of Working Interests shall take place;
- 2 (b) subject to Article 18.4 (*Abandonment Operations Required by*
3 *Governmental Authority*), no further operations may be conducted
4 under this Agreement unless agreed to by all Parties;
- 5 (c) the Parties shall abandon all activities and operations within the
6 Contract Area and relinquish all of their Working Interests to the
7 MMS within thirty (30) days of the conclusion of the thirty (30) day
8 joining period; and
- 9 (d) notwithstanding anything to the contrary in Article 18
10 (*Abandonment and Salvage*), the Operator shall:
- 11 (i) furnish all Parties a detailed abandonment plan, if
12 applicable, and a detailed cost estimate for the
13 abandonment within sixty (60) days after the conclusion of
14 the thirty (30) day joining period; and
- 15 (ii) cease operations and begin to permanently plug and
16 abandon all wells and remove all Production Systems and
17 Facilities in accordance with the abandonment plan.

18 **17.2.2 No Additional Withdrawing Parties**

19 If none of the other Parties join in the withdrawal, then the Remaining
20 Parties must accept an assignment of their Participating Interest Share
21 of the Withdrawing Party's Working Interest, unless the Remaining
22 Parties agree to the share of the Withdrawing Party's Working Interest
23 in a different percentage.

24 **17.2.3 Acceptance of the Withdrawing Parties' Interests**

25 If one or more but not all of the other Parties join in the withdrawal and
26 become Other Withdrawing Parties, then within forty-eight (48) hours
27 (exclusive of Saturdays, Sundays, and federal holidays) of the
28 conclusion of the thirty (30) day joining period, each of the Remaining
29 Parties shall submit to the Operator a written rejection or acceptance of
30 its Participating Interest Share of the Withdrawing Party's and Other
31 Withdrawing Parties' Working Interest. Failure to make that written
32 rejection or acceptance shall be deemed a written acceptance. If the

1 Remaining Parties are unable to select a successor Operator, if
2 applicable, or if a Remaining Party submits a written rejection and the
3 other Remaining Parties do not agree to accept one hundred percent
4 (100%) of the Withdrawing Party's and Other Withdrawing Parties'
5 Working Interest within thirty (30) days of the conclusion of the forty-
6 eight (48) hour period to submit a written rejection or acceptance, the
7 Remaining Parties will be deemed to have joined in the withdrawal, and
8 Article 17.2.1 (*Unanimous Withdrawal*) will apply.

9 **17.2.4 Effects of Withdrawal**

10 Except as otherwise provided in this Agreement, after giving a
11 withdrawal notice or a written notice to join in the withdrawal, the
12 Withdrawing Party and Other Withdrawing Parties are not entitled to
13 approve or participate in any activity or operation in the Contract Area,
14 other than those activities or operations for which they retain a financial
15 responsibility. The Withdrawing Party and Other Withdrawing Parties
16 shall take all necessary steps to accomplish their withdrawal by the
17 effective date referred to in Article 17.1 (*Right to Withdraw*) and shall
18 execute and deliver to the Remaining Parties all necessary instruments
19 to assign their Working Interest to the Remaining Parties. A
20 Withdrawing Party and Other Withdrawing Parties shall bear all
21 expenses associated with their withdrawal and the transfer of their
22 Working Interest.

23 **17.3 Limitation Upon and Conditions of Withdrawal**

24 **17.3.1 Prior Expenses**

25 The Withdrawing Party and Other Withdrawing Parties remain liable for
26 their remaining Underinvestments and their Participating Interest Share
27 of the Costs of activities, operations, rentals, royalties, taxes, damages,
28 Hydrocarbon imbalances or other liability or expense accruing or
29 relating to (i) obligations existing as of the effective date of the
30 withdrawal, (ii) activities or operations conducted before the effective
31 date of the withdrawal, (iii) activities or operations approved by the
32 Withdrawing Party and Other Withdrawing Parties before the effective
33 date of the withdrawal, or (iv) activities or operations commenced by
34 the Operator under one of its discretionary powers under this
35 Agreement before the effective date of the withdrawal. Before the

1 effective date of the withdrawal, the Operator shall render a statement
2 to the Withdrawing Party and Other Withdrawing Parties for (1) their
3 respective shares of all identifiable Costs under this Article 17.3.1 and
4 (2) their respective Participating Interest Shares of the estimated
5 current Costs of plugging and abandoning all wells and removing all
6 Production Systems, Facilities, and other materiel and equipment
7 serving the Contract Area, less their respective Participating Interest
8 Shares of the estimated salvage value of the assets at the time of
9 abandonment, as approved by Vote. This statement of expenses,
10 Costs, and salvage value shall be prepared by the Operator under
11 Exhibit "C." Before withdrawing, the Withdrawing Party and Other
12 Withdrawing Parties shall either pay the Operator, for the benefit of the
13 Remaining Parties, the amounts allocated to them in the statement or
14 provide security satisfactory to the Remaining Parties for all obligations
15 and liabilities they have incurred and all obligations and liabilities
16 attributable to them before the effective date of the withdrawal. All
17 liens, charges, and other encumbrances, including but not limited to
18 overriding royalties, net profits interest and production payments, which
19 the Withdrawing Party and Other Withdrawing Parties placed (or
20 caused to be placed) on their Working Interest shall be fully satisfied or
21 released prior to the effective date of its withdrawal (unless the
22 Remaining Parties are willing to accept the Working Interest subject to
23 those liens, charges, and other encumbrances).

24 **17.3.2 Confidentiality**

25 The Withdrawing Party and Other Withdrawing Parties will continue to
26 be bound by the confidentiality provisions of Article 7 (*Confidentiality of*
27 *Data*) after the effective date of the withdrawal but will have no further
28 access to technical information relating to activities or operations under
29 this Agreement. The Withdrawing Party and Other Withdrawing Parties
30 are not required to return to the Remaining Parties Confidential Data
31 acquired prior to the effective date of the withdrawal.

32 **17.3.3 Emergencies and Force Majeure**

33 No Party may withdraw during a Force Majeure or emergency that
34 poses a threat to life, safety, property or the environment but may
35 withdraw from this Agreement after termination of the Force Majeure or

1 emergency. The Withdrawing Party and Other Withdrawing Parties
2 remain liable for their share of all Costs and liabilities arising from the
3 Force Majeure or emergency, including but not limited to the drilling of
4 relief wells, containment and cleanup of oil spills and pollution, and all
5 Costs of debris removal made necessary by the Force Majeure or
6 emergency.

7 **ARTICLE 18 – ABANDONMENT AND SALVAGE**

8 **18.1 Abandonment of Wells**

9 Any Participating Party may propose the permanent plugging and abandonment
10 of a well that has produced Hydrocarbons (other than as a result of Production
11 Testing) by notifying the other Participating Parties. Any Participating Party that
12 fails to respond within the applicable response period shall be deemed to have
13 approved the permanent plugging and abandonment of the well. If the
14 permanent plugging and abandonment proposal is unanimously agreed to by the
15 Participating Parties in that well, the well shall be permanently plugged and
16 abandoned under the applicable regulations at the Cost and risk of the
17 Participating Parties. If the Participating Parties do not unanimously agree to
18 permanently plug and abandon the well, the Operator shall prepare an estimate
19 of the Costs of the permanent plugging and abandonment of the well less the
20 estimated salvage value of the well, as determined under Exhibit "C," and the
21 Participating Party desiring to permanently plug and abandon the well shall pay
22 the Operator, for the benefit of the non-abandoning Participating Parties, its
23 share of that estimate within thirty (30) days of its receipt of the estimate. If an
24 abandoning Participating Party's respective share of the estimated salvage value
25 is greater than its share of the estimated Costs of the permanent plugging and
26 abandonment, the Operator, on behalf of the non-abandoning Participating
27 Parties, shall pay to the abandoning Participating Party a sum equal to the
28 deficiency within thirty (30) days of the abandoning Participating Party's receipt
29 of the estimate. Each Participating Party desiring to abandon a well shall assign
30 to each non-abandoning Participating Party in that well a portion of its Working
31 Interest in that well and the equipment therein and the Hydrocarbon production
32 therefrom equal to the non-abandoning Party's Participating Interests in that well
33 divided by the entire Participating Interests of the non-abandoning Parties in that
34 well. That assignment shall be effective as of the date of the abandoning Party's

1 response to the well abandonment proposal. The abandoning Party shall
2 assume and be liable for all obligations pertaining to that well, except liability for
3 payments under this Article 18.1, prior to the effective date of its assignment to
4 the non-abandoning Parties. The abandoning Party shall not assume and be
5 liable for any obligations pertaining to that well, except liability for payments under
6 this Article 18.1, as of the effective date of its assignment to the non-abandoning
7 Parties.

8 **18.2 Abandonment of Equipment**

9 Any Participating Party in a Production System or Facilities or an enhanced
10 recovery and/or pressure maintenance program described in Article 12.11
11 (*Enhanced Recovery and/or Pressure Maintenance Program Proposals*) (the
12 "Equipment") may propose the abandonment and disposition of that Equipment.
13 If that proposal is unanimously agreed to by the Participating Parties, the
14 Operator shall abandon and dispose of that Equipment at the Cost and risk of
15 the Participating Parties. If a Participating Party fails to respond within the
16 applicable response period, that Participating Party shall be deemed to have
17 approved the abandonment and disposal of the Equipment. If all Participating
18 Parties do not approve abandoning and disposing of the Equipment, the
19 Operator shall prepare an estimate of the Costs of abandonment, removal, site
20 clearance, and disposition of the Equipment, less the estimated salvage value of
21 the Equipment, as determined under Exhibit "C," and the Participating Party
22 desiring to abandon and dispose of the Equipment shall pay the Operator, for the
23 benefit of the non-abandoning Participating Parties, its share of that estimate
24 within thirty (30) days of its receipt of the estimate. If an abandoning
25 Participating Party's respective share of the estimated salvage value is greater
26 than its share of the estimated costs, the Operator, on behalf of the non-
27 abandoning Participating Parties, shall pay to the abandoning Participating Party
28 a sum equal to the surplus within thirty (30) days of the abandoning Participating
29 Party's receipt of the estimate. Each Participating Party desiring to abandon the
30 Equipment shall assign to each non-abandoning Participating Party in the
31 Equipment a portion of its Working Interest in the Equipment equal to the non-
32 abandoning Party's Participating Interests in the Equipment divided by the entire
33 Participating Interests of the non-abandoning Parties in the Equipment. That
34 assignment shall be effective as of the date of the abandoning Party's response
35 to the Equipment abandonment proposal. The abandoning Party shall assume
36 and be liable for all obligations pertaining to the Equipment, except liability for

1 payments under this Article 18.2, prior to the effective date of its assignment to
2 the non-abandoning Parties. The abandoning Party shall not assume and be
3 liable for any obligations pertaining to the Equipment, except liability for payments
4 under this Article 18.2, as of the effective date of its assignment to the non-
5 abandoning Parties.

6 **18.3 Disposal of Surplus Material**

7 The Operator may classify material acquired under this Agreement as surplus
8 when the Operator deems it is no longer needed in present or foreseeable
9 activities or operations. The Operator shall determine the value and Cost of
10 disposing of the material under Exhibit "C." If the material is classified as junk or
11 if the value, less the Cost of disposal, is less than or equal to five hundred
12 thousand dollars (\$500,000), the Operator may dispose of the surplus material in
13 a manner it deems appropriate. If the value, less the Cost of disposal of the
14 surplus material, is greater than five hundred thousand dollars (\$500,000), the
15 Operator shall give written notice thereof to the Parties owning the material, and
16 the surplus material shall be disposed of in accordance with the method of
17 disposal approved by the Parties owning the material. Proceeds from the sale or
18 transfer of surplus material shall be promptly credited to each Party in proportion
19 to its ownership of the material at the time of the retirement or disposition of the
20 material.

21 **18.4 Abandonment Operations Required by Governmental Authority**

22 The Operator shall conduct the abandonment and removal of any Equipment [as
23 defined in Article 18.2 (*Abandonment of Equipment*)] required by a governmental
24 authority, and the Costs, risks, and net proceeds of that abandonment and
25 removal will be shared by the Participating Parties in that Equipment [as defined
26 in Article 18.2 (*Abandonment of Equipment*)] according to their Participating
27 Interest Share.

28 **ARTICLE 19 – RENTALS, ROYALTIES, AND MINIMUM ROYALTIES**

29 **19.1 Burdens on Hydrocarbon Production**

30 If a Party has previously created or hereafter creates an overriding royalty,
31 production payment, carried or reversionary working interest, net profits interest,
32 mortgage, lien, security interest or other type of burden on Hydrocarbon

1 production, including, but not limited to, agreements affecting the marketing,
2 processing or transportation of Hydrocarbon Production, other than the lessor's
3 royalty stipulated in a Lease (a "Lease Burden"), the Party creating the Lease
4 Burden shall assume and bear all liabilities and obligations of the Lease Burden
5 regardless of that Party's participation status and notwithstanding an assignment
6 under this Agreement of all or part of that Party's Working Interest to another
7 party. The Party creating the Lease Burden shall indemnify, release, defend,
8 and hold all other Parties harmless from all claims and demands for payment
9 asserted by the owners of the Lease Burden.

10 **19.1.1 Subsequently Created Lease Burdens**

11 Notwithstanding any contrary provision of this Agreement, if a Party,
12 after executing this Agreement, creates a Lease Burden, that Lease
13 Burden shall be made specifically subject to this Agreement. If the
14 Party owning the Working Interest from which a Lease Burden is
15 created (a) fails to pay when due its share of Costs, (b) withdraws from
16 this Agreement, or (c) Elects to abandon a well under Article 18.1
17 (*Abandonment of Wells*), then the beneficiary of the Lease Burden will
18 be chargeable with Costs equal to its fractional interest in gross
19 production and the security rights created in Exhibit "F" will be
20 applicable against that Lease Burden. The Operator has the right to
21 enforce the security rights (and all other rights granted under this
22 Agreement) against the beneficiary of a Lease Burden for the purpose
23 of collecting Costs chargeable to the Lease Burden. The rights of the
24 beneficiary of a Lease Burden are subordinate to the rights of the
25 Parties granted by Exhibit "F."

26 **19.2 Payment of Rentals and Royalties**

27 The Operator shall make all rental payments for the Leases on behalf of the
28 Parties. The Operator shall use reasonable care to make proper and timely
29 payment of the rental payments, all minimum royalties, and all other similar
30 payments accruing under the Leases. Upon receipt of proper evidence of those
31 payments and the Operator's invoice for its proportionate share of those
32 payments, each Non-Operating Party shall reimburse the Operator for the
33 Non-Operating Party's Working Interest share of those payments. In the event
34 the Operator fails to make proper payment of a rental, minimum royalty or other
35 similar payment accruing under a Lease through mistake or oversight where that

1 payment is required to continue that Lease in force and effect, the Operator will
2 not be liable to the other Parties for any resulting damages or any loss that
3 results from the non-payment, unless that non-payment is due to the Gross
4 Negligence or Willful Misconduct of the Operator. The loss of a Lease or interest
5 therein that results from the Operator's failure to pay, or the Operator's
6 erroneous payment of, a rental, minimum royalty, or other similar payments is a
7 joint loss, and there will be no readjustment of Working Interests as a
8 consequence thereof. For production delivered in-kind by the Operator to a Non-
9 Operating Party or to a third party for the account of a Non-Operating Party, the
10 Non-Operating Party shall provide the Operator with information about the
11 proceeds or value of the production in order for the Operator to make payments
12 of all minimum royalties due.

13 **19.2.1 Non-Participation in Payments**

14 If a Party notifies the other Parties, in writing at least sixty (60) days
15 before the date the payment is due of its intention not to pay its share
16 of a rental, minimum royalty, or other similar payment, that Party shall
17 be deemed to have given a withdrawal notice under Article 17
18 (*Withdrawal From Agreement*), and must withdraw from the entire
19 Contract Area, not just the Lease on which the payment is due. Upon
20 this occurrence, the Operator shall make the payment solely for the
21 benefit of the Remaining Parties, as defined in Article 17 (*Withdrawal*
22 *From Agreement*), and the Remaining Parties shall reimburse the
23 Operator for their respective shares of the payment, based on the
24 procedures in Article 17.2 (*Response to Withdrawal Notice*).

25 **19.2.2 Royalty Payments**

26 Each Party shall pay or cause to be paid all royalty and other amounts
27 payable, which are based on its share of Hydrocarbon production.
28 Adjustments to those payments shall be made among the Parties in
29 accordance with Exhibit "D" (Gas Balancing Agreement). When the
30 Participating Parties are recouping their Costs from a Non-Consent
31 Operation and an applicable premium under Article 16.5 (*Percentage*
32 *Hydrocarbon Recoupment for Non-Consent Operations*), each of the
33 Participating Parties shall pay or cause to be paid the Lease royalty on
34 the portion of the Hydrocarbon Recoupment to which it is entitled.

ARTICLE 20 – TAXES

20.1 Internal Revenue Provision

Notwithstanding any provision in this Agreement to the effect that the rights and liabilities of the Parties are several, not joint or collective, and that the Agreement and the activities and operations under this Agreement do not constitute a partnership under state law, each Party elects to be excluded from the application of all or any part of the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as amended, or similar provisions of applicable state laws regardless of whether for federal income tax purposes this Agreement and the activities and operations under this Agreement are regarded as a partnership.

20.2 Other Taxes and Assessments

The Operator shall file all tax returns and reports required by law and pay all applicable taxes [other than income or other taxes provided in Article 20.2.2 (*Production and Severance Taxes*)] and assessments levied with respect to activities and operations conducted under this Agreement. The Parties shall promptly furnish the Operator with copies of all notices, assessments, and statements received pertaining to taxes to be paid by the Operator. The Operator will charge each Party its Working Interest share of all taxes and assessments paid [other than income or other taxes provided in Article 20.2.2 (*Production and Severance Taxes*)] and, upon written request from a Non-Operating Party, provide copies of all tax returns, reports, tax statements, and receipts for the taxes. The Operator shall not allow any taxes to become delinquent unless unanimously agreed to by the Parties.

20.2.1 Property Taxes

The Operator shall render for ad valorem property tax purposes all personal property and/or real property covered by this Agreement as may be subject to that taxation and shall pay those property taxes for the benefit of each Party. The Operator shall timely and diligently protest a valuation of the Leases for tax purposes it deems unreasonable. Pending final determination of the valuation of the Leases for tax purposes, unless unanimously agreed to by the Parties to the contrary under Article 20.2 (*Other Taxes and Assessments*), the

Operator shall, on or before the due date, pay under protest taxes on the Leases at the assessed value of the Leases. If upon final determination, additional taxes are due or if interest or a penalty has accrued as a result of the protest, the Operator shall pay the taxes, interest, and penalty and shall charge each Party its Working Interest share of the taxes, interest, and penalty under Exhibit "C."

20.2.2 Production and Severance Taxes

Each Party shall pay, or cause to be paid, all production, excise, severance, and other similar taxes due on its share of Hydrocarbon production. Each Party shall upon a written request from the Operator, provide evidence that those taxes have been paid.

ARTICLE 21 – INSURANCE AND BONDS

21.1 Insurance

The Operator shall provide and maintain the insurance coverage specified in Exhibit "B" and charge those Costs to the Joint Account. No other insurance shall be carried for the benefit of the Parties under this Agreement unless otherwise agreed by the Parties.

21.2 Bonds

The Costs of those bonds or financial guarantees acquired exclusively for the conduct of activities and operations under this Agreement shall be charged to the Joint Account, including an amount equivalent to the reasonable cost of that bond or financial guarantee if the Operator provides that bond or guarantee itself and does not engage a third party to do so. The Operator shall require all contractors to obtain and maintain all bonds required by an applicable law, regulation or rule.

ARTICLE 22 – LIABILITY, CLAIMS, AND LAWSUITS

22.1 Individual Obligations

The obligations, duties, and liabilities of the Parties under this Agreement are several, but limited in proportion to each Party's Participating Interest Share, and not joint, or joint and several, or collective; and, except as otherwise provided in

1 Article 20 (*Taxes*), nothing in this Agreement shall be construed to create a
2 partnership, joint venture, association, or other form of business entity
3 recognizable in law for any purpose. In their relations with each other under this
4 Agreement, the Parties are not fiduciaries, but rather are free to act at arm's
5 length in accordance with their own respective interests.

6 **22.2 Notice of Claim or Lawsuit**

7 If, on account of a matter involving activities or operations under this Agreement,
8 or affecting the Leases or the Contract Area, a claim is made against a Party, or
9 if a party outside of this Agreement files a lawsuit against a Party, or if a Party
10 files a lawsuit, or if a Party receives notice of a material administrative or judicial
11 hearing or other proceeding, that Party shall give written notice of the claim,
12 lawsuit, hearing, or proceeding ("Claim") to the other Parties as soon as
13 reasonably practicable.

14 **22.3 Settlements**

15 The Operator may settle a Claim, or multiple Claims arising out of the same
16 incident, involving activities or operations under this Agreement or affecting the
17 Leases or the Contract Area, if the aggregate expenditure does not exceed four
18 hundred thousand dollars (\$400,000) and if the payment is in complete
19 settlement of these Claims. If the amount required for settlement exceeds this
20 amount, the Parties shall determine the further handling of the Claims under
21 Article 22.4 (*Defense of Claims and Lawsuits*).

22 **22.4 Defense of Claims and Lawsuits**

23 The Operator shall supervise the handling, conduct, and prosecution of all
24 Claims involving activities or operations under this Agreement or affecting the
25 Leases or the Contract Area. Claims may be settled in excess of the amount
26 specified in Article 22.3 (*Settlements*) if the settlement is approved by Vote of the
27 Participating Parties in the activity or operation out of which the Claim arose, but
28 a Party may independently settle a Claim or the portion of a Claim which is
29 attributable to its Participating Interest Share alone as long as that settlement
30 does not directly and adversely affect the interest or rights of the other
31 Participating Parties. No charge shall be made for services performed by the
32 staff attorneys of a Party, but all other expenses incurred by the Operator in the
33 prosecution or defense of Claims for the Parties, together with the amount paid
34 to discharge a final judgment, are Costs and shall be paid by the Parties in

1 proportion to their Participating Interest Share in the activity or operation out of
2 which the Claim arose. The employment of outside counsel and the selection of
3 that counsel, requires approval by Vote of the Participating Parties in the activity
4 or operation out of which the Claim arose. If the use of outside counsel is
5 approved, the fees and expenses incurred as a result thereof shall be charged to
6 the Parties in proportion to their Participating Interest Share in the activity or
7 operation out of which that Claim arose. Each Party has the right to hire its own
8 outside counsel at its sole cost with respect to its own defense.

9 **22.5 Liability for Damages**

10 Unless specifically provided otherwise in this Agreement, liability for losses,
11 damages, Costs, expenses or Claims involving activities or operations under this
12 Agreement or affecting the Leases or the Contract Area which are not covered
13 by or in excess of the insurance carried for the Joint Account shall be borne by
14 each Party in proportion to its Participating Interest Share in the activity or
15 operation out of which that liability arises, except that when liability results from
16 the Gross Negligence or Willful Misconduct of a Party, that Party shall be solely
17 responsible for liability resulting from its Gross Negligence or Willful Misconduct.
18 **UNDER NO CIRCUMSTANCES WILL A PARTY BE LIABLE TO ANOTHER
19 PARTY FOR PUNITIVE DAMAGES, CONSEQUENTIAL, INDIRECT,
20 UNFORSEEN, LOSS OF PROFIT, OR OTHER INDIRECT OR PENALTY
21 DAMAGES EITHER IN LAW OR EQUITY.**

22 **22.6 Indemnification for Non-Consent Operations**

23 **TO THE EXTENT ALLOWED BY LAW, THE PARTICIPATING PARTIES WILL
24 HOLD THE NON-PARTICIPATING PARTIES (AND THEIR AFFILIATES,
25 AGENTS, INSURERS, DIRECTORS, OFFICERS, AND EMPLOYEES)
26 HARMLESS AND RELEASE, DEFEND, AND INDEMNIFY THEM AGAINST
27 ALL CLAIMS, DEMANDS, LIABILITIES, REGULATORY DECREES, AND
28 LIENS FOR ENVIRONMENTAL POLLUTION AND PROPERTY DAMAGE OR
29 PERSONAL INJURY, INCLUDING SICKNESS AND DEATH, CAUSED BY OR
30 OTHERWISE ARISING OUT OF NON-CONSENT OPERATIONS, AND ANY
31 LOSS AND COST SUFFERED BY A NON-PARTICIPATING PARTY AS AN
32 INCIDENT THEREOF, EXCEPT WHERE THAT LOSS OR COST RESULTS
33 FROM THE SOLE, CONCURRENT, OR JOINT NEGLIGENCE, FAULT, OR
34 STRICT LIABILITY OF THAT NON-PARTICIPATING PARTY, IN WHICH CASE
35 EACH PARTY SHALL PAY OR CONTRIBUTE TO THE SETTLEMENT OR**

1 SATISFACTION OF JUDGMENT IN THE PROPORTION THAT ITS
2 NEGLIGENCE, FAULT, OR STRICT LIABILITY CAUSED OR CONTRIBUTED
3 TO THE INCIDENT. IF AN INDEMNITY IN THIS AGREEMENT IS
4 DETERMINED TO VIOLATE LAW OR PUBLIC POLICY, THAT INDEMNITY
5 SHALL THEN BE ENFORCEABLE ONLY TO THE MAXIMUM EXTENT
6 ALLOWED BY LAW.

7 **22.7 Damage to Reservoir and Loss of Reserves**

8 NOTWITHSTANDING ANY CONTRARY PROVISION OF THIS AGREEMENT,
9 NO PARTY IS LIABLE TO ANY OTHER PARTY FOR DAMAGE TO A
10 RESERVOIR OR LOSS OF HYDROCARBONS.

11 **22.8 Non-Essential Personnel**

12 UNLESS OTHERWISE MUTUALLY AGREED BY THE PARTIES IN WRITING,
13 IN THE EVENT A PARTY REQUESTS TRANSPORTATION OR ACCESS TO
14 ANY DRILLING RIG, PRODUCTION SYSTEM, VESSEL OR OTHER FACILITY
15 USED FOR ACTIVITIES OR OPERATIONS UNDER THIS AGREEMENT FOR
16 ANY PERSON WHO IS NOT EMPLOYED BY, CONTRACTED BY OR
17 REPRESENTING SUCH PARTY IN CONNECTION WITH AN ACTIVITY OR
18 OPERATION CONDUCTED PURSUANT TO THIS AGREEMENT, OTHER
19 THAN GOVERNMENTAL OFFICIALS OR REPRESENTATIVES OF
20 GOVERNMENTAL OR REGULATORY AGENCIES (“NON-ESSENTIAL
21 PERSONNEL”), THE PARTY REQUESTING SUCH TRANSPORTATION OR
22 ACCESS AGREES TO PROTECT, INDEMNIFY, RELEASE, DEFEND AND
23 HOLD HARMLESS THE OTHER PARTIES AND THEIR RESPECTIVE
24 OFFICERS, DIRECTORS, MANAGERS, EMPLOYEES, AGENTS,
25 CONTRACTORS, SUBCONTRACTORS, INVITEES, INSURERS AND
26 REPRESENTATIVES FROM AND AGAINST ALL CLAIMS, DEMANDS,
27 CAUSES OF ACTION, JUDGMENTS, LIABILITIES, CONTRACTUAL
28 LIABILITIES, AND OTHER COSTS (INCLUDING, WITHOUT LIMITATION,
29 COURT COSTS, JUDICIAL INTEREST, FINES AND PENALTIES OTHER
30 THAN FOR CRIMINAL ACTS, LITIGATION EXPENSES AND REASONABLE
31 ATTORNEYS' FEES) FOR DAMAGE TO, DESTRUCTION OR LOSS OF
32 PROPERTY, AND FOR PERSONAL INJURY OR DEATH OF PERSONS, AND
33 FOR DAMAGE OR HARM TO THE ENVIRONMENT (INCLUDING WITHOUT
34 LIMITATION, SPILL RESPONSE, ENVIRONMENTAL POLLUTION AND
35 CONTAMINATION AND CLEAN-UP COSTS) ARISING OUT OF OR RELATED

1 IN ANY WAY TO THE NEGLIGENCE, FAULT OR LIABILITY WITHOUT FAULT
2 OF THE NON-ESSENTIAL PERSONNEL BROUGHT BY OR ON BEHALF OF
3 ANY PARTY WHOMSOEVER (INCLUDING WITHOUT LIMITATION, ALL
4 THIRD PARTIES AND GOVERNMENTAL AGENCIES), WITHOUT REGARD
5 TO THE CAUSES THEREOF, INCLUDING PRE-EXISTING CONDITIONS, THE
6 UNSEAWORTHINESS OF ANY VESSEL, THE STRICT LIABILITY,
7 NEGLIGENCE OR OTHER FAULT OF ANY PARTY, REGARDLESS OF
8 WHETHER THE NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, ACTIVE
9 OR PASSIVE, EXCEPT IF CAUSED BY THE GROSS NEGLIGENCE OR
10 WILLFUL MISCONDUCT OF THE PARTY SO INDEMNIFIED AND
11 PROTECTED.

12 **22.9 Dispute Resolution Procedure**

13 Any claim, controversy or dispute arising out of, relating to, or in connection with
14 this Agreement or an activity or operation conducted under this Agreement shall
15 be resolved under the Dispute Resolution Procedure in Exhibit "H" to this
16 Agreement.

17 **ARTICLE 23 – CONTRIBUTIONS**

18 **23.1 Contributions from Third Parties**

19 A "Contribution" means a bottom hole cash contribution, dry hole cash
20 contribution or acreage contribution from third parties as consideration for data
21 from wells or well operations on the Contract Area. This Article 23 does not
22 apply to the following:

- 23 (a) Trades of Confidential Data for other similar geophysical, geological,
24 geochemical, drilling or engineering data from third parties. Those trades
25 of Confidential Data are subject to Article 7.2.1 (*Trades of Confidential*
26 *Data*).
- 27 (b) Contributions received as consideration for entering into a contract for the
28 sale of Hydrocarbon production, as proceeds of loans, or as proceeds of
29 other financial arrangements.
- 30 (c) A farmout of all or a portion of a Party's Working Interest, which is subject
31 to Article 24 (*Transfer of Interest and Preferential Right to Purchase*).

1 **23.2 Methods of Obtaining Contributions**

2 The Operator shall negotiate all Contributions on behalf of the Participating
3 Parties in the well or well operation. A Contribution may be obtained in the
4 following ways:

5 (a) Any Participating Party in a well or well operation may propose that the
6 Participating Parties in that well or well operation seek a Contribution from
7 a third party towards that well or well operation.

8 (b) If a Participating Party in a well or well operation receives a Contribution
9 offer for that well or well operation from a third party, that Party shall notify
10 all other Participating Parties in that well or well operation of the terms of
11 that offer within five (5) days of its receipt of that offer.

12 **23.3 Counteroffers**

13 If a third party makes a Contribution counteroffer to the Participating Parties'
14 Contribution offer, or if a Participating Party proposes to make a Contribution
15 counteroffer to a third party Contribution offer, the Operator shall submit the
16 Contribution counteroffer to the other Participating Parties.

17 **23.4 Approval of Contributions**

18 A Contribution proposal, a Contribution counteroffer to a third party Contribution
19 offer, an acceptance of a Contribution offer from a third party or a Contribution
20 counteroffer from a third party requires the unanimous agreement of the
21 Participating Parties in the well or well operation affected by the Contribution.
22 Within fifteen (15) days of their receipt of a notice of a Contribution proposal,
23 Contribution offer or Contribution counteroffer, those Participating Parties shall
24 respond to the Operator.

25 **23.5 Cash Contributions**

26 If a bottom hole or dry hole cash Contribution is offered and accepted, that cash
27 Contribution shall be paid to the Operator, and the Operator shall credit the
28 amount of the cash Contribution against the Costs of that well or well operation
29 to each Participating Party in proportion to its Participating Interest Share.

30 **23.6 Acreage Contributions**

31 Any acreage Contribution, which is offered and accepted under this Article 23
32 (*Contributions*), shall be conveyed to the Participating Parties in the well or well

1 operation in proportion to their Participating Interest Share therein. The leases
2 or portions of leases included in the acreage Contribution shall not be added to
3 Exhibit "A-1" or included in the Contract Area.

4 **23.6.1 Two or More Parties Own One Hundred Percent of the Acreage**
5 **Contribution**

6 If two or more Parties participate in the acreage Contribution and the
7 conveyances to effectuate it, and if, after the conveyances are
8 approved by the MMS, those Parties own one hundred percent (100%)
9 of the ownership interest in the contributed acreage, then (a) the
10 contributed acreage shall be deemed to be governed by an operating
11 agreement incorporating identical provisions as the provisions in this
12 Agreement, except to the extent they are clearly inappropriate, (b) the
13 execution of the operating agreement by the Parties participating in the
14 acreage Contribution shall be considered a mere formality only, (c) the
15 designated operator shall promptly prepare the operating agreement,
16 and (d) the Parties participating in the acreage Contribution shall
17 promptly execute the operating agreement once it is prepared.

18 **23.6.2 Two or More Parties Own Less Than One Hundred Percent of the**
19 **Acreage Contribution**

20 If two or more Parties participate in the acreage Contribution and the
21 conveyances to effectuate it, and if, after the conveyances are
22 approved by the MMS, those Parties own less than one hundred
23 percent (100%) of the ownership interest in the contributed acreage,
24 then those Parties shall use reasonable efforts to negotiate and
25 execute with the other Working Interest owners in the contributed
26 acreage an operating agreement covering the contributed acreage,
27 which is as close in form to this Agreement as possible.

28 **ARTICLE 24 – TRANSFER OF INTEREST AND**
29 **PREFERENTIAL RIGHT TO PURCHASE**

30 **24.1 Transfer of Interest**

31 Except as provided in 24.1.1 (*Exceptions to Transfer Notice*), a Transfer of
32 Interest shall be preceded by written notice to the Operator and the other Parties

1 (“the transfer notice”). Any Transfer of Interest shall be made to a party whom
2 the other Parties unanimously agree is financially capable of assuming the
3 corresponding obligations under this Agreement. No Transfer of Interest shall
4 release a Party from its obligations and liabilities under this Agreement, which
5 are incurred prior to the effective date of that Transfer of Interest, or from debts
6 or obligations incurred prior to the effective date of that Transfer of Interest,
7 except to the extent expressly assumed by the transferee, and the security rights
8 under Article 6.3 (*Security Rights*) shall continue to burden the Working Interest
9 transferred and to secure the payment of any retained obligations and liabilities.
10 Once a Transfer of Interest becomes effective under Article 24.1.2 (*Effective*
11 *Date of Transfer of Interest*), the transferor shall not be responsible for any
12 obligations, debts or liabilities under this Agreement, which are incurred by the
13 Parties on or after the effective date of that Transfer of Interest.

14 **24.1.1 Exceptions to Transfer Notice**

15 Notwithstanding any contrary provision of this Agreement, the transfer
16 notice is not required when a Party proposes to mortgage, pledge,
17 hypothecate or grant a security interest in all or a portion of its Working
18 Interest (including Assignments of Hydrocarbon production executed as
19 further security for the debt secured by that security device); any
20 Production Systems, Facilities or equipment, or when any interest is
21 conveyed in accordance with Articles 16 (*Non-Consent Operations*), 17
22 (*Withdrawal From Agreement*) and 18 (*Abandonment and Salvage*).
23 However, an encumbrance arising from the financing transaction shall
24 be expressly made subject and subordinated to this Agreement.

25 **24.1.2 Effective Date of Transfer of Interest**

26 The effective date of a Transfer of Interest shall be at least sixty (60)
27 days, but not more than one hundred eighty (180) days, after the date
28 of the receipt of the transfer notice. A Transfer of Interest, other than
29 those provided in Article 17.1 (*Right to Withdraw*) and Article 24.1.1
30 (*Exceptions to Transfer Notice*), is effective and shall be binding upon
31 the Parties at the latest date of occurrence of all of the following: (i) the
32 transferor or transferee provides all remaining Parties with a photocopy
33 of a fully executed Transfer of Interest and an executed MMS Form
34 1123, “Designation of Operator,” and an “Application for Certification of
35 Oil Spill Responsibility” form and (ii) evidence of receipt of all necessary

1 approvals by the MMS. The Parties shall promptly undertake all
2 reasonable actions necessary to secure those approvals and shall
3 execute and deliver all documents necessary to effectuate that
4 Transfer of Interest. All costs attributable to a Transfer of Interest are
5 the sole obligation of the assigning Party.

6 **24.1.3 Minimum Transfer of Interest**

7 Except as otherwise provided in this Agreement, a Transfer of Interest
8 shall cover an undivided Working Interest in the entire Contract Area.
9 Prior to the approval of the Execution AFE for the initial Development
10 System, no Transfer of Interest shall be made that is not at least an
11 undivided twelve and one-half percent (12.5%) Working Interest, unless
12 the Parties unanimously agree to a different minimum Transfer of
13 Interest. After the Execution AFE Election on the initial Development
14 System, a Transfer of Interest to a third party shall be limited to a
15 minimum Working Interest of twelve and one-half percent (12.5%),
16 unless the Parties unanimously agree to a different minimum Transfer
17 of Interest.

18 **24.1.4 Form of Transfer of Interest**

19 Any Transfer of Interest shall incorporate provisions that the Transfer of
20 Interest is subordinate to and made expressly subject to this
21 Agreement and provide for the assumption by the assignee of the
22 performance of all of the assigning Party's obligations under this
23 Agreement. Any Transfer of Interest not in compliance with this
24 provision is voidable by the non-assigning Parties.

25 **24.1.5 Warranty**

26 Any Transfer of Interest, vesting or relinquishment of Working Interest
27 between the Parties under this Agreement shall be made without
28 warranty of title.

29 **24.2 Preferential Right to Purchase**

30 Any Transfer of Interest shall be subject to the following provisions:

31 **24.2.1 Notice of Proposed Transfer of Interest**

32 The transfer notice shall provide full information about the proposed
33 Transfer of Interest, including, but not limited to, the name and address

1 of the prospective assignee (who must be ready, willing, and able to
2 acquire the interest and deliver the stated consideration therefor), the
3 full consideration for the Transfer of Interest, and all other terms of the
4 offer.

5 In the case of a package sale of oil and gas interests that includes all or
6 part of the assigning Party's Working Interest, or if the proposed
7 Transfer of Interest is structured as a like-kind exchange, the Working
8 Interest that is subject to the Transfer of Interest shall be separately
9 valued and the transfer notice shall state the monetary value attributed
10 to the Working Interest by that prospective assignee. Article 24.2
11 (*Preferential Right to Purchase*) shall apply only to the Working Interest
12 that is subject to the Transfer of Interest.

13 **24.2.2 Exercise of Preferential Right to Purchase**

14 Within thirty (30) days from receipt of the transfer notice, each non-
15 assigning Party may exercise its preferential right to purchase its
16 Participating Interest Share of the Working Interest offered (on the
17 same terms and conditions, or on equivalent terms for a non-cash
18 transaction as stated in the notice) without reservations or conditions by
19 written notice of that fact to all of the Parties. If a non-assigning Party
20 does not exercise its preferential right to purchase its Participating
21 Interest Share of the Working Interest offered and the non-assigning
22 Parties, who wish to exercise their preferential right to purchase, do not
23 agree to pay the full consideration for the Transfer of Interest and
24 accept all of the other terms of the third party offer within ten (10) days
25 of the termination of the thirty-day period in which the non-assigning
26 Parties may exercise their preferential right to purchase, the assigning
27 Party shall be free to complete the proposed conveyance on the terms
28 disclosed in the notice. If the other non-assigning Parties agree to pay
29 the full consideration for the Transfer of Interest and accept all of the
30 other terms of the third party offer, the assigning Party shall transfer the
31 Working Interest to the non-assigning Parties who exercised their
32 preferential right to purchase under this Article 24 (*Transfer of Interest
33 and Preferential Right to Purchase*). The Transfer of Interest shall be
34 concluded within a reasonable time, but no later than one hundred

1 twenty (120) days after the applicable period in which the non-
2 assigning Parties may exercise their preferential right to purchase.

3 **24.2.3 Transfer of Interest Not Affected by the Preferential Right to**
4 **Purchase**

5 Article 24.2 (*Preferential Right to Purchase*) shall not apply when a
6 Party proposes to:

- 7 (a) mortgage, pledge, hypothecate or grant a security interest in all or
8 a portion of its Working Interest (including assignments of
9 Hydrocarbon production executed as further security for the debt
10 secured by that security device), or
- 11 (b) grant an overriding royalty, a net profits interest, or a production
12 payment
- 13 (c) dispose of its Working Interest by:
- 14 (i) a simultaneous like-kind exchange under Section 1031 of
15 the Internal Revenue Code of 1986, as amended,
16 (“Code”);
- 17 (ii) a property exchange transaction other than a non-
18 simultaneous like-kind exchange under Section 1031 of
19 the Code;
- 20 (iii) merger, reorganization, or consolidation;
- 21 (iv) a Transfer of Interest of substantially all of a Party's
22 exploration and production properties in the Gulf of Mexico;
- 23 (v) a Transfer of Interest to an Affiliate; or
- 24 (vi) a Transfer of Interest pursuant to Articles 16 (*Non-Consent*
25 *Operations*), 17 (*Withdrawal*) and/or 18 (*Abandonment and*
26 *Salvage*).

27 **24.2.4 Completion of Transfer of Interest**

28 If the proposed Transfer of Interest is not executed and filed of record
29 with the MMS within ninety (90) days after receipt of the transfer notice

1 by the non-assigning Parties, or if the terms of the proposed Transfer of
2 Interest conveyance are materially altered, the proposed Transfer of
3 Interest shall be deemed withdrawn, and the Working Interest included
4 in the proposed Transfer of Interest shall again be governed by this
5 Article 24.2 (*Preferential Right to Purchase*).

6 **ARTICLE 25 – FORCE MAJEURE**

7 **25.1 Force Majeure**

8 If a Party is unable, wholly or in part because of a Force Majeure, to carry out its
9 obligations under this Agreement, other than the obligation to make money
10 payments, that Party shall give the other Parties prompt written notice of the
11 Force Majeure with full particulars about it. Effective upon the date notice is
12 given, the obligations of the Party, so far as they are affected by the Force
13 Majeure, shall be suspended during, but no longer than, the continuance of the
14 Force Majeure. Time is of the essence in the performance of this Agreement,
15 and every reasonable effort will be made by the Party to avoid delay or
16 suspension of any work or acts to be performed under this Agreement. The
17 requirement that the Force Majeure be remedied with all reasonable dispatch
18 shall not require a Party to settle strikes or other labor difficulties.

19 **ARTICLE 26 – AREA OF MUTUAL INTEREST**

20 21 **26.1 Area Established**

22 The Parties hereby establish an area of mutual interest (“AMI”) covering the area
23 described in Exhibit “A-2” (“AMI Area”). The AMI shall be effective as of the date
24 of this Agreement and shall continue in full force and effect until the earlier of (1)
25 December 1, 2012, or (2) the date on which the Parties mutually agree in writing
26 to terminate the AMI.

27 28 **26.2 Acquired Interest**

29 During the term of the AMI, if either Party acquires an interest (“Acquiring Party”),
30 or the right to acquire an interest, in any oil and gas lease covering all or any
31 portion of the AMI Area through purchase, farm-in or otherwise (“Acquired
32 Interest”), then the Acquiring Party shall give the other Party (“Offeree”) written

1 notice of such fact within twenty (20) days following the date of such acquisition.
2 Any such written notice shall include the particulars of all terms and conditions of
3 the acquisition. Offeree shall be entitled, for a period of thirty (30) days following
4 the date of its receipt of such written notice, to elect in writing whether or not it
5 desires to participate in the Acquired Interest, based on the Party's Working
6 Interests, and to assume its proportionate Working Interest share of all costs,
7 expenses, obligations and liabilities associated with the acquisition of such
8 Acquired Interest. In the event that the terms of acquisition of the Acquired
9 Interest include payment of cash by the Acquiring Party, and the Offeree
10 affirmatively elects to participate in such Acquired Interest, then any such
11 election shall require that the Offeree reimburse its pro rata Working Interest
12 share of such cash payment to the Acquiring Party, and assume a like share of
13 all obligations associated with the acquisition of such Acquired Interest, within
14 thirty (30) days after the date of its receipt of an invoice therefor and an
15 assignment of its pro rata Working Interest share of the Acquired Interest from
16 the Acquiring Party. In the event that Offeree elects not to participate in an
17 Acquired Interest, such non-electing Party shall have no further rights with
18 respect to that portion of the AMI covered by such Acquired Interest and the AMI
19 shall terminate as to such non-electing Party as to that portion of the AMI Area
20 covering the Acquired Interest effective upon the date of such Party's election
21 not to participate therein.

22 23 **26.3 Exceptions to AMI**

24 Notwithstanding anything hereinabove to the contrary, the AMI shall not apply to
25 any instance in which the Acquired Interest becomes vested in a Party through a
26 merger or consolidation, or by the acquisition of any corporation in which a Party
27 now or hereinafter owns a majority of the stock.

28 29 **26.4 AMI Operating Agreement**

30 Any Acquired Interest that becomes jointly owned by the Parties pursuant to this
31 Article 26 shall automatically be subject to the terms and provisions of this
32 Agreement effective on the date the Acquired Interest becomes jointly owned by
33 the Parties. The Parties agree to amend Exhibit "A-1" hereto by adding such
34 Acquired Interest to the Contract Area.

35 36 **26.5 Prior AMI**

1 Effective March 1, 2008, Article XI (*Area of Mutual Interest*) of that certain
2 Agreement for Seismic Reprocessing and Area of Mutual Interest dated effective
3 December 1, 2007 by and between BHP Billiton Petroleum (Deepwater) Inc. and
4 Cobalt International Energy, L.P. shall be deleted in its entirety.
5

6 **ARTICLE 27 – ADMINISTRATIVE PROVISIONS**

7 **27.1 Term**

8 This Agreement shall remain in effect so long as a Lease remains in effect and
9 thereafter until (a) all wells have been abandoned and plugged or turned over to
10 the Parties owning an interest in the Lease on which the wells are located; (b) all
11 Production Systems, Facilities, and equipment have been disposed by the
12 Operator in accordance Article 18 (*Abandonment and Salvage*); (c) all Claims as
13 defined in Article 22 (*Liability, Claims, and Lawsuits*) have been settled or
14 otherwise disposed of; and (d) there has been a final accounting and settlement.
15 In accordance with Article 4.5 (*Selection of Successor Operator*), this Agreement
16 will also terminate if no Party is willing to become Operator, effective after all
17 conditions in clauses (a) through (d) above have been completed. Termination
18 of this Agreement shall not relieve a Party of a liability or obligation accrued or
19 incurred before termination and is without prejudice to all continuing
20 confidentiality obligations or other obligations in this Agreement.

21 **27.2 Waiver**

22 A term, provision, covenant, representation, warranty, or condition of this
23 Agreement may be waived only by written instrument executed by the Party
24 waiving compliance. The failure or delay of a Party in the enforcement or
25 exercise of the rights granted under this Agreement shall not constitute a waiver
26 of said rights nor shall it be considered as a basis for estoppel. Time is of the
27 essence in the performance of this Agreement and all time limits shall be strictly
28 construed and enforced.

29 **27.3 Waiver of Right to Partition**

30 Each Party waives the right to bring an action for partition of its interest in the
31 Contract Area, Production System, Facilities, and equipment held under this
32 Agreement, and covenants that during the existence of this Agreement it shall

1 not resort at any time to an action at law or in equity to partition any or all of the
2 Leases and lands or personal property subject to this Agreement.

3 **27.4 Compliance With Laws and Regulations**

4 This Agreement, and all activities or operations conducted by the Parties under
5 this Agreement, are expressly subject to, and shall comply with, all laws, orders,
6 rules, and regulations of all federal, state, and local governmental authorities
7 having jurisdiction over the Contract Area. No Party shall suffer a forfeiture or be
8 liable in damages for failure to comply with any of the provisions of this
9 Agreement if such compliance is prevented by or if such failure results from
10 compliance with any applicable law, order, rule or regulation.

11 **27.4.1 Applicable Law**

12 THIS AGREEMENT AND THE RELATIONSHIP OF THE PARTIES
13 UNDER THIS AGREEMENT SHALL BE GOVERNED BY AND
14 INTERPRETED UNDER FEDERAL LAWS AND LAWS OF THE
15 STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF
16 CONFLICTS OF LAWS THAT WOULD OTHERWISE REFER THE
17 MATTER TO THE LAWS OF ANOTHER JURISDICTION.

18 **27.4.2 Severance of Invalid Provisions**

19 If, for any reason and for so long as, a clause or provision of this
20 Agreement is held by a court of competent jurisdiction to be illegal,
21 invalid, unenforceable or unconscionable under a present or future law
22 (or interpretation thereof), the remainder of this Agreement will not be
23 affected by that illegality or invalidity. An illegal or invalid provision will
24 be deemed severed from this Agreement, as if this Agreement had
25 been executed without the illegal or invalid provision. The surviving
26 provisions of this Agreement will remain in full force and effect unless
27 the removal of the illegal or invalid provision destroys the legitimate
28 purposes of this Agreement; in which event this Agreement shall be null
29 and void.

30 **27.4.3 Fair and Equal Employment**

31 Each of the Parties is an Equal Opportunity Employer, and the equal
32 opportunity provisions of 30 CFR 270 and 41 CFR 60-1 are
33 incorporated in this Agreement by reference. The affirmative action
34 clauses concerning disabled veterans and veterans of the Vietnam era

(41 CFR 60-250) and the affirmative action clauses concerning employment of the handicapped (41 CFR 60-741) are also incorporated in this Agreement by reference. In performing work under this Agreement, the Parties shall comply with (and the Operator shall require each independent contractor to comply with) the governmental requirements in Exhibit "E" that pertain to non-segregated facilities.

27.5 Construction and Interpretation of this Agreement

27.5.1 Headings for Convenience

Except for the definition headings in Article 2 (*Definitions*), all the table of contents, captions, numbering sequences, and paragraph headings in this Agreement are inserted for convenience only and do not define, expand or limit the scope, meaning, or intent of this Agreement.

27.5.2 Article References

Except as otherwise provided in this Agreement, each reference to an article of this Agreement includes all of the referenced article and its sub-articles.

27.5.3 Gender and Number

The use of pronouns in whatever gender or number is a proper reference to the Parties to this Agreement though the Parties may be individuals, business entities, or groups thereof. Reference in this Agreement to the singular of a noun or pronoun includes the plural and vice versa.

27.5.4 Joint Preparation

This Agreement shall be deemed for all purposes to have been prepared through the joint efforts of the Parties and shall not be construed for or against one Party or the other as a result of the preparation, submittal, drafting, execution or other event of negotiation hereof.

27.5.5 Integrated Agreement

This Agreement contains the final and entire agreement of the Parties for the matters covered by this Agreement and, as such, supersedes all prior written or oral communications and agreements.

1 **27.5.6 Binding Effect**

2 To the extent it is assignable, this Agreement shall bind and inure to
3 the benefit of the Parties and their respective successors and assigns,
4 and shall constitute a covenant running with the land comprising the
5 Contract Area. This Agreement does not benefit or create any rights in
6 a person or entity that is not a Party to this Agreement.

7 **27.5.7 Further Assurances**

8 Each Party will take all actions necessary and will sign all documents
9 necessary to implement this Agreement. Except as otherwise provided
10 in this Agreement, within (30) days after their receipt of a valid written
11 request for those documents from a Party, all other Parties shall
12 prepare and execute the documents.

13 **27.5.8 Counterpart Execution**

14 This Agreement may be executed by signing the original or a
15 counterpart. If this Agreement is executed in counterparts, all
16 counterparts taken together shall have the same effect as if all Parties
17 had signed the same agreement. No Party shall be bound to this
18 Agreement until all Parties have executed a counterpart or the original
19 of this Agreement. This Agreement may also be ratified by a separate
20 instrument that refers to this Agreement and adopts by reference all
21 provisions of this Agreement. A ratification shall have the same effect
22 as an execution of this Agreement.

23 **27.5.9 Currency**

24 Any amounts due or payable under this Agreement shall be paid in
25 United States currency.

26 **27.5.10 Future References**

27 A reference to a Party includes such Party's successors and assigns
28 and, in the case of governmental bodies, persons succeeding to their
29 respective functions and capacities.

30 **27.6 Restricted Bidding**

31 If more than one Party is ever on the list of restricted joint bidders for OCS lease
32 sales, as issued by the MMS under 30 CFR 256.44, as amended, the Parties

1 shall comply with all statutes and regulations regarding restricted joint bidders on
2 the OCS.

3 **IN WITNESS WHEREOF**, each Party, through its duly authorized agent or
4 representative, has executed this Agreement as of the Effective Date.

5 WITNESSES:
6 R.B. Priestly
7 [Signature]

BHP BILLITON PETROLEUM (GOM) INC.
By: [Signature]
Name: Scott H. Cornwell
Title: Negotiations Manager

11 WITNESSES:
12 R.B. Priestly
13 [Signature]

BHP BILLITON PETROLEUM (DEEPWATER) INC.
By: [Signature]
Name: Scott H. Cornwell
Title: Negotiations Manager

16 WITNESSES:
17 Rhonda Vaughn
18 Nancy Kamp

COBALT INTERNATIONAL ENERGY, L.P.
By: Lynne L. Hackedorn
Name: Lynne L. Hackedorn
Title: Land Manager

Exhibit "A-1"

Attached to and made a part of that certain Offshore Operating Agreement dated December 1, 2007 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

DESCRIPTION OF LEASES, WORKING INTERESTS OF THE PARTIES, AND REPRESENTATIVES

I. LEASES AND WORKING INTEREST:

<u>Block</u>	<u>OCS-G #</u>	<u>Effective Date</u>	<u>WORKING INTEREST</u>	
			<u>BHP Deepwater</u>	<u>Cobalt</u>
773	OCS-G 31749	3/1/2008	50%	50%
817	OCS-G 31753	12/1/2007	50%	50%
818	OCS-G 31754	3/1/2008	50%	50%

II. OPERATOR

BHP Billiton Petroleum (GOM) Inc.

III. REPRESENTATIVES AND ADDRESSES

BHP Billiton Petroleum (Deepwater) Inc.
1360 Post Oak Boulevard, Suite 150
Houston, Texas 77056-3020
Telephone: (713) 961-8306
Facsimile: (713) 961- 8339

Scott H. Cornwell
Negotiation Manager

Cobalt International Energy, L.P.
1980 Post Oak Blvd., Suite 1200
Houston, Texas 77056
Telephone: (713) 579-9115
Facsimile: (713) 579-9196

Ms. Lynne Hackedorn
Land Manager

Exhibit "A-2"

Attached to and made a part of that certain Offshore Operating Agreement dated December 1, 2007 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

AMI AREA

Green Canyon Block 772

Green Canyon Block 774

Green Canyon Block 816

Green Canyon Block 860

Green Canyon Block 861

Green Canyon Block 862

EXHIBIT "B"

Attached to and made a part of that certain Offshore Operating Agreement dated December 1, 2007 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

OFFSHORE INSURANCE PROVISIONS

I. WORKERS COMPENSATION & EMPLOYERS LIABILITY INSURANCE

Operator will carry Workers Compensation insurance in compliance with all State and Federal Regulations in the jurisdiction where any of the work under this agreement shall be performed, including the following special coverage extensions:

1. Employers' Liability coverage with limits of not less than \$1,000,000 per accident or occurrence.
2. U.S. Longshoremen and Harbor Workers' Act and Outer Continental Shelf Lands Act coverage.
3. Employers' Liability arising out of Maritime operations including coverage for benefits and damages under the Jones Act including transportation, wages, maintenance and cure and Death on the High Seas Act with limits of at least \$1,000,000 per occurrence.
4. "In Rem" endorsement providing that a claim "In Rem" shall be treated as a claim against the Operator.
5. Waiver of Subrogation endorsement which waives the insurers rights of subrogation against all of the Parties to this agreement.

Premiums for the insurance above specified shall be charged to the Joint Account. Provided, however, that if the Operator either self-insures or effectively self-insures, the Operator shall charge to the Joint Account, in lieu of any premiums for such insurance, an amount not to exceed the workers compensation manual rates times the payroll. Claims under Operator's self-insurance program shall not be charged to the Joint Account.

Except as provided above, Operator shall not be obligated to obtain or cause to be carried insurance for the benefit of the Joint Account. Operator shall not obtain or cause to be carried for the benefit of the Joint Account, control of well or seepage and pollution insurance nor insurance against the hazards of fire, windstorm, explosion, blowout, cratering, reservoir damage, or insurance other than specified above.

II. INSURANCE NOT CHARGED TO THE JOINT ACCOUNT

At all times while the Offshore Operating Agreement is in effect, each party to the Agreement shall insure or self-insure for their share of any liabilities assumed under the Offshore Operating Agreement. The cost of these insurance or self-insurance programs shall be the individual responsibilities of each of the parties and none of the cost associated with these programs shall be charged to the Joint Account. Each party shall insure or self-insure the following coverage for the minimum limits stated.

1. Commercial General Liability Insurance for bodily injury and property damage covering all of the Parties operations, including their offshore operations, and including contractual liability coverage with combined single limits of at least \$10,000,000 per occurrence and in the annual aggregate.
2. Automobile Liability covering all owned, non-owned and leased vehicles with combined single limits of at least \$10,000,000 per occurrence and in the annual aggregate.
3. Pollution Liability insurance covering offshore oil pollution with limits of at least \$10,000,000 per occurrence.
4. Control of Well, Seepage and Pollution and Redrill insurance with limits of at least \$10,000,000 (100%) per occurrence or participation in Oil Insurance Limited.
5. Charterers Legal Liability Insurance for bodily injury and property damage with limits of at least \$10,000,000 per occurrence and in the annual aggregate.
6. Non-owned aviation liability insurance in the amount of \$35,000,000 per occurrence covering liability arising out of any fixed or rotary winged owned, non owned or leased aircraft used in the connection with the work to be performed under the Offshore Operating Agreement.

All of the above coverages shall be endorsed to waive the insurers' rights of subrogation against Operator and all other Parties to the Agreement. Any Party to the Agreement, at the request of any other Party to the Agreement, shall advise all of the other Parties to the Offshore Operating Agreement as to whether it will insure or self-insure the abovementioned coverages. If insurance is purchased, upon request, a Party will provide all other Parties to the Offshore Operating Agreement with a certificate of insurance evidencing that all of the above insurance and special insuring provisions are in place. If insurance is purchased, then such coverage(s) shall be from a carrier that has a Standard & Poor's rating of at least A- or equivalent.

In the event a Party elects to self-insure all or part of the above requirements, and if any of the other Parties to the Offshore Operating Agreement believe or have a concern that the Party does not have the financial capability to meet its obligations under such self-insurance programs, any Party to the Agreement may request any other Party to provide proof of its ability to self-insure these risks. If the self-insuring Party is unable to provide adequate proof, the other Parties to the Agreement may, but are not required to do so, purchase any or all of the insurance that the Party elected to self-insure. The cost of said insurance shall be for the individual account of the Party on whose behalf the insurance was purchased.

III. CONTRACTORS INSURANCE

Operator (including any Party conducting Non-Consent Operations) shall use reasonable endeavors to require each contractor who performs work on behalf of the Offshore Operating Agreement ("Contractor") to carry the following insurance and special insuring provisions.

1. Comprehensive Commercial General Liability (bodily injury and property damage) insurance with limits of not less than One Million U.S. Dollars (US \$1,000,000.00) combined single limit per occurrence and not less than Two Million U.S. Dollars (US \$2,000,000.00) in the aggregate including the following supplementary coverage:
 - A. Contractual Liability to cover liability assumed under this Agreement.
 - B. Products Hazard Coverage for any and all products provided or furnished by or on behalf of Contractor during the course of service rendered by Contractor hereunder.
 - C. Completed Operations Hazard Coverage for any claim relating to defects or deficiencies in goods, products, and materials or services used or rendered by Contractor in connection with its operations.
 - D. Broad Form Property Damage Liability insurance.
 - E. Coverage for explosion, collapse, and underground hazards for work performed by Contractor involving equipment or materials of a volatile, incendiary or explosive nature or involving excavation, drilling or subsurface activity.
 - F. Independent Contractor's Contingent coverage.
 - G. Personal Injury Liability.
 - H. Premises Liability.
 - I. In Rem Endorsement.
 - J. Territorial extension to cover all work areas.
 - K. Watercraft exclusion deleted in both Contractual Liability Insurance and Contractual Liability Endorsement.

- L. Seepage and Pollution Liability including cleanup on a Sudden and Accidental Basis.
-
- 2. Automobile Liability Insurance covering owned, hired and non-owned vehicles or automotive equipment used by or for Contractor with limits of One Million U.S. Dollars (US \$1,000,000.00) combined single limit per occurrence for bodily Injury and property damages combined single limits including coverage for sudden and accidental pollution for trucking companies and contractual liability to cover liability assigned under this agreement.
 - 3. Worker's Compensation and Occupational Disease Insurance in accordance with the state, federal and maritime laws and requirements of the state in which the work is to be performed, the state in which the Contractor's employees reside and the state in which the Contractor is domiciled; covering all liabilities owed for compensation and other benefits under the relevant Worker's Compensation laws of any state or of the federal government, and Employer's Liability Insurance with limits of not less than One Million U.S. Dollars (US \$1,000,000.00) per accident/occurrence, without limitation:
 - A. Protection for liabilities under the U.S. Longshore and Harbor Worker's Compensation Act and the Outer Continental Shelf Lands Act.
 - B. Coverage for liability under the Merchant Marine Act 1920, commonly known as the Jones Act, the Admiralty Extension Act of 1948, and the Death on the High Seas Act.
 - C. Protection against liability of the employer to provide transportation, wages, maintenance and cure fund to maritime employees and a Voluntary Compensation Endorsement.
 - D. Coverage amended to provide that a claim In Rem shall be treated as a claim against the employer.
 - E. Territorial extension to cover all work areas.
 - F. "Alternate Employer/Borrowed Servant" Endorsement stating that a claim brought against COMPANY as a "Borrowed Servant" by any person who is on the payroll of the Contractor or its subcontractors shall be treated as a claim against the Contractor or its subcontractor.

For all vessels owned, operated, chartered or brokered by or for Contractor in connection with its work under the agreement, the Contractor shall carry or require the owner or operator of such vessels to carry (including Umbrella and/or Excess Liability Insurance) the following:

- 4. Hull and Machinery Insurance – Full Form Hull and Machinery Insurance, including Collision Liability, with the sistership clause unamended, with limits of liability at least equal to the replacement cost value of the vessel

and with navigational limits adequate for Contractor to perform the work and services hereunder. Where the vessel(s) engage in towing operations, said insurance shall include full Tower's Liability with the sistership clause unamended. Insurance will provide for removal of wreck and debris coverage. Said policy shall be endorsed to provide that additional assureds may, but shall not be obliged to, sue and labor. Any language in this policy which limits the coverage to an insured who is not the Contractor or who is not entitled to limitation of liability shall be deleted.

5. Protection and Indemnity Insurance – Coverage including, but not limited to, injuries to or death of master, mates and crews of vessels with limits of not less than \$1,000,000 combined single limit per occurrence including insurance for removal of wreck and debris coverage. This insurance shall be equivalent to Form Sp-23, including coverage for crew, Tower's Liability (with the sistership clause unamended), sue and labor and salvage charges, and Contractual Liability. Any language in this policy which limits the coverage to an insured who is not the Contractor or who is not entitled to limitation of liability shall be deleted.
6. Charterers Legal Liability Insurance for bodily injury and property damage with limits of not less than One Million U.S. Dollars (US \$1,000,000.00) combined single limit per occurrence.
7. Aircraft Liability Insurance covering fixed and rotary winged aircraft (where Contractor has hired aircraft or helicopters) with combined single limit coverage for public liability, passenger liability and property damage of not less than One Million U.S. Dollars (US \$1,000,000.00) combined single limit per seat per occurrence covering all owned, non-owned and hired aircraft by Contractor in connection with services to be performed.
8. Umbrella/Excess Liability Insurance Coverage providing coverage excess of #1, 2, 3 (Employers Liability) 5, 6 and 7 in the amount of at least Fifty Million U.S. Dollars (US \$50,000,000.00) following form of the primary insurance coverages.
9. Property Insurance in an all risk form (including transit) covering the Contractor's machinery and equipment for its replacement cost value and including removal of wreck and debris coverage.

Operator will require Contractor to obtain endorsements providing a Waiver of Recovery or Subrogation of the insurers rights in favor of Operator and Operator group and also naming the Operator as an Additional Insured on the policies of insurance where appropriate and to provide that the word 'Insured' also includes any party, co-owner or joint venturer. However, Operator shall not be liable to Non-Operating Parties or to their parent companies, subsidiaries or any affiliated companies for failure to do any of the above. It is recognized in the industry that there are certain contractors and service companies whose services are

necessary to operations contemplated by the Parties, who as a matter of their policy refuse contractually to indemnify working interest owners or to carry any insurance indemnifying working interest owners. As to those entities, Operator may waive any requirement of contractual indemnity or any or all of the insurance or special insurance provisions required above.

IV. NOTICE

Operator shall promptly notify Non-Operating Parties of any loss, damage or claim not covered by the insurance obtained hereunder for the Joint Account. All losses which are not covered and all losses in excess of insurance coverage shall be borne by the Parties in accordance with the terms of the Offshore Operating Agreement under which said operations are being conducted by the Parties.

EXHIBIT "C"

Attached to and made a part of that certain Offshore Operating Agreement dated December 1, 2007 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

ACCOUNTING PROCEDURE PROJECT TEAM JOINT OPERATIONS

I. GENERAL PROVISIONS

1. DEFINITIONS

All terms used in this Accounting Procedure, if not otherwise defined in the Agreement to which this Accounting Procedure is attached, shall have the following meaning:

- A. "Affiliate" shall mean, with respect to any Party, any separate legal entity directly or indirectly controlling, controlled by, or under common control with such Party, unless otherwise defined in the Agreement to which this Accounting Procedure is attached.
- B. "Controllable Material" shall mean Material that at the time of acquisition or disposition by the Joint Account is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies (COPAS).
- C. "First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of the Operator's field employees and/or contract labor directly employed on the Joint Property in the conduct of Joint Operations.
- D. "Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations that are to be shared by the Working Interest Owners.
- E. "Joint Operations" shall mean activities required to handle operating conditions and problems for the exploration, appraisal, development, production, protection, maintenance, abandonment, and restoration of the Joint Property.
- F. "Joint Property" shall mean the real and personal property subject to the Agreement to which this Accounting Procedure is attached. For operations involving subsea or remote structures, the phrase "on the Joint Property" may include a platform, surface production facility, remote facility, or floating production storage facility, which is the surface location from which Joint Operations are conducted, even if such location is not owned by the Joint Account.
- G. "Material" shall mean personal property, equipment, supplies, or consumables acquired or held for use by the Joint Property.

- H. "Non-Operators" shall mean the Parties to this Agreement other than the Operator.
- I. "Offshore Facilities" shall mean platforms, surface and subsea development and production systems, and other support systems such as oil and gas handling facilities, living quarters, offices, shops, cranes, electrical supply equipment and systems, fuel and water storage and piping, heliport, marine docking installations, communication facilities, navigation aids, and other similar facilities necessary in the conduct of offshore operations, all of which are located offshore.
- J. "Operator" shall mean the Party designated to conduct the Joint Operations.
- K. "Parties" shall mean legal entities signatory to the Agreement or their successors or assigns to which his Accounting Procedure is attached.
- L. "Personal Expenses" shall mean reimbursed costs for travel, temporary living, relocation, and other expenses of Operator's employees, as well as similar expenses incurred by a Non-Operator or any Party's Affiliate for personnel assigned to a Project Team.
- M. "Project Team" shall mean employees of the Parties, Affiliates, or contractors assigned to perform work and/or studies as authorized under the terms of the Agreement.
- N. "Shore Base Facilities" shall mean onshore support facilities that during Joint Operations provide such services to the Joint Property as a receiving and transshipment point for Materials; debarkation point for drilling and production personnel and services; communication, scheduling and dispatching center; and other associated functions benefiting the Joint Property.
- O. "Technical Employees" shall mean personnel having special and specific engineering, geoscience, or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

2. STATEMENTS AND BILLINGS

- A. The Operator shall bill Non-Operators on or before the last day of the month for their proportionate share of the Joint Account for the preceding month. Such bills shall be accompanied by statements that identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate categories of investment and expense. In lieu of detailed descriptions, Controllable Material may be summarized by major Material classifications. Intangible drilling costs, audit adjustments, and unusual charges and credits shall be separately and clearly identified.
- B. Non-Operators shall bill the Operator, on a monthly basis, in accordance with the provisions contained herein, for the salaries, wages, payroll burden, and Personal Expenses, if any, of its employees assigned to the Project Team. In a like manner, the Non-Operator shall bill the Operator for such expenses of the Non-Operator's Affiliate employees and/or contractor employees retained by the Non-Operator who are assigned to the Project Team. The Operator shall reimburse the Non-Operators in accordance with Section I, Paragraph 3.B. For the

purposes of Paragraphs 3, 4, and 5 of this Section I, the Non-Operator's costs shall be considered a Joint Account.

3. ADVANCES AND PAYMENTS BY THE PARTIES

- A. If gross expenditures for the Joint Account are expected to exceed \$500,000 in the next succeeding month's operations, the Operator may require the Non-Operators to advance their share of the estimated cash outlay for such month's operations. Unless otherwise provided in the Agreement, any billing for such advance shall be payable within 15 days after receipt of the advance request or by the first day of the month for which the advance is required, whichever is later. The Operator shall adjust each monthly billing to reflect advances received from the Non-Operators for such month. If a refund is due, the Operator shall apply the excess to subsequent month's billings or advances, unless a refund is specifically requested.
- B. Except as provided below, each Party shall pay its proportion of all bills within 30 days of receipt date. If payment is not made within such time, the unpaid balance shall bear interest compounded monthly using the U.S. Treasury Bill 13-week discount rate plus 3% in effect on the first day of the month for each month that the payment is delinquent or the maximum contract rate permitted by the applicable usury laws governing the Joint Property, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts. Interest shall begin accruing on the first day of the month in which the payment was due.

XX Electronic Fund Transfer (optional)

- C. Payments by Parties for monthly cash advances and billings shall be made by Electronic Fund Transfer (EFT) or Automated Clearing House (ACH) transaction.

4. ADJUSTMENTS

- A. Payment of any such bills shall not prejudice the right of any Party to protest or question the correctness thereof; however, all bills and statements (including payout status statements) rendered during any calendar year shall conclusively be presumed to be true and correct, with respect only to expenditures, after 24 months following the end of any such calendar year, unless within said period a Party takes specific detailed written exception thereto requesting review for adjustment.
- B. All adjustments initiated by the billing Parties except those described in (1) through (4) below are limited to the 24-month period following the end of the calendar year in which the original charge appeared or should have appeared on the billing Party's Joint Account statement or payout status statement. Adjustments made beyond the 24-month period are limited to the following:
 - (1) a physical inventory of Controllable Material as provided for in Section V
 - (2) an offsetting entry (whether in whole or in part) that is the direct result of a specific joint interest audit exception granted by the Party relating to another property
 - (3) a government/regulatory audit
 - (4) working interest ownership adjustments

5. EXPENDITURE AUDITS

A. A Non-Operator, upon notice in writing to the Operator and other Non-Operators including any non-participating Parties, shall have the right to audit the Operator's accounts and records relating to the Joint Account for any calendar year within the 24-month period following the end of such calendar year; however, conducting an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. The Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of the Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit. The lead audit company's audit report shall be issued within 90 days after completion of the audit testing and analysis but no later than 90 days from the end of the calendar year in which the audit was commenced; however, the 90-day time period shall not extend the 24-month requirement for taking specific detailed written exception as required in Paragraph 4.A above. All claims shall be supported with sufficient documentation. Failure to issue the report within the prescribed time or to take specific written exception within the 24-month period will preclude the Non-Operator from taking exception to any charge billed within the time period audited.

A timely filed audit report or any timely submitted response thereto shall suspend the running of any applicable statute of limitations regarding claims made in the audit report. While any audit claim is being resolved, the applicable statute of limitations will be suspended; however, the failure to comply with the deadlines provided herein shall cause the statute to commence running again.

- B. The Operator shall allow or deny all exceptions in writing to an audit report within 180 days after receipt of such report. Denied exceptions should be accompanied by a substantive response. Failure to respond to an exception with substantive information on denials within the time provided will result in the Operator paying interest on that exception, if ultimately granted, from the date of the audit report. The interest charged shall be calculated in the same manner as used in Section I, Paragraph 3.B.
- C. The lead audit company shall reply to the Operator's response to an audit report within 90 days of receipt, and the Operator shall reply to the lead audit company's follow-up response within 90 days of receipt. If the lead audit company does not provide a substantive response to an exception within 90 days, that unresolved audit exception will be disallowed. If the Operator does not provide a substantive response to lead auditor's follow-up response within 90 days, that unresolved audit exception will be allowed and adjustments made to the Joint Account.
- D. The Operator or any audit participant may call an audit resolution meeting for the purpose of resolving audit issues/exceptions that are outstanding at least 15 months after the date of the audit report. The meeting will require one month's written notice to the Operator and all

audit participants, a mutually agreed upon time and location, and attendance by representatives of the Operator and audit participants with authority to resolve such outstanding audit issues. Any Party who fails to attend the resolution meeting shall be bound by any resolution reached at the meeting. The lead audit company will coordinate the response and positions of the audit participants throughout the audit resolution process.

Attendees will make good faith efforts to resolve outstanding issues, and each Party will be required to present substantive information supporting its position. An audit resolution meeting may be held as often as agreed to by the Parties. Issues unresolved at one meeting can be discussed at subsequent meetings until each such issue is resolved.

- E. This Accounting Procedure contemplates Non-Operators may incur Project Team expenditures that are subsequently billed to the Operator and charged to the Joint Account pursuant to Section I, Paragraph 2.B. Accordingly, such Non-Operators are required to maintain auditable records supporting such charges. Regarding such charges, the Operator and/or any other Non-Operators are hereby provided the same rights and Obligations as set forth in Section I, Paragraphs 5.A. through 5.D., as pertain to the Non-Operators in audit of the Joint Account. Conversely in such situation, the Non-Operator being audited is hereby provided the same rights and obligations as set forth in Section I, Paragraphs 5.A. through 5.D. for the Operator.

6. APPROVAL BY PARTIES

Where an approval or other agreement is required, the Parties shall use the Voting Procedures provided in the Offshore Operating Agreement to which this Exhibit "C" is attached..

For the purpose of administering the voting procedures of this Paragraph 6, if two or more Parties to this Agreement are Affiliates of each other, such Affiliated Parties shall be treated as a vote by a single Party having the combined interest of the Affiliated Parties.

II. DIRECT CHARGES

The Operator shall charge the Joint Account with the following items:

1. RENTALS AND ROYALTIES

Lease rentals and royalties paid by the Operator, on behalf of all Parties, for the Joint Operations

2. LABOR

- A. Salaries and Wages including Incentive Compensation Programs, as set forth in COPAS Interpretation 30, for personnel serving the Joint Property shall be chargeable in accordance with the following provisions.

(1) Project Team

All salaries and wages of employees of the Operator and Non-Operator assigned to the Project Team on a full-time or part-time basis shall be considered a direct cost and shall be charged to the Joint Account. Such employees shall include personnel who are

directly engaged in project management, evaluation, design, construction, and installation activities regardless of location. Part-time Project Team personnel specifically assigned to the Project Team shall be charged to the Joint Account, based on actual days worked, only when such time involves at least one full-day equivalent per month that is devoted to the project. Technical Employees not assigned to the Project Team but working under the direction of the Project Team shall be charged to the Joint Account based on actual days worked, only when such time involves at least one full-day equivalent per month. Contractor and Affiliate charges for personnel assigned to the Project Team are chargeable pursuant to Section II, Paragraphs 5 and 7. The Operator and Non-Operator will attempt to negotiate a separate agreement setting forth a daily rate to be charged for individuals assigned to the Project Team.

(2) Other Operations-Non-Project Team

The following salaries and wages shall be charged for employees:

- (a) Salaries and wages of the Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations
 - (b) Salaries and wages of the Operator's employees directly employed on Shore Base Facilities or other Offshore Facilities serving the Joint Property if such costs are not charged under Paragraph 6 of this Section II
 - (c) Salaries of First Level Supervisors
 - (d) Salaries and wages of Technical Employees directly employed on the Joint Property in the conduct of Joint Operations, or on Offshore Facilities serving the Joint Property, if such charges are excluded from the Overhead rates
 - (e) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from the overhead rates
- B. Cost of holiday, vacation, sickness and disability benefits, and other customary allowances paid to personnel to the extent their salaries and wages are chargeable to the Joint Account under Paragraph 2.A of this Section II, excluding severance payments or other termination allowances. Such costs under this Paragraph 2.B may be charged on a "when and as-paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2.A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's or Non-Operators' cost experience, as appropriate.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to costs chargeable to the Joint Account under Paragraphs 2.A and 2.B of this Section II
- D. Personal Expenses, other than relocation costs, of personnel whose salaries and wages are chargeable to the Joint Account under Paragraph 2.A of this Section II

Relocation costs, consistent with the employer's established policy, are chargeable to the extent their salaries and wages are chargeable, in accordance with the following:

(1) For personnel transferred and assigned to a Project Team for a minimum of 12 consecutive months

- shall be charged to the Joint Account
- shall not be charged to the Joint Account

For those assigned for less than 12 consecutive months shall not be chargeable unless agreed to by the Parties.

(2) For Operator's field employees and/or First Level Supervisors

- shall be charged to the Joint Account
- shall be chargeable for the initial staffing upon commencement of Joint Operations for a given platform, facility, or production system
- shall be chargeable for First Level Supervisors
- shall not be chargeable to the Joint Account

Notwithstanding the foregoing, relocation costs that result from reorganization or merger of a Party shall not be chargeable to the Joint Account. Extraordinary relocation costs, such as those incurred as a result of transfers from remote locations such as Alaska or overseas, shall be approved by the Parties pursuant to the provisions in Section I, Paragraph 6.

- E. Training costs shall be chargeable as specified in COPAS Interpretation 27 and as provided in Section II, Paragraph 13. This training charge shall include the wages, salaries, training course cost, and Personal Expenses incurred during the training session for personnel to the extent their salaries and wages are chargeable under Paragraph 2.A of this Section II. The cost of the training course will be limited to prevailing commercial rates where available.
- F. Cost of established plans for employees' benefits as described in COPAS Interpretation No. 11, determined by applying the employee benefits limitation percentage most recently recommended by COPAS to the chargeable salaries and wages

3. MATERIAL

Materials purchased or furnished by the Operator for use on the Joint Property in the conduct of Joint Operations as provided under Section IV. Only such Materials shall be purchased for or transferred to the Joint Property as may be required for immediate use or is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

4. TRANSPORTATION

Transportation of Operator's, Non-Operator's, Affiliate's or contractor's personnel, and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest supply store where like Material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.
- B. If surplus Material is moved to the Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest supply store where like Material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties unless agreed to by the Parties.
- C. In the application of Paragraphs 4.A. and 4.B. above, the option to equalize or charge actual trucking cost is available when the actual charge is less than the amount most recently recommended by COPAS, excluding accessorial charges, as set forth in COPAS Bulletin 21.

5. SERVICES

The cost of contract services, equipment, and utilities used in the conduct of Joint Operations and provided by sources other than the Parties, except for contract services, equipment, and utilities covered by the Section III overhead provisions, Paragraph 7 of this Section II, or excluded under Paragraph 9 of this Section II. Notwithstanding anything herein to the contrary, the cost of contract personnel assigned to the Project Team are directly chargeable to the Joint Account. Costs, such as rig modification costs, dead time and major maintenance, may be accounted for as specified in COPAS AG-25 (Allocation of Rig-Related Expenditures) using a day rate commensurate with the remaining term of the drilling contract.

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

In the absence of a separately negotiated agreement, equipment and facilities furnished by the Operator will be charged as follows:

- A. Equipment and facilities owned by the Operator shall be charged to the Joint Account at the average prevailing commercial rate for such equipment. If an average commercial rate is used to bill the Joint Account, the Operator shall adequately document and support such rate and shall periodically review and update the rate and the supporting documentation.
- B. In lieu of charges in Paragraph 6.A. above, or if a prevailing commercial rate is not available, equipment and facilities owned by the Operator will be charged to the Joint Account at the Operator's actual cost. Such costs shall be limited to expenses that would be chargeable pursuant to this Section II if such equipment and facilities were jointly owned, depreciation using straight line depreciation method, and interest on investment (less gross accumulated depreciation) not to exceed 10% per annum. In addition, for platforms, subsea production systems, and production handling facilities, the rate may include an element of the estimated cost of abandonment, reclamation, and dismantlement. Depreciation shall not be charged when the equipment and facilities investment have been fully depreciated. Charges shall not exceed the average prevailing commercial rate, if available.
- C. When applicable for Operator-owned or leased motor vehicles, the Operator shall use rates published by the Petroleum Motor Transport Association or such other organization

recognized by COPAS as the official source of such rates. When such rates are not available, the Operator shall comply with the provisions of Paragraph 6.A. or 6.B. above.

7. AFFILIATES

Affiliate Materials, facilities, and services provided for the Joint Operations shall be chargeable to the Joint Account as herein provided.

- A. If any Operator Affiliate provides Materials, facilities, or services for operations not under the direction of a Project Team that are expected to exceed two hundred fifty thousand dollars (\$250,000.00) per annum, per Affiliate, or if such expenditures exceeded said amount during the preceding 12-month period, such charges to the Joint Account for such Materials, facilities or services shall be pursuant to written agreement between the Parties.
- B. If a Non-Operator's Affiliate provides Materials, facilities, or services for operations not under the direction of a Project Team, charges shall be considered third-party services as provided in Paragraph 5 of this Section II.
- C. An Affiliate of the Operator or Non-Operator working at the request of a Project Team shall be chargeable to the Joint Account using the methods indicated below. If more than one option is selected below, notification of the method to be used shall be required prior to commencement of the activity utilizing the Affiliate.

- o Fixed Rate Basis

Affiliate Materials, facilities, or services shall be charged based on all-inclusive standard rates. Written approval of the rates shall be required of the Parties. Once established, the rates shall be subject to annual adjustment as of the first day of April each year using the percentage wage index adjustment recommended by COPAS for that year.

Any Party may request adjustments to Affiliate costs or rates at any time it deems appropriate but no more than once per year for a given Affiliate. The Parties shall respond to proposals for revised Affiliate costs or rates within the time prescribed in the Agreement for general voting matters. Approval of proposed Affiliate rates shall be determined in accordance with the provisions of Section I, Paragraph 6 and shall not be unreasonably withheld by the Parties.

- X Cost Basis

Affiliate services shall be charged to the Joint Account as charged by the Affiliate and include any services or Materials procured for Joint Operations. Parties shall charge the Joint Account for the use of Affiliate-owned equipment and facilities at rates commensurate with costs of ownership and operations, which shall include only those costs that would be chargeable if furnished by the Operator pursuant to Section II, Paragraph 6.B.

Charges to the Joint Account for any Materials, facilities, or services provided by an Affiliate shall not exceed average commercial rates, when such rates are available. In the event a Party determines such charges to be excessive compared with third-party rates, that Party must

substantiate that such charges exceed average commercial rates and shall provide sufficient documentation to support all such claims in accordance with Section I, Paragraph 5.

___ AFE/Project Basis

Prior to the commencement of each project, the proposing Party shall submit an AFE that details each Party's Affiliate Materials, facilities, or services to be provided and the costs/rates charged by such Affiliates. Such AFE and costs/rates contained therein shall require the agreement and written approval of the Parties in accordance with the applicable provisions of the Agreement. Once agreed to, such Affiliate costs/rates shall remain in effect for the duration of the AFE/Project, unless revised by the Parties in accordance with Section I, Paragraph 6 of this Accounting Procedure.

Any Party may request adjustments to Affiliate costs or rates at any time it deems appropriate but no more than once per year for a given Affiliate. The Parties shall respond to proposals for revised Affiliate costs or rates within the time prescribed in the Agreement for general voting matters. Approval of proposed Affiliate rates shall be determined in accordance with the provisions of Section I Paragraph 6 and shall not be unreasonably withheld by the Parties.

- D. Each Party will make a good faith effort to obtain sufficient evidentiary supporting documentation from its Affiliate and shall maintain auditable records to support all Affiliate charges to the Joint Account. Unless otherwise provided below, such documentation shall be subject to audit in accordance with Section I, Paragraph 5.

If affiliate charges are based on rates established using a fixed rate basis, the audit of the Affiliate charges shall be limited to verification that the rates charged were as agreed to by the Parties, and that the units or basis to which the rates were applied are correct.

If the Cost Basis method is selected, the Parties agree that the Affiliate's records relating to the Materials, facilities, or services provided by the Affiliates

- will not be made available for audit
 will be made available for audit

8. DAMAGES AND LOSSES TO JOINT PROPERTY

All costs or expenses necessary for the repair or replacement of Joint Property resulting because of damages or losses incurred, except to the extent such damages or losses result from a Party's gross negligence or willful misconduct, in which case such Party shall be solely liable.

9. LEGAL EXPENSE

The Operator may not charge for services of the Operator's legal staff or fees and expenses of outside attorneys unless approved by the Parties, except that title examinations and curative work shall be chargeable, unless otherwise provided for in the Agreement. Other types of legal expense, other than attorney fees, such as recording fees and handling, settling, or otherwise

discharging litigation, claims, and liens necessary to protect or recover the Joint Property shall be chargeable.

10. TAXES AND PERMITS

All taxes and permits of every kind and nature, assessed or levied upon or in connection with the Joint Property, or the production therefrom, and which have been paid by the Operator for the benefit of the Parties, including penalties and interest, except to the extent the penalties and interest result from the Operator's gross negligence or willful misconduct.

If ad valorem taxes paid by the Operator are based in whole or in part upon separate valuations of each Party's working interest, then notwithstanding any contrary provisions, the charges to Parties will be made in accordance with the tax value generated by each Party's working interest.

11. INSURANCE

Net premiums paid for insurance required to be carried for Joint Operations for the protection of the Parties. If Joint Operations are conducted at locations where the Operator acts as self-insurer in regard to its workers' compensation and employer's liability insurance obligation, the Operator shall charge the Joint Account manual rates for the risk assumed in its self-insurance program as regulated by the jurisdiction governing the Joint Property. Such rates shall be adjusted for offshore operations by the U.S. Longshoreman and Harbor Workers (USL&H) or Jones Act surcharge, as appropriate.

12. COMMUNICATIONS

Costs of acquiring, leasing, installing, operating, repairing, and maintaining communication systems, including radio and microwave facilities, between the Joint Property and the Operator's offices directly responsible for field operations. In the event communication systems serving the Joint Property are Operator or Affiliate-owned, charges to the Joint Account shall be made as provided in Section II, Paragraph 6 or 7 as applicable.

13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

A. Ecological and Environmental costs incurred

- for the benefit of the Joint Property
- on the Joint Property

resulting from laws, rules, regulations, or orders for archaeological and geophysical surveys relative to identification and protection of cultural resources and/or other environmental or ecological surveys as may be required by the Minerals Management Service or other regulatory authority. Also, costs to provide or have available pollution containment and removal equipment plus actual costs of control and cleanup and resulting responsibilities of oil and other spills as well as discharges from permitted outfalls as required by applicable laws and regulations are chargeable. Ecological and environmental costs incurred by the Operator as deemed by the Operator to be appropriate for prudent operations are also chargeable to the extent such costs directly benefit Joint Operations.

B. Safety costs incurred

- for the benefit of the Joint Property
- on the Joint Property

to conduct and/or implement safe operational practices/guidelines as a result of laws, rules, regulations, or orders or as recommended for voluntary compliance. Examples are the requirements mandated by the Occupational Safety and Hazards Act (OSHA), Safety and Environmental Management Program (SEMP), Process Safety Management (PSM), and/or requirements which may be mandated/recommended by similar programs or by other current or successor regulatory agencies. Safety costs incurred by the Operator as deemed by the Operator to be appropriate for prudent operations are also chargeable to the extent such costs directly benefit Joint Operations.

C. Environmental, ecological, and safety training costs for personnel whose time would otherwise be chargeable under Paragraph 13.A or B above, regardless of whether training is mandated by statute or regulatory agency, is chargeable to the Joint Account.

D. Safety and other team accomplishment awards for personnel chargeable to the Joint Account

- shall be chargeable to the Joint Account
- shall not be chargeable to the Joint Account

In the event of a conflict between the provisions of this Paragraph 13 and Section III, Paragraphs i. and ii., the following election shall prevail:

- Section II, Paragraph 13
- Section III, Paragraphs i. and ii.

14. ABANDONMENT AND RECLAMATION

Costs incurred for abandonment and reclamation of the Joint Property, including costs required by governmental, regulatory, or judicial authority

III. OVERHEAD

As compensation for administrative, supervision, office services and warehousing costs, or other costs not specifically identified as being chargeable to the Joint Account pursuant to Section II of this Accounting Procedure, the Operator shall charge the Joint Account in accordance with this Section III.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of offices and salaries or wages plus applicable burdens and expenses of personnel, except those costs identified as directly chargeable under Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, purchasing, accounting, administrative or clerical duties, or matters before or involving governmental agencies shall be

considered as included in the overhead rates provided for in this Section III unless directly chargeable under Section II or such costs are agreed to by the Parties as a direct charge to the Joint Account. Costs of functions which solely benefit the Operator are not recoverable from the Joint Account.

- i. Except as otherwise provided in Paragraphs 1 and 3 of this Section III, the salaries, wages, related payroll burden and Personal Expenses of Technical Employees, and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property in the conduct of Joint Operations
 - shall be covered by the overhead rates
 - shall not be covered by the overhead rates

- ii. Except as otherwise provided in Paragraphs 1 and 3 of this Section III, the salaries, wages, related payroll burden and Personal Expenses of Technical Employees, and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property
 - shall be covered by the overhead rates
 - shall not be covered by the overhead rates

1. OVERHEAD-PROJECT TEAM

To compensate the Parties for overhead costs incurred to support a Project Team, the Parties shall charge Project Team Overhead. Such overhead costs may include, but shall not be limited to the following: all personnel not directly chargeable to the Project Team, all computer equipment and supplies, office space, utilities, office furniture and equipment, cleaning and general housekeeping, office supplies, conference room facilities, facsimile machines, copy machines, telephones, and other general costs of supporting the Project Team. The overhead recovery shall be pursuant to one of the following options:

- The Operator shall charge a rate of three and a half Percent (3.5%) of the total cost of the Project Team AFE
- The Parties shall negotiate and document an overhead recovery method for the Project Team AFE when the Project Team AFE is proposed by the Parties. Approval of the overhead recovery method shall be determined in accordance with the Agreement provisions governing approval of the Project Team AFE

2. OVERHEAD-DEVELOPMENT AND OPERATING

As compensation for overhead in connection with drilling and producing operations not covered by other provisions of this Section III, Operator shall charge on either

- Fixed Rate Basis, Paragraph 2.A.
- Percentage Basis, Paragraph 2.B.

A. OVERHEAD-FIXED RATE BASIS

(1) The Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate per month \$ _____ (Prorated for less than a full month)

Producing Well Rate per month \$ _____

(2) Application of Overhead-Drilling Well Rate shall be as follows:

- (a) Charges for onshore drilling wells shall begin on spud date and terminate on the date the drilling or completion equipment is released, whichever occurs later. Charges for offshore drilling wells shall begin on the date the drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first. No charge shall be made during suspension of drilling or completion operations for 15 or more consecutive calendar days.
- (b) Charges for wells undergoing any type of workover, recompletion, or abandonment for a period of five consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, and commence through date of rig or other unit release, except that no charges shall be made during suspension of operations for 15 or more consecutive calendar days.

(3) Application of Overhead-Producing Well Rate shall be as follows:

- (a) An active well completion for any portion of the month shall qualify for a one-well charge for the entire month. An active completion is one that is
 - [1] produced
 - [2] injected into for recovery or disposal
 - [3] used to obtain water supply to support production operations
- (b) Each active completion in a multi-completed well shall qualify for a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

- (c) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when the drilling well rate applies.
 - (d) An active gas well shut in because of overproduction or failure of a purchaser to take production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
 - (e) All wells not meeting the criteria set forth in this Paragraph 2.A.(3) (a), (b), (c), or (d) shall not qualify for a producing overhead charge.
- (4) The well rates shall be adjusted on the first day of the production month of April each year following the effective date of the Agreement to which this Accounting Procedure is attached or the effective date of any overhead rate amendment. The adjusted rates shall be the rates on the effective date of the overhead rate, increased or decreased by the COPAS percentage wage index adjustment for each year from such effective date to the date of the adjustment.

B. OVERHEAD-PERCENTAGE BASIS

- (1) Operator shall charge the Joint Account at the following rates:
- (a) Development Rate two and three-quarters Percent (2.75%) of the cost of development of the Joint Property exclusive of costs provided under Section II, Paragraph 9, all salvage credits, and all Project Team expenses and overhead.
 - (b) Operating Rate thirteen Percent (13%) of the cost of operating the Joint Property exclusive of costs provided under Section II, Paragraphs 1 and 9; all salvage credits; the value of substances purchased for enhanced recovery; all property and ad valorem taxes and any other taxes and assessments that are levied, assessed, and paid upon the mineral interest in and to the Joint Property.
- (2) Application of Overhead-Percentage Basis shall be as follows:
- (a) Development rate shall be applied to all costs in connection with
 - [1] drilling, re-drilling, plugging back, sidetracking, or deepening of a well
 - [2] workover operations requiring a period of 15 consecutive work days or more on a well
 - [3] preliminary expenditures necessary in preparation for drilling
 - [4] expenditures incurred in abandoning when the well is not completed as a producer
 - [5] original construction or installation of fixed assets, expansion of fixed assets, and any other project clearly discernible as a fixed asset except Major Construction as defined in Section III, Paragraph 3 or any Project Team expenses and overhead
 - [6] expenditures incurred for geological and geophysical work performed for the development of the Joint Property.

- (b) Operating rate shall be applied to all other costs in connection with Joint Operations except those subject to Section III Paragraphs 1 and 3.

3. OVERHEAD-MAJOR CONSTRUCTION AND CATASTROPHE

Major Construction is defined as any project requiring an AFE, under the terms of the Agreement to which this Accounting Procedure is attached, for the construction and installation of fixed assets; the expansion of fixed assets; or in the abandonment of fixed assets and any associated reclamation required for the exploration, development, and operation of the Joint Property.

Catastrophe is defined as a calamitous event bringing damage, loss, or destruction resulting from a single occurrence requiring an AFE to restore the Joint Property to the equivalent condition that existed prior to the event causing the damage.

To compensate the Operator for overhead costs incurred in connection with Major Construction and Catastrophes, the Operator shall either negotiate a rate prior to beginning the work or shall charge the Joint Account for overhead based on the following rates:

- A. If the Operator charges, to a Project Team AFE, the engineering, design, and drafting costs associated with a Major Construction or Catastrophe project AFE, the overhead assessment shall be two and three-quarters percent (2.75%) of total project costs.
- B. If the Operator does not charge the engineering, design, and drafting costs related to a Major Construction or Catastrophe project AFE to a separate Project Team AFE, the Operator shall charge the following rates:

If the Operator absorbs engineering, design, and drafting costs related to the project, the overhead assessment shall be two and a half percent (2.5%) of total project costs.

If the Operator charges engineering, design, and drafting costs related to the project directly to the Joint Account, the overhead assessment shall be two percent (2%) of total project costs.

For calculating Major Construction overhead, the cost of drilling and workover wells shall be excluded. For calculating Catastrophe overhead the cost of drilling relief wells, substitute wells, or conducting other well operations resulting from the catastrophic event shall be included. Expenditures to which these rates apply shall not be reduced by insurance recoveries. Overhead assessed under the Major Construction and Catastrophe provisions shall be in lieu of all other overhead provisions. In the event of any conflict between the provisions of this paragraph and the provisions of Section II, Paragraphs 2 and 5, the provisions of this paragraph shall govern. Total project costs shall exclude Project Team costs if recorded to a separate Project Team AFE and overhead is charged on Project Team costs pursuant to Section III, Paragraph 1.

4. AMENDMENT OF RATES

The Overhead rates provided for in this Section III may be amended from time to time if, in practice, the rates are found to be insufficient or excessive, in accordance with the provisions of Section I, Paragraph 6.

IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS

The Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for direct purchases, transfers, and dispositions. The Operator normally provides all Material for use in the conduct of Joint Operations but does not warrant the Material furnished. Except as otherwise provided in Section IV, Paragraph 4.A., Material may be supplied by Non-Operators at the Operator's option.

1. DIRECT PURCHASES

Direct purchases shall be charged to the Joint Account at the price paid by the Operator after deduction of all discounts received. A direct purchase is determined to occur when an agreement is made between an Operator and a third party for the acquisition of Materials for a specific well site or location. Material provided by the Operator under "vendor stocking programs," where the initial use is for a Joint Property and title of the Material does not pass from the vendor until usage, is considered a direct purchase. If Material is found to be defective or is returned to the vendor for any other reason, credit shall be passed to the Joint Account when adjustments have been received by the Operator from the manufacturer, distributor, or agent.

2. TRANSFERS

A transfer is determined to occur when the Operator furnishes Material from its storage facility or from another operated property. Additionally, the Operator has assumed liability for the storage costs and changes in value and has previously secured and held title to the transferred Material. Similarly, the removal of Material from a Joint Property to the Operator's facility or to another operated property is also considered a transfer. Material that is moved from the Joint Property to a temporary storage location pending disposition may remain charged to the Joint Account and is not considered a transfer.

A. PRICING

The value of Material transferred to/from the Joint Property should generally reflect the market value on the date of transfer. Transfers of new Material will be priced using one of the following new Material bases:

- (1) Published prices in effect on date of movement as adjusted by the appropriate COPAS Historical Price Multiplier (HPM) or prices provided by the COPAS Computerized Equipment Pricing System (CEPS)

The HPMs and the associated date of published price to which they should be applied will be published by COPAS periodically.

- (a) For oil country tubulars and line pipe, the published price shall be based upon eastern mill (Houston for special end) carload base prices effective as of date of movement, plus transportation cost as defined in Section IV, Paragraph 2.B.

- (b) For other Material, the published price shall be the published list price in effect at date of movement, as listed by a supply store nearest the Joint Property (where like Material is normally available) or point of manufacture, plus transportation costs as defined in Section IV, Paragraph 2.B.
- (2) A price quotation that reflects a current realistic acquisition cost may be obtained from a supplier/manufacturer.
 - (3) Historical purchase price may be used, providing it reflects a current realistic acquisition cost on date of movement. Sufficient documentation should be available to Non-Operators for purposes of verifying Material transfer valuation.
 - (4) As agreed to by the Parties
 - (5) When higher than specification grade or size tubulars from the Operator's inventory are used on the Joint Property in the conduct of Joint Operations, the Operator shall charge the Joint Account at the equivalent price for well design specification tubulars.

B. FREIGHT

Transportation costs should be added to the Material transfer price based on one of the following:

- (1) Transportation costs for oil country tubulars and line pipe shall be calculated using the distance from eastern mill to the railway receiving point nearest the Joint Property based on the carload weight basis as recommended by COPAS in Bulletin 21 and COPAS Interpretations in effect at the time of the transfer.
- (2) Transportation costs for special mill items shall be calculated from that mill's shipping point to the railway receiving point nearest the Joint Property. For transportation costs from other than eastern mills, the 30,000-pound Specialized Motor Carriers interstate truck rate shall be used. Transportation costs for macaroni tubing shall be calculated based on the Specialized Motor Carriers rate per weight of tubing transferred to the railway receiving point nearest the Joint Property.
- (3) Transportation costs for special end tubular goods shall be calculated using the 30,000-pound Specialized Motor Carriers interstate truck rate from Houston, Texas to the railway receiving point nearest the Joint Property.
- (4) Transportation costs for Material other than that described in Section IV, Paragraphs 2.B (1) through (3), if applicable, shall be calculated from the supply store or point of manufacture, whichever is appropriate, to the railway receiving point nearest the Joint Property.

C. CONDITION

- (1) Condition "A"-New and unused Material in sound and serviceable condition shall be charged at 100% of the price as determined in Section IV, Paragraphs 2.A. and 2.B. Material transferred from the Joint Property that was not placed in service shall be

credited as charged without gain or loss. Any unused Material that was charged to the Joint Account through a direct purchase will be credited to the Joint Account at the original cost paid less restocking charges. All refurbishing costs required or necessary to return the Material to original condition or to correct handling or transportation damages and other related costs will be borne by the divesting property. The Joint Account is responsible for Material preparation, handling, and transportation costs for new and unused Material charged to the Joint Property either through a direct purchase or transfer. Any preparation costs incurred, including any internal or external coating and wrapping, will be credited on new Material provided these services were not repeated for such Material for the receiving property.

- (2) Condition "B"-Used Material in sound and serviceable condition and suitable for reuse without reconditioning shall be priced by multiplying the price determined in Section IV, Paragraphs 2.A. and 2.B. by

X 75%
the condition percentage most recently recommended by COPAS

All refurbishing cost or reconditioning required to return the Material to Condition "B" or to correct handling or transportation damages and other related costs will be borne by the divesting property.

If the Material was originally charged to the Joint Account as used Material and placed in service for the Joint Property, the Material will be credited at the price determined in Section IV, Paragraphs 2.A. and 2.B. multiplied by

X 65%
the condition percentage most recently recommended by COPAS

Used Material transferred from the Joint Property that was not placed in service on the property shall be credited as charged without gain or loss.

- (3) Condition "C"-Material that is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced by multiplying the price determined in Section IV, Paragraphs 2.A. and 2.B. by

X 50%
the condition percentage most recently recommended by COPAS

The cost of reconditioning shall be charged to the receiving property to the extent Condition "C" value, plus cost of reconditioning, does not exceed Condition "B" value.

- (4) Condition "D"-Other Material that is no longer suitable for its original purpose but useable for some other purpose is considered Condition "D" Material. Included under Condition "D" is also obsolete items or Material that does not meet original specifications but still has value and can be used in other services as a substitute for items with different specifications. Due to the condition or value of other used and obsolete items, it is not possible to price these items under Section IV, Paragraph 2.A. The price used should result in the Joint Account being charged or credited with the

value of the service rendered or use of the Material. In some instances, it may be necessary or desirable to have the Material specially priced as agreed to by the parties.

(5) Condition "E"-Junk shall be priced at prevailing scrap value prices.

D. OTHER PRICING PROVISIONS

(1) Preparation Costs

Costs incurred by the Operator in making Material serviceable including inspection, third party surveillance services, and other similar services will be charged to the Joint Account at prices which reflect the Operator's actual costs of the services. Documentation must be retained to support the cost of service. New coating and/or wrapping may be charged in accordance with Section IV, Paragraph 2.A.

(2) Loading and Unloading Costs

Loading and unloading costs related to the movement of the Material to the Joint Property shall be charged at the rate most recently recommended by COPAS in accordance with the methods specified in COPAS Bulletin 21.

3. DISPOSITION OF SURPLUS

Surplus Material is that Material, whether new or used, that is no longer required for Joint Operations. The Operator may purchase, but shall be under no obligation to purchase, the interest of the Non-Operator in surplus Material.

Dispositions for the purpose of this procedure are considered to be the relinquishment of title of the Material from the Joint Property to either a third party, a Non-Operator, or to the Operator. To avoid the accumulation of surplus Materials, the Operator should make good faith efforts to dispose of surplus within 12 months through buy/sale agreements, trade, sale to a third party, division in-kind, or other dispositions as agreed to by the Parties.

The Operator may, through a sale to an unrelated third party or entity, dispose of surplus Material having a gross sale value that is less than or equal to the Operator's expenditure limit as set forth in the Agreement to which this Accounting Procedure is attached without the prior approval of the Non-Operator. If the gross sale value exceeds the Agreement expenditure limit, the disposal must be agreed to by the Parties owning such Materials.

The Operator may dispose of Condition "D" and "E" Material under procedures normally utilized by the Operator without prior approval.

4. SPECIAL PRICING PROVISIONS

A. PREMIUM PRICING

Whenever Material is not readily replaceable due to national emergencies, strikes, or other unusual causes over which the Operator has no control, the Operator may charge the Joint

Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property provided notice in writing is furnished to Non-Operators of the proposed charge prior to use and to billing Non-Operators for such Material. During premium pricing periods, each Non-Operator shall have the right to furnish in-kind all or part of its share of such Material suitable for use and acceptable to the Operator by so electing and notifying the Operator within 10 days after receiving notice from the Operator.

B. SHOP-MADE ITEMS

Shop-made items shall be priced using the value of the Material used to construct the item plus the cost of labor to fabricate the item. If the Material is from the Operator's scrap or junk account, the Material shall be priced at either 25% of the current price as determined in Section IV, Paragraph 2.A. or scrap value, whichever is higher, plus the cost of labor to fabricate the item.

C. MILL REJECTS

Mill rejects purchased as "limited service" casing or tubing shall be priced at 80% of K-55/J-55 price as determined in Section IV, Paragraphs 2.A. and 2.B. Line pipe converted to casing or tubing with casing or tubing couplings attached shall be priced as K-55/J-55 casing or tubing at the nearest size and weight.

V. INVENTORIES OF CONTROLLABLE MATERIAL

The Operator shall maintain records of Controllable Material charged to the Joint Account as defined in the most recent COPAS Material Classification Manual, with sufficient detail to perform the physical inventories requested unless directed otherwise by the Non-Operators.

Adjustments to the Joint Account by the Operator resulting from a physical inventory of jointly owned Controllable Material shall be made within six months following the taking of the inventory or receipt of Non-Operator inventory. Charges and credits for overages or shortages will be valued for the Joint Account based on the Condition "B" prices in effect on the date of physical inventory as determined in accordance with Section IV, Paragraph 2.A. and 2.B. unless the inventorying Parties can prove another Material condition applies.

1. DIRECTED INVENTORIES

With an interval of not less than five years, physical inventories shall be performed by the Operator upon written request of a majority in working interests of the Non-Operators.

Expenses of directed inventories will be borne by the Joint Account and may include the following:

- A. Audit per diem rate for each inventory person in accordance with the auditor rates recommended by COPAS at the time the inventory is conducted

The per diem should also be applied to a reasonable number of days for pre-inventory work and for report preparation. The amount of time required for this additional work may vary from inventory to inventory.

B. Actual travel including Operator-provided transportation and Personal Expenses for the inventory team

C. Reasonable charges for report typing and processing

The Operator is expected to exercise judgment in keeping expenses within reasonable limits. Unless otherwise agreed, costs associated with any post-report follow-up work in settling the inventory will be absorbed by the Party incurring such costs. Any anticipated disproportionate costs should be discussed and agreed upon prior to commencement of the inventory.

When directed inventories are performed, all Parties shall be governed by the results of such inventory.

2. NON-DIRECTED INVENTORIES

A. OPERATOR INVENTORIES

Periodic physical inventories that are not requested by the Non-Operator may be performed by the Operator at the Operator's discretion. The expenses of conducting such Operator inventories shall not be charged to the Joint Account.

B. NON-OPERATOR INVENTORIES

Any Non-Operators may conduct a physical inventory at reasonable times at their sole cost and risk with prior notification to the Operator of at least 90 days. Non-Operator inventory findings shall be furnished to the Operator in writing within 90 days of completing the inventory field work.

C. OTHER INVENTORIES

Other inventories may be taken whenever there is any sale or change of interest. When possible, the selling Party should notify all other owners at least 30 days prior to the anticipated closing date. When there is a change in Operator of the Joint Property, an inventory by the former and new Operator should be taken. The expenses of conducting other inventories shall be charged to the Joint Account in accordance with Section V, Paragraph 1.

EXHIBIT "D"

Attached to and made a part of that certain Offshore Operating Agreement dated December 1, 2007 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

GAS BALANCING AGREEMENT ("AGREEMENT")

1. DEFINITIONS

The following definitions shall apply to this Agreement:

- 1.01 **Arm's Length Agreement:** shall mean any gas sales agreement with an unaffiliated purchaser or any gas sales agreement with an affiliated purchaser where the sales price and delivery conditions under such agreement are representative of prices and delivery conditions existing under other similar agreements in the area between unaffiliated parties at the same time for natural gas of comparable quality and quantity.
- 1.02 **Balancing Area:** shall mean all of the acreage and depths within an Operating Area, and after the Operating Agreement terminates it shall mean the acreage and depths covered by the leases previously located within the Operating Area.
- 1.03 **Full Share of Current Production:** shall mean the Percentage Interest of each Party in the Gas actually produced from the Balancing Area during each month.
- 1.04 **Gas:** shall mean all hydrocarbons produced or producible from the Balancing Area, whether from a well classified as an oil well or gas well by the regulatory agency having jurisdiction in such matters, which are or may be made available for sale or separate disposition by the Parties, excluding oil, condensate and other liquids recovered by field equipment operated for the joint account. "Gas" does not include gas used in joint operations, such as for fuel, recycling or reinjection, or which is vented or lost prior to its sale or delivery from the Balancing Area.
- 1.05 **Makeup Gas:** shall mean any Gas taken by an Underproduced Party from the Balancing Area in excess of its Full Share of Current Production, whether pursuant to Section 3.3 or Section 4.1 hereof.
- 1.06 **MMBtu:** shall mean one million British Thermal Units. A British Thermal Unit shall mean the quantity of heat required to raise one pound avoirdupois of pure water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit at a constant pressure of 14.73 pounds per square inch absolute.
- 1.07 **Operator:** shall mean the individual or entity designated under the terms of the Operating Agreement or, in the event this Agreement is not employed in connection with an operating agreement, the individual or entity designated as the operator of the well(s) located in the Balancing Area.

- 1.08 **Operating Agreement:** shall mean the Operating Agreement to which this Exhibit "D" is attached and made a part thereof.
- 1.09 **Operating Area:** shall mean each individual Prospect Area, as that term is defined in the Operating Agreement, that (a) is composed of the leases set forth in Exhibit "A-1" to the Operating Agreement and (b) is operated separately under the Operating Agreement.
- 1.10 **Overproduced Party:** shall mean any Party having taken a greater quantity of Gas from the Balancing Area than the Percentage Interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.11 **Overproduction:** shall mean the cumulative quantity of Gas taken by a Party in excess of its Percentage Interest in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.12 **Party:** shall mean those individuals or entities subject to this Agreement, and their respective heirs, successors, transferees and assigns.
- 1.13 **Percentage Interest:** shall mean the percentage or decimal interest of each Party in the Gas produced from the Balancing Area pursuant to the Operating Agreement covering the Balancing Area.
- 1.14 **Royalty:** shall mean payments on production of Gas from the Balancing Area to all owners of royalties, overriding royalties, production payments or similar interests.
- 1.15 **Underproduced Party:** shall mean any Party having taken a lesser quantity of Gas from the Balancing Area than the Percentage Interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.16 **Underproduction:** shall mean the deficiency between the cumulative quantity of Gas taken by a Party and its Percentage Interest in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.17 **Winter Period:** shall mean the month(s) of October, November and December in one calendar year and the month(s) of January, February and March in the succeeding calendar year.

2. BALANCING AREA

- 2.1 If this Agreement covers more than one Balancing Area, it shall be applied as if each Balancing Area were covered by separate but identical agreements. All balancing hereunder shall be on the basis of Gas taken from the Balancing Area measured in MMBtus.
- 2.2 In the event that all or part of the Gas deliverable from a Balancing Area is or becomes subject to one or more maximum lawful prices, any Gas not subject to price controls shall be considered as produced from a single Balancing

Area and Gas subject to each maximum lawful price category shall be considered produced from a separate Balancing Area.

3. RIGHT OF PARTIES TO TAKE GAS

- 3.1** Each Party desiring to take Gas will notify the Operator, or cause the Operator to be notified of the volumes nominated, the name of the transporting pipeline and the pipeline contract number (if available) and meter station relating to such delivery, sufficiently in advance for the Operator, acting with reasonable diligence, to meet all nomination and other requirements. Operator is authorized to deliver the volumes so nominated and confirmed (if confirmation is required) to the transporting pipeline in accordance with the terms of this Agreement. Operator shall provide each Party with an estimate of its Full Share of Current Production and the estimated sustainable Gas volumes for Makeup Gas by the 20th calendar day of the month prior to the month of production. The Parties recognize that Operator's estimates are no more than estimates, and these estimated volumes may vary from the actual Gas sales volumes during the month. Operator will, insofar as reasonably possible and practical, notify (by telephone or facsimile) the Parties of significant variances in production volumes relative to nominations where these variances could be reasonably expected to result in penalties being imposed by pipelines or purchasers or both. Operator will use reasonable efforts to notify all Parties of scheduled operations that will impact sustained production.
- 3.2** Each Party shall make a reasonable, good faith effort to take its Full Share of Current Production each month, to the extent that such production is required to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production.
- 3.3** When a Party fails for any reason to take its Full Share of Current Production (as such Share may be reduced by the right of the other Parties to make up for Underproduction as provided herein), the other Parties shall be entitled to take any Gas which such Party fails to take. To the extent practicable, such Gas shall be made available initially to each Underproduced Party in the proportion that its Percentage Interest in the Balancing Area bears to the total Percentage Interests of all Underproduced Parties desiring to take such Gas. If all such Gas is not taken by the Underproduced Parties, the portion not taken shall then be made available to the other Parties in the proportion that their respective Percentage Interests in the Balancing Area bear to the total Percentage Interests of such Parties.
- 3.4** All Gas taken by a Party in accordance with the provisions of this Agreement, regardless of whether such Party is underproduced or overproduced, shall be regarded as Gas taken for its own account with title thereto being in such taking Party.
- 3.5** Notwithstanding the provisions of Section 3.3 hereof, no Overproduced Party shall be entitled in any month to take any Gas in excess of three hundred percent (300%) of its Percentage Interest of the Balancing Area's then-current Maximum Monthly Availability; provided, however, that this limitation shall not

apply to the extent that it would preclude production that is required to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production. "Maximum Monthly Availability" shall mean the maximum average monthly rate of production at which Gas can be delivered from the Balancing Area, as determined by the Operator, considering the maximum efficient well rate for each well within the Balancing Area, the maximum allowable(s) set by the appropriate regulatory agency, mode of operation, production facility capabilities and pipeline pressures.

- 3.6** In the event that a Party fails to make arrangements to take its Full Share of Current Production required to be produced to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production, the Operator may sell any part of such Party's Full Share of Current Production that such Party fails to take for the account of such Party and render to such Party, on a current basis, the full proceeds of the sale, less any reasonable marketing, compression, treating, gathering or transportation costs incurred directly in connection with the sale of such Full Share of Current Production. In making the sale contemplated herein, the Operator shall be obligated only to obtain such price and conditions for the sale as are reasonable under the circumstances and shall not be obligated to share any of its markets. Any such sale by Operator under the terms hereof shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one year. Notwithstanding the provisions of Article 3.4 hereof, Gas sold by Operator for a Party under the provisions hereof shall be deemed to be Gas taken for the account of such Party. Notwithstanding anything contained herein to the contrary, no agency relationship or other relationship of trust and confidence shall be created by such sale and Operator shall only be required to act as a reasonably prudent operator.

4. IN-KIND BALANCING

- 4.1** Effective the first day of any calendar month following at least thirty (30) days prior written notice to the Operator, any Underproduced Party may begin taking, in addition to its Full Share of Current Production and any Makeup Gas taken pursuant to Section 3.3 of this Agreement, a share of current production determined by multiplying thirty-seven and a half percent (37.50%) of the Full Shares of Current Production of all Overproduced Parties by a fraction, the numerator of which is the Percentage Interest of such Underproduced Party and the denominator of which is the total of the Percentage Interests of all Underproduced Parties desiring to take Makeup Gas. In no event will an Overproduced Party be required to provide more than thirty-seven and a half percent (37.50%) of its Full Share of Current Production for Makeup Gas. The Operator will promptly notify all Overproduced Parties of the election of an Underproduced Party to begin taking Makeup Gas.
- 4.2** Notwithstanding the provisions of Section 4.1, the average monthly amount of Makeup Gas taken by an Underproduced Party during the Winter Period

pursuant to Section 4.1 shall not exceed the average monthly amount of Makeup Gas taken by such Underproduced Party during the six(6) months immediately preceding the Winter Period.

5. STATEMENT OF GAS BALANCES

- 5.1** The Operator will maintain appropriate accounting on a monthly and cumulative basis of the volumes of Gas that each Party is entitled to receive and the volumes of Gas actually taken or sold for each Party's account. Within forty-five (45) days after the month of production, the Operator will furnish a statement for such month showing (1) each Party's Full Share of Current Production, (2) the total volume of Gas actually taken or sold for each Party's account, (3) the difference between the volume taken by each party and that Party's Full Share of Current Production, (4) the Overproduction or Underproduction of each Party, and (5) other data as recommended by the provisions of the Council of Petroleum Accountants Societies Bulletin No. 24, as amended or supplemented hereafter. Each Party taking Gas will promptly provide to the Operator any data required by the Operator for preparation of the statements required hereunder.
- 5.2** If any Party fails to provide the data required herein for four (4) consecutive production months, the Operator, or where the Operator has failed to provide data, another Party, may audit the production and Gas sales and transportation volumes of the non-reporting Party to provide the required data. Such audit shall be conducted only after reasonable notice and during normal business hours in the office of the Party whose records are being audited. All costs associated with such audit will be charged to the account of the Party failing to provide the required data.

6. PAYMENTS ON PRODUCTION

- 6.1** Each Party taking Gas shall pay or cause to be paid all production and severance taxes due on all volumes of Gas actually taken by such Party.
- 6.2** Each Party shall pay or cause to be paid Royalty due with respect to Royalty owners to whom it is accountable based on the volume of Gas actually taken for its account.
- 6.3** In the event that any governmental authority requires that Royalty payments be made on any other basis than that provided for in this Section 6, each Party agrees to make such Royalty payments accordingly, commencing on the effective date required by such governmental authority, and the method provided for herein shall be thereby superseded.

7. CASH SETTLEMENTS

- 7.1** Upon the earlier of the plugging and abandonment of the last producing interval in the Balancing Area, the termination of the Operating Agreement or

any pooling or unit agreement covering the Balancing Area, or at any time no Gas is taken from the Balancing Area for a period of twelve (12) consecutive months, any Party may give written notice calling for cash settlement of the Gas production imbalances among the Parties. Such notice shall be given to all Parties in the Balancing Area.

- 7.2** Within sixty (60) days after the notice calling for cash settlement under Section 7.1, the Operator will distribute to each Party a Final Gas Settlement Statement detailing the quantity of Overproduction owed by each Overproduced Party to each Underproduced Party and identifying the month to which such Overproduction is attributed, pursuant to the methodology set out in Section 7.4.
- 7.3** Within sixty (60) days after receipt of the Final Gas Settlement Statement, each Overproduced Party will pay to each Underproduced Party entitled to settlement the appropriate cash settlement, accompanied by appropriate accounting detail. At the time of payment, the Overproduced Party will notify the Operator of the Gas imbalance settled by the Overproduced Party's payment.
- 7.4** The amount of the cash settlement will be based on the proceeds received by the Overproduced Party under an Arm's Length Agreement for the Gas taken from time to time by the Overproduced Party in excess of the Overproduced Party's Full Share of Current Production. Any Makeup Gas taken by the Underproduced Party prior to monetary settlement hereunder will be applied to offset Overproduction chronologically in the order of accrual.
- 7.5** The values used for calculating the cash settlement under Section 7.4 will include all proceeds received for the sale of the Gas by the Overproduced Party calculated at the Balancing Area, after deducting any production or severance taxes paid and any Royalty actually paid by the Overproduced Party to an Underproduced Party's Royalty owner(s), to the extent said payments amounted to a discharge of said Underproduced Party's Royalty obligation, as well as any reasonable marketing, compression, treating, gathering or transportation costs incurred directly in connection with the sale of the Overproduction.
- 7.5.1** For Overproduction processed for the account of the Overproduced Party at a gas processing plant for the extraction of liquid hydrocarbons, the full quantity of the Overproduction will be valued for purposes of cash settlement at the prices received by the Overproduced Party for the sale of the residue gas attributable to the Overproduction without regard to proceeds attributable to liquid hydrocarbons which may have been extracted from the Overproduction.
- 7.6** To the extent the Overproduced Party did not sell all Overproduction under an Arm's Length Agreement, the cash settlement will be based on the weighted average price received by the Overproduced Party for any gas sold from the Balancing Area under Arm's Length Agreements during the months to which such Overproduction is attributed. The Overproduced settlement volumes will

be valued beginning with the latest Overproduced period until the total Overproduction has been valued. Underproduced volumes are excluded from the weighted average price calculation. In the event that no sales under Arm's Length Agreements were made during any such month, the cash settlement for such month will be based on the "Index of the Prices of Spot Gas Delivered to Pipelines" published for the applicable pipeline in the first issue of *Inside FERC's Gas Market Report* for such month. Should this publication cease to exist, the Parties shall mutually agree to a pricing bulletin.

- 7.7 Interest compounded at the rate of the then current prime rate of Citibank N.A. New York, New York as published in the Wall Street Journal plus one (1) percent per annum or the maximum lawful rate of interest applicable to the Balancing Area, whichever is less, will accrue for all amounts due under Section 7.1, beginning the first day following the date payment is due pursuant to Section 7.3. Such interest shall be borne by the Operator or any Overproduced Party in the proportion that their respective delays beyond the deadlines set out in Sections 7.2 and 7.3 contributed to the accrual of the interest.
- 7.8 In lieu of the cash settlement required by Section 7.3, an Overproduced Party may deliver to the Underproduced Party an offer to settle its Overproduction in-kind and at such rates, quantities, times and sources as may be agreed upon by the Underproduced Party. If the Parties are unable to agree upon the manner in which such in-kind settlement gas will be furnished within sixty (60) days after the Overproduced Party's offer to settle in kind, which period may be extended by agreement of said Parties, the Overproduced Party shall make a cash settlement as provided in Section 7.3. The making of an in-kind settlement offer under this Section 7.8 will not delay the accrual of interest on the cash settlement should the Parties fail to reach agreement on an in-kind settlement.
- 7.9 At any time during the term of this Agreement, any Overproduced Party may, at its sole discretion, make cash settlement(s) with the Underproduced Parties covering all or part of its outstanding Gas imbalance, provided that such settlements must be made with all Underproduced Parties proportionately based on the relative imbalances of the Underproduced Parties, and provided further that such settlements may not be made more often than once every twenty-four (24) months. Such settlements will be calculated in the same manner provided above for final cash settlements. The Overproduced Party will provide Operator a detailed accounting of any such cash settlement within thirty (30) days after the settlement is made.

8. OPERATING COSTS

Nothing in this Agreement shall change or affect any Party's obligation to pay its proportionate share of all costs and liabilities incurred in operations on or in connection with the Balancing Area, as its share thereof is set forth in the Operating Agreement, irrespective of whether any Party is at any time selling and using Gas or whether such sales or use are in proportion to its Percentage Interest in the Balancing Area.

9. LIQUIDS

The Parties shall share proportionately in and own all liquid hydrocarbons recovered with Gas by field equipment operated for the joint account in accordance with their Percentage Interests in the Balancing Area.

10. AUDIT RIGHTS

Notwithstanding any provision in this Agreement or any other agreement between the Parties hereto, and further notwithstanding any termination or cancellation of this Agreement, for a period of two (2) years from the end of the calendar year in which any information to be furnished under Section 5 or 7 hereof is supplied, any Party shall have the right to audit the records of any other Party regarding quantity, including but not limited to information regarding Btu-content. Any Underproduced Party shall have the right for a period of two (2) years from the end of the calendar year in which any cash settlement is received pursuant to Section 7 to audit the records of any Overproduced Party as to all matters concerning values, including but not limited to information regarding prices and disposition of Gas from the Balancing Area. Any such audit shall be conducted at the expense of the Party or Parties desiring such audit, and shall be conducted, after reasonable notice, during normal business hours in the office of the Party whose records are being audited. Each Party hereto agrees to maintain records as to the volumes and prices of Gas sold each month and the volumes of Gas used in its own operations, along with the Royalty paid on any such Gas used by a Party in its own operations. The audit rights provided for in this Section 10 shall be in addition to those provided for in Section 5.2 of this Agreement.

11. MISCELLANEOUS

11.1 As between the Parties, in the event of any conflict between the provisions of this Agreement and the provisions of any gas sales contract, or in the event of any conflict between the provisions of this Agreement and the provisions of the Operating Agreement, the provisions of this Agreement shall govern.

11.2 Each Party agrees to defend, indemnify and hold harmless all other Parties from and against any and all liability for any claims, which may be asserted by any third party which now or hereafter stands in a contractual relationship with such indemnifying Party and which arise out of the operation of this Agreement or any activities of such indemnifying Party, under the provisions of this Agreement, and does further agree to save the other Parties harmless from all judgments or damages sustained and costs incurred in connection therewith.

11.3 Except as otherwise provided in this Agreement, Operator is authorized to administer the provisions of this Agreement, but shall have no liability to the other parties for losses sustained or liability incurred which arise out of or in connection with the performance of Operator's duties hereunder, except such

as may result from Operator's gross negligence or willful misconduct. Operator shall not be liable to any Underproduced Party for the failure of any Overproduced Party (other than Operator) to pay any amounts owed pursuant to the terms hereof.

- 11.4** This Agreement shall remain in full force and effect for as long as the Operating Agreement shall remain in force and effect as to the Balancing Area, and thereafter until the Gas accounts between the Parties are settled in full, and shall inure to the benefit of and be binding upon the Parties hereto, and their respective heirs, successors, legal representatives and assigns, if any. The Parties hereto agree to give notice of the existence of this Agreement to any successor in interest of any such Party and to provide that any such successor shall be bound by this Agreement, and shall further make any transfer of any interest subject to the Operating Agreement, or any part thereof, also subject to the terms of this Agreement.
- 11.5** Unless the context clearly indicates otherwise, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.
- 11.6** This Agreement shall bind the Parties in accordance with the provisions hereof, and nothing herein shall be construed or interpreted as creating any rights in any person or entity not a signatory hereto, or as being a stipulation in favor of any such person or entity.
- 11.7** If contemporaneously with this Agreement becoming effective, or thereafter, any Party requests that any other Party execute an appropriate memorandum or notice of this Agreement in order to give third parties notice of record of same and submits same for execution in recordable form, such memorandum or notice shall be duly executed by the Party to which such request is made and delivered promptly thereafter to the Party making the request. Upon receipt, the Party making the request shall cause the memorandum or notice to be duly recorded in the appropriate real property or other records affecting the Balancing Area.
- 11.8** The Parties agree to compute and report income to the Internal Revenue Service using the cumulative gas balancing method as prescribed by 26 CFR Part 1 and Part 2, as amended effective January 1, 1995.

12. ASSIGNMENT AND RIGHTS UPON ASSIGNMENT

- 12.1** Subject to the provisions of Sections 12.2 and 12.3 hereof, and notwithstanding anything in this Agreement or in the Operating Agreement to the contrary, if any Party assigns (including any sale, exchange or other transfer) any of its working interest in the Balancing Area when such Party is an Underproduced or Overproduced Party, the assignment or other act of transfer shall, insofar as the Parties hereto are concerned, include all interest of the assigning or transferring Party in the Gas, all rights to receive or obligations to provide or take Makeup Gas and all rights to receive or obligations to make any monetary payment which may ultimately be due

hereunder, as applicable. Operator and each of the other Parties hereto shall thereafter treat the assignment accordingly, and the assigning or transferring Party shall look solely to its assignee or other transferee for any interest in the Gas or monetary payment that such Party may have or to which it may be entitled, and shall cause its assignee or other transferee to assume its obligations hereunder.

12.2 Notwithstanding anything in this Agreement (including but not limited to the provisions of Section 12.1 hereof) or in the Operating Agreement to the contrary, and subject to the provisions of Section 12.3 hereof, in the event an Overproduced Party intends to sell, assign, exchange or otherwise transfer any of its interest in a Balancing Area, such Overproduced Party shall notify in writing the other working interest owners who are Parties hereto in such Balancing Area of such fact at least sixty (60) days prior to closing the transaction. Such notice shall contain a gas settlement statement detailing the quantity of Overproduction owed by the Overproduced Party to each Underproduced Party and the value of such Overproduction, calculated in accordance with Sections 7.4 through 7.6 hereof. Thereafter, any Underproduced Party may demand from such Overproduced Party in writing, within thirty (30) days after receipt of the Overproduced Party's notice, a cash settlement of its Underproduction from the Balancing Area. The Operator shall be notified of any such demand and of any cash settlement pursuant to this Section 12, and the Overproduction and Underproduction of each Party shall be adjusted accordingly. Any cash settlement pursuant to this Section 12 shall be paid by the Overproduced Party at the closing of the transaction in which the Overproduced Party sells, assigns, exchanges or otherwise transfers its interest in a Balancing Area on the same basis as otherwise set forth in Sections 7.3 through 7.6 hereof, and shall bear interest at the rate set forth in Section 7.7 hereof, beginning the first day following the closing of the Overproduced Party's sale, assignment, exchange or transfer of its interest in the Balancing Area for any amounts not paid. Provided, however, if any Underproduced Party does not so demand such cash settlement of its Underproduction from the Balancing Area, such Underproduced Party shall look exclusively to the assignee or other successor in interest of the Overproduced Party giving notice hereunder for the satisfaction of such Underproduced Party's Underproduction in accordance with the provisions of Section 12.1 hereof.

12.3 The provisions of this Section 12 shall not be applicable in the event any Party mortgages its interest or disposes of its interest by merger, reorganization, consolidation or sale of substantially all of its assets to a subsidiary or parent company, or to any company in which any parent or subsidiary of such Party owns a majority of the stock of such company.

EXHIBIT "E"

Attached to and made a part of that certain Offshore Operating Agreement dated December 1, 2007 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

**ATTACHED TO AND MADE A PART OF THAT CERTAIN
OFFSHORE OPERATING AGREEMENT EFFECTIVE**

CERTIFICATION OF NONSEGREGATED FACILITIES

Contractor certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not permit its employees to perform their services at any location under its control, where segregated facilities are maintained. Contractor certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. Contractor agrees that a breach of this certification is a violation of the Equal Opportunity Clause in any Government contract between Contractor and Operator. As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, rest rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin because of habit, local custom or otherwise. Contractor further agrees that (except where it has obtained identical certifications from proposed subcontractors) prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity Clause; that it will retain such certifications in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT FOR CERTIFICATIONS OF NONSEGREGATED FACILITIES. A Certification of Non-segregated Facilities, as required by the May 9, 1967 order on Elimination of Segregated Facilities, by the Secretary of Labor (32 Fed. Reg. 7439, May 19, 1967), must be submitted prior to the award of a subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal Opportunity Clause. The certification may be submitted either for each subcontract or for all subcontracts during a period (i. e., quarterly, semi-annually or annually). (1968 MAR.) (Note: The penalty for making false statements in offers is prescribed in 18. U.S.C. 1001.)

Whenever used in the foregoing Section, the term "contractor" refers to each party to this agreement.

EXHIBIT "F"

**Attached to and made a part of that certain Offshore Operating Agreement
dated December 1, 2007 by and between BHP Billiton Petroleum (GOM) Inc.,
BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.**

**ARTICLE 6.3 ET SEQ.
DEEPWATER OPERATING AGREEMENT (Louisiana)**

Security Rights; Default; Unpaid Charges; Carved-out Interests.

6.3 Security Rights.

A. Security Rights - Properties Located Offshore Adjacent to the State of Louisiana. In addition to any other security rights and remedies provided by law with respect to services rendered or materials and equipment furnished under this Agreement, for and in consideration of the covenants and mutual undertakings of the Operator and the Non-Operating Parties herein, the Parties shall have the following security rights:

- (i) Mortgage in Favor of the Operator. Each Non-Operating Party hereby grants to the Operator a mortgage, hypothecate, assignment and pledge of and over all of its rights, titles, and interests, whether now existing or hereafter acquired, in and to (a) the Leases, (b) the oil, gas and other minerals in, on, under, and that may be produced from the lands within the Contract Area, and (c) all other immovable property or other property susceptible of mortgage situated within the Contract Area.

This mortgage is given to secure the complete and timely performance of and payment by each Non-Operating Party of all obligations and indebtedness of every kind and nature, whether now owed by such Non-Operating Party or hereafter arising, pursuant to this Agreement. To the extent susceptible under applicable law, this mortgage and the security interests granted in favor of the Operator herein shall secure the payment of all Costs and other expenses properly charged to such Party, together with (A) interest on such indebtedness, Costs, and other expenses at the rate set forth in Exhibit "C" attached hereto (the "Accounting Procedure") or the maximum rate allowed by law, whichever is the lesser, (B) reasonable attorneys' fees, (C) court costs, and (D) other directly related collection costs. If any Non-Operating Party does not pay such Costs and other expenses or perform its obligations under this Agreement when due, the Operator shall have the additional right to notify the purchaser or purchasers of the defaulting Non-Operating Party's Hydrocarbon production and collect such Costs and other expenses out of the proceeds from the sale of the defaulting Non-Operating Party's share of Hydrocarbon production until the amount owed has been paid. The Operator shall have the right to offset the amount owed against the proceeds from the sale of such defaulting Non-Operating Party's share of Hydrocarbon production. Any purchaser of such production shall be entitled to rely on the Operator's statement concerning the amount of Costs and other expenses owed by the defaulting Non-Operating Party and payment made to the Operator by any purchaser shall be binding and conclusive as between such purchaser and such defaulting Non-Operating Party.

The maximum amount for which the mortgage herein granted by each Non-Operating Party shall be deemed to secure the obligations and indebtedness of such Non-Operating Party to

the Operator as stipulated herein is hereby fixed in an amount equal to \$25,000,000.00 (the "Limit of the Mortgage of each Non-Operating Party"). Except as provided in the previous sentence (and then only to the extent such limitations are required by law), the entire amount of obligations and indebtedness of each Non-Operating Party to the Operator is secured hereby without limitation. Notwithstanding the foregoing Limit of the Mortgage of each Non-Operating Party, the liability of each Non-Operating Party under this Agreement and the mortgage and security interest granted hereby shall be limited to (and the Operator shall not be entitled to enforce the same against such Non-Operating Party for, an amount exceeding) the actual obligations and indebtedness (including all interest charges, costs, attorneys' fees, and other charges provided for in this Agreement or in the Memorandum of Operating Agreement and Financing Statement (Louisiana), as such term is defined in Section 6.3.b.(v) hereof) outstanding and unpaid and that are attributable to or charged against the interest of such Non-Operating Party pursuant to this Agreement.

- (ii) Security Interest in Favor of the Operator. To secure the complete and timely performance of and payment by each Non-Operating Party of all obligations and indebtedness of every kind and nature, whether now owed by such Non-Operating Party or hereafter arising, pursuant to this Agreement, each Non-Operating Party hereby grants to the Operator a mortgage and continuing security interest in and to all of its rights, titles, interests, claims, general intangibles, proceeds, and products thereof, whether now existing or hereafter acquired, in and to (a) all oil, gas and other minerals produced from the lands or offshore blocks covered by the Leases or included within the Contract Area or attributable to the Leases or the Contract Area when produced, (b) all accounts receivable accruing or arising as a result of the sale of such oil and gas (including, without limitation, accounts arising from gas imbalances or from the sale of oil and gas at the wellhead), (c) all cash or other proceeds from the sale of such oil and gas once produced, and (d) all Development Systems, platforms, wells, facilities, fixtures, other corporeal property, whether movable or immovable, whether now or hereafter placed on the lands or offshore blocks covered by the Leases or the Contract Area or maintained or used in connection with the ownership, use or exploitation of the Leases or the Contract Area, and other surface and sub-surface equipment of any kind or character located on or attributable to the Leases or the Contract Area and the cash or other proceeds realized from the sale, transfer, disposition or conversion thereof. The interest of the Non-Operating Parties in and to the oil and gas produced from or attributable to the Leases or the Contract Area when extracted and the accounts receivable accruing or arising as the result of the sale thereof shall be financed at the wellhead of the well or wells located on the Leases or the Contract Area. To the extent susceptible under applicable law, the mortgage and security interest granted by each Non-Operating Party hereunder covers: (A) all substitutions, replacements, and accessions to the property of such Non-Operating Party described herein and is intended to cover all of the rights, titles and interests of such Non-Operating Party in all movable property now or hereafter located upon or used in connection with the Contract Area, whether corporeal or incorporeal; (B) all rights under any gas balancing agreement, farmout rights, option farmout rights, acreage and cash contributions, and conversion rights of such Non-Operating Party in connection with the Leases or the Contract Area, or the oil and gas produced from or attributable to the Leases or the Contract Area, whether now owned and existing or hereafter acquired or arising; and (C) all

rights, claims, general intangibles, and proceeds, whether now existing or hereafter acquired, of each Non-Operating Party in and to the contracts, agreements, permits, licenses, rights-of-way, and similar rights and privileges that relate to or are appurtenant to the Leases or the Contract Area, including the following:

- (1) all of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in, to, and under or derived from any present or future operating, farmout, bidding, pooling, unitization, and communitization agreements, assignments, and subleases, whether or not described in Exhibit "A," to the extent, and only to the extent, that such agreements, assignments, and subleases cover or include any of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in and to all or any portion of the Leases or the Contract Area, and all units created by any such pooling, unitization, and communitization agreements and all units formed under orders, regulations, rules, or other official acts of any governmental authority having jurisdiction, to the extent and only to the extent that such units cover or include all or any portion of the Leases or the Contract Area;
 - (2) all of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in, to, and under or derived from all presently existing and future advance payment agreements, and oil, casinghead gas, and gas sales, exchange, and processing contracts and agreements, including, without limitation, those contracts and agreements that are described on Exhibit "A," to the extent, and only to the extent, those contracts and agreements cover or include all or any portion of the Leases or the Contract Area; and
 - (3) all of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in, to, and under or derived from all existing and future permits, licenses, rights-of-way, and similar rights and privileges that relate to or are appurtenant to any of the Leases or the Contract Area.
- (iii) Mortgage in Favor of the Non-Operating Parties. Operator's Affiliate, as defined in the Offshore Operating Agreement ("Mortgagor"), hereby grants to each Non-Operating Party a mortgage, hypothecate, assignment and pledge of and over all of its rights, titles, and interests, whether now existing or hereinafter acquired, in and to (a) the Leases; (b) the oil, gas and other minerals in, on, under, and that may be produced from the lands within the Contract Area; and (c) all other immovable property or other property susceptible of mortgage situated within the Contract Area.

This mortgage is given to secure the complete and timely performance of and payment by the Operator (a non Working Interest Owner) of all obligations and indebtedness of every kind and nature, whether now owed by the Operator or hereafter arising, pursuant to this Agreement. To the extent susceptible under applicable law, this mortgage and the security interests granted in favor of each Non-Operating Party herein shall secure the payment of all Costs and other expenses properly charged to the Operator, together with (A) interest on such

indebtedness, Costs, and other expenses at the rate set forth in the Accounting Procedure or the maximum rate allowed by law, whichever is the lesser, (B) reasonable attorneys' fees, (C) court costs, and (D) other directly related collection costs. If the Operator does not pay such Costs and other expenses or perform its obligations under this Agreement when due, the Non-Operating Parties shall have the additional right to notify the purchaser or purchasers of the Mortgagor's Hydrocarbon production and collect such Costs and other expenses out of the proceeds from the sale of the Mortgagor's share of Hydrocarbon production until the amount owed has been paid. The Non-Operating Parties shall have the right to offset the amount owed against the proceeds from the sale of the Mortgagor's share of Hydrocarbon production. Any purchaser of such production shall be entitled to rely on the Non-Operating Parties' statement concerning the amount of Costs and other expenses owed by the Operator and payment made to the Non-Operating Parties by any purchaser shall be binding and conclusive as between such purchaser and the Operator.

The maximum amount for which the mortgage herein granted by the Mortgagor shall be deemed to secure the obligations and indebtedness of the Operator to all Non-Operating Parties as stipulated herein is hereby fixed in an amount equal to \$25,000,000.00 in the aggregate (the "Limit of the Mortgage of the Operator"). Except as provided in the previous sentence (and then only to the extent such limitations are required by law), the entire amount of obligations and indebtedness of the Operator to the Non-Operating Parties is secured hereby without limitation. Notwithstanding the foregoing Limit of the Mortgage of the Mortgagor, the liability of the Mortgagor under this Agreement and the mortgage and security interest granted hereby shall be limited to (and the Non-Operating Parties shall not be entitled to enforce the same against the Mortgagor for, an amount exceeding) the actual obligations and indebtedness (including all interest charges, costs, attorneys' fees, and other charges provided for in this Agreement or in the Memorandum of Operating Agreement and Financing Statement (Louisiana), as such term is defined in Section 6.3.b.(v) hereof) outstanding and unpaid and that are attributable to or charged against the interest of the Operator pursuant to this Agreement.

- (iv) Security Interest in Favor of the Non-Operating Parties. To secure the complete and timely performance of and payment by the Operator (a non Working Interest Owner) of all obligations and indebtedness of every kind and nature, whether now owed by the Operator or hereafter arising, pursuant to this Agreement, the Mortgagor hereby grants to each Non-Operating Party a mortgage and continuing security interest in and to all of its rights, titles, interests, claims, general intangibles, proceeds, and products thereof, whether now existing or hereafter acquired, in and to (a) all oil, gas and other minerals produced from the lands or offshore blocks covered by the Leases or included within the Contract Area or attributable to the Leases or the Contract Area when produced, (b) all accounts receivable accruing or arising as a result of the sale of such oil and gas (including, without limitation, accounts arising from gas imbalances or from the sale of oil and gas at the wellhead), (c) all cash or other proceeds from the sale of such oil and gas once produced, and (d) all Development Systems, platforms, wells, facilities, fixtures, other corporeal property whether movable or immovable, whether now or hereafter placed on the offshore blocks covered by the Leases or the Contract Area or maintained or used in connection with the ownership, use or exploitation of the Leases or the Contract Area, and other surface and sub-surface equipment of any kind or character located on or attributable to the Leases or the Contract Area and the cash or other proceeds realized from the sale, transfer, disposition or conversion thereof. The interest of

the Mortgagor in and to the oil and gas produced from or attributable to the Leases when extracted and the accounts receivable accruing or arising as the result of the sale thereof shall be financed at the wellhead of the well or wells located on the Leases or the Contract Area. To the extent susceptible under applicable law, the mortgage and security interest granted by the Mortgagor hereunder covers: (A) all substitutions, replacements, and accessions to the property of the Mortgagor described herein and is intended to cover all of the rights, titles and interests of the Mortgagor in all movable property now or hereafter located upon or used in connection with the Contract Area, whether corporeal or incorporeal; (B) all rights under any gas balancing agreement, farmout rights, option farmout rights, acreage and cash contributions, and conversion rights of the Mortgagor in connection with the Leases or the Contract Area, the oil and gas produced from or attributable to the Leases or the Contract Area, whether now owned and existing or hereafter acquired or arising; and (C) all rights, claims, general intangibles, and proceeds, whether now existing or hereafter acquired, of the Mortgagor in and to the contracts, agreements, permits, licenses, rights-of-way, and similar rights and privileges that relate to or are appurtenant to the Leases or the Contract Area, including the following:

- (1) all of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in, to, and under or derived from any present or future operating, farmout, bidding, pooling, unitization, and communitization agreements, assignments, and subleases, whether or not described in Exhibit "A," to the extent, and only to the extent, that such agreements, assignments, and subleases cover or include any of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in and to all or any portion of the Leases or the Contract Area, and all units created by any such pooling, unitization, and communitization agreements and all units formed under orders, regulations, rules, or other official acts of any governmental authority having jurisdiction, to the extent and only to the extent that such units cover or include all or any portion of the Leases or the Contract Area;
- (2) all of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in, to, and under or derived from all presently existing and future advance payment agreements, and oil, casinghead gas, and gas sales, exchange, and processing contracts and agreements, including, without limitation, those contracts and agreements that are described on Exhibit "A," to the extent, and only to the extent, those contracts and agreements cover or include all or any portion of the Leases or the Contract Area; and
- (3) all of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in, to, and under or derived from all existing and future permits, licenses, rights-of-way, and similar rights and privileges that relate to or are appurtenant to any of the Leases or the Contract Area.

- (v) Recordation. To provide evidence of, and to further perfect the Parties' security

rights created hereunder, upon request, each Party shall execute and acknowledge the Memorandum of Operating Agreement and Financing Statement (Louisiana) attached as Exhibit "I" (the "Memorandum of Operating Agreement and Financing Statement (Louisiana)") in multiple counterparts as appropriate. The Parties authorize the Operator to file the Memorandum of Operating Agreement and Financing Statement (Louisiana) in the public records set forth below to serve as notice of the existence of this Agreement as a burden on the title of the Working Interest Owners in the Leases or the Contract Area and for purposes of satisfying otherwise relevant recording and filing requirements of applicable law and to attach an original of the Memorandum of Operating Agreement and Financing Statement (Louisiana) to a standard UCC-1 in the forms attached as Exhibits "K-1" and "K-2" to the Agreement for filing in the UCC records set forth below to perfect the security interests created by the Parties in this Agreement. Upon the acquisition of a leasehold interest in the Contract Area, the Parties shall, within five business days following request by one of the Parties hereto, execute and furnish to the requesting Party for recordation such a Memorandum of Operating Agreement and Financing Statement (Louisiana) describing such leasehold interest. Such Memorandum of Operating Agreement and Financing Statement (Louisiana) shall be amended from time to time upon acquisition of additional leasehold interests in the Contract Area, and the Parties shall, within five business days following request by one of the Parties hereto, execute and furnish to the requesting Party for recordation any such amendment.

The Memorandum of Operating Agreement and Financing Statement (Louisiana) is to be filed or recorded, as the case may be, in (a) the conveyance records of the parish or parishes adjacent to the lands or offshore blocks covered by the Leases or contained within the Contract Area pursuant to La. R.S. 9:2731 et seq., (b) the mortgage records of such parish or parishes, and (c) the appropriate Uniform Commercial Code records.

- B. Default. If any Party does not pay its share of the charges authorized under this Agreement when due, the Operator may give the defaulting Party notice that unless payment is made within thirty (30) days from delivery of the notice, the non-paying Party shall be in default. A Party in default shall have no further access to the rig, Production System, Facilities, any Confidential Data or other maps, records, data, interpretations, or other information obtained in connection with activities or operations hereunder or be allowed to participate in meetings. A Party in default shall not be entitled to Vote or to make an Election until such time as the defaulting Party is no longer in default. The voting interest of each non-defaulting Party shall be counted in the proportion its Working Interest bears to the total non-defaulting Working Interests. As to any operation approved during the time a Party is in default, such defaulting Party shall be deemed to be a Non-Participating Party, except where such approval is binding on all Parties or Participating Parties, as applicable. In the event a Party believes that such statement of charges is incorrect, the Party shall nevertheless pay the amounts due as provided herein, and the Operator shall attempt to resolve the issue as soon as practicable, but said attempt shall be made no later than sixty (60) days after receiving notice from the Party of such disputed charges.
- C. Unpaid Charges. If any Participating Party fails to pay its share of the Costs and other expenses authorized under this Agreement within thirty (30) days after receipt of an

invoice therefor or to otherwise perform any of its obligations under this Agreement when due, the Party to whom such payment is due, in order to take advantage of the provisions of this Section 6.3, shall notify the other Party by certified or registered U.S. Mail that it is in default and has thirty (30) days from the receipt of such notice to pay. If such payment is not made timely by the non-paying Party after the issuance of such notice to pay, the Party requesting such payment may take immediate steps to diligently pursue collection of the unpaid Costs and other expenses owed by such Participating Party, to collect consequential damages as a result of the default, and to exercise the mortgage and security rights granted by this Agreement. The bringing of a suit and the obtaining of a judgment by any Party for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the security rights granted herein. In addition to any other remedy afforded by law, each Party shall have, and is hereby given and vested with, the power and authority to foreclose the lien, mortgage, pledge, and security interest established hereby in its favor in the manner provided by law, to exercise the Power of Sale provided for herein, if applicable, and to exercise all rights of a secured party under the Uniform Commercial Code as adopted by the state in which the Contract Area is located or such other states as such Party may deem appropriate. The Operator shall keep an accurate account of amounts owed by the nonperforming Party (plus interest and collection costs) and any amounts collected with respect to amounts owed by the nonperforming Party. In the event there become three or more Working Interest Owners in a Lease, then if any nonperforming Party's share of Costs remains delinquent for a period of sixty (60) days, each other Participating Party shall, upon the Operator's request, pay the unpaid amount of Costs in the proportion that its Working Interest bears to the total non-defaulting Working Interests. Each Participating Party paying its share of the unpaid amounts of a nonperforming Party shall be subrogated to the Operator's mortgage and security rights to the extent of the payment made by such Participating Party.

- D. Carved-out Interests. Any agreements creating any overriding royalty, production payment, net proceeds interest, net profits interest, carried interest or any other interest carved out of a Working Interest in the Leases or the Contract Area shall specifically make such interests inferior to the rights of the Parties to this Agreement. If any Party whose Working Interest is so encumbered does not pay its share of Costs and other expenses authorized under this Agreement, and the proceeds from the sale of its Hydrocarbon production pursuant to this Section are insufficient to pay such Costs and expenses, the security rights provided for in this Section may be applied against the carved-out interests with which the defaulting or non-performing Party's interest in the Leases or the Contract Area is burdened. In such event, the rights of the owner of such carved-out interest shall be subordinated to the security rights granted by this Section.

1 Parties to serve on the Project Team in the place of a Participating Party's
2 employees are included under the terms of this Section 2.1.2. The
3 individuals nominated for participation by the Participating Parties must
4 have experience commensurate with the position to which they are being
5 nominated, who could be expected to meaningfully participate and
6 contribute to the work of the Project Team.
7

8 **2.2 Project Manager:** The Project Team shall operate under the direction of the
9 Project Manager, who shall be selected by the Operator. The Project Manager
10 shall be responsible for making team assignments and shall be responsible for the
11 overall management and supervision of specific work tasks for the Project Team.
12 The Project Manager shall determine at whose offices the Project Team work is to
13 be undertaken. The Project Manager shall be responsible for selecting team
14 members from the nominations provided by Parties and dismissing Project Team
15 members as needed in order to accomplish specific tasks or phases of the Project
16 Team. The Project Manager shall also be responsible for selecting outside
17 contractors to perform certain Project Team activities, acquiring supplies and
18 services needed by the Project Team and for instituting rules and procedures for
19 maintaining confidential information. The Project Manager shall also be
20 responsible for making presentations on any Initial or Subsequent Development
21 System and associated documentation at meetings which are conducted under the
22 Operating Agreement.
23

24 **2.3 Status of Team Members:** Each employee member of the Project Team shall
25 remain an employee of its respective company and each company shall remain
26 responsible for their employees' salaries and benefits as well as maintaining
27 worker's compensation insurance on their employees. Accordingly, each Party
28 will continue to administer the compensation, benefits, allowances and staff
29 planning of its employees on the Project Team. Each Party retains the right to
30 ultimately direct the details and means by which their representatives participate
31 on the Project Team. However, employees who participate on the Project Team
32 will receive team assignments and general supervision from the Project Manager
33 in connection with their day to day work. An individual selected to the Project
34 Team shall, insofar as possible, and consistent with the needs of the Project Team
35 and the individual's employer, serve on the Project Team for the duration of the
36 Project Team. Notwithstanding the above, some Project Team members may be

1 selected for specific tasks or phases of Project Team work after which these team
2 members may be dismissed by the Project Manager.

- 3
- 4 **2.4 Liability of Project Team Members.** Each Party agrees to defend, hold harmless
5 and indemnify the other Parties from and against any loss, damage, claim, suit,
6 liability, judgment and expense (including attorney fees and other costs of
7 litigation) for any personal injury (including death) of its employees on the Project
8 Team.
- 9

10

11 **SECTION 3.0 WORK SCOPE AND DURATION OF PROJECT TEAM**

12

- 13 **3.1 Work Scope of the Project Team:** The primary objective for forming any
14 Project Team is to pool the talents of the Parties in preparing the Development
15 Plan and provide each Participating Party the opportunity to have input regarding
16 the planning, design, engineering, fabrication, transportation and installation of
17 any Development System. The proposal of the Development Plan (including the
18 Initial Development System) and commitment of funds thereto shall be handled in
19 accordance with Article 12.0 (*Development Phases*) of the Operating Agreement.
20 For any project undertaken by the Project Team, the Operator shall provide: (1) a
21 memo describing the anticipated scope of the team's work to be undertaken in
22 reasonable detail such that the Non-Operator may make an informed decision
23 concerning its participation in the Project Team; (2) a memo describing the type
24 and number of staff required to complete the assignment; and (3) an AFE
25 itemizing the Operator's estimate of the Cost of the Project Team. Approval of
26 the Selection AFE shall be handled pursuant to Article 12.3.1 (*Proposal of a*
27 *Project Team*) of the Operating Agreement.
- 28

- 29 **3.2 Reports by the Project Team:** The Project Team shall review the progress of its
30 work with all Participating Parties at least quarterly, and present the results of any
31 studies or planning upon their conclusion. The time and place of the meetings of
32 the Project Team and location for conducting Project Team activities shall be
33 determined by the Project Manager.
- 34

- 35 **3.3 Duration of the Project Team:** The Project Team shall remain in place until (1)
36 the team has completed the work described in the Project Team AFE and scoping

1 memo, or (2) the planning, design, construction, installation and start-up phase of
2 any Development System has been completed, or (3) Project Team work has been
3 terminated by approval of the Participating Parties by Vote, whichever is the
4 earlier event. Upon dissolution of the Project Team, the Operator shall conduct
5 any further work required for the installation of the Development System. Any
6 AFE in progress at the time of the Project Team's dissolution shall continue to be
7 accounted for under Section II. of Exhibit "C" (*Accounting Procedures*).
8

9 **3.4 Re-instatement of Project Team:** The Project Team created for planning and
10 designing the Initial Development System may be reinstated by the Operator to
11 assist in further work on the Initial Development System or planning and
12 designing any Subsequent Development System. Any reinstated Project Team
13 shall utilize the procedures of this Exhibit, with any applicable time periods in
14 Article 12 of the Operating Agreement running from the date of reinstatement of
15 the Project Team.
16
17

18 **SECTION 4.0 COSTS AND ADMINISTRATION OF THE PROJECT TEAM**

19

20 **4.1 Project Team Costs:** The costs and expenses for the Project Team shall be
21 charged to the Joint Account pursuant to Exhibit "C", (*Accounting Procedures*) of
22 the Operating Agreement. Each Participating Party in the Project Team shall be
23 responsible for its Participating Interest share of the Project Team expenses,
24 regardless of its level of employee or contractor participation on the Project Team.
25

26 **4.1.1 Employee Charges:** Each Participating Party in a Project Team shall
27 recover the costs of employees including expatriates assigned to or
28 associated with the Project Team through charges to the Joint Account
29 under Section II of Exhibit "C" (*Accounting Procedure*) of the Operating
30 Agreement. However, mutual agreement of the Participating Parties shall
31 be required to charge the Joint Account with costs associated with
32 expatriates if the total number of expatriates of any Party exceeds thirty
33 percent (30%) of that Party's Participating Interest representation on the
34 Project Team.
35

1 **4.1.2 Contractors and Consultants:** The Project Manager may retain the
2 services of such consultants and contractors as is reasonably necessary to
3 carry out the studies and tasks assigned to the Project Team. Costs of
4 consultants and contractors assigned to the Project Team shall be
5 recovered by Operator through charges to the Joint Account under Section
6 VI of Exhibit "C" (*Accounting Procedure*) of the Operating Agreement.
7 So long as the Costs of the consultant or contractor are within the scope
8 and amount of an approved AFE, the Project Manager's retention of
9 consultants shall not require additional approval by the Participating
10 Parties.

11
12
13 **SECTION 5.0 CONFIDENTIALITY**
14

15 **5.1 Confidentiality Obligation:** Each Party agrees to maintain as confidential and
16 not to use or disclose to any third party the Confidential Work Product, except as
17 expressly provided hereunder, for a confidentiality period commencing on the
18 date of execution of the Operating Agreement and extending through the later of
19 (a) two (2) years following the termination of the Project Team work pursuant to
20 Section 9.3 of this Exhibit or (b) seven (7) years following the date of execution
21 of the Operating Agreement. After expiration of the confidentiality period the
22 receiving Party's obligations of confidentiality and restrictions on use shall cease.
23 Each Party agrees to treat the disclosure of the Confidential Work Product in the
24 same manner as it treats its own confidential information.

25
26 **5.1.1 Background Technology:** The Parties shall use best efforts to declare
27 and list Background Technology and information which will be utilized by
28 the Project Team prior to establishment of the Project Team. However a
29 Participating Party may declare and list additional Background Technology
30 after establishment of the Project Team if it deems such technology will be
31 beneficial to the Project Team. Any Party claiming Background
32 Technology shall not be subject to the confidentiality obligation of this
33 Exhibit or the Operating Agreement as to the Background Technology.
34 Prior to the claiming Party disclosing the Background Technology to the
35 Project Team, the other Participating Parties shall agree to exempt the
36 Background Technology from the terms of this Exhibit and the Operating

1 Agreement. If such agreement is not obtained, such Background
2 Technology need not be disclosed to the Project Team. The receiving
3 Party shall maintain any Background Technology received as Confidential
4 Work Product under this Exhibit. In no event will Background
5 Technology be disclosed to a third party without the prior written consent
6 of the Party providing the Background Technology to the Project Team.
7

8 **5.1.2 Supporting Agreements:** Each Party shall be responsible for insuring
9 that its respective representatives fully abide by all obligations associated
10 with the confidentiality of all information learned as a result of their
11 participation on the Project Team and agree to convey such information to
12 others in their company on a "need-to-know" basis only. In this regard,
13 there shall be limited reproduction of Project Team generated data. Upon
14 the Project Manager's request, each Party shall require its respective
15 employees participating on the Project Team to execute a confidentiality
16 agreement consistent with the confidentiality obligations specified in the
17 Operating Agreement and this Exhibit and shall furnish the other Parties
18 with a copy of same upon request. Operator shall be responsible for
19 securing confidentiality agreements from outside contract services.
20

21 **5.1.3 Consultant Agreements:** The Project Manager and each Party soliciting
22 work from third party contractors and consultants (or from Affiliates) in
23 connection with the Project Team shall use its best efforts to secure
24 contract terms with such third party which contain applicable
25 confidentiality terms and which support rights to the Parties consistent
26 with this Agreement.
27

28 **5.2 Exceptions and Permitted Disclosures:** Any Participating Party may disclose
29 Confidential Work Product to third parties if such disclosure is either an exception
30 to the confidentiality obligation as listed in Article 7.1.1 (*Exceptions to*
31 *Confidentiality*) or is a permitted disclosure under Article 7.1.2 (*Permitted*
32 *Disclosures*) of the Operating Agreement.
33

34 **5.3 Security Policies:** All Operator and Non-Operator employees and associates with
35 the Project Team shall honor Operator's security system and shall treat all
36 information directly or indirectly learned or received by virtue of its participation

1 on the Project Team as confidential in accordance with the provisions of
2 Operator's security manual, and all revisions thereto which are made prior to
3 termination of this Exhibit. A copy of the security manual and any revisions
4 thereto shall be made available to Non-Operator employees by the Project
5 Manager for their use during the project. This obligation of confidentiality shall
6 also apply to any other proprietary and confidential information which may relate
7 to matters other than the Prospect Area to which Project Team members are
8 exposed by virtue of working in Operator's offices. Operator will use reasonable
9 efforts to minimize the exposure of Non-Operator personnel to the Operator's
10 proprietary and confidential information. In no event shall confidential
11 information be disclosed to a third party without the prior written consent of
12 Operator and Non-Operator except as provided in the Operating Agreement.
13

14 **5.4 Subsequent Disclosures:** Following the expiration of the period of
15 confidentiality set forth in Section 5.1 above, each Party may freely use and
16 disclose the Confidential Work Product (but not Background Technology, the
17 disclosure of which is addressed in Section 5.1.1) without accounting to any other
18 Party, subject only to whatever patent rights, copyright restrictions or
19 confidentiality obligations owed to third parties. Subject to the obligations of
20 confidentiality set forth herein, each Party has the right to copy, display, publish,
21 distribute and prepare derivative works of all documents, drawings or other
22 writings or materials created or conveyed under this Exhibit, including the rights
23 to license, sell or otherwise transfer such rights; provided, however, that no such
24 right shall apply to Background Technology and documents, drawings or other
25 writings or materials that would divulge Background Technology.
26
27

28 **SECTION 6.0 USE OF CONFIDENTIAL WORK PRODUCT**

29
30 **6.1 Receipt of Confidential Work Product:** Each Party will be entitled to receive
31 the full reports of all technical studies, detail reports, general conclusions,
32 numerical results, and design drawings from all engineering services that are
33 charged to the Joint Account pursuant to an AFE in which it is a Participating
34 Party, whether those engineering services are performed by a Party participating in
35 the Project Team, an Affiliate or by a third party.
36

1 **6.2 Right to use Confidential Work Product:** Each Participating Party may use for
2 its own account (and free of cost) all Confidential Work Product received or
3 developed by the Project Team which is developed by the Project Team under this
4 Agreement or the cost of which is charged to the Joint Account.
5

6 **6.2.1 Third Party Limitations:** The Parties acknowledge that various
7 Background Technology may have been received from third parties under
8 preexisting restrictions (e.g., that the Party may disclose the third party
9 source information to a partner in a joint venture only under obligations of
10 confidentiality and under restriction to use the information only in
11 connection with the joint venture). Each delivering Party agrees to
12 identify, in writing, any Background Technology subject to third party
13 restrictions and disclose the nature of the restriction to the receiving Party
14 prior to disclosure of the Background Technology. The delivering Party
15 shall secure the receiving Party's acknowledgment of such restrictions
16 prior to transmittal of such third party Background Technology. The
17 receiving Party's acknowledgment constitutes its acceptance of such
18 obligations and restrictions imposed upon disclosure and use of the
19 Background Technology.

20 **6.2.2 Proprietary Software:** During the term of the Project Team, a Party may
21 be authorized to use various computer software and programs which are
22 identified as being proprietary to one of the other Parties. Such proprietary
23 computer software and programs shall not be considered joint property and
24 such computer software and programs are not a deliverable under this
25 Agreement. Use of such proprietary software and programs is not a grant
26 of license of any rights outside of this Agreement and the Parties retain all
27 rights to such property. Computer software and programs which are not
28 proprietary to one of the Parties, but which were developed jointly by the
29 Project Team, shall be considered Confidential Work Product and joint
30 property.
31
32

33 SECTION 7.0 INVENTIONS, PATENTS AND COPYRIGHTS

34
35 **7.1 Patent Assignment with Right to License and Sublicense:** Patents on
36 inventions which are (1) conceived solely by outside contractors or consultants

1 employed for the Joint Account, or conceived jointly among the Parties (each
2 including its respective Affiliates) while working on the Project Team and (2)
3 from work which has been funded by the Joint Account will be assigned to the
4 Operator. The Operator agrees to grant each Participating Party an irrevocable,
5 non-exclusive, worldwide, royalty-free license to practice under all such patents,
6 including the right to grant sublicenses under such patents to any third party or
7 Affiliate on such other terms and conditions that such Party deems appropriate,
8 without accounting to any other Party.
9

10 **7.2 Patent Assignment and License With Limited Right to Sublicense:** Patents on
11 inventions not covered in Section 7.1, which are conceived or first reduced to
12 practice (actual or constructive), by a Party or its Affiliate, either alone or jointly
13 with any outside contractors or consultants, and as a direct result of work which
14 has been funded by the Joint Account, will be owned by that Party. The Party
15 owning any such patent agrees to grant each other Party an irrevocable, non-
16 exclusive, worldwide, royalty-free license under all such patents to make, have
17 made, use and have used such invention for such other Party's own business,
18 including any joint venture or production sharing arrangement in which such other
19 Party has an ownership interest. Further, each such other Party has the right to
20 extend these rights to its Affiliates.
21

22 **7.3 No Commitment to Disclose Technology:** Except as expressly set forth above,
23 nothing in this Exhibit "G" will be deemed to require any Party or Affiliate to
24 grant any licenses under any patents to anyone. The scope and content of any
25 Background Technology disclosed under this Agreement will be determined in the
26 sole discretion of the disclosing Party.
27
28

29 **SECTION 8.0 WARRANTIES AND INDEMNITIES**

30
31 **8.1 Disclaimer of Warranties: ALL INFORMATION DISCLOSED OR**
32 **RECEIVED BY THE PARTIES HEREUNDER SHALL BE PROVIDED**
33 **ON AN "AS IS" BASIS WITHOUT ANY WARRANTIES, EITHER**
34 **EXPRESS OR IMPLIED, AS TO THE ACCURACY, VALIDITY OR**
35 **UTILITY OF SUCH INFORMATION. WITHOUT LIMITING THE**
36 **PRECEDING, ANY EXPRESS, IMPLIED OR STATUTORY WARRANTY**

1 OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR
2 PURPOSE ARE EXPRESSLY EXCLUDED FROM THIS AGREEMENT.
3 IN NO EVENT SHALL A PARTY CONVEYING OR DISCLOSING
4 INFORMATION BE LIABLE FOR ANY INCIDENTAL,
5 CONSEQUENTIAL OR SIMILAR INDIRECT DAMAGES ARISING OUT
6 OF OR RESULTING FROM THE USE OF INFORMATION CONVEYED
7 OR DISCLOSED UNDER THIS EXHIBIT.
8

9 **8.2 Indemnities:** Each Party agrees to defend, hold harmless and indemnify the other
10 Parties from and against any loss, damage, claim, suit, liability, judgment and
11 expense (including attorney fees and other costs of litigation) related to or in
12 connection with its use (including use by others which it authorizes), disclosure of
13 any Confidential Work Product, Background Technology or other information or
14 other technology disclosed in any way not permitted under this Agreement.
15
16

17 SECTION 9.0 MISCELLANEOUS PROVISIONS

18

19 **9.1 Export Controls:** Each Party agrees to abide by the United States Department of
20 Commerce regulations concerning the export or re-export of United States source
21 technical data, or the direct product thereof, to unauthorized destinations and
22 regulations in respect of information supplied by or on behalf of any other Party
23 hereunder.
24

25 **9.2 Independent Research.** Nothing herein shall in any way restrict or impair the
26 right of any Party to conduct its own independent research, development, or
27 design activities relating to the evaluation of alternate deepwater development
28 systems even though such activities may parallel or overlap the activities of the
29 Project Team. Any such Party conducting such independent research activities
30 shall be under no obligation pursuant to the Operating Agreement or this Exhibit
31 to disclose any results of independent research to the other Party(ies) or with
32 respect to the use or disposition of the results of independent research, including
33 but not limited to all information and data resulting therefrom. Any Background
34 Technology presently owned and developed by a Party prior to the effective date
35 of the Operating Agreement shall remain the sole property of that Party
36

1 **9.3 Assignability:** A third party (not currently a Party to this Agreement) who
2 acquires a Working Interest in the Prospect Area may join the Project Team upon
3 the approval of the Participating Parties as a Vote. A new Party joining the
4 Project Team must agree, in writing, to undertake all obligations set forth for a
5 Party under this Exhibit. Such new Party will have all rights, duties and
6 obligations under this Exhibit regarding the use of all Confidential Work Product
7 exchanged or developed prior to the date it joins the Project Team and during its
8 participation thereunder. However, patent rights received by such new Party
9 hereunder pursuant to Section 7.0 of this Exhibit shall be limited to patents based
10 on developments after the date such Party joins the Project Team. In the event
11 that a Party assigns its entire interest in the Leases, the assigning Party shall have
12 all the rights specified in this Exhibit, including patent rights and license rights
13 thereunder, based on developments and exchanges prior to the effective date of
14 such assignment and shall continue to have all obligations and duties with respect
15 thereto as set forth in this Exhibit "G" relating to the confidentiality, restrictions
16 on use, patents, indemnity, and as applicable, duties to license the other Parties.

17
18

EXHIBIT "H"

Attached to and made a part of that certain Offshore Operating Agreement dated December 1, 2007 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

DISPUTE RESOLUTION PROCEDURE

1.1 *Applicable Law*

The substantive laws of the State of Texas, exclusive of any conflicts of laws rules that could require the application of any other law, shall determine all Disputes between or among Parties.

2.1 *Dispute Resolution-Arbitration*

(1) **Dispute.**

Dispute means any dispute, controversy, or claim (of any and every kind or type, whether based on contract, tort, statute, regulation, or otherwise) arising out of, relating to, or connected with this Agreement, or the operations carried out under this Agreement, including but not limited to any dispute concerning the existence, validity, interpretation, performance, breach, or termination of this Agreement.

(2) **Binding Arbitration.** Any Dispute shall be resolved through final and binding arbitration.

(3) **Arbitration Rules.** The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "**Rules**").

(4) **Number of Arbitrators.** The arbitration shall be conducted by three arbitrators, unless all Parties to the Dispute agree to a sole arbitrator within thirty (30) Days after commencement of the arbitration.

(5) **Multiple Parties - Method of Appointment of the Arbitrators.** If the arbitration is to be conducted by three arbitrators and there are more than two Parties to the Dispute, then within thirty (30) days of commencement of the arbitration, all claimants shall jointly appoint one arbitrator and all respondents shall jointly appoint one arbitrator, and the two arbitrators so appointed shall select the presiding arbitrator within thirty (30) days after the two arbitrators have been appointed. If the party-appointed arbitrators

fail to appoint the presiding arbitrator in a timely fashion, then the appointing authority designated by the Parties shall appoint the presiding arbitrator. If either all claimants or all respondents fail to make a joint appointment of an arbitrator, the appointing authority designated by the Parties shall appoint all three arbitrators.

- (6) **Qualifications and Conduct of the Arbitrators.** All arbitrators shall be and remain at all times independent and impartial, and, once appointed, no arbitrator shall have any ex parte communications with any of the Parties to the Dispute concerning the arbitration or the underlying Dispute other than communications directly concerning the selection of the presiding arbitrator, when applicable. All arbitrators shall be qualified by education, training, or experience to resolve the Dispute.
- (7) **Place of Arbitration.** Unless otherwise agreed by all parties to the Dispute, the place of arbitration shall be Houston, Texas.
- (8) **Entry of Judgment.** The award of the arbitral tribunal shall be final and binding. Judgment on the award may be entered and enforced by any court of competent jurisdiction.
- (10) **Interim Measures.** Notwithstanding any requirements for alternative dispute resolution procedures as set forth in Article 3.1, any Party to the Dispute may apply to a court for interim measures, including injunction, attachment, and conservation orders. The Parties agree that seeking and obtaining such court-ordered interim measures shall not waive the right to arbitration. The arbitrators (or in an emergency the presiding arbitrator acting alone in the event one or more of the other arbitrators is unable to be involved in a timely fashion) may grant interim measures including injunctions, attachments, and conservation orders in appropriate circumstances, which measures may be immediately enforced by court order. Hearings on requests for interim measures may be held in person, by telephone or video conference, or by other means that permit the Parties to the Dispute to present evidence and arguments. The arbitrators may require any Party to provide appropriate security in connection with such measures.
- (11) **Cost and Attorneys' Fees.** The arbitral tribunal is authorized to award costs, attorneys' fees, and expert witness fees and to allocate them among the Parties to the Dispute.
- (12) **Interest.** The award may include interest, as determined by the arbitral tribunal, from the date of any default, breach, or other accrual of a claim until the arbitral award is paid in full.
- (13) **Currency of Award.** The arbitral award shall be made and payable in United States dollars, free of any tax or other deduction.

- (14) **Exemplary Damages.** The Parties waive their rights to claim or recover, and the arbitral tribunal shall not award, any punitive, multiple, or other exemplary damages (whether statutory or common law) except to the extent such damages have been awarded to a third party and are subject to allocation among the Parties to the Dispute.
- (15) **Consolidation.** If there exist multiple arbitrations (more than one) between or among the same Parties, the subject matters of which are related by common questions of law or fact and which could result in conflicting or inconsistent awards, then all such arbitrations may be consolidated into a single arbitration.

3.1 Dispute Resolution – Multi-Step Options

- (A) **Notification.** A Party who desires to submit a Dispute for resolution shall commence the dispute resolution process by providing the other Parties to the Dispute a written notice of the Dispute (“***Notice of Dispute***”). The Notice of Dispute shall identify the Parties to the Dispute and contain a brief statement of the nature of the Dispute and the relief requested. The submission of a Notice of Dispute shall toll any applicable statutes of limitation or prescriptive periods related to the Dispute, pending the conclusion or abandonment of dispute resolution proceedings under this Agreement.
- (B) **Negotiations.** The Parties to the Dispute shall seek to resolve any Dispute by negotiations among Senior Executives. A “***Senior Executive***” means any individual who has authority to settle the Dispute for a Party. Within thirty (30) days after the date of the receipt by each Party to the Dispute of the Notice of Dispute (which notice shall request negotiations among Senior Executives), the Senior Executives representing the Parties to the Dispute shall meet at a mutually acceptable time and place to exchange relevant information in an attempt to resolve the Dispute. If a Senior Executive intends to be accompanied at the meeting by an attorney, each other Party’s Senior Executive shall be given written notice of such intention at least three (3) business days in advance and may also be accompanied at the meeting by an attorney.
- (C) **Transition to Arbitration.** In the event the Dispute is not resolved within sixty (60) days of receipt by each Party to the Dispute of the Notice of Dispute, the Dispute shall be resolved by final and binding arbitration.

4.1 Confidentiality

All negotiations, mediation, arbitration, and expert determinations relating to a Dispute (including a settlement resulting from negotiation or mediation, an arbitral award, documents exchanged or produced during a mediation or arbitration proceeding, and memorials, briefs or

other documents prepared for the arbitration) are confidential and may not be disclosed by the Parties, their employees, officers, directors, counsel, consultants, and expert witnesses, except to the extent necessary to enforce any settlement agreement, arbitration award, or expert determination, to enforce other rights of a Party, as required by law or regulation, or for a bona fide business purpose, such as disclosure to accountants, shareholders, or third-party purchasers; provided, however, that breach of this confidentiality provision shall not void any settlement, expert determination, or award.

5.1 Notice

Any papers, notices, or process necessary or proper for an arbitration hereunder, or any court action in connection with an arbitration or an award, may be served on a Party by registered or certified mail, courier, facsimile transmission, E-mail, or any other means of communication that provides a record of the receipt thereof, provided that a reasonable opportunity to be heard with regard to the court action is or has been granted to the Party.

EXHIBIT "I"

Attached to and made a part of that certain Offshore Operating Agreement dated December 1, 2007 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

Well Data Trade and Confidentiality Agreement

This Agreement ("Agreement") is made effective _____, 200_ (the "Effective Date") between _____ ("_____") and _____ (collectively "the _____ Parties") and _____ ("_____"), and _____ (collectively "the _____ Parties"). In this Agreement, the _____ Parties and the _____ Parties may be sometimes referred to individually as a "Party" or collectively as the "Parties."

Recitals

The _____ Parties are the owners of the well data from the Operator's Name, Protraction Area Name Block #, OCS-G _____ No. 1 Well, identified on Exhibit "A" attached to and made a part of this Agreement (the "Insert Prospect Name Well Data").

The _____ Parties are the owners of the well data from the Operator's Name, Protraction Area Name Block #, OCS-G _____ No. 1, No. 1 ST and No.1 ST2 Wells, identified on Exhibit "B" attached to and made a part of this Agreement (the "Insert Prospect Name Well Data").

The Parties have agreed to exchange all of the Insert Prospect Name Well Data for all of the Insert Prospect Name Well Data, unless otherwise specified in this agreement.

The Parties desire, by their execution of this Agreement, to set forth the terms and provisions of the well data exchange, and further desire to set forth the Parties' confidentiality obligations in regard to the well data received by each Party.

Accordingly, in consideration of the mutual advantages and benefits accruing to the Parties, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1

Definitions

Affiliate:

"Affiliate," means any corporation, company, limited liability company, partnership, or other legal entity that:

- is owned or controlled by a Party, or
- is owned or controlled by any other corporation, company, limited liability company, partnership, or other legal entity that is owned or controlled by a Party, or
- owns or controls a Party, or
- is owned or controlled by a corporation, company, limited liability company, partnership, or other legal entity that owns or controls a Party.

For the purposes of this definition, ownership or control means the ownership, directly or indirectly, of fifty percent (50%) or more of the shares, voting rights, or interest in a corporation, company, limited liability company, partnership, or other legal entity.

Confidential Information:

"Confidential Information" means (i) as to the _____ Parties, the Insert Prospect Name Well Data and any copies and reproductions thereof, and (ii) as to the _____ Parties, the Insert Prospect Name Well Data and any copies and reproductions thereof.

Consultant:

“Consultant” means an individual, corporation, company, limited liability company, partnership, financial analyst/institution, auditor or other legal entity that is engaged by a Party to evaluate, interpret, reprocess or make other technical studies of the well data received by that Party under the provisions of this Agreement, but shall not include one who is primarily engaged in the business of exploring for oil, gas, or other hydrocarbons.

Disclose or Disclosure:

“Disclose” or “Disclosure” means to display, show, reveal, or give access to, or permit to be viewed or accessed, the Confidential Information or any part thereof.

Transfer:

“Transfer” means a sale, assignment, trade, loan, conveyance, exchange, encumbrance, license, or other disposition of the Confidential Information.

ARTICLE 2

(Insert Prospect Name) Well Data

2.1 Grant of the (Insert Prospect Name) Well Data Use to the _____ Parties

The _____ Parties grant to the _____ Parties the non-exclusive, non-transferable (except as provided herein), perpetual right to use the _____ Well Data under the terms and conditions of this Agreement.

2.2 (Insert Prospect Name) Well Data Ownership

The Insert Prospect Name Parties represent and warrant that they hold full ownership rights in and to the _____ Well Data. The _____ Well Data is proprietary to the _____ Parties and the _____ Parties maintain all trade secret and copyright interests in such data. Except as provided herein, the _____ Parties retain the exclusive right to Disclose or Transfer the _____ Well Data to other parties at any time and under whatever terms and conditions they consider acceptable, subject to the terms of the joint operating agreement between the _____ Parties.

2.3 The _____ Parties’ Obligation of Confidentiality and Restriction on Disclosure and Transfer

The _____ Parties agree to treat the _____ Well Data, and any copies and reproductions thereof, as confidential, agree to use the _____ Well Data only for their internal business purposes and the internal business purposes of their Affiliates, and agree not to Disclose or Transfer the _____ Well Data, except as specifically permitted under this Agreement and shall exercise the same degree of care to safeguard the _____ Well Data as they would for their own Confidential Information of a similar nature.

2.4 Exceptions to the _____ Parties’ Obligation of Confidentiality and Restriction on Disclosure and Transfer

A. The _____ Parties, or each of them, may Disclose or Transfer the _____ Well Data to their Affiliate(s) provided that such Affiliate(s) agrees to the obligations of confidentiality and restrictions on Disclosure or Transfer set forth in this Agreement.

B. The _____ Parties, or each of them, may Disclose the _____ Well Data, including providing copies of the _____ Well Data, to a Consultant retained by such Party (“the Disclosing Insert Prospect Name Party”) to evaluate, reprocess, or interpret the _____ Well Data, provided that before any such Disclosure occurs, the Consultant must agree in writing that: (1) any evaluation, reprocessing or interpretation of the _____ Well Data is for the sole benefit of the Disclosing Insert Prospect Name Party, or its Affiliate, making the Disclosure, (2) the _____ Well Data will be maintained in accordance with Section 2.3 above and

will not be Disclosed to any third party without the prior written permission of the _____ Parties, and (3) upon completion of its work, all copies of the _____ Well Data will be returned to the Disclosing _____ Party, or its Affiliate, making the Disclosure.

- C. The _____ Parties' obligation of confidentiality and restriction on Disclosure does not apply to the extent any portion of the _____ Well Data: (1) comes legally into the possession of the _____ Parties, or any of them, or the possession of an Affiliate, independent of this Agreement, or is legally divulged to the _____ Parties, or any of them, or an Affiliate, by a third party without limitation on disclosure, or (2) becomes part of the public domain through no fault or neglect of the _____ Parties, or any of them, or an Affiliate, or (3) must be disclosed to third parties under requirement of law, including, but not limited to, the regulations of the Minerals Management Service ("MMS") of the Department of Interior. In the event the _____ Parties are required by any rule, law or court order to disclose _____ Well Data, the _____ Parties shall immediately notify the _____ Parties and make good faith efforts to cooperate in the _____ Parties' efforts to obtain any injunctive or protective orders that the _____ Parties may unilaterally deem desirable or necessary.

2.5 Responsibility for Unauthorized Disclosure or Transfer

The _____ Parties shall be responsible for ensuring that all persons to whom it Discloses or Transfers the _____ Well Data keep such Well Data confidential and not Disclose or Transfer such Well Data to any unauthorized person, and comply with the use restrictions set forth in this Agreement. No _____ Party shall be liable for any breach of this Agreement by any other _____ Party, and the _____ Parties agree to hold all such non-breaching _____ Party harmless for any breach of this Agreement by a breaching _____ Party.

2.6 Paleo. Samples and Preparation

The _____ Parties agree to make reasonably available to the _____ Parties raw cutting samples for all depths collected in the respective borehole(s) corresponding to the _____ Well Data. Raw cuttings should be in quantities sufficient to conduct standard preparations for foraminifera and nannofossil analyses. In the event that the quantity of raw cuttings are insufficient to conduct standard paleo analyses, the _____ Parties are each entitled to borrow the previously prepared foraminifera wash and nannofossil slides used for the _____ Parties' paleontological analyses. After the _____ Parties have completed the biostratigraphic analyses, the _____ Parties each agree to return all previously prepared foraminifera wash and nannofossil slide materials that were borrowed. Any unused, unprocessed raw materials provided to any of the _____ Parties will be returned after sample preparation is complete. Materials and residues resulting from sample processing (foram wash, nanno slurries, etc.) will become the property of the _____ Parties. All such furnished material shall be deemed to constitute a part of the _____ Well Data for all purposes.

2.7 Summary Reports

The _____ Parties agree to provide original paleontologic data in digital format, where possible, and to make reasonably available to the _____ Parties paleontological and biostratigraphic interpretations equivalent to or more detailed than what is provided to the MMS. The interpretations provided by the _____ Parties will be in the form of a summary of foraminiferal and nannofossil species events or "tops" and paleoenvironmental interpretations. All such furnished material shall be deemed to constitute a part of the _____ Well Data for all purposes.

2.8 Conventional Core

The _____ Parties agree to make reasonably available to the _____ Parties all conventional core data taken from all depths in the wellbore(s) which is part of the _____ Well Data. The _____ Parties shall be allowed to look at the conventional core photographs, as well as, physically inspect the conventional core at _____ Labs. The _____ Parties, individually, shall be allowed up to three physical inspection(s) of the conventional core within a period of one year from the date on which the last Party has executed this Agreement. Any costs associated with viewing the conventional core shall be at the sole cost of the viewing company. The _____ Parties shall also be allowed access to thin section samples made from conventional

core and rotary cores, as well as petrographic (point count) data derived from the thin sections, and scanning electron microscopy (SEM) and X-Ray diffraction (XRD) data.

(Optional)

2.9 Data Being Withheld From *Prospect Name/Prospect Name* Trade

It is understood and agreed to between the _____ Parties and the _____ Parties that the Conventional Core data and the Palynostratigraphic Analysis from the *Insert Prospect Name* Well will not be made a part of this data exchange.

ARTICLE 3

(Insert Prospect Name) Well Data

Grant of the (*Insert Prospect Name*) Well Data Use to the _____ Parties

The _____ Parties grant to the _____ Parties the non-exclusive, non-transferable (except as provided herein), perpetual right to use the _____ Well Data under the terms and conditions of this Agreement.

3.2 (*Insert Prospect Name*) Well Data Ownership

The *Insert Prospect Name* Parties represent and warrant that they hold full ownership rights in and to the _____ Well Data. The _____ Well Data is proprietary to the _____ Parties and the _____ Parties maintain all trade secret and copyright interests in such data. Except as provided herein, the _____ Parties retain the exclusive right to Disclose or Transfer the _____ Well Data to other parties at any time and under whatever terms and conditions they consider acceptable, subject to the terms of the joint operating agreement between the _____ Parties.

3.3 The _____ Parties' Obligation of Confidentiality and Restriction on Disclosure and Transfer

The _____ Parties agree to treat the _____ Well Data, and any copies and reproductions thereof, as confidential, agree to use the _____ Well Data only for their internal business purposes and the internal business purposes of their Affiliates, and agree not to Disclose or Transfer the _____ Well Data, except as specifically permitted under this Agreement and shall exercise the same degree of care to safeguard the _____ Well Data as they would for their own Confidential Information of a similar nature.

3.4 Exceptions to the Parties' Obligation of Confidentiality and Restriction on Disclosure and Transfer

A. The _____ Parties, or each of them, may Disclose or Transfer the _____ Well Data to their Affiliate(s) provided that such Affiliate(s) agrees to the obligations of confidentiality and restrictions on Disclosure or Transfer set forth in this Agreement.

B. The _____ Parties, or each of them, may Disclose the _____ Well Data, including providing copies of such _____ Well Data, to a Consultant retained by such Party ("the Disclosing *Insert Prospect Name* Party") to evaluate, reprocess, or interpret the _____ Well Data, provided that before any such Disclosure occurs, the Consultant must agree in writing that: (1) any evaluation, reprocessing, or interpretation of the _____ Well Data is for the sole benefit of the Disclosing _____ Party, or its Affiliate, making the Disclosure, (2) the _____ Well Data will be maintained in accordance with Section 3.3 above and will not be Disclosed to any third party without the prior written permission of the _____ Parties, and (3) upon completion of its work, all copies of the _____ Well Data will be returned to the Disclosing _____ Party, or its Affiliate, making the Disclosure.

C. The _____ Parties' obligation of confidentiality and restriction on disclosure does not apply to the

extent any portion of the _____ Well Data: (1) comes legally into the possession of the _____ Parties, or any of them, or the possession of an Affiliate, independent of this Agreement, or is legally divulged to the _____ Parties, or any of them, or an Affiliate, by a third party without limitation on disclosure, or (2) becomes part of the public domain through no fault or neglect of the _____ Parties, or any of them, or an Affiliate, or (3) must be disclosed to third parties under requirement of law, including, but not limited to, the regulations of the MMS. In the event the _____ Parties are required by any rule, law or court order to disclose _____ Well Data, the _____ Parties shall immediately notify the _____ Parties and make good faith efforts to cooperate in the _____ Parties' efforts to obtain any injunctive or protective orders that the _____ Parties may unilaterally deem desirable or necessary.

3.5 Responsibility for Unauthorized Disclosure or Transfer

The _____ Parties shall be responsible for ensuring that all persons to whom it Discloses or Transfers the _____ Well Data keep such Well Data confidential and not Disclose or Transfer such Well Data to any unauthorized person, and comply with the use restrictions set forth in this Agreement. No _____ Party shall be liable for any breach of this Agreement by any other _____ Party, and the _____ Parties agree to hold all such non-breaching _____ Party harmless for any breach of this Agreement by a breaching _____ Party.

3.6 Paleo. Samples and Preparation

The _____ Parties agree to make reasonably available to the _____ Parties raw cutting samples for all depths collected in the respective borehole(s) corresponding to the _____ Well Data. Raw cuttings should be in quantities sufficient to conduct standard preparations for foraminifera and nannofossil analyses. In the event that the quantity of raw cuttings are insufficient to conduct standard paleo analyses, the _____ Parties are each entitled to borrow the previously prepared foraminifera wash and nannofossil slides used for the _____ Parties paleontological analyses. After the _____ Parties have completed the biostratigraphic analyses, the _____ Parties each agree to return all previously prepared foraminifera wash and nannofossil slide materials that were borrowed. Any unused, unprocessed raw materials provided to any of the _____ Parties will be returned after sample preparation is complete. Materials and residues resulting from sample processing (foram wash, nanno slurries, etc.) will become the property of the _____ Parties. All such furnished material shall be deemed to constitute a part of the _____ Well Data for all purposes.

3.7 Summary Reports

The _____ Parties agree to provide original paleontologic data in digital format, where possible, and to make reasonably available to the _____ Parties paleontological and biostratigraphic interpretations equivalent to or more detailed than what is provided to the MMS. The interpretations provided by the _____ Parties will be in the form of a summary of foraminiferal and nannofossil species events or "tops" and paleoenvironmental interpretations. All such furnished material shall be deemed to constitute a part of the _____ Well Data for all purposes.

3.8 Conventional Core

The _____ Parties agree to make reasonably available to the _____ Parties all conventional core data taken from all depths in the wellbore(s) which is part of the _____ Well Data. The _____ Parties shall be allowed to look at the conventional core photographs, as well as, physically inspect the conventional core at _____ Labs. The _____ Parties, individually, shall be allowed up to three physical inspection(s) of the conventional core within a period of one year from the date on which the last Party has executed this Agreement. Any costs associated with viewing the conventional core shall be at the sole cost of the viewing company. The _____ Parties shall also be allowed access to thin section samples made from conventional core and rotary cores, as well as petrographic (point count) data derived from the thin sections, and scanning electron microscopy (SEM) and X-Ray diffraction (XRD) data.

(Optional)

3.8 Data Being Withheld From *Prospect Name/Prospect Name* Trade
It is understood and agreed to between the _____ Parties and the _____ Parties that the Conventional Core data and the Palynostratigraphic Analysis from the _____ Well will not be made a part of this data exchange.

ARTICLE 4
General Provisions

4.1 Waiver of Representations and Warranties
THE _____ WELL DATA AND THE _____ WELL DATA ARE PROVIDED "AS IS" AND EACH PARTY RECEIVING SUCH DATA ACKNOWLEDGES THAT IT IS ACCEPTING THE DATA "AS IS." SUBJECT TO ARTICLES 2.2 AND 3.2 CONTAINED HEREIN, THE RESPECTIVE OWNERS OF SUCH DATA MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, OF ANY KIND OR DESCRIPTION IN RESPECT THERETO AND SUCH DATA IS DELIVERED HEREUNDER WITH THE EXPLICIT UNDERSTANDING AND AGREEMENT THAT ANY ACTION A PARTY MAY TAKE BASED ON SUCH DATA RECEIVED SHALL BE AT THE PARTY'S OWN RISK AND RESPONSIBILITY AND SUCH PARTY SHALL HAVE NO CLAIM AGAINST THE OWNER OF SUCH DATA AS A CONSEQUENCE THEREOF.

4.2 Grant of Well Data under Articles 2 and 3
The well data to be granted pursuant to Articles 2 and 3 is of equal value. The Parties will identify the data to be granted, to the extent that it is not already identified in this Agreement before forty-five (45) days after the date of the first delivery of data, and the Parties will complete the grant of well data so that all Parties have received all data to be granted subject to this agreement prior to the earlier of (1) one hundred and eighty (180) days after the date of the first delivery of data, or (2) the due date, including any extensions thereof, for any Parties' tax return for the year in which data is first delivered.

4.3 Delivery of Well Data
Except for [set forth reciprocal data not now available by both Parties], within _____ () days from the date on which the last Party hereto has executed this Agreement, the *Insert Prospect Name* Operator shall deliver to each of the _____ Parties the _____ Well Data, and the *Insert Prospect Name* Operator shall deliver to each of the _____ Parties the _____ Well Data. The contacts for purposes of arranging for delivery and receipt of the well data are set forth below:

(INSERT PROSPECT NAME) PARTIES: (INSERTPROSPECT NAME) PARTIES:

Each of the following items:

[set forth reciprocal data not now available by both Parties]

shall be delivered within _____ () days of the day on which the _____ Operator notifies the _____ Operator in writing that it is in possession of these items in the quantities required in this Section 4.3.

4.4 Term
This Agreement shall remain in effect in perpetuity, however, the confidentiality obligations and disclosure restrictions of this Agreement, as to each referenced set of well data, are effective for a period of ____ () years from the Effective Date of this Agreement, or until the Confidential Information becomes publicly available through the MMS, whichever event occurs first. Following expiration of such confidentiality

obligations and disclosure restrictions each Party may keep and use the well data received from the other Party hereunder without such obligations or restrictions.

4.5 Assignment

Each Party may Transfer this Agreement to an Affiliate. Except as otherwise provided herein, this Agreement may not be Transferred.

4.6 Headings for Convenience

Except for the definition headings contained in Article 1, all paragraph headings used in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of this Agreement or any part thereof; nor do the paragraph headings have any legal effect other than to aid in the reasonable interpretation of this Agreement.

4.7 Entire Agreement

This Agreement supersedes and replaces all oral or written communication between the Parties regarding their exchange and use of the _____ Well Data and the _____ Well Data.

4.8 Selection of Law

This Agreement will be construed under the laws of the State of Texas, without regard to choice of law rules of any jurisdiction.

4.9 Drafting of Agreement and Construction

The Parties each declare that they have contributed to the drafting of this Agreement or have had it reviewed by its counsel before signing it. Each agrees that this Agreement has been purposefully drawn and correctly reflects the understanding of the Parties regarding the subject transaction. In the event of a dispute between the Parties concerning the application or construction of this Agreement, the Parties agree that this Agreement will be construed fairly and reasonably and neither more strongly in favor or against any Party.

4.10 Waiver

A. The rights of each Party may be exercised from time to time, by the Parties individually or jointly, and singularly or in combination with other rights.

B. No waiver of any breach of a term, provision or condition of this Agreement by one Party shall be deemed to have been made by another Party hereto unless such waiver is in writing and signed by an authorized representative of such other Party. The failure of a Party to insist upon the strict performance of any term, provision or condition of this Agreement shall not be construed as a waiver or relinquishment in the future of the same or any other term, provision or condition.

4.11 Relationship of the Parties

This Agreement is not intended to be nor shall it be construed as a joint venture, association, partnership or other form of a business organization or agency relationship between the Parties.

4.12 Severability

If any term or other provision of this Agreement is determined by any court or other governmental agency of competent jurisdiction to be invalid, illegal or unenforceable, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect.

4.13 Equitable Relief

The Parties agree that the respective owners of the _____ Well Data and the _____ Well Data may be irreparably injured by a breach of this Agreement by a Party, and that the respective owners of such data will be entitled to seek equitable relief, including injunctive relief and specific performance, in the event of any breach of the provisions of this Agreement by a Party receiving such data. Such remedies will not be deemed to be the

exclusive remedies for a breach of this Agreement, but will be in addition to all other remedies available to each respective owner of such data at law or equity.

Each Party waives the right to claim or recover incidental, consequential, indirect and punitive damages against all other Parties.

4.14 Counterparts

This Agreement may be executed by signing the original or a counterpart thereof. If this Agreement is executed in counterparts, all counterparts taken together will have the same effect as if all the Parties had signed the same instrument.

4.15 Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the Parties, their Affiliates, and their successors and permitted assigns.

This Agreement is executed by each Party on the dates indicated below, but is effective for all purposes as of the Effective Date.

(INSERT PROSPECT NAME) PARTIES

(INSERT PROSPECT NAME) PARTIES

COMPANY NAME

By:

Title:

Date:

COMPANY NAME

By:

Title:

Date:

COMPANY NAME

By:

Title:

Date:

COMPANY NAME

By:

Title:

Date:

Exhibit "A"

Attached to and made a part of that certain Well Data Trade and Confidentiality Agreement between _____ and _____ and _____ and _____, dated effective _____, 200 .

(Insert Prospect Name) Well Data

Insert Prospect Name Well Data includes all data obtained from the (1) Insert Protraction Area Name Insert Block # #1 _____ Prospect, _____ INSERT API # _____, OCSG-1, unless specifically excluded on this Exhibit "A". The data set forth below may not be a complete list of the Insert Prospect Name Well Data

Data Summary

Type	Format	File name	Depth Range
LOGS			
LWD Digits	LAS		
Prints	PDS		
Wireline			
Mud Digits	LAS		
Image	EMF/CGM		
MDT	PDF		
SURVEYS			
Directional Survey	TXT		
VSP/Checkshot			
REPORTS			
Show Reports	PDF		
Drilling Reports	PDF		
PALEO	DIGITAL		
DATA			
Geochemical Data			

Data Summary

Insert Protraction Area Name Block # #1 _____ Prospect

Insert API #

OCSG-_____ 1

Type	Format	File name	Depth Range
LOGS			
LWD Digits	LAS		
Images	PDS		
Wireline	LAS		
Images	PDF		
Mud Digits	LAS		
Image	EMF/CGM		
MDT	PDF PDS		
SURVEYS			
Directional Survey	TXT		
VSP/Checkshot			
REPORTS			
Show Reports	PDF		
Drilling Reports	PDF		All Days
Side Wall Core Reports			
PALEO			
DATA			
Geochemical Data			

The following data will be excluded from Exhibit "A":

_____ Well Core Data
Palynostratigraphic Analysis

**** END OF EXHIBIT "A" ****

Exhibit "B"

Attached to and made a part of that certain Well Data Trade and Confidentiality Agreement between _____ and _____ and _____, dated effective _____, 200 .

(Insert Prospect Name) Well Data

Insert Prospect Name Well Data includes all data obtained from the Insert Protraction Area Name Insert Block # #1 OCS-G _____, unless specifically excluded on this Exhibit "B". The data set forth below may not be a complete list of the Insert Prospect Name Well Data

Data Type		ST01	ST02
	CD # label in bold		
1 Daily Reports and Surveys	CD #, CD #		
Drilling Reports, Directional Surveys, Mudlogging Reports, Geologic reports, Mud reports			
2 LWD Digits and Graphics	BP00 - BP01 - BP02 -	CD#, CD#	CD#, CD#
ARC, iSONIC, APWD, DIR End of Well Report-Schlumberger	' to ' MD	' to ' MD	' to ' MD
3 Mudlog Digits and Graphics	CD#	CD#	CD#
Lithology, Gas Chromatograph End of Well Report-Sperry Sun Combo, Pressure, Show logs	' to ' MD	' to ' MD	' to ' MD
4 Wireline Digits and Graphics	CD#		
GR, AIT, DEN, NEUT, CMR, DSI, OBMI, MDT	' to ' MD	N/A	' to ' MD
5 Paleo Data	CD#		
Final Paleo Biostratigraphic Summary (Nanno and Foram) Reports	' to ' MD BP00 ' to ' MD BP02	' to ' MD	' to ' MD
6 Geochemical Data	Isotech CD#, Baseline CD#		
Mud Gas Isotube Analysis-Isotech Headspace Gas Analysis-Baseline MDT oil and Gas Data	' to ' MD	' to ' MD	' to ' MD
7 MDT oil and Gas Data analysis	CD# ' to ' MD	N/A	' MD
8 Side Wall Cores	BP00 - CD#, BP02 - CD#		
_____ Labs - cuttings & SWC	_____ ' to _____ ' cuttings from	N/A	N/A

	BP00, ' to ' MD SWC's from BP02		
9 Seismic			CD#
Walk-away VSP raw data	N/A	N/A	' to ' MD
Walk-away VSP processed image			

Geochemical and Fluid Analysis Further Defined:

Original Hole

- 1)
- 2)
- 3)
- 5)
- 6)
- 7)

BP01

BP02

- 1)
- 2)
- 3)
- 4)
- 5)
- 6)
- 7)

ST01

- 1)
- 2)

ST02

- 1)
- 2)
- 3)
- 4)

Baseline reports of MDT fluid geochemistry

- 1)
- 2)
- 3)
- 4)
- 5)

Isotech Data disk

- 1)
- 2)

Pencor and ADS oil and water reports

BP02

- 1)
- 2)

3)

ST02

The following data will be excluded from Exhibit "B":
Well Core Data
Palynostratigraphic Analysis

****END OF EXHIBIT "B" ****

EXHIBIT "J"

Attached to and made a part of that certain Offshore Operating Agreement dated December 1, 2007 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

SAFETY, HEALTH AND ENVIRONMENT ("SHE")

Safety, Health and Environmental Management Systems

- I. Plan Requirements for Operator: Operator shall have an effective Safety & Environmental Management Plan ("SEMP"), in accordance with API RP75, or an equivalent standard, including Operator's internal policies and HSE rules agreed upon by the Operator and Non-Operator, for all operations conducted under the Operating Agreement to which this Exhibit "K" is attached.
- II. Overview of Plan for Non-Operators: Upon the written request of any Non-Operator, the Operator will present to the Non-Operators, at a meeting called in accordance with the Operating Agreement, a sufficient overview of its Safety and Environmental Management systems to evidence compliance with I. above.
- III. Operator's SHE Performance as an Agenda Item: Upon written request, Operator's SHE performance shall be an agenda item for all meetings of the Parties where past SHE statistical performance as well as ongoing and future SHE improvement initiatives are presented and discussed.

Safety, Health and Environmental Reporting

- IV. Operator's Obligation to Notify Non-Operators: The Operator shall notify the Non-Operators in a timely manner after any of the following incidents occur:
 - (a) well blow-out,
 - (b) oil spill greater than 50 barrels,
 - (c) fatality or accident resulting in lost time injuries of one (1) or more people,
 - (d) an incident where property damage is estimated to be in excess of \$250,000, or
 - (e) an incident that causes a significant loss of production; andsuch notification will be followed by a written report.
- V. Maintenance and Non-Operator's Review of SHE Statistics: SHE statistics for activities and operations conducted under the Operating Agreement will be maintained and be accessible to Non-Operators in accordance with the provisions in Article 5.5 (*Records*) in the Operating Agreement. SHE statistics are defined as: Recordable Injuries, Lost Time Injuries, Lost Time Injury Frequency, Reportable Spills, Fines or Incidents of Non-compliance (all as defined by OSHA, MMS and USCG). In addition to opportunities to review data

through audits, Operator will, upon written request, furnish SHE performance information annually and be amenable to an annual meeting with Non-Operators specifically to review and discuss performance of the Production System, Facility(s) or operation(s) applicable to this Operating Agreement.

Safety, Health and Environmental Inspections

- VI. Non-Operator's Right of Access: For purposes of conducting environmental and safety inspections and audits, the Non-Operators shall have the right of access to activities and operations as provided in Article 7.3 (*Access to the Lease and Rig*) of the Operating Agreement, and shall have access to Operator's files as provided in Article 5.5 (*Records*) of the Operating Agreement. Operator will cooperate fully in these environmental and safety audits.

EXHIBIT "K"

Attached to and made a part of that certain Offshore Operating Agreement dated December 1, 2007 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

GEOPHYSICAL OPERATIONS

1.0 Proprietary Geophysical Operations: For purposes of this Exhibit K, Proprietary Geophysical Operations means the acquisition and initial processing of a geophysical survey which (1) exclusively covers all or a portion of the Contract Area, (2) is conducted solely on behalf of and for the benefit of the Participating Parties in accordance with Section 1.5 of this Exhibit "K", and (3) is not a group-shoot or speculative geophysical survey, shallow hazard survey or velocity survey (or similar wellbore geophysical operation). Any Party may propose Proprietary Geophysical Operations at any time during the term of this Agreement. Such a proposal (i) shall include the timing, location, acquisition parameters, processing parameters, and Costs of such operations and (ii) requires approval by Election. The Costs in the proposal shall include all tape copy, film, and reproduction costs to be allocated to each Participating Party, as well as mobilization, acquisition, and processing costs to be shared by the Participating Parties. Proprietary Geophysical Operations are independent operations and are not Exploratory, Appraisal or Development Operations; however, they may be conducted simultaneously with Exploratory, Appraisal or Development Operations.

1.1 Response to Proposal: Any other Party may, within five (5) days (exclusive of Saturdays, Sundays and federal holidays) of its receipt of a proposal for Proprietary Geophysical Operations, submit a separate proposal for Proprietary Geophysical Operations (along with the associated AFE and the plan for the operation). If no other proposal is submitted, the Parties shall make an Election on the lone proposal submitted. If an additional proposal is

submitted, then the Operator shall call a meeting of the Parties which shall be held within ten (10) days of the conclusion of the five (5) day period for the submission of other proposals. At such meeting the Parties shall approve by Vote on which proposal the Parties shall make their Election.

1.2 Non-Participating Parties in Proprietary Geophysical

Operations: If a Non-Participating Party in Proprietary Geophysical Operations makes a revised Election or Vote to become a Participating Party in the Proprietary Geophysical Operations in which it originally Elected or Voted not to participate, such Non-Participating Party is an Underinvested Party subject to Article 16.5.3 (*Proprietary Geophysical Operations, Project Team AFE, Pre-Development AFEs, or Final Design AFE*), and the Operator shall deliver the data, information and results from the Proprietary Geophysical Operations in which the Underinvested Party originally Elected or Voted not to participate to the Underinvested Party within fifteen(15) of it's the Operator's receipt of such notice.

1.3 Conduct of Proprietary Geophysical Operations: The Operator shall provide the Participating Parties with copies of all field data and support documentation as appropriate for all seismic data collected from the Proprietary Geophysical Operations. The Operator shall obtain all licenses and permits from all governmental agencies necessary to conduct Proprietary Geophysical Operations. The Participating Parties in Proprietary Geophysical Operations own the geophysical data derived from such Proprietary Geophysical Operations; provided, however that such ownership is limited to the field tapes, i.e., raw data and initial processed data, and does not include any re-processed or interpreted data.

1.4 **Disclosure of Data Outside the Contract Area:** In the event any geophysical data is acquired pursuant to this Article 10.5 which covers lands outside the Contract Area, a Participating Party in such data shall not be obligated to obtain permission from the other Participating Parties to disclose such data covering lands outside the Contract Area to third parties.

1.5 **Timely Operations for Geophysical Surveys:** Actual Proprietary Geophysical Operations shall be commenced within ninety (90) days from the conclusion of the period for approval of Proprietary Geophysical Operations. In all events, including the occurrence of a Force Majeure, if the Operator does not commence actual Proprietary Geophysical Operations within ninety (90) days from the conclusion of the period for approval of Proprietary Geophysical Operations, the proposal of the Proprietary Geophysical Operations and its approval will be deemed withdrawn. If a proposal for Proprietary Geophysical Operations is deemed withdrawn, any Costs incurred in the preparation for or in furtherance of such Proprietary Geophysical Operations will be chargeable to the Participating Parties.

2.0 **Group-Shoot And Speculative Seismic Surveys:** The Operator shall coordinate the acquisition of and participation in any new group-shoot or speculative seismic surveys covering one or more of the Leases. For such seismic data acquisitions, the acquiring Parties shall unanimously agree upon the Cost shares of the total licensing fee (rather than basing their shares on their Working Interest).

3-18-2010 Change of Notice Information - Total

4-06-2009 Ratification, Joinder + First
Amendment - BNP, Cobalt, Total

March 18, 2010

✓ **BHP Billiton Petroleum (Deepwater) Inc. &
BHP Billiton Petroleum (GOM) Inc.**
Attention: Scott H. Cornwell
1360 Post Oak Blvd, Suite 150
Houston, TX 77056-3020

Cobalt International Energy, L.P.
Attention: Lynne L. Hackedorn
1980 Post Oak Blvd., Suite 1200
Houston, TX 77056

**RE: CHANGE OF NOTICE INFORMATION
FIREFOX PROSPECT**

Ladies and Gentlemen:

Reference is made to that certain Unit Operating Agreement, dated effective as of December 1, 2007, as amended, ("Firefox Prospect Operating Agreement"), by and between BHP Billiton Petroleum (Deepwater) Inc., BHP Billiton Petroleum (GOM) Inc., Cobalt International Energy, L.P. and TOTAL E&P USA, INC. ("TEP USA").

Pursuant to the Firefox Prospect Operating Agreement, TEP USA hereby provides notice to the parties of the following change in TEP USA's notice information and representatives.

TOTAL E&P USA, INC.
1201 Louisiana, Suite 1800
Houston, Texas 77002

For all matters other than HSE matters and emergency notices:

Attention: Nikita Taldykin
Phone: (713) 647-3326
Fax: (713) 647-3086
Email: tepusa_bds@total.com

Primary for HSE matters and emergency notices:

Attention: Anthony McAteer
Phone: (713) 647-3503
Fax: (713) 647-3673

Alternate for HSE matters and emergency notices:

Attention: Keith Boedecker
Phone: (713) 647-3550
Fax: (713) 647-3859

TEP USA would also like to use this opportunity to inform its partners of TEP USA's Code of Conduct enclosed with this letter. When we do not lead or operate a venture, we urge the leader or operator to apply principles that are compatible with our Business Principles and Rules of Individual Behavior. If you become aware of violations of the principles set forth in TEP USA's Code of Conduct, we encourage you to contact our offices directly or to report the matter at <https://TEPUSA.alertline.com>

If you have any questions, please do not hesitate to give me a call.

Sincerely,



Nikita Taldykin

Enclosure



TOTAL

1201 Louisiana Street, Suite 1800, Houston Texas 77002
P. O. Box 4397, Houston 77210-4397
Tel: (713) 647-3000 - Fax (713) 647-3662

RATIFICATION, JOINDER AND FIRST AMENDMENT OF OFFSHORE OPERATING AGREEMENT
[Firefox Prospect]

This Ratification, Joinder and First Amendment of Offshore Operating Agreement (“Amendment”) is made by and among BHP Billiton Petroleum (GOM) Inc. and BHP Billiton Petroleum (Deepwater) Inc., (hereinafter collectively referred to as “BHPB”), Cobalt International Energy, L.P., (“Cobalt”), and TOTAL E&P USA, INC. (“TOTAL”). The parties herein may be individually referred to as “Party” or collectively as the “Parties.”

Recitals

1. BHPB and Cobalt are parties to that certain Offshore Operating Agreement dated December 1, 2007 (“OPERATING AGREEMENT”), covering the leases and lands described in Section 1 of Exhibit “A-1” attached hereto (“Contract Area”).
2. Pursuant to that certain Simultaneous Exchange Agreement dated April 6, 2009, between Cobalt and TOTAL, Cobalt assigned an undivided forty percent (40%) of its right, title and interest in the Contract Area to TOTAL.
3. Pursuant to that certain Like-Kind Exchange Agreement dated effective November 20, 2009, the Parties have agreed to amend Exhibit “A-2” Area of Mutual Interest of the OPERATING AGREEMENT.
4. The Parties desire that TOTAL join and ratify the OPERATING AGREEMENT and that the OPERATING AGREEMENT be amended as hereinafter provided.

Ratification and Joinder

Now, therefore:

5. TOTAL, in consideration of the mutual covenants contained herein and effective April 6, 2009 (“Effective Date”), does hereby expressly ratify, join, approve, adopt, confirm and is made a party to the OPERATING AGREEMENT, and all of its terms and provisions. As of the Effective Date, TOTAL does hereby accept and agree to be bound by all of the terms and provisions of the OPERATING AGREEMENT, to the same extent as if TOTAL had originally executed the same, and does hereby assume and agree to perform its proportionate part of all duties, covenants and obligations thereunder arising from and after the Effective Date and takes cognizance of all of the terms and provisions thereof.

Amendment

6. The Parties hereby agree that the revised Exhibit “A-1” attached hereto shall replace and supersede the existing Exhibit “A-1” of the OPERATING AGREEMENT, from and after the Effective Date, to reflect the Working Interest ownership in the Leases to be as shown therein, and to add the notice address and contact numbers for TOTAL as shown therein.
7. The Parties hereby agree that the revised Exhibit “A-2” attached hereto shall replace and supersede the existing Exhibit “A-2” of the OPERATING AGREEMENT, effective as of November 20, 2009.

Ratification, Joinder and First Amendment of Offshore Operating Agreement-Firefox Prospect

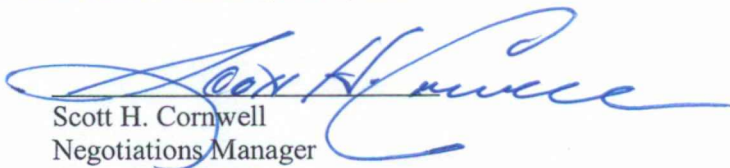
8. This Amendment shall be binding upon the undersigned Parties and their respective heirs, successors and assigns. Capitalized terms not otherwise defined herein shall have the same meaning as in the OPERATING AGREEMENT. Except for the matters specifically addressed herein, no other changes or modifications are made to the OPERATING AGREEMENT, and the OPERATING AGREEMENT shall remain in full force and effect as written.

9. THE PROVISIONS OF THIS AMENDMENT AND THE RELATIONSHIP OF THE PARTIES SHALL BE GOVERNED AND INTERPRETED ACCORDING TO THE FEDERAL LAWS AND LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS THAT WOULD REFER THE MATTER TO THE LAWS OF ANOTHER JURISDICTION.

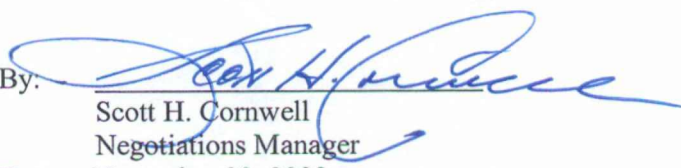
10. Any claim, controversy or dispute arising out of, relating to, or in connection with this Amendment shall be resolved under the Dispute Resolution Procedure in Exhibit "H" to the OPERATING AGREEMENT.

11. This Amendment may be executed in any number of counterparts for filing with applicable governmental agencies and recording. Each counterpart hereof shall be deemed to be an original instrument, but all such counterparts shall constitute but one Amendment.

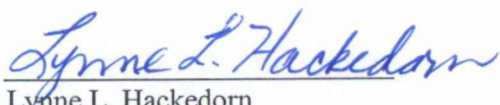
BHP Billiton Petroleum (GOM) Inc.

By: 
Scott H. Cornwell
Negotiations Manager
Date: November 20, 2009

BHP Billiton Petroleum (Deepwater) Inc.

By: 
Scott H. Cornwell
Negotiations Manager
Date: November 20, 2009

Cobalt International Energy, L.P.

By: 
Lynne L. Hackedorn
Vice President, Land
Date: November 20, 2009

TOTAL E&P USA, INC.

By:



Dawn Lannin
Business Development & Strategy-
Commercial Manager

Date: November 20, 2009

REVISED (Effective April 6, 2009) Exhibit "A-1"

Attached to and made a part of that certain Offshore Operating Agreement dated December 1, 2007, by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc., Cobalt International Energy, L.P., and TOTAL E&P USA, INC.
[Firefox Prospect]

DESCRIPTION OF LEASES, WORKING INTEREST OF THE PARTIES, AND REPRESENTATIVES

I. LEASES AND WORKING INTEREST:

Area/Block	OCS-G No.	Effective Date	Working Interest		
			BHPB*	Cobalt	TOTAL
Green Canyon 773	31749	3/1/2008	50%	30%	20%
Green Canyon 817	31753	12/1/2007	50%	30%	20%
Green Canyon 818	31754	3/1/2008	50%	30%	20%

*BHP Billiton Petroleum (Deepwater) Inc. is a Working Interest owner in the Leases. BHP Billiton Petroleum (GOM) Inc. owns no Working Interest in the Leases.

II. OPERATOR:

BHP Billiton Petroleum (GOM) Inc.

III. REPRESENTATIVES AND ADDRESSES

**BHP Billiton Petroleum (Deepwater) Inc. &
BHP Billiton Petroleum (GOM) Inc.**
1360 Post Oak Boulevard, Suite 150
Houston, Texas 77056-3020
Attention: Scott H. Cornwell
Negotiations Manager
Telephone: (713) 961-8306
Facsimile: (713) 961-8339

Cobalt International Energy, L.P.
1980 Post Oak Boulevard, Suite 1200
Houston, Texas 77056
Attention: Lynne L. Hackedorn
Vice President, Land
Telephone: (713) 579-9115
Facsimile: (713) 579-9196

TOTAL E&P USA, INC.
1201 Louisiana Street, Suite 1800
Houston, Texas 77002
Attention: Dawn Lannin
Commercial Manager
Telephone: (713) 647-3995
Facsimile: (713) 647-3662

END OF EXHIBIT "A-1"

REVISED (Effective November 20, 2009) Exhibit "A-2"

**Attached to and made a part of that certain Offshore Operating Agreement dated December 1, 2007, by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc., Cobalt International Energy, L.P., and TOTAL E&P USA, INC.
[Firefox Prospect]**

AMI AREA

Green Canyon Block 772

Green Canyon Block 774

Green Canyon Block 861

End of Exhibit "A-2"

RATTLER PROSPECT

**OFFSHORE OPERATING AGREEMENT
GREEN CANYON AREA**

**OUTER CONTINENTAL SHELF
GULF OF MEXICO**

**EFFECTIVE
JULY 1, 2008**

BETWEEN

**BHP BILLITON PETROLEUM (GOM) INC.,
BHP BILLITON PETROLEUM (DEEPWATER) INC.
AND
COBALT INTERNATIONAL ENERGY, L.P.**



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1
2

OPERATING AGREEMENT **OUTER CONTINENTAL SHELF – GULF OF MEXICO**

3 This Agreement, effective as of July 1, 2008 (the "Effective Date"), is between
4 BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt
5 International Energy, L.P. the signers of this Agreement, each referred to individually as
6 a "Party" and collectively as the "Parties."

7 Whereas, BHP Billiton Petroleum (GOM) Inc. is a non-Working Interest owner
8 Affiliate of BHP Billiton Petroleum (Deepwater) Inc. and is joining in the execution of this
9 Agreement as BHP Billiton Petroleum (Deepwater) Inc.'s designated agent solely for
10 the purpose of acting as Operator for BHP Billiton Petroleum (Deepwater) Inc. as set
11 forth in Article 4.1.

12 Whereas, the Parties own one or more Leases, identified in Exhibit "A-1"
13 (*Description of Leases*), and desire to explore, appraise, develop, and operate the
14 Leases for the production of Hydrocarbons.

15 Now, therefore, in consideration of the premises and mutual promises in this
16 Agreement, the Parties agree to explore, appraise, develop, and operate the Contract
17 Area under the following provisions:

18

ARTICLE 1 – CONTRACT APPLICATION

19

1.1 Application in General

20 This Agreement governs the rights and obligations of the Parties relating, without
21 limitation, to the exploration, appraisal, development, operation, production,
22 treatment, gathering, and storage of Hydrocarbons. This Agreement does not
23 apply to the fabrication or installation of Export Pipelines.

24

1.2 Application to the Contract Area

25 This Agreement applies to the entire Contract Area. Unless otherwise provided
26 in this Agreement, all the rights and obligations in and under the Leases
27 comprising the Contract Area, all property and rights acquired pursuant to this

1 Agreement, and all Hydrocarbons are owned by the Parties according to their
2 respective Working Interest or Participating Interest, as applicable.

3 **ARTICLE 2 – DEFINITIONS**

4 **2.1 Additional Testing, Logging, or Sidewall Coring**

5 Testing, (excluding Production Testing), logging, or sidewall coring that is in
6 addition to that approved by virtue of a previously approved well or subsequent
7 operation.

8 **2.2 Affiliate**

9 A corporation, company, limited liability company, partnership, or other legal
10 entity that:

- 11 (a) is owned or controlled by a Party,
- 12 (b) is owned or controlled by another corporation, company, limited liability
13 company, partnership, or other legal entity that is owned or controlled by a
14 Party,
- 15 (c) owns or controls a Party, or
- 16 (d) is owned or controlled by a corporation, company, limited liability company,
17 partnership, or other legal entity that owns or controls a Party.

18 For the purposes of this definition, ownership or control means the ownership,
19 directly or indirectly, of fifty percent (50%) or more of the shares, voting rights, or
20 interest in a corporation, company, limited liability company, partnership, or other
21 legal entity.

22 **2.3 Agreement**

23 This operating agreement, together with its attached Exhibits.

24 **2.4 Annual Operating Plan**

25 The operational plan and estimate of Costs for activities and operations, as
26 described in Article 6.4 (*Annual Operating Plan*).

1 **2.5 Appraisal Operation**

2 An operation (including, but not limited to, an operation after an Appraisal Well
3 has reached its Objective Depth but before the attempted completion of the well)
4 conducted under Article 11 (*Appraisal Operations*).

5 **2.6 Appraisal Well**

6 A well proposed and drilled as an Appraisal Operation [including, but not limited
7 to, a substitute well for an Appraisal Well abandoned under Article 11.1.4 (*AFE*
8 *Overruns and Substitute Well*)].

9 **2.7 Authorization for Expenditure (AFE)**

10 A written description and Cost estimate of a proposed activity or operation
11 accompanying a proposal for that activity or operation.

12 **2.8 Complete Recoupment**

13 The point in time when the Participating Parties have been reimbursed, through
14 Hydrocarbon Recoupment, through Disproportionate Spending, or through a
15 lump sum cash settlement, an amount equal to the Non-Participating Party's
16 Non-Participating Interest Share of the Costs of the Non-Consent Operation
17 multiplied by the applicable percentage provided in Article 16 (*Non-Consent*
18 *Operations*).

19 **2.9 Confidential Data**

20 All proprietary geophysical, geological, geochemical, drilling, or engineering data
21 acquired or derived from operations conducted under this Agreement and all
22 analyses, compilations, maps, models, interpretations, and other documents that
23 reflect or incorporate that data. The term also includes, but is not limited to:

24 (a) the provisions of this Agreement, subject to Exhibit "I;" and

25 (b) commercial, contractual and financial information acquired or derived from
26 activities or operations conducted under this Agreement;

27 however, the term does not include the fact that the Operator has let a contract
28 for an activity or operation to be conducted under this Agreement. The term
29 excludes "Confidential Information" as that term is defined in Exhibit "G."

30 **2.10 Contract Area**

31 The OCS Leases, or portions thereof, listed on Exhibit "A-1."

1 **2.11 Costs**

2 The monetary amount of all expenditures (or indebtedness) incurred by the
3 Operator and the Participating Parties in the conduct of activities and operations,
4 determined under this Agreement.

5 **2.12 Deepen or Deepening**

6 An operation to drill an existing well (including sidetracking a well) deeper than
7 the stratigraphic equivalent of the Objective Depth of any prior operation
8 conducted in the well.

9 **2.13 Deeper Drilling**

10 The drilling of an Appraisal Well or Development Well below the Deepest
11 Producible Reservoir in existence when the well is proposed.

12 **2.14 Deepest Producible Reservoir**

13 The deepest Producible Reservoir in existence when a drilling or Deeper Drilling
14 proposal is made.

15 **2.15 Define AFE**

16 The AFE for the Define Stage.

17 **2.16 Define Stage**

18 The stage of a Development Phase during which the Operator, with the
19 assistance of the Project Team, if applicable, will (a) commence the
20 implementation of a Development Plan, (b) complete enough of the detailed
21 design of the Development System to enable contractors to formulate their bids
22 on the components of the Development System, and (c) submit an Execution
23 AFE to the Parties for their review and approval.

1 **2.17 Development Operation**

2 An operation (including, but not limited to, a Recompletion, a Workover, the
3 attempted completion of an Exploratory Well or an Appraisal Well, or an
4 operation after a Development Well has reached its Objective Depth) conducted
5 under Article 13 (*Development Operations*) or under Article 11.6 (*Operations*
6 *Before the Approval of the Development Plan*).

7
8 **2.18 Development Phase**

9 The proposals, activities, and operations associated with determining the
10 feasibility of development and the design, fabrication or acquisition, and
11 installation of a Development System.

12 **2.19 Development Plan**

13 The plan for a Development Phase, as described in Article 12 (*Development*
14 *Phases*).

15 **2.20 Development System**

16 A Production System and its associated Facilities.

17 **2.21 Development Well**

18 A well proposed and drilled as a Development Operation [including, but not
19 limited to, a substitute well for a Development Well abandoned under Article
20 13.1.4 (*AFE Overruns and Substitute Well*)].

21 **2.22 Disproportionate Spending**

22 The payment of the Costs of an activity or operation by a Participating Party in
23 excess of its Participating Interest Share of the Costs of that activity or operation
24 in order to settle an Underinvestment previously incurred by that Participating
25 Party.

26 **2.23 Election, Elect, Elects, Elected, Electing**

27 A response or deemed response by a Party to a proposal requiring approval
28 under Article 8.2.2 (*Approval by Election*), or the act by a Party of responding to
29 a proposal requiring approval under Article 8.2.2 (*Approval by Election*).

1 **2.24 Enhanced Recovery Project Team AFE**

2 The AFE that is to accompany a proposal for the formation of a Project Team
3 whose sole scope of work is the design of an enhanced recovery and/or
4 pressure maintenance program.

5 **2.25 Execution AFE**

6 A collection of AFEs, which, according to the submitting Party's estimates, will
7 cover all of the Costs of the Execution Stage (which do not include the Costs of
8 Development Wells), and which shall be deemed by the Parties to have been
9 submitted as one AFE.

10 **2.26 Execution Stage**

11 The final stage of a Development Phase during which the Operator, with the
12 assistance of the Project Team, if applicable, will complete the implementation of
13 the Development Plan, implement the Execution AFE and commence the first
14 production of Hydrocarbons for that particular Development Phase.

15 **2.27 Exploratory Operation**

16 An operation (including, but not limited to, an operation after an Exploratory Well
17 has reached its Objective Depth but before the attempted completion of the well,
18 except for Production Testing) conducted under Article 10 (*Exploratory
19 Operations*).

20 **2.28 Exploratory Well**

21 A well proposed and drilled as an Exploratory Operation [including, but not
22 limited to, a substitute well for an Exploratory Well abandoned under Article
23 10.1.4 (*AFE Overruns and Substitute Well*)].

24 **2.29 Export Pipelines**

25 Pipelines to which a gathering line or lateral line downstream of the Development
26 System is connected and which are used to transport Hydrocarbons or produced
27 water to shore.

28 **2.30 Facilities**

29 Production equipment located downstream of the wellhead connections, which is
30 installed on or outside the Contract Area in order to enhance, handle or process
31 Hydrocarbon production or transport Hydrocarbons to processing facilities.
32 Facilities include, but are not limited to, control umbilicals, disposal wells and

1 their associated components, flowlines, gathering lines or lateral lines and their
2 associated components that are paid for by the Joint Account. Facilities exclude
3 (1) Production Systems, (2) Export Pipelines, (3) the equipment procured and
4 utilized for an enhanced recovery and pressure maintenance program described
5 in Article 12.11 (*Enhanced Recovery and/or Pressure Maintenance Program*
6 *Proposals*), and (4) the facilities referred to in Article 15.2 (*Facilities to Take in*
7 *Kind*).

8 **2.31 Feasibility AFE**

9 The AFE for the Feasibility Stage.

10 **2.32 Feasibility Stage**

11 The stage of a Development Phase during which the Operator, with the
12 assistance of the Feasibility Team, will attempt to find at least one scenario for
13 the development of Hydrocarbons, which is technologically and economically
14 feasible.

15 **2.33 Feasibility Team**

16 A group of employees, contractors and/or consultants of the Participating Parties
17 or their respective Affiliates that assists the Operator during the Feasibility Stage.

18 **2.34 Force Majeure**

19 An event or cause that is reasonably beyond the control of the Party claiming the
20 existence of such event or cause, which includes, but is not limited to, a flood,
21 storm, hurricane, loop current/eddy, or other act of God, a fire, loss of well
22 control, oil spill, or other environmental catastrophe, a war, a civil disturbance, a
23 terrorist act, a labor dispute, a strike, a lockout, an inability to immediately
24 comply with a law, order, rule, or regulation, a governmental action or delay in
25 granting necessary permits or permit approvals, and the inability to secure
26 materials or a rig.

27 **2.35 Gross Negligence or Willful Misconduct**

28 Conscious and intentional disregard or reckless disregard, not justifiable by
29 special circumstances, by a Party's corporate officer or a member of a Party's
30 regular salaried supervisory staff (or a member of a Party's non-supervisory staff
31 functioning at an equivalent level) of (a) a provision of this Agreement, (b) an
32 applicable law, (c) an approved well proposal, (d) an approved Development
33 Plan, or (e) any other operational plan approved under this Agreement. The

1 defined term Gross Negligence or Willful Misconduct excludes errors of
2 judgment and mistakes by the persons mentioned above while they are
3 exercising, in good faith, any function, authority, or discretion conferred upon
4 them under this Agreement.

5 **2.36 HSE**

6 Health, safety and environment.

7 **2.37 Hydrocarbon Recoupment**

8 An amount to be recovered by the Participating Parties from all or part of the
9 Non-Participating Interest Share of the proceeds from the sale of future
10 Hydrocarbon production equal to the Non-Participating Interest Share of the
11 Costs of the Non-Consent Operation multiplied by the applicable percentage in
12 Article 16 (*Non-Consent Operations*).

13 **2.38 Hydrocarbons**

14 The oil, gas, and associated liquid and gaseous by-products (except helium) that
15 may be produced from a well bore on the Contract Area.

16 **2.39 Joint Account**

17 The account maintained by the Operator under this Agreement, showing the
18 charges paid and credits received in connection with the activities and operations
19 conducted under this Agreement.

20 **2.40 Lease**

21 Each OCS federal oil and gas lease (or portion thereof) identified in Exhibit "A-1"
22 and each oil and gas lease covering one or more OCS blocks, or portions
23 thereof, in the Contract Area that is acquired during the term of this Agreement
24 by the Operator and the Non-Operating Parties (including substitutions for and
25 replacements of existing Leases).

26 **2.41 MMS**

27 The Minerals Management Service, United States Department of Interior, or its
28 successor agency.

29 **2.42 News Release**

30 A press release or other public announcement or disclosure by a Party
31 containing a reference, either directly or by implication, to this Agreement or the
32 activities or operations herein contemplated, including, but not limited to, any

1 public release via print media, broadcast news, internet, extranet, public
2 networks or service providers, and discussions with journalists.

3 **2.43 Non-Consent Operation**

4 An activity or operation proposed and approved under this Agreement in which
5 one or more Parties, having the contractual right to do so, Elect or Vote not to
6 participate, except when an activity or operation is approved by Vote and the
7 approval binds all Parties.

8 **2.44 Non-Operating Party**

9 A Party other than the Operator.

10 **2.45 Non-Participating Party**

11 A Party who, having the contractual right to do so, Elects or Votes not to
12 participate in sharing the Costs, risks, and benefits (including the rights to
13 Hydrocarbons) of an activity or operation proposed and approved under this
14 Agreement, except when an activity or operation is approved by Vote and the
15 approval binds all Parties.

16 **2.46 Non-Participating Interest Share**

17 The percentage of participation in the Costs, risks, and benefits (including rights
18 to Hydrocarbons) that a Non-Participating Party would have had in a proposed
19 activity or operation if all Parties had participated in that proposed activity or
20 operation.

21 **2.47 Objective Depth**

22 For each well, the shallower of the total footage to be drilled by that well (as
23 measured in true vertical subsea depth) or the penetration by the drill bit to the
24 base of the deepest target formation or interval in that well, as that depth or
25 target formation or interval is stated in the AFE for the well.

26 **2.48 OCS**

27 The Outer Continental Shelf of the Gulf of Mexico.

28 **2.49 Offsite Host Facilities**

29 Production equipment that is (a) used to process or handle Hydrocarbon
30 production and (b) owned by one or more third parties or by one or more
31 Participating Parties in an Execution AFE (under which that production
32 equipment is to be utilized for Hydrocarbon production), whose respective

1 ownership interests in the production equipment are not exactly the same as
2 their respective Participating Interest Shares in the Execution AFE.

3 **2.50 Operator**

4 The Party designated in Article 4.1 (*Designation of the Operator*), a successor
5 Operator selected under Article 4.5 (*Selection of Successor Operator*), and, if
6 applicable, a substitute Operator selected under Article 4.2 (*Substitute Operator*).

7 **2.51 Overinvested Party**

8 A Party entitled to receive its Participating Interest Share of an Underinvestment.

9 **2.52 Participating Interest Share**

10 A Participating Party's percentage of participation in:

- 11 (a) the Costs, risks, and benefits (including rights to Hydrocarbons) of an
12 approved activity or operation; or,
13 (b) if applicable, interests to be assigned to the Parties.

14 A Participating Party's percentage of participation is either the proportion,
15 expressed as a percentage, that the Participating Party's Working Interest bears
16 to the total Working Interests of all Participating Parties or such different basis for
17 Cost sharing or assignment as the Participating Parties agree upon.

18 **2.53 Participating Party**

19 A Party who, having the contractual right to do so, participates in the sharing of:

- 20 (a) the Costs, risks, and benefits (including rights to Hydrocarbons) of an
21 approved activity or operation; or,
22 (b) if applicable, the interests to be assigned to the Parties.

23 The term includes a Party who does not Vote to participate in a proposed activity
24 or operation, but is nonetheless bound to participate in that proposed activity or
25 operation if it is approved by Vote.

26 **2.54 Post-Production Project Team AFE**

27 An AFE submitted in association with the continuance of the Project Team under
28 Article 12.8 (*Post-Production Project Team AFEs*).

1 **2.55 Producible Reservoir**

2 An underground accumulation of Hydrocarbons (a) separate from and not in
3 Hydrocarbon communication with another accumulation of Hydrocarbons, and
4 (b) into which a Producible Well has been drilled.

5 **2.56 Producible Well**

6 A well on the Contract Area that:

- 7 (a) produces Hydrocarbons;
- 8 (b) meets, according to the MMS, the “well producibility criteria” in Title 30 CFR
9 250.116 or any succeeding order or regulation issued by an appropriate
10 governmental authority; or
- 11 (c) the Participating Parties in the subject well unanimously agree is a
12 Producible Well.

13 **2.57 Production System**

14 A system or combination of systems on the Contract Area to develop, produce,
15 store, distribute, and initiate the transportation of, Hydrocarbons. The term
16 includes:

- 17 (a) an offshore surface structure, whether fixed, compliant, or floating;
- 18 (b) a subsea structure or template designed as a guide to or to provide
19 structural rigidity to one or more wells;
- 20 (c) any combination of the items mentioned in clauses (a) and (b);
- 21 (d) any other type of structure designed to develop and produce Hydrocarbons;
22 and
- 23 (e) all associated components of the items mentioned above, including, but not
24 limited to, a drilling rig, mooring lines and anchor piles.

25 Production System excludes Facilities, mobile offshore drilling units, and the
26 facilities referred to in Article 15.2 (*Facilities to Take in Kind*).

1 **2.58 Production Testing**

2 Operations for the controlled flow of Hydrocarbons to the surface for the purpose
3 of measuring flow rates or flowing pressures, or gaining other subsurface data.

4 **2.59 Project Team**

5 A group of employees, contractors and/or consultants of the Participating Parties
6 or their respective Affiliates, who assists the Operator in carrying out the scope
7 of work for the Selection Stage, Define Stage and Execution Stage and the
8 scope of work under Articles 12.8 (*Post-Production Project Team AFEs*) and
9 12.11 (*Enhanced Recovery and/or Pressure Maintenance Program Proposals*).

10 **2.60 Recompletion**

11 A Development Operation in a single well bore in which a completion in one
12 Producible Reservoir is abandoned in order to attempt a completion in a different
13 Producible Reservoir. To “Recomplete” means to conduct a Recompletion.

14 **2.61 Selection AFE**

15 The AFE for the Selection Stage.

16 **2.62 Selection Stage**

17 The stage of a Development Phase during which the Operator, with the
18 assistance of the Project Team, if applicable, will determine whether to

19 (a) install a Development System on the Contract Area, or

20 (b) tie-back to, and utilize,

21 (i) a Development System resulting from a previous Development
22 Phase or

23 (ii) a development system and/or facilities located outside the Contract
24 Area

25 in order to produce Hydrocarbons.

26 **2.63 Sidetracking**

27 An operation to directionally control or intentionally deviate a well to change the
28 bottomhole location to another bottomhole location not deeper than the
29 stratigraphic equivalent of the Objective Depth of an operation previously
30 conducted in the well, unless the intentional deviation is done to straighten the

1 hole, drill around junk, or overcome other mechanical difficulties. To “Sidetrack”
2 means to conduct a Sidetracking.

3 **2.64 Transfer of Interest**

4 A conveyance, assignment, transfer, farmout, exchange, or other disposition of
5 all or part of a Party’s undivided Working Interest.

6 **2.65 Underinvested Party**

7 A Party with an Underinvestment.

8 **2.66 Underinvestment**

9 A monetary obligation incurred under this Agreement to be settled under Article
10 16.9 (*Settlement of Underinvestments*).

11 **2.67 Vote**

12 As a noun, a response or deemed response by a Party to a proposal requiring
13 approval under Article 8.2.1 (*Approval by Vote*); as a verb, to respond to a
14 proposal requiring approval under Article 8.2.1 (*Approval by Vote*).

15 **2.68 Well Plan**

16 A detailed written description accompanying a proposal to drill an Exploratory
17 Well, Appraisal Well, or Development Well, or to conduct a Workover,
18 Recompletion, well repair or subsequent operation at Objective Depth, which
19 must include, at a minimum:

- 20 (a) the surface and target bottomhole locations of the operation, if applicable;
- 21 (b) the expected commencement date of the operation and the anticipated
22 time necessary to conclude the operation;
- 23 (c) the total vertical subsea depth to be drilled, along with the specified
24 Objective Depth (and the target zones to be penetrated), if applicable;
- 25 (d) the proposed drilling plan, if applicable, and the proposed completion plan,
26 including the casing program and directional details, if applicable;
- 27 (e) details of all coring, logging, and other evaluation operations to be
28 conducted, if applicable; and

1 (f) information about the drilling rig to be used, including day rates, water
2 depth rating, and other limitations relevant to the operations to be
3 conducted, if applicable.

4 **2.69 Working Interest**

5 The record title leasehold interest or, where applicable, the operating rights of
6 each Party in and to each Lease (expressed as the percentage provided in
7 Exhibit "A-1"). If a Party's record title interest is different from its operating rights,
8 the Working Interest of each Party is the interest provided in Exhibit "A-1."

9 **2.70 Workover**

10 A Development Operation conducted in an existing well after the well has been
11 completed in one or more Producing Reservoirs to restore, maintain, or improve
12 production from one or more of those Producing Reservoirs.

13 **ARTICLE 3 – EXHIBITS**

14 **3.1 Exhibits**

15 All references in this Agreement to "Exhibits" without further qualification mean
16 the Exhibits listed below and attached to this Agreement. Each Exhibit is made a
17 part of this Agreement and is incorporated into this Agreement by this reference.
18 If any provision of an Exhibit conflicts with any provision of the body of this
19 Agreement, the provision of the body of this Agreement shall prevail, with the
20 exception of Exhibits "C," "D," and "G," each provision of which shall prevail over
21 any provision of the body of this Agreement, except as provided in Article 6.2.4
22 (*Long Lead Well Operation AFEs*). If any provision of Exhibit "C" conflicts with
23 any provision of Exhibit "G," the provision of Exhibit "G" shall prevail. If any
24 provision of Exhibit "C" conflicts with any provision of Exhibit "D," the provision of
25 Exhibit "C" shall prevail.

26 **Exhibit "A-1"** Description of Leases, Working Interests of the Parties, and
27 Representatives

28 **Exhibit "A-2"** AMI Area

29 **Exhibit "B"** Insurance Provisions

30 **Exhibit "C"** Accounting Procedure

1	Exhibit “D”	Gas Balancing Agreement
2	Exhibit “E”	Certification of Non-segregated Facilities
3	Exhibit “F”	Security Interest Provisions
4	Exhibit “G”	Project Team and Technology Sharing
5	Exhibit “H”	Dispute Resolution Procedure
6	Exhibit “I”	Well Data Trade and Confidentiality Agreement
7	Exhibit “J”	Health, Safety and Environment
8	Exhibit “K”	Geophysical Operations Provisions

9 **ARTICLE 4 – SELECTION OF OPERATOR**

10 **4.1 Designation of the Operator**

11 BHP Billiton Petroleum (GOM) Inc. is designated as the Operator of the Contract
 12 Area. The Parties shall promptly execute and file all documents required by the
 13 MMS in connection with the designation of BHP Billiton Petroleum (GOM) Inc. as
 14 Operator or with the designation of any other Party as a substitute or successor
 15 Operator. Unless agreed otherwise by all the Parties, the Operator shall be
 16 classified as the designated applicant for oil spill financial responsibility
 17 purposes, and each Non-Operating Party shall promptly execute the appropriate
 18 documentation reflecting that classification and promptly provide that
 19 documentation to the Operator for filing with the MMS.

20 **4.2 Substitute Operator**

21
 22 **4.2.1 Substitute Operator if Operator is a Non-Participating Party**

23 Except as otherwise provided in Article 4.2.3 (*Circumstances Under*
 24 *Which the Operator Must Conduct a Non-Consent Operation*), if the
 25 Operator is a Non-Participating Party in a Non-Consent Operation, the
 26 Participating Parties may approve by Vote the designation of any
 27 Participating Party as the substitute Operator. The substitute Operator
 28 shall serve as the Operator only (a) for the Non-Consent Operation (if
 29 the Non-Consent Operation is the drilling of a well, through the release
 30 of the drilling rig for that well), (b) of the Lease affected by the Non-

1 Consent Operation, and (c) with the same authority, rights, obligations,
2 and duties as the Operator, subject to the limitations in (a) and (b). If a
3 Non-Operating Party is the only Participating Party in a Non-Consent
4 Operation, then the Non-Operating Party shall be designated as the
5 substitute Operator for that Non-Consent Operation, with no Vote
6 required, unless the Non-Operating Party elects not to accept the
7 designation. A Non-Operating Party, who is a Participating Party, shall
8 not be designated as a substitute Operator against its will. If a
9 substitute Operator is not designated under the foregoing procedures,
10 the Operator shall, upon the unanimous agreement of the Participating
11 Parties, conduct the Non-Consent Operation on behalf of the
12 Participating Parties and at the Participating Parties' sole Cost and risk
13 under Article 16 (*Non-Consent Operations*). If the Participating Parties
14 do not approve by Vote a substitute Operator to conduct the Non-
15 Consent Operation or do not unanimously agree that the Operator shall
16 conduct the Non-Consent Operation on behalf of the Participating
17 Parties, then the proposal of the Non-Consent Operation shall be
18 deemed withdrawn, with the effect as if the proposal for the Non-
19 Consent Operation had never been proposed and approved.

20 **4.2.2 Substitute Operator if Operator Fails to Commence Drilling**
21 **Operations**

22 If the Operator fails to timely commence an Exploratory Well in
23 accordance with Article 10.1.3 (Timely Operations), an Appraisal Well
24 in accordance with Article 11.1.3 (Timely Operations) or a Development
25 Well in accordance with Article 13.1.3 (Timely Operations), the non-
26 operating Participating Parties may select a substitute Operator in the
27 same manner as the selection of a successor Operator under Article
28 4.5 (Selection of Successor Operator), and the substitute Operator
29 shall serve as the Operator only (a) for the drilling of that well through
30 the release of the drilling rig for that well, (b) of the Lease on which the
31 well is drilled, and (c) with the same authority, rights, obligations, and
32 duties as the Operator, subject to the limitations in (a) and (b).

33 **4.2.3 Circumstances Under Which the Operator Must Conduct a Non-**
34 **Consent Operation**

35 If:

1 (a) a drilling rig is on location and the Operator becomes a Non-
2 Participating Party (i) in a supplemental AFE pursuant to the
3 terms of Article 6.2.2 (*Supplemental AFEs*), or (ii) after reaching
4 Objective Depth as provided in Article 10.2 (*Exploratory*
5 *Operations at Objective Depth*), Article 11.2 (*Appraisal Operations*
6 *at Objective Depth*) or Article 13.2 (*Development Operations at*
7 *Objective Depth*), or

8 (b) the Operator becomes a Non-Participating Party in an operation
9 to be conducted on or from a Development System operated by
10 the Operator,

11 the Operator, as a Non-Participating Party, shall conduct the Non-
12 Consent Operation on behalf of the Participating Parties and at the
13 Participating Parties' sole Cost and risk under Article 16 (*Non-Consent*
14 *Operations*).

15 **4.2.4 Operator's Conduct of a Non-Consent Operation in Which it is a**
16 **Non-Participating Party**

17 When, under Article 4.2.1 (*Substitute Operator if Operator is a Non-*
18 *Participating Party*) or Article 4.2.3 (*Circumstances Under Which the*
19 *Operator Must Conduct a Non-Consent Operation*), the Operator
20 conducts a Non-Consent Operation in which it is a Non-Participating
21 Party, it shall follow the practices and standards in Article 5 (*Rights and*
22 *Duties of Operator*). The Operator shall not be required to proceed with
23 the Non-Consent Operation until the Participating Parties have
24 advanced the Costs of the Non-Consent Operation to the Operator.
25 The Operator shall never be obligated to expend any of its own funds
26 for the Non-Consent Operation.

27 **4.2.5 Appointment of a Substitute Operator**

28 After expiration of all applicable response periods for the Non-Consent
29 Operation and selection of a substitute Operator, each Party shall
30 promptly provide the substitute Operator with the appropriate MMS
31 designation of operator forms and certification of oil spill financial
32 responsibility forms. The Operator and the substitute Operator shall
33 coordinate the change of operatorship to avoid interfering with ongoing

1 activities and operations, if any, including but not limited to, lease
2 maintenance activities and operations.

3 **4.2.6 Redesignation of Operator**

4 Within fifteen (15) days after conclusion of the Non-Consent Operation,
5 all Parties shall execute and provide the Operator with the appropriate
6 MMS designation of operator forms and certification of oil spill financial
7 responsibility forms to return operatorship to the Operator, thereby
8 superseding the Parties' designation of the substitute Operator under
9 Article 4.2.5 (*Appointment of a Substitute Operator*).

10 **4.3 Resignation of Operator**

11 Subject to Article 4.5 (*Selection of Successor Operator*), the Operator may resign
12 at any time by giving written notice to the Parties, except that the Operator may
13 not resign during a Force Majeure or an emergency that poses a threat to life,
14 safety, property, or the environment. If the Operator ceases to own a Working
15 Interest, the Operator automatically shall be deemed to have resigned as the
16 Operator without any action by the Non-Operating Parties.

17 **4.4 Removal of Operator**

18 The Operator may be removed under the following circumstances:

19 **4.4.1 Removal Upon Assignment**

20 If the Operator assigns part of its Working Interest (excluding an
21 interest assigned to an Affiliate) and the assignment reduces the
22 Operator's Working Interest to less than the Working Interest of a
23 Non-Operating Party, whether accomplished by one or more
24 assignments, then the removal of the Operator requires approval by
25 Vote.

26 **4.4.2 Removal for Cause by Vote**

27 Under the following circumstances, the removal of the Operator shall
28 be approved by Vote, excluding the Vote of the Operator:

- 29 (a) the Operator is found liable by a final judicial decision or a final
30 decision under binding arbitration for an act of Gross Negligence
31 or Willful Misconduct regarding the Contract Area;

- 1 (b) the Operator commits a substantial breach of a material provision
2 of this Agreement and fails to cure the breach within thirty (30)
3 days after receipt of written notice of the breach from a Non-
4 Operating Party. If the breach specified in the notice reasonably
5 cannot be corrected within the thirty (30) day period, but the
6 Operator within said period begins action to correct the breach
7 and thereafter diligently carries the corrective action to
8 completion, the Operator shall not be removed. The Operator
9 shall not be removed under this Article 4.4.2 if the Operator is
10 able to prove the non-existence of the alleged breach within thirty
11 (30) days after receipt of written notice of the alleged breach;
- 12 (c) the Operator becomes insolvent or unable to pay its debts as they
13 mature, makes an assignment for the benefit of its creditors,
14 commits an act of bankruptcy, or seeks relief under laws providing
15 for the relief of debtors;
- 16 (d) a receiver is appointed for the Operator or for substantially all of
17 its property or affairs; or
- 18 (e) the Operator fails to timely commence the fabrication or
19 acquisition of the Development System in accordance with Article
20 12.7.9 (*Timely Operations for Development Systems*).

21 **4.4.3 Timing of Vote to Remove Operator**

22 A Vote to remove the Operator for cause as provided in this Article 4.4
23 shall be taken within ninety (90) days after the Non-Operating Party's
24 actual knowledge of the cause.

25 **4.5 Selection of Successor Operator**

26 Upon the resignation or removal of the Operator, a successor Operator shall be
27 approved by Vote, subject to this limitation on the Voting right of Operator: if the
28 resigned or removed Operator is not entitled to Vote, fails to Vote, or Votes only
29 to succeed itself, then the successor Operator shall be approved by Vote after
30 excluding the Vote of the resigned or removed Operator. If the Operator assigns
31 all or a part of its Working Interest, then under Article 4.3 (*Resignation of*
32 *Operator*) or Article 4.4.1 (*Removal Upon Assignment*) the Party who acquired all
33 or a part of the former Operator's Working Interest shall not be excluded from

1 Voting for a successor Operator. If there are only two Parties to this Agreement
2 when the Operator resigns or is removed, then the Non-Operating Party
3 automatically has the right, but not the obligation, to become the Operator. If no
4 Party is willing to become the Operator, this Agreement shall terminate under
5 Article 27.1 (*Term*).

6 **4.6 Effective Date of Resignation or Removal**

7 The resignation or removal of the Operator shall become effective as of 7:00
8 a.m. on the first day of the month following a period of ninety (90) days from, and
9 inclusive of, the day of the Parties' receipt of the applicable notice, unless a
10 longer period is required for the Parties to obtain approval of the designation of
11 the successor Operator, and certification for oil spill financial responsibility
12 purposes by the MMS, in which case the resignation or removal of the Operator
13 shall become effective at 7:00 a.m. on the day immediately following MMS
14 approval. The resignation or removal of the outgoing Operator shall not
15 prejudice any rights, obligations, or liabilities of the outgoing Operator which
16 accrued during its tenure. The outgoing Operator and the successor Operator
17 may charge the Joint Account for the reasonable Costs incurred in connection
18 with the change of operatorship, except when the change of operatorship results
19 from a merger, consolidation, reorganization or sale or transfer to an Affiliate of
20 the Operator.

21 **4.7 Delivery of Property**

22 On the effective date of resignation or removal of the Operator, the outgoing
23 Operator shall deliver to the successor Operator custodianship of the Joint
24 Account and possession of all items purchased for the Joint Account under this
25 Agreement, all Hydrocarbons that are not the separate property of a Party, all
26 equipment, materials, and appurtenances purchased for the Joint Account under
27 this Agreement, and all books, records, and inventories relating to the Joint
28 Account (other than those books, records, and inventories maintained by the
29 outgoing Operator as the owner of a Working Interest). The outgoing Operator
30 shall further use its reasonable efforts to transfer to the successor Operator, as
31 of the effective date of the resignation or removal, its rights as Operator under all
32 contracts exclusively relating to the activities or operations conducted under this
33 Agreement, and the successor Operator shall assume all obligations of the
34 Operator that are assignable under the contracts. The Parties may audit the
35 Joint Account and conduct an inventory of all property and all Hydrocarbons that

1 are not the separate property of a Party, and the inventory shall be used in the
2 return of, and the accounting by the outgoing Operator of, the property and the
3 Hydrocarbons that are not the separate property of a Party. The inventory and
4 audit shall be conducted under Exhibit "C."

5 ARTICLE 5 – RIGHTS AND DUTIES OF OPERATOR

6 **5.1 Exclusive Right to Operate**

7 Except as otherwise provided, the Operator has the exclusive right and duty to
8 conduct (or cause to be conducted) all activities or operations under this
9 Agreement. In performing services under this Agreement for the Non-Operating
10 Parties, the Operator is an independent contractor, not subject to the control or
11 direction of Non-Operating Parties, except as provided in Article 8.2 (*Voting and*
12 *Election Procedures*) or Article 8.5 (*Approved by Unanimous Agreement*). The
13 Operator is not the agent or fiduciary of the Non-Operating Parties. With the
14 exception of any Feasibility Team or Project Team formed under this Agreement,
15 the Operator shall select and determine the number of employees, Affiliates,
16 contractors and/or consultants used in conducting activities or operations under
17 this Agreement and the hours of labor and the compensation for those
18 employees, Affiliates, contractors and/or consultants. All of those employees,
19 Affiliates, contractors and/or consultants shall be the employees, Affiliates,
20 contractors and/or consultants of the Operator. The Operator shall contract for
21 and employ any drilling rigs, tools, machinery, equipment, materials, supplies,
22 and personnel reasonably necessary for the Operator to conduct the activities or
23 operations provided for in this Agreement; however, if a substitute Operator is
24 designated to drill a well, the substitute Operator may utilize a rig, which it owns
25 or has under contract, for the drilling of that well.

26 **5.2 Workmanlike Conduct**

27 The Operator shall timely commence and conduct all activities or operations in a
28 good and workmanlike manner, as would a prudent operator under the same or
29 similar circumstances. **THE OPERATOR SHALL NOT BE LIABLE TO THE**
30 **NON-OPERATING PARTIES FOR, AND THE NON-OPERATING PARTIES**
31 **SHALL SEVERALLY AND IN PROPORTION TO THEIR PARTICIPATING**
32 **INTERESTS INDEMNIFY THE OPERATOR AGAINST, LOSSES SUSTAINED**
33 **OR LIABILITIES INCURRED, EXCEPT AS MAY RESULT FROM**

1 OPERATOR'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. UNLESS
2 OTHERWISE PROVIDED IN THIS AGREEMENT, THE OPERATOR SHALL
3 CONSULT WITH THE NON-OPERATING PARTIES AND KEEP THEM
4 INFORMED OF IMPORTANT MATTERS. The Operator shall never be required
5 to conduct an activity or operation under this Agreement that it, as a reasonable
6 and prudent operator in similar circumstances, believes would be unsafe or
7 would endanger persons, property or the environment.

8 **5.3 Drilling Operations**

9 The Operator may have drilling operations conducted by qualified and
10 responsible independent contractors who are not an Affiliate of the Operator and
11 are employed under competitive contracts. A competitive contract is a contract
12 (a) that was entered into, extended, or renewed under an option to extend the
13 contract within five (5) years before the commencement of drilling operations and
14 (b) that contains terms, rates, and provisions that, when the contract was entered
15 into, did not exceed those generally prevailing on the OCS for operations
16 involving drilling rigs of an equivalent type, operating in similar environments and
17 water depths, equipped to the Operator's standard conditions, and capable of
18 drilling the proposed well or conducting other required operations within the
19 schedule in the well AFE. The Operator may employ its own or its Affiliate's
20 equipment, personnel, drilling rig, Workover rig, and snubbing unit in the conduct
21 of those operations, either under Exhibit "C" or under a written agreement among
22 the Participating Parties. If the Operator's or its Affiliate's equipment, personnel,
23 drilling rig, Workover rig, or snubbing unit is employed in conducting operations
24 under this Agreement, the terms, conditions, and rates for that employment shall
25 be consistent with those currently prevailing in competitive contracts for the
26 deepwater OCS.

27 **5.4 Liens and Encumbrances**

28 The Operator shall endeavor to keep the Leases, Production Systems, Facilities,
29 and other equipment purchased for the Joint Account under this Agreement and
30 the Hydrocarbons free from liens and encumbrances (except those provided in
31 Exhibit "F") that might arise by reason of the activities or operations conducted
32 under this Agreement. If a lien is placed on the Leases, Production Systems,
33 Facilities, other equipment, or any Hydrocarbons, the Operator shall make
34 reasonable efforts to remove the lien.

1 **5.5 Records**

2 The Operator shall keep accurate books, accounts, and records of activities or
3 operations under this Agreement in compliance with the Accounting Procedure in
4 Exhibit "C." Unless otherwise provided in this Agreement, all records of the Joint
5 Account shall be available to a Non-Operating Party at all reasonable times
6 during the Operator's normal office hours under Exhibit "C." The Operator shall
7 use good-faith efforts to ensure the settlements, billings, and reports rendered to
8 each Party under this Agreement are complete and accurate. The Operator
9 shall notify the other Parties promptly upon the discovery of any error or
10 omission pertaining to the settlements, billings, and reports rendered to each
11 Party. This provision does not affect a Party's audit rights under this Agreement.
12 This provision shall also apply to each Non-Operating Party's books, accounts,
13 and records kept to support its charges to a Project Team.

14 **5.6 Reports to Government Agencies**

15 The Operator shall make timely reports to all governmental authorities to which it
16 has a duty to make reports and shall furnish copies of the reports to the
17 Participating Parties. The Operator shall provide each Non-Operating Party with
18 a copy of each notice, order, and directive received from the MMS. As soon as
19 reasonably practicable, each Party shall give written notice to the other Parties
20 before each meeting with government authorities of which it has notice and that
21 affect the Contract Area.

22 **5.7 Information to Participating Parties**

23 The Operator shall, as soon as reasonably practicable and to the extent that the
24 information has then been obtained or received by the Operator, furnish each
25 Participating Party the following information about well operations:

- 26 (a) a copy of each application for a permit to drill and all amendments to that
27 application;
- 28 (b) drilling and Workover reports, which shall include, but not be limited to, the
29 current depth, the corresponding lithological information, data on drilling
30 fluid characteristics, information about drilling difficulties or delays (if any),
31 mud checks, mud logs, and Hydrocarbon information, casing and
32 cementation tallies, and estimated cumulative Costs, to be sent by
33 facsimile or electronic transmission within twelve (12) hours (exclusive of
34 Saturdays, Sundays, and federal holidays) of well operations conducted in

1 the preceding twenty-four (24) hour period; provided, however, the
2 information and data set forth in this Article 5.7(b) shall be provided in “real
3 time” if it is available to the Operator in “real time” and a Participating Party
4 has contractual rights to utilize the “real time” system that the Operator is
5 utilizing and has agreed to pay any incremental expenses associated with
6 its accessing that information and data from that “real time system”;

- 7 (c) complete report of all core data and analyses;
- 8 (d) copies of logs and surveys as run, including all digitally recorded data;
- 9 (e) copies of well test results, bottomhole pressure surveys, Hydrocarbon
10 analyses, and other similar information, including PVT analyses;
- 11 (f) copies of reports made to regulatory agencies;
- 12 (g) forty-eight (48) hours’ advance notice of logging, coring, or testing
13 operations (or, if conditions do not permit that much advance notice, as
14 much advance notice as is reasonably possible);
- 15 (h) upon written request, and if sufficient quantities are available, samples of
16 cutting and sidewall cores, marked as to depth, to be packaged and
17 shipped at the expense of the requesting Party;
- 18 (i) copies of drilling prognoses;
- 19 (j) if conventional cores are taken, a Participating Party shall be allowed
20 access to the rig to inspect and evaluate said cores;
- 21 (k) samples of Hydrocarbons, if sufficient quantities are available, after
22 performing routine tests; and
- 23 (l) weekly forecasts of production and downtime.

24 Upon written request, the Operator shall use reasonable efforts to furnish to a
25 requesting Participating Party any additional available information (including a
26 complete slabbed section of all recovered cores, if requested and available),
27 acquired by the Operator for the Participating Parties, not otherwise furnished
28 under this Article (not including any derivative information independently
29 developed at Operator's sole cost and risk). The Costs of gathering and

1 furnishing the additional available information shall be charged to the
2 Participating Party that requested it.

3 **5.8 Completed Well Information**

4 Operator shall, as soon as reasonably practicable, furnish to each Participating
5 Party the following information pertaining to each completed well; provided,
6 however, the following information shall be provided in “real time” if it is available
7 to the Operator in “real time” and a Participating Party has contractual rights to
8 utilize the “real time” system that the Operator is utilizing and has agreed to pay
9 any incremental expenses associated with its accessing that information from
10 that “real time system”:

- 11 (a) monthly report of production and injection;
- 12 (b) copies of routine reports made to regulatory agencies;
- 13 (c) report on the status of wells not producing and not abandoned;
- 14 (d) report on Hydrocarbons produced during Production Testing;
- 15 (e) bottomhole pressure data and surface pressure data; and
- 16 (f) composite of all logs run (for example, TDT, Carbon-Oxygen, Spinner
17 Surveys, and Casing Collar).

18 **5.9 Information to Non-Participating Parties**

19 The Operator shall furnish to each Non-Participating Party:

- 20 (a) as soon as reasonably practicable, copies of all non-confidential reports
21 made to regulatory agencies, and
- 22 (b) if applicable, after Complete Recoupment, the information specified in
23 Articles 5.7 (*Information to Participating Parties*) and 5.8 (*Completed Well*
24 *Information*).

25 **5.10 Health, Safety, and Environment:**

26 With the goal of achieving safe and reliable activities and operations in
27 compliance with all applicable laws and regulations, including avoiding significant
28 and unintended impact on (i) the health or safety of people, (ii) property, or (iii)

1 the environment, the Operator shall, with the support and cooperation of the
2 Non-Operators, while it conducts activities or operations under this Agreement:

- 3 (a) design and manage activities or operations to standards intended to
4 achieve sustained reliability and promote the effective management of HSE
5 risks;
- 6 (b) apply structured HSE management systems and procedures consistent
7 with those generally applied in the petroleum industry to effectively manage
8 HSE risks and pursue sustained reliability of operations under this
9 Agreement; and
- 10 (c) conform with locally applicable HSE related statutory requirements that
11 may apply.

12 In fulfilling its duties and obligations hereunder, the Operator shall act in
13 accordance with the provisions of Exhibit "K."

14 **ARTICLE 6 – EXPENDITURES AND ANNUAL** 15 **OPERATING PLAN**

16 **6.1 Basis of Charges to the Parties**

17 Except as otherwise provided in this Agreement, the Operator shall pay all Costs
18 of all activities and operations under this Agreement, and each Participating
19 Party shall reimburse the Operator in proportion to its Participating Interest Share
20 for the Costs of these activities and operations. All charges, credits, and
21 accounting for expenditures shall be made under Exhibit "C." Funds received by
22 the Operator under this Agreement may be commingled with the Operator's own
23 funds.

24 **6.2 AFEs**

25 The Operator shall not undertake an activity or operation whose Costs are three
26 hundred fifty thousand dollars (\$350,000) or more, unless an AFE has been
27 included in a proposal for an activity or operation and the proposal has been
28 approved by Vote, Election, or unanimous agreement, whichever is applicable,
29 or the Operator is exercising one of its discretionary powers under this
30 Agreement. An approved proposal grants the Operator authority to commit or

1 expend funds on the approved proposal for the account of the Participating
2 Parties. For an activity or operation whose Costs are in excess of one hundred
3 dollars (\$100,000), but less than three hundred fifty thousand dollars (\$350,000),
4 the Operator shall furnish the Participating Parties with an AFE for information
5 purposes only. Notwithstanding the foregoing, in the event of an emergency, or
6 if in the sole discretion of the Operator a perceived emergency exists that poses
7 an imminent threat to life, safety, property, or the environment, the Operator may
8 immediately make those expenditures for the Joint Account as, in its opinion as a
9 reasonable and prudent operator, are necessary to deal with the emergency, but
10 only to the extent necessary to stabilize the situation and alleviate the imminent
11 threat. The Operator shall report to the Participating Parties, as promptly as
12 possible, the nature of the emergency, the action taken, and the Costs incurred.

13 **6.2.1 AFE Overrun Notice**

14 For informational purposes only, the Operator shall provide an AFE
15 overrun notice to all the Participating Parties if it appears (based upon
16 Operator's reasonable estimate) that the actual total Costs associated
17 with an original AFE will exceed the estimated total expenditures in that
18 original AFE by more than ten percent (10%) but will not require the
19 submission of a supplemental AFE under Article 6.2.2 (*Supplemental*
20 *AFEs*).

21 **6.2.2 Supplemental AFEs**

22 Except as provided in Article 6.2.3 (*Further Operations During a Force*
23 *Majeure*), if it appears (based upon the Operator's reasonable
24 estimate) that the actual Costs associated with an original AFE or its
25 approved supplemental AFEs will exceed the relevant permitted over-
26 expenditure set forth below, the Operator shall promptly submit a
27 supplemental AFE to the Participating Parties. A supplemental AFE
28 shall include the dollar amount of the permitted over-expenditure from
29 the previously approved AFE as part of the dollar amount of that
30 supplemental AFE. Subject to Article 8.6.1 (*Well Proposals,*
31 *Recompletions, and Workovers*), after receipt of the supplemental AFE
32 each Participating Party has the right to make an Election as to its
33 further participation in the approved activity or operation. If a proposed
34 supplemental AFE is approved by Election, the Operator shall continue
35 to conduct the approved activity or operation associated with the

1 supplemental AFE at the sole Cost and risk of the Participating Parties
2 in the supplemental AFE. Any Participating Party making an Election
3 not to participate in an approved supplemental AFE becomes a Non-
4 Participating Party in the activity or operation associated with the
5 original AFE once the actual Costs expended on the activity or
6 operation exceed the permitted over-expenditure amount of the last
7 AFE in which the Non-Participating Party Elected to participate, without
8 regard to whether all the activities or operations (including plugging and
9 abandonment) in the original AFE have been conducted at the time of
10 its Election not to participate. A Non-Participating Party in a
11 supplemental AFE is subject to the same Hydrocarbon Recoupment
12 premium, Underinvestment, or acreage forfeiture provision in Article 16
13 (*Non-Consent Operations*) that would apply to a Party Electing or
14 Voting not to participate in the originally approved activity or operation,
15 except a Hydrocarbon Recoupment premium or an Underinvestment
16 shall apply only to the Costs of the approved activity or operation not
17 borne by the Non-Participating Party. If a supplemental AFE is not
18 approved by Election, the Operator shall conclude the activity or
19 operation as soon as practical, and each Participating Party will be
20 responsible for its Participating Interest Share of the Costs of the
21 activity or operation, including Costs in excess of the permitted over-
22 expenditure amount.

23 **6.2.2.1 Permitted Over-expenditures on Well Operations**

24 The permitted over-expenditure for an Exploratory Operation,
25 an Appraisal Operation, or a Development Operation is an
26 amount equal to fifteen percent (15%) of the estimated Costs
27 in the original AFE for that operation and its approved
28 supplemental AFEs.

29 **6.2.2.2 Permitted Over-expenditures on the Feasibility AFE, a** 30 **Post-Production Project Team AFE, or an Enhanced** 31 **Recovery Project Team AFE**

32 The permitted over-expenditure for the Feasibility AFE, a
33 Post-Production Project Team AFE or an Enhanced Recovery
34 Project Team AFE is an amount equal to fifteen percent
35 (15%) of the estimated total Costs in the original AFE for that

1 activity and its approved supplemental AFEs, or ten million
2 dollars (\$10,000,000), whichever is less.

3 **6.2.2.3 Permitted Over-expenditures on a Selection AFE or Define**
4 **AFE**

5 The permitted over-expenditure for the Selection AFE or the
6 Define AFE is an amount equal to fifteen percent (15%) of the
7 estimated total Costs in the original AFE for that activity and
8 its approved supplemental AFEs, or ten million dollars
9 (\$10,000,000), whichever is less.

10 **6.2.2.4 Permitted Over-expenditures on an Execution AFE**

11 The permitted over-expenditure for the Execution AFE is an
12 amount equal to fifteen percent (15%) of the estimated total
13 Costs in the original AFE for that activity and its approved
14 supplemental AFEs. The “estimated total Costs in the original
15 AFE for that activity and its approved supplemental AFEs” is
16 the total dollar amount of the Execution AFE and all approved
17 Long Lead Development System AFEs.

18 **6.2.2.5 Permitted Over-expenditures on All Other AFEs**

19 The permitted over-expenditure for all other AFEs is amount
20 equal to fifteen percent (15%) of the estimated total Costs in
21 the original AFE for that activity or operation and its approved
22 supplemental AFEs, or ten million dollars (\$10,000,000),
23 whichever is less.

24 **6.2.3 Further Operations During a Force Majeure**

25 No Party is permitted to make an Election not to participate in further
26 activities or operations under Article 6.2.2 (*Supplemental AFEs*) during
27 a Force Majeure or during an emergency that poses a threat to life,
28 safety, property, or the environment, but may make an Election not to
29 participate in further activities or operations that are to be conducted
30 after the termination of the Force Majeure or emergency.
31 Notwithstanding any contrary provision of this Agreement, if Costs
32 arising as a result of Force Majeure or emergency cause the amount of
33 an original AFE and its approved supplemental AFEs to exceed their
34 permitted over-expenditure in Article 6.2.2 (*Supplemental AFEs*), no

1 supplemental AFE will be required; however, once stabilization takes
2 place and Force Majeure or emergency expenditures are no longer
3 being incurred, the Operator shall submit to the Participating Parties a
4 supplemental AFE for the activities or operations that are to be
5 conducted after termination of the Force Majeure or emergency in
6 order for them to make an Election under Article 6.2.2 (*Supplemental*
7 *AFEs*) as to their participation in those activities or operations.

8 **6.2.4 Long Lead Well Operation AFEs**

9 In addition to the Operator's right under Article 12.6 (*Long Lead*
10 *Development System AFEs*) to submit Long Lead Development System
11 AFEs for long lead-time items prior to the submission of the Execution
12 AFE, the Operator may submit an AFE to the Parties, which will allow
13 the Operator to make advance commitments for or purchases of
14 equipment or services, which are commercially reasonable and
15 necessary to facilitate the early and orderly commencement of any kind
16 of well or well operation (including any associated tie-back Facilities)
17 ("Long Lead Items") (a "Long Lead Well Operation AFE").

18 **6.2.4.1 Approval of a Long Lead Well Operation AFE**

19 Each Long Lead Well Operation AFE requires the unanimous
20 agreement of the Parties.

21 **6.2.4.2 Non-Participating Parties in the Operations Associated** 22 **with the Long Lead Well Operation AFE**

23 If a Party, who participated in a Long Lead Well Operation
24 AFE, does not participate in a well or well operation, for which
25 Long Lead Items were procured under that AFE, and if the
26 Operator commences that well or well operation within two (2)
27 years of the approval of that Long Lead Well Operation AFE,
28 the Operator shall reimburse that Party its Participating
29 Interest Share of the Costs of those Long Lead Items within
30 thirty (30) days of the commencement of that well or well
31 operation; provided, however, that Party's share of those
32 Costs shall be included in the calculation of any Hydrocarbon
33 Recoupment to which it is subject as a result of that well or
34 well operation. The Operator shall invoice the Participating

1 Parties in that well or well operation for their proportionate
2 share of the reimbursement under this Article 6.2.4.2 in
3 accordance with Exhibit "C."

4 **6.2.4.3 Reimbursement for Items Associated with a Long Lead**
5 **Well Operation AFE, which Are Not Used**

6 If the Operator does not commence a well or well operation,
7 for which Long Lead Items were procured, within two (2)
8 years from the approval of the Long Lead Well Operation
9 AFE, which included those Long Lead Items, the Operator
10 shall reimburse the Participating Parties in the Long Lead
11 Well Operation AFE their Participating Interest share of the
12 Costs of the Long Lead Items within thirty (30) days of the
13 conclusion of that two (2) year period.

14 **6.3 Security Rights**

15 See Exhibit "F" (LOUISIANA).

16 **6.4 Annual Operating Plan**

17 **6.4.1 Effect and Content of Annual Operating Plan**

18 The Annual Operating Plan is for informational and planning purposes
19 and does not obligate any Party to any course of action or expenditures
20 or constitute a Vote, Election or unanimous agreement to participate in
21 any specific activity or operation. To the extent known on the date of
22 submission of the Annual Operating Plan, the Annual Operating Plan
23 shall include the following items, without limitation:

24 **6.4.1.1 Capital Budget**

- 25 (a) a list of proposed wells to be drilled including their
26 anticipated order, drilling time, depths, surface and
27 bottomhole locations, objective sands, type of well
28 (Development, Appraisal), purpose of well (production,
29 injection), and estimated Costs;
- 30 (b) capital well operations listed by well, with their estimated
31 Cost;

- 1 (c) capital projects that have estimated gross Costs greater
2 than two million dollars (\$2,000,000). The term "capital
3 project" includes addition of new equipment, expansion
4 or upgrades of existing equipment; and
- 5 (d) an estimated total amount (in aggregate) for capital
6 projects.

7 **6.4.1.2 Expense Budget**

- 8 (a) expense well operations listed by well, with their
9 estimated Cost;
- 10 (b) expense projects that have estimated gross Costs
11 greater than two million dollars (\$2,000,000). The term
12 "expense project" includes repair, replacement,
13 inspection, and maintenance of existing equipment;
- 14 (c) an estimated total amount (in aggregate) for expense
15 projects; and
- 16 (d) estimated Operations and Maintenance (O&M)
17 expenditures for the year may be shown in the
18 aggregate. O&M expenses include the ongoing,
19 everyday expenditures necessary to operate the field.

20 **6.4.1.3 Operator Forecasts and Informational Items**

- 21 (a) production forecasts;
- 22 (b) injection forecasts;
- 23 (c) fuel gas forecasts;
- 24 (d) scheduled or planned downtime exceeding three (3)
25 days;
- 26 (e) data collection programs;
- 27 (f) Facility constraint and ullage forecast;

1 (g) geochemical or geophysical survey(s) or special test(s)
2 that might be contemplated; and

3 (h) other areas deemed of significance by the Operator.

4 **6.4.2 Submission of Draft Annual Operating Plan**

5 Beginning in the year in which a Development Plan is approved, and in
6 each subsequent year, the Operator shall develop and submit to the
7 Non-Operating Parties, by July 1, a draft Annual Operating Plan for the
8 next calendar year. The Annual Operating Plan process will be used
9 (a) as a reporting mechanism by which the Operator will inform the
10 Non-Operating Parties of results of the previous year's activities and
11 operations, (b) to review ongoing activities and operations, and (c) for
12 the remainder of the current year and the next succeeding calendar
13 year, to forecast and plan activities and operations and to forecast
14 anticipated Hydrocarbon production volumes, operating expenses, and
15 capital expenditures.

16 **6.4.3 Review of Draft Annual Operating Plan**

17 The Non-Operating Parties may provide suggested changes, additions
18 or deletions to the Annual Operating Plan to the Operator and all other
19 Parties in writing before September 1 of each year. The Operator will
20 then make changes that it deems necessary (if any) and submit the
21 final Annual Operating Plan to the Non-Operating Parties no later than
22 November 1 of each year, at which time the Annual Operating Plan is
23 deemed adopted by all Parties.

24 **ARTICLE 7 – CONFIDENTIALITY OF DATA**

25 **7.1 Confidentiality Obligation**

26 Confidential Data acquired or obtained by a Party shall be kept confidential
27 during the term of this Agreement and shall not be disclosed to a third party,
28 unless it is disclosed under Article 7.1.1 (*Exceptions to Confidentiality*) or 7.1.2
29 (*Permitted Disclosures*). Each Party shall maintain the secrecy of the
30 Confidential Data, using the standard of care it normally uses in protecting its
31 own confidential information and trade secrets.

1 **7.1.1 Exceptions to Confidentiality**

2 The confidentiality obligation shall not apply to Confidential Data that is:

- 3 (a) now or later becomes part of the public domain (other than as a
4 result of a wrongful act or omission by a Party);
- 5 (b) now or later becomes available to a Party on a non-confidential
6 basis from a source, other than a Party, that is legally permitted to
7 disclose the item of Confidential Data;
- 8 (c) known to a Party on a non-confidential basis before disclosure of
9 the Confidential Data to it under this Agreement or to which that
10 Party was otherwise entitled at the time of disclosure; or
- 11 (d) independently developed by employees, Affiliates, contractors
12 and/or consultants of a Party who have not had access to the
13 Confidential Data.

14 **7.1.2 Permitted Disclosures**

15

16 **7.1.2.1 Operator’s Permitted Disclosures**

17 The Operator may disclose items of Confidential Data to
18 those third parties as may be necessary to conduct activities
19 and operations under this Agreement, if the third parties are
20 bound by written agreement to keep the Confidential Data
21 secret for (i) the period of time set forth in the Operator’s
22 service agreement with those third parties or (ii) ten (10) years
23 from the commencement of services if a service agreement
24 does not exist with those third parties. Notwithstanding the
25 foregoing, should the Operator disclose Confidential Data to
26 an Affiliate, then the Operator shall require its Affiliate to
27 handle, hold and protect the Confidential Data as if it were a
28 Party to this Agreement.

29 **7.1.2.2 All Parties’ Permitted Disclosures**

30 Subject to the restriction that a third party shall be bound by
31 written agreement not to use or disclose the Confidential Data
32 pursuant to the terms of Section 7.1.2.1, except for the

1 express purpose for which the disclosure is to be made, all
2 Parties may disclose, in whole or in part, the Confidential
3 Data to the following receiving parties, who may remove the
4 Confidential Data from the custody and premises of the Party
5 making such disclosure:

- 6 (a) to its Affiliate;
- 7 (b) to a bona fide, financially responsible, prospective
8 assignee of any portion of the Party's Working Interest
9 (including but not limited to an entity with whom a Party
10 or its Affiliates is conducting bona fide negotiations
11 directed toward a merger, consolidation or a sale of a
12 Party's or an Affiliate's shares or substantially all of its
13 assets on the OCS);
- 14 (c) to potential contractors, professional consultants, or
15 outside legal counsel engaged by or on behalf of the
16 Party and acting in a capacity where that disclosure is
17 essential to the contractor's, consultant's, or outside
18 legal counsel's work;
- 19 (d) to a bank or other financial institution to the extent
20 appropriate to a Party arranging financing for its
21 obligations under this Agreement;
- 22 (e) to the extent required by a Lease, or by law, order,
23 decree, regulation, or rule (including without limitation,
24 those of any regulatory agency, securities commission,
25 stock exchange, judicial or administrative proceeding). If
26 a Party is required to disclose Confidential Data under
27 this Article 7.1.2.2(e), the Party shall promptly provide all
28 other Parties to this Agreement written notice of those
29 proceedings so that the non-disclosing Parties may seek
30 a protective order or other remedy. A disclosing Party
31 shall furnish only such Confidential Data as is legally
32 required and will use its reasonable efforts to obtain

1 confidential treatment for any Confidential Data
2 disclosed;

3 (f) to an entity allocating or desiring to transport, process or
4 purchase Hydrocarbons produced under this Agreement
5 for the purpose of making Hydrocarbon reserve
6 estimates or other technical evaluations or allocating
7 Hydrocarbon products to source points;

8 (g) to third parties for benchmarking studies and industry
9 performance reviews; provided that the Confidential
10 Data disclosed does not include competitive information
11 or data and the studies blind the identities of the
12 participants and the origin of the Confidential Data; and

13 (h) to a contractor for the purpose of offsite storage of
14 Confidential Data.

15 **7.1.3 Limited Releases to Offshore Scout Association**

16 The Operator may disclose Confidential Data to the Offshore Oil
17 Scouts Association at their weekly meetings. The Confidential Data
18 that may be disclosed is limited to information concerning well
19 locations, well operations, and well completions to the extent
20 reasonable and customary in industry practice or required under the by-
21 laws of the Offshore Oil Scouts Association.

22 **7.1.4 Continuing Confidentiality Obligation**

23 A Party who ceases to own a Working Interest remains bound by the
24 confidentiality and use obligations of this Agreement as to Confidential
25 Data obtained through this Agreement under Article 7.1 (*Confidentiality*
26 *Obligation*).

27 **7.2 Ownership of Confidential Data**

28 Except as otherwise provided for in this Article 7, all Confidential Data produced
29 as a result of an activity or operation shall be the property of all Participating
30 Parties in that activity or operation. A Non-Participating Party has no rights in or
31 access to Confidential Data produced or derived from a Non-Consent Operation
32 unless and until Complete Recoupment has taken place.

1 **7.2.1 Trades of Confidential Data**

2 Any Participating Party may propose the exchange or trade of any
3 Confidential Data or other similar data and information owned by a third
4 party. Upon approval of said exchange or trade by Vote of the
5 Participating Parties, that approval shall bind all Participating Parties,
6 and the Operator shall utilize the Well Data Trade and Confidentiality
7 Agreement in Exhibit “I” in order to consummate that exchange or trade
8 with the third party. The Operator shall promptly provide all
9 Participating Parties copies of the third party data obtained along with
10 copies of any agreement relating to that exchange or trade.

11 **7.2.2 Ownership of Non-Consent Data**

12 After Complete Recoupment has taken place and a Non-Participating
13 Party has become a Participating Party in an activity or operation, that
14 Non-Participating Party shall become an owner of the Confidential Data
15 and information resulting from that activity or operation. Within fifteen
16 (15) days after Complete Recoupment, the Operator shall furnish that
17 Confidential Data and information to the former Non-Participating Party.

18 **7.3 Access to the Lease and Rig**

19 Except as provided in Article 6.3(B) (*Default*) in Exhibit “F”, each Participating
20 Party may attend meetings between the Operator and any contractors
21 constructing the Production System or Facilities specified in the Execution AFE
22 as well as access to the construction sites. Except as otherwise provided in
23 Article 6.3(B) (*Default*) in Exhibit “F”, each Participating Party shall have access
24 to all drilling rigs, Production Systems, and Facilities to observe and inspect
25 operations and wells in which it participates (and the pertinent records and other
26 data). Access by the Participating Party to a drilling rig, Production System, or
27 Facility serving a Contract Area shall be scheduled through the Operator at least
28 forty-eight (48) hours in advance (or, if conditions do not permit that much
29 advance scheduling, with as much advance scheduling as is reasonably
30 possible). Each Party's access will be at reasonable times and may not
31 unreasonably interfere with operations at the site.

32 **7.4 Development of Proprietary Information and/or Technology**

33 The ownership, use, treatment, and disclosure of proprietary information or
34 technology, including, but not limited to, drilling technology, production

1 technology, production systems and facilities, and their transportation and
2 installation, pipelines, flowlines, and offshore oil and gas transportation that are
3 charged to the Joint Account shall be handled under Exhibit "G."

4 **ARTICLE 8 – APPROVALS AND NOTICES**

5 **8.1 Classes of Matters**

6 Action will be taken on a proposed activity or operation only after the procedures
7 and approval requirements in this Agreement have been satisfied. There are
8 four general classes of activities or operations under this Agreement: (a) those
9 requiring approval by Vote, (b) those requiring approval by Election, (c) those
10 requiring approval by unanimous agreement, and (d) those within the discretion
11 of the Operator.

12 **8.1.1 Voting and Electing Interest**

13 If all Parties are entitled to make an Election or Vote, each Party has an
14 Electing interest or a Voting interest equal to its Working Interest or its
15 Participating Interest Share, as applicable. If a Party does not have a
16 right to make an Election or Vote, each of the other Parties has an
17 Electing interest or a Voting interest, as applicable, equal to its Working
18 Interest or its Participating Interest Share, as applicable, divided by the
19 total Working Interest or Participating Interest, as applicable, of those
20 Parties who have a right to make an Election or Vote.

21 **8.2 Voting and Election Procedures**

22 The Parties shall Vote or make an Election on proposals requiring a Vote or
23 Election in the order in which those proposals are submitted, except as specified
24 in Articles 10.2 (*Exploratory Operations at Objective Depth*), 11.2 (*Appraisal*
25 *Operations at Objective Depth*), and 13.2 (*Development Operations at Objective*
26 *Depth*). Subject to Article 6.2 (*AFEs*), after receipt of a notice properly given for
27 an activity or operation requiring a Vote or Election, the Parties entitled to make
28 that Vote or Election (a) may Vote or make an Election in accordance with this
29 Article 8.2 (*Voting and Election Procedures*) and Article 8.7 (*Giving and*
30 *Receiving Notices and Responses*) or (b) shall be deemed to have Voted or
31 made an Election as provided in Article 8.6.5 (*Failure to Vote or Make an*
32 *Election*).

1 A Vote or Election to participate in a proposal is evidenced by a Party making a
2 written affirmative response to the proposal or by a Party's execution of the AFE
3 associated with the proposal. Except as otherwise provided in this Agreement, a
4 Vote or Election not to participate in a proposal is evidenced by a Party's written
5 negative response to the proposal, a Party's failure to make a timely written
6 affirmative response to the proposal or to timely execute the AFE associated with
7 the proposal, or a Party's failure to timely make a subsequent Vote or Election
8 under Article 8.3 (*Second Opportunity to Participate*).

9 **8.2.1 Approval by Vote**

10 Approval by Vote shall be decided by a Vote of the Parties as follows:

11 (a) when one Party or two Parties are entitled to Vote, approval by
12 Vote shall require an affirmative Vote of one or more Parties with
13 a Voting interest of fifty-one percent (51%) or more, or if two
14 Parties entitled to Vote have the same Voting interest, the
15 affirmative Vote of all Parties entitled to Vote; and

16 (b) when more than two Parties are entitled to Vote, approval by Vote
17 shall require an affirmative Vote of two (2) or more Parties entitled
18 to Vote with a combined Voting interest of fifty-one percent (51%)
19 or more.

20 **8.2.2 Approval by Election**

21 Approval by Election shall be decided by an affirmative Election by one
22 or more Parties, entitled to make an Election, with a combined Electing
23 interest of more than twenty percent (20%) or more.

24 **8.3 Second Opportunity to Participate**

25 Unless otherwise provided to the contrary in this Agreement, if an activity or
26 operation is approved by Vote or Election but is not approved by all of the
27 Parties, a Party who Voted or Elected not to participate in the approved activity
28 or operation may make a subsequent Vote or Election to participate in the
29 approved activity or operation within forty-eight (48) hours (exclusive of
30 Saturdays, Sundays, and federal holidays) of its receipt of the original Voting or
31 Election results from the Operator. If a Party does not exercise its right to make
32 a subsequent Vote or Election to participate, it shall become a Non-Participating
33 Party in the approved activity or operation. If (a) all the Parties entitled to do so

1 make an original Vote or Election or a subsequent Vote or Election to participate
2 in a proposed activity or operation or (b) an approval by Vote is binding on all
3 Parties, then the Operator shall commence the activity or operation in
4 accordance with the applicable timely operations provisions of this Agreement.

5 **8.4 Participation by Fewer Than All Parties**

6 If, after the period in which a Party may make a subsequent Vote or Election to
7 participate, there is at least one Non-Participating Party in the approved activity
8 or operation, each Party who made an original or a subsequent Vote or Election
9 to participate in the approved activity or operation shall, within forty-eight (48)
10 hours (exclusive of Saturdays, Sundays, and federal holidays) of its receipt of the
11 subsequent Voting or Election results,

- 12 (a) limit its participation in the approved activity or operation to its Working
13 Interest share, or
- 14 (b) agree to bear its Participating Interest Share of the approved activity or
15 operation

16 by written correspondence to the Operator. Failure to submit that written
17 correspondence shall be deemed a written correspondence under (a). If a Party,
18 who made an original or a subsequent Vote or Election to participate in the
19 approved activity or operation, submits or is deemed to have submitted a written
20 correspondence under (a) and the other Parties who made an original or a
21 subsequent Vote or Election to participate in the approved activity or operation
22 do not agree to bear all of the remaining Costs of the approved activity or
23 operation within thirty (30) days after the written correspondence period, the
24 proposal of the approved activity or operation and all Votes and Elections in
25 regard to the approved activity or operation shall be deemed withdrawn. Once
26 the Parties, who made an original or a subsequent Vote or Election to participate
27 in an approved activity or operation in which there is a Non-Participating Party,
28 agree to bear all of the Costs of the approved activity or operation, the Operator
29 shall commence the activity or operation at the sole Cost and risk of the
30 Participating Parties in accordance with the applicable timely operations
31 provisions of this Agreement. Notwithstanding the foregoing, the election periods
32 in Articles 10.2 (*Exploratory Operations at Objective Depth*), 11.2 (*Appraisal*
33 *Operations at Objective Depth*), and 13.2 (*Development Operations at Objective*
34 *Depth*) shall govern in the event of a conflict.

1 **8.5 Approval by Unanimous Agreement**

2 After receipt of a notice for a proposal that requires unanimous agreement, each
3 Party entitled to approve (or disapprove) that activity or operation may indicate its
4 approval or disapproval by providing a written statement in a response. Unless
5 otherwise specifically provided, failure of a Party to make such a response is
6 deemed its disapproval.

7 **8.6 Response Time for Notices**

8 After receipt of an AFE or notice under this Article 8, the Parties may (a) submit
9 their Vote or (b) make an Election or (c) submit a written statement, whichever is
10 applicable. If requested in writing by a Party entitled to (a) submit their Vote or
11 (b) make an Election or (c) submit a written statement on an AFE or notice, the
12 Operator shall give prompt notice of the results of those Votes, Elections or
13 written statements to each Party entitled to (a) submit their Vote or (b) make an
14 Election or (c) submit a written statement, as applicable. Except as otherwise
15 provided in this Agreement, the response times for each type of proposal shall
16 be as follows:

17 **8.6.1 Well Proposals, Recompletions, and Workovers**

18 When a well, Recompletion or Workover is proposed, each Party
19 entitled to Vote or make an Election or submit a written statement,
20 whichever is applicable, has thirty (30) days after receipt of the
21 proposal (inclusive of Saturdays, Sundays, and federal holidays) to
22 respond to it. If a drilling rig is on location and day rate rig charges are
23 being charged to the Joint Account and if a Party, who is entitled to do
24 so, has proposed the immediate commencement of a substitute well or
25 a supplemental AFE to a well, or a Recompletion or Workover in or
26 through the same well bore in which the previous operation was
27 conducted or has submitted a supplemental AFE to a well, and if the rig
28 that is on location is to conduct the operation or is to be utilized under
29 the supplemental AFE, a Party entitled to Vote or make an Election or
30 submit a written statement, has forty-eight (48) hours after receipt of
31 the proposal (inclusive of Saturdays, Sundays, and federal holidays) to
32 respond to it. The response times for subsequent operations at
33 Objective Depth are provided in Article 10.2 (*Exploratory Operations at*
34 *Objective Depth*), Article 11.2 (*Appraisal Operations at Objective*
35 *Depth*), and Article 13.2 (*Development Operations at Objective Depth*).

1 **8.6.2 Execution AFE**

2 Each Party entitled to make an Election on an Execution AFE has one
3 hundred and twenty (120) days after the date of its receipt of the
4 Execution AFE to make that Election.

5 **8.6.3 Other AFE Related Operations**

6 Except as otherwise provided in Articles 8.6.1 (*Well Proposals,*
7 *Recompletions, and Workovers*) and 8.6.2 (*Execution AFE*), the
8 response time to a proposed AFE, activity or operation will depend
9 upon the gross AFE amount. Response times will be as follows:

10 (a) AFE of \$250,000 or more but less than \$25,000,000; response
11 will be made within thirty (30) days after receipt of said proposal;

12 (b) AFE of \$25,000,000 or more but less than \$100,000,000;
13 response will be made within ninety (90) days after receipt of said
14 proposal; and

15 (c) AFE of \$100,000,000 or more; response will be made within one
16 hundred twenty (120) days after receipt of said proposal.

17 **8.6.4 Other Proposals**

18 For all other proposals requiring notice, and all supplemental AFEs
19 other than those subject to Article 8.6.1 (*Well Proposals,*
20 *Recompletions, and Workovers*), each Party has thirty (30) days after
21 receipt of the proposal to respond to it.

22 **8.6.5 Failure to Vote or Make an Election**

23 Unless otherwise specifically provided, failure of a Party to Vote or
24 make an Election, whichever is applicable, within the period required by
25 this Agreement is deemed to be a Vote or Election not to participate.

26 **8.6.6 Suspensions of Operations and Suspensions of Production**

27 Notwithstanding any contrary provision in Article 8.6 (*Response Time*
28 *for Notices*), if the MMS grants a Suspension of Production ("SOP"), a
29 Suspension of Operations ("SOO"), or similar regulatory grant, for all or
30 part of the Contract Area, and if the SOP, SOO, or grant requires the
31 commencement of an activity or operation before the expiration of the
32 period for Voting, making an Election, or submitting a written statement,

1 as provided in Article 8.5 (*Approval by Unanimous Agreement*) for that
2 activity or operation, the Parties shall cast their Votes, make their
3 Elections, or submit their written statement on the activity or operation
4 at least thirty (30) days (inclusive of Saturdays, Sundays and federal
5 holidays) before the commencement date required in the SOO, SOP,
6 or grant.

7 **8.6.7 Standby Charges**

8 The Participating Parties in a well or well operation conducted
9 immediately prior to the delivery of (a) a proposal for a substitute well or
10 a subsequent operation in a well or (b) a supplemental AFE are
11 responsible for charges associated with the well or well operation that
12 accrue before that delivery. All charges, which accrue after that
13 delivery, are the responsibility of the Participating Parties in the
14 substitute well, subsequent operation or supplemental AFE. If (a) the
15 proposal of a substitute well or subsequent operation or (b) the
16 supplemental AFE is not approved, the Participating Parties in the well
17 or well operation conducted immediately prior to the delivery of that
18 proposal or supplemental AFE are responsible for the charges that
19 accrue after that delivery.

20 **8.7 Giving and Receiving Notices and Responses**

21 Except as otherwise provided in this Agreement, all notices and responses
22 required or permitted by this Agreement shall be in writing and shall be delivered
23 in person or by mail, courier service, e-mail, facsimile transmission or any other
24 means of electronic communication that provides a record of the receipt thereof,
25 with postage and charges prepaid, addressed to the Parties at the addresses in
26 Exhibit "A-1." A notice is deemed delivered only when received by the Party to
27 whom it was directed, and the period for a Party to deliver a response begins on
28 the date the notice is received. "Receipt" of a written notice, means actual
29 delivery of the notice to the Party's address or transmission to the facsimile
30 number provided in Exhibit "A-1." A response is deemed delivered when it is
31 deposited in the United States mail, delivered to a courier, transmitted by
32 facsimile transmission, or is personally delivered to a Party.

33 However, when a drilling rig is on location and day rate rig charges are being
34 charged to the Joint Account, notices or responses pertaining to operations

1 utilizing a drilling rig shall be given orally or by telephone. "Receipt" of an oral or
2 telephone notice means actual and immediate communication to the Party to be
3 notified. All telephone or oral notices or responses permitted by this Agreement
4 shall be confirmed immediately thereafter by facsimile transmission. A message
5 left on an answering machine or with an answering service or other third person
6 is not adequate telephone or oral notice or response. If a Party is unavailable to
7 receive a notice or response required to be given orally or by telephone, the
8 notice or response may be delivered by facsimile transmission.

9 **8.8 Content of Notices**

10 A notice requiring a response shall indicate the appropriate response time
11 specified in Article 8.6 (*Response Time for Notices*). A well proposal notice shall
12 include the type of well being proposed, (for example, Exploratory Well,
13 Appraisal Well, or Development Well), a Well Plan, and an AFE that includes the
14 Costs of permanently plugging and abandoning the well. If a proposed activity or
15 operation is subject to Article 16.4 (*Non-Consent Operations to Maintain*
16 *Contract Area*), the notice shall specify that the proposal is a Contract Area
17 maintenance activity or operation.

18 **8.9 Designation of Representatives**

19 The names, addresses, and telephone and facsimile numbers of a designated
20 representative and alternate for each Party to whom notices or responses shall
21 be directed, are provided in Exhibit "A-1." The designated representative and the
22 alternate may be changed by written notice to the other Parties.

23 **8.10 Meetings**

24 Any Party may call a meeting. Except in an emergency, no meeting shall be
25 called on less than ten (10) days' advance notice (inclusive of Saturdays,
26 Sundays and federal holidays), and the notice shall include a proposed agenda.
27 The Operator shall be chairman of each meeting and take minutes of each
28 meeting. Only matters included in the agenda may be considered at a meeting
29 unless unanimously agreed to by the Parties.

30 **8.11 Obligations of Well Participation**

31 Subject to Article 6.2 (*AFEs*), a Participating Party in an Exploratory Well, an
32 Appraisal Well or a Development Well is responsible for its Participating Interest
33 Share of all necessary Costs in the original well AFE, which shall include only the

1 Cost to drill, test (except Production Testing), and log the well to its Objective
2 Depth, or shallower depth if applicable, and to plug and abandon the well.

3 **ARTICLE 9 – NEWS RELEASES**

4 **9.1 Proposal of News Releases**

5 Any Party may propose for issuance a News Release about the activities or
6 operations covered by this Agreement by submitting the text of the News
7 Release to the Parties. A News Release proposal requires the unanimous
8 agreement of the Parties. The Parties shall respond to a News Release
9 proposal within seventy-two (72) hours of their receipt of it by agreeing or
10 disagreeing with the text of the proposed News Release, or by submitting
11 alternative text for the News Release. If a Party submits alternative text for the
12 News Release, the Parties shall have forty-eight (48) hours to agree or disagree
13 with any of the proposed texts of the News Release. If a Party fails to respond,
14 the Party shall be deemed to have not approved any of the proposed News
15 Releases.

16 **9.1.1 Operator's News Release**

17 If the Parties do not unanimously agree to any of the texts of a
18 proposed News Release within the time period set forth in Article 9.1
19 (*Proposal of News Releases*), the Operator has the exclusive right for
20 one hundred and twenty (120) hours, following the last response under
21 Article 9.1 (*Proposal of News Releases*), to submit a News Release on
22 the subject matter of the original proposal to the Parties in accordance
23 with this Article 9.1.1. If the News Release pertains to a well or an
24 operation in a well, the Operator must limit the content of the News
25 Release to the following information:

- 26 (a) the name of the well or operation and the water depth;
- 27 (b) the location of the well by protraction area, block, and adjacent
28 state;
- 29 (c) the lease bonus paid and the lease acquisition date;
- 30 (d) the result of a Production Test, if conducted;

1 (e) the participants in, and their Working Interest in, the well or
2 operation; and

3 (f) the surrounding acreage controlled by the participants.

4 If the News Release does not pertain to a well or an operation in a well,
5 it may only contain information that is not Confidential Data or
6 Confidential Information (as defined in Exhibit "G") and does not
7 substantially undermine the Parties' competitive advantage in the area
8 surrounding, or trend or play pertaining to, the Contract Area. The
9 Operator shall transmit the News Release to the Non-Operating Parties
10 not less than seventy-two (72) hours (exclusive of Saturdays, Sundays,
11 and federal holidays) before the time at which the Operator wishes to
12 issue it. Any Party may have its name excluded from the News
13 Release by notifying the Operator of that desire within forty-eight (48)
14 hours of that Party's receipt of the News Release.

15 **9.1.2 Non-Operating Party's News Release**

16 If the Operator does issue the News Release within seventy-two (72)
17 hours of the termination of the seventy-two (72) hour period referred to
18 in Article 9.1.1 (*Operator's News Release*), any Participating Party may
19 prepare and issue its own News Release, using the content guidelines
20 and procedures provided in Article 9.1.1 (*Operator's News Release*),
21 simultaneously with or following the Operator's News Release. If the
22 Operator does not issue the News Release within seventy-two (72)
23 hours of the termination of the seventy-two (72) hour period referred to
24 in Article 9.1.1 (*Operator's News Release*), any Participating Party may
25 prepare and issue its own News Release, using the content guidelines
26 and procedures provided in Article 9.1.1 (*Operator's News Release*).

27 **9.2 Emergency New Releases**

28 In an emergency involving extensive property damage, loss of human life, or
29 other clear emergency and where there is insufficient time to obtain approval
30 from the other Parties, the Operator may furnish factual information necessary to
31 satisfy legitimate public interest or governmental authorities having jurisdiction.
32 The Operator shall immediately notify the Parties of the information furnished in
33 response to the emergency.

1 **9.3 Mandatory News Releases**

2 Each Party has the right to issue a News Release which contains information not
3 otherwise permitted under Article 9 (*News Releases*) in order to comply with the
4 laws, orders, rules, or regulations of the country in which its parent company is
5 incorporated; provided, however, prior to issuing that News Release, that Party
6 must submit, not less than seventy-two (72) hours (exclusive of Saturdays,
7 Sundays, and federal holidays) before issuance of the News Release, the text of
8 that News Release to the other Parties.

9 **ARTICLE 10 – EXPLORATORY OPERATIONS**

10 **10.1 Proposal of Exploratory Wells**

11 Any Party may propose drilling an Exploratory Well within the Contract Area by
12 giving notice of the proposal (along with the associated AFE and Well Plan) to
13 the other Parties. Each proposed Exploratory Well requires approval by Election.

14 Each Non-Participating Party in an Exploratory Well will be subject to either an
15 acreage forfeiture or Hydrocarbon Recoupment as provided in Article 16 (*Non-*
16 *Consent Operations*).

17 **10.1.1 Revision of Well Plan**

18 A revision to an approved well proposal, Well Plan or AFE prior to the
19 commencement of actual drilling operations on an Exploratory Well
20 requires the unanimous agreement of the Participating Parties. In the
21 absence of unanimous agreement on a proposed revision to the Well
22 Plan or AFE, the Well Plan and AFE will stand as approved. Only a
23 major revision to an approved Well Plan or AFE will give a Non-
24 Participating Party an additional opportunity to participate in an
25 Exploratory Well. A revision is deemed a major revision if the Objective
26 Depth of an Exploratory Well is changed or the bottomhole location is
27 moved more than one thousand feet (1,000') in which case each Non-
28 Participating Party in the well may, for a period of ten (10) days after
29 receipt of the revised Well Plan and revised AFE, notify the Operator in
30 writing that it will participate in the revised Exploratory Well.

31 A Non-Participating Party timely submitting its participation notification
32 under this Agreement due to a major revision in a Well Plan (a) shall

1 become an Underinvested Party for Costs incurred on the modified
2 Exploratory Well prior to the approved major modification, and (b) with
3 regard to that well, shall no longer be subject to Article 16 (*Non-*
4 *Consent Operations*). The Non-Participating Party's Underinvestment
5 obligation, resulting from its participation decision, shall be calculated
6 as follows: actual Costs expended on that Exploratory Well multiplied
7 by the Non-Participating Party's percentage Participating Interest Share
8 in the modified Exploratory Well. If the Non-Participating Party forfeited
9 and assigned its right, title, and interest in the Contract Area by not
10 participating in that Exploratory Well, then within thirty (30) days after
11 the Operator's receipt of the Non-Participating Party's participation
12 notification under this Agreement, the Participating Parties in the
13 original Exploratory Well proposal shall assign to the Non-Participating
14 Party one hundred percent (100%) of the Non-Participating Party's
15 former Working Interest in the Contract Area.

16 **10.1.2 Automatic Revision of the Well Plan**

17 During the drilling of an Exploratory Well, the Well Plan may be revised
18 by the Operator as is necessary for it to employ prudent oilfield
19 practices or to conduct safe operations, and those revisions will not
20 require the approval of the Participating Parties as long as the
21 Operator's revisions carry out the scope and intent of the approved
22 Well Plan and AFE, except as provided in Article 6.2.2 (*Supplemental*
23 *AFEs*).

24 **10.1.3 Timely Operations**

25 Except as provided below, drilling operations on an Exploratory Well
26 shall be commenced within one hundred and eighty (180) days after
27 the end of the period for the approval of the Exploratory Well.
28 However, an additional one hundred twenty (120) days shall be given
29 to timely commence operations should the rig the Operator (or
30 substitute Operator, if applicable) has contracted to conduct such
31 operation is delayed and or unavailable through no fault of the
32 Operator. If the Operator, except for an occurrence of Force Majeure
33 (excluding the inability to secure materials or a rig), does not
34 commence drilling operations on the Exploratory Well within that one
35 hundred and eighty (180) day period or within the additional one

1 hundred twenty (120) day period if applicable, the approved Exploratory
2 Well proposal shall be deemed withdrawn, with the effect as if the
3 Exploratory Well had never been approved.

4 If a Party submits an identical Exploratory Well proposal (except for any
5 necessary modifications resulting from a change in the drilling rig to be
6 utilized) within thirty (30) days after the deemed withdrawal of the
7 approved original Exploratory Well proposal and if that identical
8 Exploratory Well proposal is approved by the Parties, the Operator, if it
9 is a Participating Party, shall commence drilling operations on the
10 identical Exploratory Well within ninety (90) days after the end of the
11 response period for that proposal. If the Operator, except for an
12 occurrence of Force Majeure (excluding the inability to secure materials
13 or a drilling rig), fails to commence drilling operations on the identical
14 Exploratory Well within that ninety (90) day period, the Non-Operating
15 Parties may select a substitute Operator in accordance with Article
16 4.2.2 (*Substitute Operator if Operator Fails to Commence Drilling
17 Operations*), excluding, however, the Vote of the Operator, to drill the
18 identical Exploratory Well, which shall be commenced by the substitute
19 Operator within one hundred eighty (180) days after being selected as
20 substitute Operator.

21 If an approved original or identical Exploratory Well proposal is deemed
22 withdrawn due to a failure to timely commence drilling operations on
23 that well, all Costs incurred, which are attributable to the preparation
24 for, or in furtherance of, that Exploratory Well, will be chargeable to the
25 Participating Parties. Drilling operations for an Exploratory Well under
26 this Article 10.1.3 shall be deemed to have commenced on the date the
27 rig arrives on location or, if the rig is already on location, the date when
28 actual drilling operations for the approved Exploratory Well are
29 undertaken.

30
31 **10.1.4 AFE Overruns and Substitute Well**

32 Once an Exploratory Well is commenced, the Operator shall drill the
33 well with due diligence to its Objective Depth, subject to:

- 1 (a) all supplemental AFEs required under Article 6.2.2 (*Supplemental*
2 *AFEs*),
- 3 (b) the Operator encountering mechanical difficulties, uncontrolled
4 influx of subsurface water, loss of well control, abnormal well or
5 formation pressures, pressured or heaving shale, granite or other
6 practicably impenetrable substances or other similar conditions in
7 the well bore or damage to the well bore that, in the Operator's
8 sole opinion, render further well operations impractical, and
- 9 (c) the unanimous agreement of the Participating Parties to cease
10 drilling an Exploratory Well before reaching Objective Depth.

11 If an Exploratory Well is abandoned due to the conditions described
12 under Article 10.1.4(b), then any Participating Party in the abandoned
13 Exploratory Well may, within twenty (20) days after abandonment of
14 that Exploratory Well, propose the drilling of a substitute well for the
15 abandoned Exploratory Well by giving notice of the proposal (along
16 with the associated AFE and Well Plan) to all other Participating Parties
17 in the abandoned Exploratory Well, and that proposal requires approval
18 by Election of the Participating Parties in the abandoned Exploratory
19 Well. Notwithstanding any contrary provision of Article 10.4 (Conclusion
20 of Exploratory Operations), the substitute well shall be an Exploratory
21 Well. The Well Plan for the substitute Exploratory Well shall be
22 substantially the same as the Well Plan for the abandoned Exploratory
23 Well and shall also take into account the conditions that rendered
24 further drilling of the abandoned Exploratory Well impractical.

25 If the bottomhole location is moved more than one thousand feet
26 (1000'), each Non-Participating Party in the abandoned well may, for a
27 period of fifteen (15) days after receipt of the approved substitute
28 Exploratory Well proposal and its associated AFE, notify the Operator,
29 in writing, that it will participate in the substitute Exploratory Well. If the
30 Non-Participating Party forfeited and assigned its right, title, and
31 interest in the Contract Area by not participating in the abandoned
32 Exploratory Well, then within thirty (30) days after the Operator's receipt
33 of the Non-Participating Party's participation notification under this
34 Agreement, the Participating Parties in the abandoned Exploratory Well

1 shall assign to the Non-Participating Party one hundred percent (100%)
2 of the Non-Participating Party's former Working Interest in the Contract
3 Area.

4 Each Non-Participating Party in a substitute Exploratory Well or an
5 approved supplemental AFE for an Exploratory Well will be subject to
6 either an acreage forfeiture or Hydrocarbon Recoupment, as provided
7 in Article 16 (Non-Consent Operations).

8 **10.2 Exploratory Operations at Objective Depth**

9 After an Exploratory Well has been drilled to its Objective Depth and all
10 operations in the controlling AFE have been conducted or terminated (except
11 temporary abandonment and permanent plugging and abandonment) and all
12 logs and test results have been distributed to the Participating Parties, the
13 Operator shall promptly notify the Parties entitled to make an Election on an
14 operation proposed under this Article 10.2, of its proposal to conduct subsequent
15 operations in the well. Except for a proposal to permanently plug and abandon
16 the well, the Operator's proposal shall include an associated AFE and a plan for
17 the operation. The Parties entitled to make that Election are:

- 18 (a) the Participating Parties, and
- 19 (b) the Non-Participating Parties in the original well proposal if (1) the
20 subsequent Exploratory Operation proposal is made at the well's Objective
21 Depth and is for a Sidetrack under (d) below or Deepening and (2) Article
22 16.2 (*Acreage Forfeiture Provisions*) was not applicable to the drilling of
23 that Exploratory Well.

24 The Operator's proposal shall be for one of the following operations:

- 25 (a) conduct Additional Testing, Logging, or Sidewall Coring of the formations
26 encountered prior to setting production casing;
- 27 (b) Sidetrack the well bore to conventionally core the formations encountered;
- 28 (c) Deepen the well to a new Objective Depth;

- 1 (d) Sidetrack the well (however, if in the Operator's sole opinion a casing string
2 is required to Deepen the well, then option "d" shall have priority over
3 Deepening the well to a new Objective Depth);
- 4 (e) conduct Production Testing;
- 5 (f) conduct other operations on the well not listed;
- 6 (g) temporarily abandon the well; or
- 7 (h) permanently plug and abandon the well.

8 If an Exploratory Well is temporarily abandoned under (g), then any additional
9 operation in that well shall be proposed as a new well operation. A proposal to
10 complete an Exploratory Well that has been temporarily abandoned under
11 clause (g) shall be deemed a Development Operation proposal.

12 If the Operator fails to submit its proposal to the Participating Parties within
13 twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal holidays)
14 after receipt of all logs and test results from an Exploratory Well by the
15 Participating Parties, then any Participating Party may make a proposal. In that
16 event, the procedures in this Article 10.2 shall apply to that proposal, and any
17 reference in this Article 10.2 to the "Operator's proposal" shall include a proposal
18 made by a Participating Party.

19 **10.2.1 Response to Operator's Proposal**

20 A Participating Party may, within twenty-four (24) hours (inclusive of
21 Saturdays, Sundays, and federal holidays) of its receipt of the
22 Operator's proposal, make a separate proposal (along with an
23 associated AFE and a plan for the operation, except if the proposal is
24 to permanently plug and abandon the well) for one of the operations in
25 Article 10.2 (*Exploratory Operations at Objective Depth*), and the
26 Operator, immediately after the expiration of the twenty-four (24) hour
27 period for making a separate proposal shall provide the Parties entitled
28 to make an Election with a copy of all separate proposals so made. If
29 no separate proposal is made, the Parties entitled to make an Election
30 shall, within forty-eight (48) hours (inclusive of Saturdays, Sundays,
31 and federal holidays) of their receipt of the Operator's proposal, make
32 an Election on the Operator's proposal (except for a proposal to

1 permanently plug and abandon). If a separate proposal is made, the
2 Parties entitled to make an Election shall make an Election under the
3 procedure in Article 10.2.2 (*Response to Highest Priority Proposal*). If
4 a proposal to permanently plug and abandon the well is the only
5 operation proposed, then the approval and Cost allocation provisions of
6 Article 10.3 (*Permanent Plugging and Abandonment and Cost*
7 *Allocation*) shall apply to that proposal. If Article 8.3 (*Second*
8 *Opportunity to Participate*) or Article 8.4 (*Participation by Fewer Than*
9 *All Parties*), or both, apply to any Election in Article 10.2 (*Exploratory*
10 *Operations at Objective Depth*), then the response period in those
11 articles shall be twenty-four (24) hours (inclusive of Saturdays,
12 Sundays, and federal holidays) instead of forty-eight (48) hours
13 (exclusive of Saturdays, Sundays, and federal holidays).
14 Notwithstanding any contrary provision of this Agreement, if one or
15 more operations are proposed before the distribution of information
16 resulting from the previously approved operation, then the response
17 periods set forth above shall not commence until the Parties entitled to
18 make an Election have received the information from the previously
19 approved operation.

20 **10.2.2 Response to Highest Priority Proposal**

21 If a separate proposal is made, each Party entitled to make an Election
22 shall, within twenty-four (24) hours (inclusive of Saturdays, Sundays,
23 and federal holidays) after its receipt from the Operator of a complete
24 copy of all separate proposals, make its Election on the highest priority
25 proposal (except a proposal to permanently plug and abandon the
26 well). Article 10.2(a) has the highest priority, and Article 10.2(h) has
27 the lowest priority. If different depths or locations are proposed for the
28 same type of operation, preference shall be given to the shallowest
29 depth, or the location nearest from the existing well bore, as applicable.
30 If the proposal with the highest priority is approved, then the lower
31 priority proposals shall be deemed withdrawn. Once the approved
32 operation is completed, the Parties shall follow the procedure provided
33 in this Article 10.2 (*Exploratory Operations at Objective Depth*) for all
34 other proposals for operations in the well bore until such time as the
35 well is temporarily abandoned or permanently abandoned.

1 **10.2.3 Response on Next Highest Priority Proposal**

2 If the proposal with the highest priority is not approved, then the next
3 highest priority proposal shall be deemed the highest priority proposal
4 and it shall be subject to the approval procedure in Article 10.2.2
5 (*Response to Highest Priority Proposal*). This process will continue until
6 a proposal is approved to either temporarily abandon or permanently
7 plug and abandon an Exploratory Well.

8 **10.2.4 Non-Participating Parties in Exploratory Operations at Objective**
9 **Depth**

10 A Non-Participating Party in an Exploratory Operation conducted on an
11 Exploratory Well after it has reached its Objective Depth [except as
12 provided for in this Article 10.2 (*Exploratory Operations at Objective*
13 *Depth*)] is subject to Article 16.5.1.1 (*Non-Consent Exploratory*
14 *Operations at Objective Depth*) and is relieved of the Costs and risks of
15 that Exploratory Operation, except that a Non-Participating Party in that
16 Exploratory Operation remains responsible for its Participating Interest
17 Share of the Costs of plugging and abandoning an Exploratory Well,
18 less and except all Costs of plugging and abandoning associated solely
19 with the subsequent Exploratory Operation in which it was a Non-
20 Participating Party.

21 **10.2.5 Participation in a Sidetrack or Deepening by a Non-Participating**
22 **Party in an Exploratory Well at Initial Objective Depth**

23 If an Exploratory Well is drilled to its initial Objective Depth and a Non-
24 Participating Party in that Exploratory Well becomes a Participating
25 Party in an approved Sidetracking or Deepening under Article 10.2(c)
26 or (d), that former Non-Participating Party shall become an
27 Underinvested Party in an amount equal to its Non-Participating
28 Interest Share of the Costs of that Exploratory Well prior to that
29 Sidetracking or Deepening. The original Participating Parties in an
30 Exploratory Well are Overinvested Parties in that amount. A former
31 Non-Participating Party in an Exploratory Well that becomes a
32 Participating Party in an approved Sidetracking or Deepening, remains
33 a Non-Participating Party in that Exploratory Well to initial Objective
34 Depth until (a) its Underinvestment is eliminated under Article 16.9
35 (*Settlement of Underinvestments*), and (b) the Hydrocarbon

1 Recoupment recoverable under Article 16.5.1 (*Non-Consent*
2 *Exploratory Operations down to Objective Depth in the First Exploratory*
3 *Well*), less the amount of the Underinvestment, has been recovered by
4 the original Participating Parties. If a former Non-Participating Party
5 becomes a Participating Party in more than one approved Sidetracking
6 or Deepening in the same Exploratory Well, that former Non-
7 Participating Party shall become an Underinvested Party only with
8 regard to the first Sidetracking or Deepening it approves; however, that
9 Underinvestment shall not be relieved by an Underinvested Party's
10 subsequent participation.

11 **10.3 Permanent Plugging and Abandonment and Cost Allocation**

12 The permanent plugging and abandonment of an Exploratory Well that:

- 13 (a) is to be plugged due to mechanical difficulties or impenetrable conditions
14 before the well has been drilled to its Objective Depth under Article 10.1.4
15 (b),
- 16 (b) is to be plugged under Article 10.2 (*Exploratory Operations at Objective*
17 *Depth*), or
- 18 (c) has been previously temporarily abandoned under Article 10.2 (*Exploratory*
19 *Operations at Objective Depth*)

20 and has not produced Hydrocarbons (other than as a result of Production
21 Testing), requires the approval of the Participating Parties by Vote. Approval to
22 plug and abandon an Exploratory Well that has produced Hydrocarbons (other
23 than as a result of Production Testing) shall be governed by Article 18.1
24 (*Abandonment of Wells*). If a proposal to plug and abandon an Exploratory Well
25 receives approval by Vote, the approved proposal binds all Parties. If any
26 Participating Party fails to respond within the applicable response period for a
27 proposal to plug and abandon an Exploratory Well, that Participating Party shall
28 be deemed to have approved the plugging and abandonment of that Exploratory
29 Well. If a rig is on location, a proposal to plug and abandon an Exploratory Well
30 under either Article 10.3(a) or 10.3(b) does not receive approval by Vote, and if
31 within twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal
32 holidays) after receipt of that proposal no other operation is proposed (and
33 subsequently approved) for the well by a Party entitled to make a proposal, the

1 Operator may nevertheless proceed to plug and abandon that Exploratory Well,
2 and shall give each Participating Party notice of that fact. If the proposal to plug
3 and abandon an Exploratory Well that has not produced Hydrocarbons (other
4 than as a result of Production Testing) does not receive approval by Vote, but
5 the Operator deems the well bore not to be safe or in sound enough condition for
6 it to perform further operations, the Operator may nevertheless proceed to plug
7 and abandon that Exploratory Well, and shall give each Participating Party notice
8 of that fact.

9 The Participating Parties in an Exploratory Well proposal shall pay all Costs of
10 plugging and abandoning that Exploratory Well, except all increased plugging
11 and abandoning Costs associated solely with a Non-Consent Operation
12 approved under Article 10.2 (*Exploratory Operations at Objective Depth*) or
13 Article 6.2.2 (*Supplemental AFEs*). The Participating Parties in that Non-
14 Consent Operation are responsible for the increased plugging and abandoning
15 Costs attributable to that Non-Consent Operation.

16 **10.4 Conclusion of Exploratory Operations**

17 Except as provided in Article 10.1.4 (*AFE Overruns and Substitute Well*) after the
18 permanent or temporary abandonment of the first Producing Well and the
19 release of the rig from that Producing Well, Exploratory Operations conclude,
20 and all subsequent operations in the Contract Area are either Appraisal
21 Operations or Development Operations.

22 **ARTICLE 11 – APPRAISAL OPERATIONS**

23 **11.1 Proposal of Appraisal Wells**

24 After the conclusion of Exploratory Operations, any Party may propose drilling an
25 Appraisal Well by giving notice of the proposal (along with the associated AFE
26 and Well Plan) to the other Parties. Each proposed Appraisal Well requires
27 approval by Election.

28 Each Non-Participating Party in an Appraisal Well will be subject to either an
29 acreage forfeiture or Hydrocarbon Recoupment as provided in Article 16 (*Non-
30 Consent Operations*).

1 **11.1.1 Revision of Well Plan**

2 Any revisions of the Well Plan or AFE for an Appraisal Well shall take
3 place under the same terms and conditions as those set forth for an
4 Exploratory Well in Article 10.1.1 (*Revision of Well Plan*).

5 **11.1.2 Automatic Revision of the Well Plan**

6 The Well Plan for an Appraisal Well shall automatically be revised
7 under the same terms and conditions as those set forth for an
8 Exploratory Well in Article 10.1.2 (*Automatic Revision of the Well Plan*).

9 **11.1.3 Timely Operations**

10 Except as provided below, drilling operations on an Appraisal Well shall
11 be commenced within one hundred and eighty (180) days after the end
12 of the period for the approval of the Appraisal Well. If the Operator,
13 except for an occurrence of Force Majeure, does not commence drilling
14 operations on the Appraisal Well within that one hundred and eighty
15 (180) day period, the approved Appraisal Well proposal shall be
16 deemed withdrawn, with the effect as if the Appraisal Well had never
17 been proposed and approved.

18 If a Party submits an identical Appraisal Well proposal (except for any
19 necessary modifications resulting from a change in the drilling rig to be
20 utilized by the Operator) within thirty (30) days after the deemed
21 withdrawal of the approved original Appraisal Well proposal and if that
22 identical Appraisal Well proposal is approved and if the Operator is a
23 Participating Party in the identical Appraisal Well proposal, the
24 Operator shall commence drilling operations on that well within one
25 hundred twenty (120) days after the end of the response period for that
26 proposal. If the Operator, except for an occurrence of Force Majeure
27 (excluding the inability to secure materials or a drilling rig), fails to
28 commence drilling operations on the identical Appraisal Well within that
29 one hundred twenty (120) day period, the approved identical Appraisal
30 Well proposal shall be deemed withdrawn, with the effect as if the
31 identical Appraisal Well proposal had never been proposed and
32 approved, and the Non-Operating Parties may then select a substitute
33 Operator under Article 4.2.2 (*Substitute Operator if Operator Fails to*
34 *Commence Drilling Operations*). Within thirty (30) days of the selection

1 of the substitute Operator, the substitute Operator shall propose the
2 drilling of an identical Appraisal Well (except for any necessary
3 modifications resulting from a change in the drilling rig to be utilized by
4 the substitute Operator), and it shall commence drilling operations on
5 that well within one hundred and twenty (120) days after the end of the
6 period for the approval of that Well.

7 If an approved original or identical Appraisal Well proposal is deemed
8 withdrawn due to a failure to timely commence drilling operations on
9 that well, all Costs incurred, which are attributable to the preparation
10 for, or in furtherance of, that Appraisal Well, will be chargeable to the
11 Participating Parties. Drilling operations for an Appraisal Well under
12 this Article 11.1.3 shall be deemed to have commenced on the date the
13 rig arrives on location or, if the rig is already on location, the date when
14 actual drilling operations for the approved Appraisal Well are
15 undertaken.

16 **11.1.4 AFE Overruns and Substitute Well**

17 Once an Appraisal Well is commenced, the Operator shall drill the well
18 with due diligence to its Objective Depth, subject to:

- 19 (a) all supplemental AFEs required under Article 6.2.2 (*Supplemental*
20 *AFEs*);
- 21 (b) the Operator encountering mechanical difficulties, uncontrolled
22 influx of subsurface water, loss of well control, abnormal well or
23 formation pressures, pressured or heaving shale, granite or other
24 practicably impenetrable substances or other similar conditions in
25 the well bore or damage to the well bore that, in the Operator's
26 sole opinion, render further well operations impractical; and
- 27 (c) the unanimous agreement of the Participating Parties to cease
28 drilling an Appraisal Well before reaching Objective Depth.

29 If an Appraisal Well is abandoned due to the conditions described
30 under Article 11.1.4(b), then any Participating Party in the abandoned
31 Appraisal Well may, within fifteen (15) days after abandonment of that
32 Appraisal Well, propose the drilling of a substitute well for the

1 abandoned Appraisal Well by giving notice of the proposal (along with
2 the associated AFE and Well Plan) to all other Participating Parties in
3 the abandoned Appraisal Well, and that proposal requires approval by
4 Election of the Participating Parties in the abandoned Appraisal Well.
5 Notwithstanding any contrary provision of Article 11.6 (*Conclusion of*
6 *Appraisal Operations*), the substitute well shall be an Appraisal Well.
7 The Well Plan for the substitute Appraisal Well shall be substantially
8 the same as the abandoned Appraisal Well's Well Plan and shall also
9 take into account the conditions that rendered further drilling of the
10 abandoned Appraisal Well impractical.

11 Each Non-Participating Party in a substitute Appraisal Well or an
12 approved supplemental AFE for an Appraisal Well will be subject to
13 either an acreage forfeiture or Hydrocarbon Recoupment, as provided
14 in Article 16 (*Non-Consent Operations*).

15 **11.2 Appraisal Operations at Objective Depth**

16 After an Appraisal Well has been drilled to its Objective Depth and all operations
17 in the controlling AFE have been conducted or terminated (except temporary
18 abandonment and permanent plugging and abandonment) and all logs and test
19 results have been distributed to the Participating Parties, the Operator shall
20 promptly notify the Parties entitled to make an Election on an operation proposed
21 under this Article 11.2 (*Appraisal Operations at Objective Depth*), of its proposal
22 to conduct subsequent operations in the well. Except for a proposal to
23 permanently plug and abandon the well, the Operator's proposal shall include an
24 associated AFE and a plan for the operation. The Parties entitled to make that
25 Election are:

- 26 (a) the Participating Parties, and
- 27 (b) the Non-Participating Parties in the original well proposal, if (1) the
28 subsequent Appraisal Operation proposal is made at the well's Objective
29 Depth and is for a Sidetrack under (c) below or Deepening and (2) if Article
30 16.4 (*Non-Consent Operations to Maintain Contract Area*) was not
31 applicable to the drilling of that Appraisal Well.

32 The Operator's proposal shall be for one of the following operations:

- 1 (a) conduct Additional Testing, Logging, or Sidewall Coring of the formations
2 encountered prior to setting production casing;
- 3 (b) Sidetrack the well bore to conventionally core the formations encountered;
- 4 (c) Sidetrack the well;
- 5 (d) Deepen the well to a new Objective Depth;
- 6 (e) conduct Production Testing;
- 7 (f) conduct other operations on the well not listed;
- 8 (g) temporarily abandon the well; or
- 9 (h) permanently plug and abandon the well.

10 If the Appraisal Well is temporarily abandoned under (g), then any additional
11 operation in that well shall be proposed as a new well operation. A proposal to
12 complete an Appraisal Well that has been temporarily abandoned under clause
13 (g) shall be deemed a Development Operation proposal.

14 If the Operator fails to submit its proposal to the Participating Parties within
15 twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal holidays)
16 after receipt by the Participating Parties of all logs and test results from an
17 Appraisal Well, then any Participating Party may make a proposal. In that event,
18 the procedures in this Article 11.2 shall apply to that proposal, and any reference
19 in this Article 11.2 to the "Operator's proposal" shall include a proposal made by
20 a Participating Party.

21 **11.2.1 Response to Operator's Proposal**

22 A Participating Party may, within twenty-four (24) hours (inclusive of
23 Saturdays, Sundays, and federal holidays) of its receipt of the
24 Operator's proposal, make a separate proposal (along with an
25 associated AFE and a plan for the operation, except if the proposal is
26 to permanently plug and abandon the well) for one of the operations in
27 Article 11.2 (*Appraisal Operations at Objective Depth*), and the
28 Operator, immediately after the expiration of the twenty-four (24) hour
29 period for making a separate proposal shall provide the Parties entitled
30 to make an Election with a copy of all separate proposals so made. If

1 no separate proposal is made, the Parties entitled to make an Election
2 shall, within forty-eight (48) hours (inclusive of Saturdays, Sundays,
3 and federal holidays) of its receipt of the Operator's proposal, make an
4 Election on the Operator's proposal (except for a proposal to
5 permanently plug and abandon). If a separate proposal is made, the
6 Parties entitled to make an Election shall make an Election under the
7 procedure in Article 11.2.2 (*Response to Highest Priority Proposal*). If
8 a proposal to permanently plug and abandon the well is the only
9 operation proposed, then the approval and Cost allocation provisions of
10 Article 11.4 (*Permanent Plugging and Abandonment and Cost*
11 *Allocation*) shall apply to that proposal. If Article 8.3 (*Second*
12 *Opportunity to Participate*) or Article 8.4 (*Participation by Fewer Than*
13 *All Parties*), or both, apply to any Election in Article 11.2 (*Appraisal*
14 *Operations at Objective Depth*), then the response period in those
15 articles shall be twenty-four (24) hours (inclusive of Saturdays,
16 Sundays, and federal holidays) instead of forty-eight (48) hours
17 (exclusive of Saturdays, Sundays, and federal holidays).
18 Notwithstanding any contrary provision of this Agreement, if one or
19 more operations are proposed before the distribution of information
20 from the previously approved operation, then the response periods
21 provided above shall not begin until the Parties entitled to make an
22 Election have received the information from the previously approved
23 operation.

24 **11.2.2 Response to Highest Priority Proposal**

25 If a separate proposal is made, each Party entitled to make an Election
26 shall, within twenty-four (24) hours (inclusive of Saturdays, Sundays,
27 and federal holidays) after its receipt from the Operator of a complete
28 copy of all separate proposals, make its Election on the highest priority
29 proposal (except a proposal to permanently plug and abandon the
30 well). Article 11.2(a) has the highest priority, and Article 11.2(h) has
31 the lowest priority. If different depths or locations are proposed for the
32 same type of operation, preference shall be given to the shallowest
33 depth, or the location nearest to the existing well bore, as applicable. If
34 the proposal with the highest priority is approved, then the lower priority
35 proposals shall be deemed withdrawn. Once the approved operation is
36 completed, the Parties shall follow the procedure provided in Article

1 11.2 (*Appraisal Operations at Objective Depth*) for all other proposals
2 for operations in the well bore until such time as the well is temporarily
3 abandoned or permanently abandoned.

4 **11.2.3 Response on Next Highest Priority Proposal**

5 If the proposal with the highest priority is not approved, then the next
6 highest priority proposal shall be deemed the highest priority proposal
7 and it shall be subject to the approval procedure in Article 11.2.2
8 (*Response to Highest Priority Proposal*). This process will continue
9 until a proposal is approved to either temporarily abandon or
10 permanently plug and abandon an Appraisal Well.

11 **11.2.4 Non-Participating Parties in Appraisal Operations at Objective**
12 **Depth**

13 A Non-Participating Party in an Appraisal Operation conducted on an
14 Appraisal Well after it has reached its Objective Depth [except as
15 provided for in this Article 11.2 (*Appraisal Operations at Objective*
16 *Depth*)] is subject to Article 16.5.2 (*Non-Consent Appraisal Operations*)
17 and is relieved of the Costs and risks of that Appraisal Operation,
18 except that a Non-Participating Party in that Appraisal Operation
19 remains responsible for its Participating Interest Share of the Costs of
20 plugging and abandoning an Appraisal Well, less and except all Costs
21 of plugging and abandoning associated solely with the subsequent
22 Appraisal Operation in which it was a Non-Participating Party.

23 **11.2.5 Participation in a Sidetrack or Deepening by a Non-Participating**
24 **Party in an Appraisal Well at Initial Objective Depth**

25 If an Appraisal Well is drilled to its Objective Depth and a Non-
26 Participating Party in that Appraisal Well becomes a Participating Party
27 in an approved Sidetracking or Deepening under Article 11.2(c) or (d),
28 that former Non-Participating Party shall become an Underinvested
29 Party in an amount equal to its Non-Participating Interest Share of the
30 Costs of that Appraisal Well to its Objective Depth prior to that
31 Sidetracking or Deepening. The original Participating Parties in that
32 Appraisal Well are Overinvested Parties in that amount. A former Non-
33 Participating Party in an Appraisal Well that becomes a Participating
34 Party in an approved Sidetracking or Deepening, remains a Non-

1 Participating Party in the Appraisal Well to initial Objective Depth until
2 (a) its Underinvestment is eliminated under Article 16.9 (*Settlement of*
3 *Underinvestments*), and (b) the Hydrocarbon Recoupment recoverable
4 under Article 16.5.2 (*Non-Consent Appraisal Operations*) less the
5 Underinvestment, has been recovered by the original Participating
6 Parties. If a former Non-Participating Party becomes a Participating
7 Party in more than one approved Sidetracking or Deepening in the
8 same Appraisal Well, that former Non-Participating Party shall become
9 an Underinvested Party only with regard to the first Sidetracking or
10 Deepening it approves; however, that Underinvestment shall not be
11 relieved by an Underinvested Party's subsequent participation.

12 **11.3 Appraisal Well Proposals That Include Drilling Below the Deepest** 13 **Producible Reservoir**

14 Any Party may propose an Appraisal Well with an Objective Depth below the
15 Deepest Producing Reservoir, and in response to that well proposal each Party
16 may in writing limit its participation in the drilling of that Appraisal Well to the
17 base of the Deepest Producing Reservoir to be penetrated by that Appraisal
18 Well. A Party who limits its participation in an Appraisal Well to the base of the
19 Deepest Producing Reservoir shall bear its Participating Interest Share of the
20 Cost and risk of drilling that Appraisal Well to the base of the Deepest Producing
21 Reservoir (including abandonment), and it shall be a Non-Participating Party for
22 the Deeper Drilling and shall be subject to Article 16.5.2 (*Non-Consent Appraisal*
23 *Operations*) in regard to drilling between those depths.

24 **11.4 Permanent Plugging and Abandonment and Cost Allocation**

25 The permanent plugging and abandonment of an Appraisal Well that:

- 26 (a) is to be plugged due to mechanical difficulties or impenetrable conditions
27 before the well has been drilled to its Objective Depth under Article 11.1.4
28 (b),
- 29 (b) is to be plugged under Article 11.2 (*Appraisal Operations at Objective*
30 *Depth*), or
- 31 (c) has been previously temporarily abandoned under Article 11.2 (*Appraisal*
32 *Operations at Objective Depth*)

1 and has not produced Hydrocarbons (other than as a result of Production
2 Testing), requires the approval of the Participating Parties by Vote. Approval to
3 plug and abandon an Appraisal Well that has produced Hydrocarbons (other
4 than as a result of Production Testing) shall be governed by Article 18.1
5 (*Abandonment of Wells*). If a proposal to plug and abandon an Appraisal Well
6 receives approval by Vote, the approved proposal binds all Parties. If any
7 Participating Party fails to respond within the applicable response period for a
8 proposal to plug and abandon an Appraisal Well, that Participating Party shall be
9 deemed to have approved the plugging and abandonment of that Appraisal Well.
10 If a rig is on location and a proposal to plug and abandon an Appraisal Well
11 under either Article 11.4(a) or 11.4(b) does not receive approval by Vote, and if
12 within twenty-four (24) hours (inclusive of Saturdays, Sundays, and federal
13 holidays) from receipt of that proposal no other operation is proposed (and
14 subsequently approved) for the well by a Party entitled to make a proposal, the
15 Operator may nevertheless proceed to plug and abandon that Appraisal Well,
16 and shall give each Participating Party notice of that fact. If the proposal to plug
17 and abandon an Appraisal Well that has not produced Hydrocarbons (other than
18 as a result of Production Testing) does not receive approval by Vote, but the
19 Operator deems the well bore not to be safe or in sound enough condition for it
20 to perform further operations, the Operator may nevertheless proceed to plug
21 and abandon that Appraisal Well, and shall give each Participating Party notice
22 of that fact.

23 The Participating Parties in an Appraisal Well proposal shall pay all Costs of
24 plugging and abandoning that Appraisal Well, except all increased plugging and
25 abandoning Costs associated solely with a Non-Consent Operation approved
26 under Article 11.2 (*Appraisal Operations at Objective Depth*) or Article 6.2.2
27 (*Supplemental AFEs*). The Participating Parties in that Non-Consent Operation
28 are responsible for the increased plugging and abandoning Costs attributable to
29 that Non-Consent Operation.

30 **11.5 Conclusion of Appraisal Operations**

31 Upon the earlier of:

32 (a) the approval of the conclusion of Appraisal Operations by Vote; or

- 1 (b) the point in time when no Appraisal Operation has been approved within a
2 period of twelve (12) months from the rig release (or cessation of
3 operations) from the previous Appraisal Operation; or
- 4 (c) the abandonment of the second (2nd) Appraisal Well, whether permanent or
5 temporary, and the release of the rig from that Appraisal Well (including
6 any substitute well for that Appraisal Well);

7 Appraisal Operations for the ensuing Development Phase shall conclude and all
8 subsequent operations in the Contract Area will be Development Operations for
9 the ensuing Development Phase, including operations on temporarily abandoned
10 Appraisal Wells.

11 However, if an Appraisal Operation is being conducted at the occurrence of
12 either (a) or (b) above, Appraisal Operations for the ensuing Development Phase
13 shall conclude when the well bore in which the Appraisal Operation is being
14 conducted is either temporarily or permanently abandoned.

15 **11.6 Operations Before the Approval of the Development Plan**

16 After the occurrence of (a), (b) or (c) in Article 11.5 (Conclusion of Appraisal
17 Operations) but before the approval of a Development Plan for the ensuing
18 Development Phase, any Party may propose the drilling of an additional well as
19 a Development Well. Unless Article 16.4 (Non-Consent Operations to Maintain
20 Contract Area) applies to the proposal of that well, that proposal shall require the
21 unanimous agreement of the Parties. Any substitute well for, and all operations
22 at Objective Depth conducted in or through the well bore of that well shall be
23 deemed Development Operations, and shall be proposed, approved, and
24 conducted accordingly.

25 **ARTICLE 12 – DEVELOPMENT PHASES**

26 **12.1 Phased Development**

27 In view of the Costs and scope of developing and producing Hydrocarbons from
28 the Contract Area, the Parties may agree to undertake an initial Development
29 Phase and one or more subsequent Development Phases. A separate
30 Development Plan shall be prepared for each Development Phase, and each
31 Development Plan shall be generated, approved, and implemented under this

1 Article 12 (*Development Phases*). Each Development Phase may be comprised
2 of as many as four stages -- the Feasibility Stage, the Selection Stage, the
3 Define Stage and the Execution Stage. For each stage undertaken, subject to
4 the provisions of this Article 12 (*Development Phases*), any Party may submit a
5 proposal and an associated AFE for the Parties' approval. Each stage AFE shall
6 cover all of the estimated Costs to be incurred during that stage, except for the
7 Costs of drilling wells, including those of the Feasibility Team or Project Team.

8 **12.2 Feasibility Team Proposal**

9 The Feasibility Stage commences upon the approval of a proposal for the
10 formation of a Feasibility Team and the Feasibility AFE. No Party may propose
11 the formation of a Feasibility Team for a Development Phase until such time as
12 any previously formed Feasibility Team for that Development Phase has
13 terminated. For a period of three hundred and sixty-five days (365) days from rig
14 release from the first Exploratory Well, the Operator has the exclusive right to
15 propose the formation of a Feasibility Team and submit to the Parties a
16 Feasibility AFE accompanied by a memorandum describing in detail the
17 anticipated scope of work to be undertaken by the Feasibility Team and third
18 party contractors and/or consultants during the Feasibility Stage, the estimated
19 type and number of staff required to complete that scope of work, the estimated
20 duration of the Feasibility Stage and the estimated Costs of the Feasibility Stage.
21 If the Operator does not propose the formation of a Feasibility Team and submit
22 the Feasibility AFE during its exclusive period, any Party may propose the
23 formation of a Feasibility Team and submit a Feasibility AFE.

24 The Feasibility Team will operate under the direction of the Operator. The employees
25 of the Operator and Non-Operators and the contractors and/or consultants, set
26 forth in the Feasibility AFE, shall initially compose the Feasibility Team. The
27 Operator may, from time to time, revise the membership of the Feasibility Team,
28 at its sole discretion, as long as the revisions are necessary to accomplish the
29 scope of work set forth in the Feasibility AFE. The Operator shall charge the
30 Joint Account for the labor of the Feasibility Team members in the same manner
31 in which it charges the Joint Account for the labor of the Project Team members.
32

33 Each Feasibility Team member remains an employee of its respective employer, and
34 each employer remains responsible for its employee's salaries and benefits, as
35 well as maintaining worker's compensation insurance for its employee.

1 Accordingly, each employer will continue to administer the compensation,
2 benefits, allowances, and careers of its employees on the Feasibility Team.
3 However, Feasibility Team members will receive team assignments and general
4 supervision from the Operator in connection with their day-to-day work. An
5 individual on a Feasibility Team will, insofar as it is possible and consistent with
6 the needs of his or her employer, serve on the Feasibility Team for the duration
7 of the Feasibility Team, unless that individual is designated a temporary
8 Feasibility Team member by his or her employer or the Operator. If a Feasibility
9 Team member is designated a temporary Feasibility Team member by his or her
10 employer or the Operator, that Feasibility Team member will leave the Feasibility
11 Team upon completion of (a) the term designated by his or her employer for his
12 or her service on the team or (b) the specific task or portion of the Feasibility
13 Team's work assigned to that member by the Operator.

14 The Feasibility Team shall prepare an in-depth report containing its analyses of
15 all of the development scenarios it considered and its findings as to the
16 existence of at least one development scenario for a Producing Well on the
17 Contract Area, which is technologically and economically feasible, and shall
18 present a copy of that report to each of the Participating Parties as soon as it is
19 completed.

20 **12.2.1 Feasibility AFE Approval**

21 A Feasibility AFE requires approval by Election.

22 A Non-Participating Party in the Feasibility AFE is subject to Article
23 16.5.3 (*Non-Consent Proprietary Geophysical Operations, Feasibility*
24 *AFEs, Selection AFEs, Define AFEs, Long Lead Development System*
25 *AFEs, Post-Production Project Team AFEs, or Enhanced Recovery*
26 *Project Team AFEs).*

27 **12.2.2 Feasibility Team and Feasibility Stage Conclusion**

28 The Feasibility Team and the Feasibility Stage terminate immediately
29 after (a) the Feasibility Team has (i) completed the scope of work in the
30 Feasibility AFE and its supplemental AFEs and (ii) presented to the
31 Participating Parties the report referred to in Article 12.2 (*Feasibility*
32 *Team Proposal*) or (b) the Participating Parties Vote to terminate the
33 Feasibility Team prior to the occurrence of both of those events.

1 **12.3 Commencement of the Selection Stage**

2 The Selection Stage commences upon the approval of the Selection AFE.

3 **12.3.1 Proposal of a Project Team**

4 If a Feasibility AFE is approved, the Operator has the exclusive right for a period
5 of one hundred and twenty (120) days from the conclusion of the Feasibility
6 Stage to submit a Selection AFE. That AFE may call for the formation of a
7 Project Team. It shall be accompanied by a memorandum describing in detail
8 the anticipated scope of work to be undertaken during the Selection Stage, the
9 estimated type and number of staff required to complete that scope of work, the
10 estimated duration of the Selection Stage and the estimated Costs of the
11 Selection Stage. If the Operator does not submit a Selection AFE during its
12 exclusive period referred to in this paragraph, any Party may submit a Selection
13 AFE.

14 If a Feasibility AFE is not approved, but the drilling of one Appraisal Well into a
15 Producing Reservoir and its permanent or temporary abandonment have taken
16 place, the Operator has an exclusive right for a period of two hundred and ten
17 (210) days from the conclusion of those operations to submit the Selection AFE.
18 If the Operator does not submit a Selection AFE during its exclusive period
19 referred to in this paragraph, any Party may submit a Selection AFE. In
20 response to any proposal made under this paragraph, a Party may propose the
21 formation of a Feasibility Team and submit to the Parties a Feasibility AFE. A
22 Feasibility AFE and Feasibility Team proposal under this paragraph shall take
23 precedence over a Selection AFE proposal under this paragraph, and the Parties
24 shall proceed as if the Feasibility AFE and Feasibility Team proposal, made
25 under this paragraph, had been made under Article 12.2 (*Feasibility Team
26 Proposal*). If the Parties do not approve the Feasibility AFE and Feasibility Team
27 proposal made under this paragraph, the Parties shall proceed with the Selection
28 AFE proposal made under this paragraph as if the Feasibility AFE and Feasibility
29 Team proposal, made under this paragraph, had not been made.

30 If the Selection AFE proposes the formation of a Project Team, the formation
31 and administration of that Project Team shall be handled under Exhibit "G."
32

1 The Operator shall directly charge the Joint Account for all Costs associated with
2 the Project Team, including those of Affiliates, for which the Operator is internally
3 billed. The components of those Costs may include, but are not limited to:

- 4 a) Digital Business
- 5 b) Accounting
- 6 c) Building Services and Building & Grounds Maintenance
- 7 d) Human Resources
- 8 e) Procurement
- 9 f) Government & Public Affairs
- 10 g) Health, Safety & Environment
- 11 h) Security
- 12 i) Audit
- 13 j) Tax
- 14 k) Crisis Management
- 15 l) Environmental Compliance
- 16 m) Marketing
- 17 n) Security, and
- 18 n) Similar Costs.

19 All other Project Team Costs shall be handled under Exhibit "C."

20
21 No Party may propose the formation of a Project Team for a Development
22 Phase until such time as a previously formed Project Team for that Development
23 Phase has terminated.

24 **12.3.2 Selection AFE Approval**

25 A Selection AFE requires approval by Election.

26 A Non-Participating Party in a Selection AFE is subject to Article 16.5.3 (*Non-*
27 *Consent Proprietary Geophysical Operations, Feasibility AFEs, Selection AFEs,*
28 *Define AFEs, Long Lead Development System AFEs, Post-Production Project*
29 *Team AFEs, or Enhanced Recovery Project Team AFEs).*

1 **12.4 Proposal of a Development Plan**

2 The Operator has the exclusive right for a period of one hundred and eighty
3 (180) days from the commencement of the Selection Stage to submit a
4 Development Plan for the Parties' review and approval.

5 **12.4.1 Content of the Development Plan**

6 A Development Plan shall contain at a minimum the following information:

7 (a) **Development System:** Description of the Development System including:

8 (i) the type of Production System proposed, for example, tension leg
9 well jacket, floating production system, including the Production
10 System's location, configuration (number of well slots or subsea
11 tiebacks), and production capacity;

12 (ii) the Facilities and their daily processing capacity for Hydrocarbon
13 production and the gathering system necessary to transport the
14 Hydrocarbons from the well heads to one or more interconnects with
15 the pipeline or offtake point servicing the Contract Area;

16 (iii) a projected time schedule for designing, contracting, fabricating,
17 constructing, or otherwise acquiring, transporting, and installing the
18 Development System;

19 (iv) the estimated date of initial Hydrocarbon production and the
20 estimated initial daily rate of Hydrocarbon production;

21 (v) the estimated Costs (not in the form of an AFE) of the Development
22 System;

23 (vi) all proposed hydrate or paraffin control systems or techniques,
24 method of pressure maintenance, or enhanced recovery plan; and

25 (vii) a description of the proposed well completion techniques, that is,
26 dual versus single;

27 (viii) The equipment and space on, and the weight and the buoyancy of,
28 the Development System, which are required to make the enhanced
29 recovery and pressure maintenance plans and objectives referred to
30 in Article 12.4.1(j)(iii)(D) possible;

- 1 (b) **Producible Reservoirs:** A description of the Hydrocarbon bearing
2 geological formations expected to be developed under the Development
3 Plan along with the area and depth of sands or reservoirs to be developed
4 by the Production System;
- 5 (c) **Recoverable Reserves and Production Profile:** An estimate of
6 recoverable reserves for the proposed Development Plan and a schedule
7 of the estimated daily rate of Hydrocarbon production thereafter;
- 8 (d) **Pre-drilling Operations:** A description of pre-drilling operations, if any,
9 planned in support of later development, including an estimate of the
10 timing, Cost, and location of each pre-drilling operation;
- 11 (e) **Development Wells:** A description of drilling plans for all Development
12 Wells in the Development Plan and the completion plans for all temporarily
13 abandoned Exploratory Wells or temporarily abandoned Appraisal Wells
14 that are to be completed and all Development Wells in the Development
15 Plan, including an estimate of the timing, Cost, and surface and bottomhole
16 location of each well;
- 17 (f) **Tieback Operations:** If the Development Plan requires the tieback or use
18 of Offsite Host Facilities, a commitment from the owner of that Offsite Host
19 Facilities to handle or process Hydrocarbons, the amount of all tariffs,
20 processing or other fees the owner of that Offsite Host Facilities will charge
21 the Participating Parties to handle or process Hydrocarbons, and the
22 guaranteed capacity on the Offsite Host Facilities for the Hydrocarbons;
- 23 (g) **Define AFE:** An AFE containing the estimated Costs of the Define Stage,
24 accompanied by a memorandum describing in detail the anticipated scope
25 of work to be undertaken during the Define Stage, the estimated type and
26 number of staff required to complete that scope of work, the estimated
27 duration of the Define Stage and the estimated Costs of the Define Stage;
28 if a Project Team was not formed during the Selection Stage, the proposing
29 Party may submit, along with the Define AFE, a proposal for the formation
30 of a Project Team accompanied by a memorandum similar to the one
31 referred to in Article 12.3.1 (*Proposal of a Project Team*);

- 1 (h) **Field Operating Scheme:** A description of the field operating scheme, its
2 method, requirements, expected frequencies of intervention, and Costs;
- 3 (i) **Field Abandonment:** A description of field abandonment plan (if
4 applicable);
- 5 (j) **Reservoir Plan:** A reservoir plan that provides strategies, objectives, and
6 methods for developing, managing, and depleting each Producing
7 Reservoir during its producible life and that includes, but is not limited to:
- 8 (i) an estimate of the number of wells slots dedicated to each reservoir,
9 including the planned number of producers and injectors;
- 10 (ii) the planned bottomhole locations and timing of each anticipated well
11 for each Producing Reservoir;
- 12 (iii) a reservoir management and depletion strategy for each Producing
13 Reservoir addressing issues that include, but are not limited to:
- 14 (A) estimates of oil and gas in place;
- 15 (B) reservoir rock and fluid characteristics;
- 16 (C) depletion mechanism;
- 17 (D) enhanced recovery and pressure maintenance plans and
18 objectives;
- 19 (E) reservoir surveillance programs (for example, cased-hole
20 logging, static pressures) and their objectives;
- 21 (F) well performance goals (for example, target production rates,
22 target injection rates, maximum rates or drawdown limits,
23 maximum GOR, maximum water cut, gas-lift targets);
- 24 (G) reservoir performance goals (for example, target pressures or
25 pressure profiles, target voidage replacement ratios, gas cap
26 maintenance goals); and
- 27 (H) other relevant information;

- 1 (k) **Disposal Wells:** The estimated Cost of disposal wells, if applicable;
- 2 (l) **Hydrocarbon Transmission System:** the type of Hydrocarbon
3 transmission system to be made available to the Participating Parties (for
4 example, pipeline versus barge); and
- 5 (m) **Other Data:** Provided such information is available, any other information
6 reasonably necessary to perform an evaluation of the technical and
7 economic feasibility of the Development System provided for in the
8 Development Plan.

9 **12.5 Development Plan Approval**

10
11 **12.5.1 Approval of Operator's Development Plan Submitted During its**
12 **Exclusive Period**

13 The Operator has one hundred and twenty (120) days after submitting
14 the Development Plan provided in Article 12.4 to obtain the unanimous
15 agreement of the Parties on (a) the Development Plan submitted during
16 its exclusive period or (b) the latest amended version of that plan which
17 has been the result of comments by, or discussions among, the other
18 Parties or the Project Team, if one exists, and the Operator (the "Latest
19 Amended Version of the Plan").

20 **12.5.2 Approval of a Development Plan After the Conclusion of the**
21 **Operator's Exclusive Period**

22 If:

- 23 (a) the Operator fails within the one hundred and twenty (120) day
24 period in Article 12.5.1 (*Approval of Operator's Development Plan*
25 *Submitted During its Exclusive Period*) to gain the unanimous
26 agreement of the Parties on its Development Plan or Latest
27 Amended Version of the Plan, whichever is applicable, or
- 28 (b) the Operator fails to submit a Development Plan during its
29 exclusive period,

30 any Party may submit a Development Plan and an AFE for the actual
31 Costs it incurred in order to generate that Development Plan, and the
32 Parties have sixty (60) days in which to approve by Vote the Operator's

1 Development Plan or Latest Amended Version of the Plan, whichever
2 is applicable, or another Party's Development Plan or Latest Amended
3 Version of the Plan, whichever is applicable, and its associated AFE.
4 No new Development Plan may be submitted during the sixty (60) day
5 period.

6 **12.5.3 Approval of a Development Plan if One is Not Approved by Vote**

7 If no Development Plan or Latest Amended Version of the Plan is
8 approved by Vote during the sixty (60) day period in Article 12.5.2
9 (*Approval of a Development Plan After the Conclusion of the Operator's*
10 *Exclusive Period*), and if there is only one Development Plan or Latest
11 Amended Version of the Plan, whichever is applicable, submitted and
12 that Development Plan or the Latest Amended Version of the Plan,
13 whichever is applicable, receives an affirmative Vote of at least fifty
14 percent (50%) of the Voting interest, that Development Plan or the
15 Latest Amended Version of the Plan, whichever is applicable, shall be
16 deemed approved by the Parties. If there are two (2) or more
17 Development Plans or Latest Amended Version of the Plans,
18 whichever is applicable, submitted and one Development Plan or the
19 Latest Amended Version of the Plan, whichever is applicable, receives
20 an affirmative Vote of at least fifty percent (50%) of the Voting interest
21 and the other Development Plan or Latest Amended Version of the
22 Plan, whichever is applicable, receives an affirmative Vote of less than
23 fifty percent (50%) of the Voting interest, then the Development Plan or
24 the Latest Amended Version of the Plan, whichever is applicable,
25 receiving the affirmative Vote of at least fifty percent (50%) of the
26 Voting interest shall be deemed approved by the Parties. If two
27 competing Development Plans or Latest Amended Version of the
28 Plans, whichever is applicable, each receive an affirmative Vote of fifty
29 percent (50%) of the Voting interest, then the Development Plan or
30 Latest Amended Version of the Plan, whichever is applicable, for which
31 the Operator affirmatively Votes, shall be deemed approved.

32 **12.5.4 Approved Development Plan**

33 By unanimously agreeing to or Voting to approve a Development Plan
34 or Latest Amended Version of the Plan, whichever is applicable, or
35 subsequently Voting to participate in an approved Development Plan,

1 under Article 8.3 (*Second Opportunity to Participate*), each Participating
2 Party in an approved Development Plan also agrees or Votes to
3 participate in its Define AFE, the AFE referred to in Article 12.5.2
4 (*Approval of a Development Plan After the Conclusion of the Operator's*
5 *Exclusive Period*), if applicable, and the formation of a Project Team
6 during the Define Stage, if applicable. If the Parties do not approve a
7 Selection AFE and do not form a Project Team during the Selection
8 Stage and if the Operator's Development Plan or Latest Amended
9 Version of the Plan, whichever is applicable, is approved, the Operator
10 shall directly charge the Joint Account the actual Costs it incurred in
11 order to generate and submit the approved plan. Upon the approval of
12 the Development Plan or Latest Amended Version of the Plan,
13 whichever is applicable, the Selection Stage concludes and Appraisal
14 Operations are deemed concluded; provided, however, if an Appraisal
15 Operation is being conducted when the Development Plan is approved,
16 Appraisal Operations shall be deemed concluded when the well bore in
17 which the Appraisal Operation is being conducted is either temporarily
18 or permanently abandoned. Any Non-Participating Party in the
19 approved Development Plan's Define AFE is subject to Article 16.5.3
20 (*Non-Consent Proprietary Geophysical Operations, Feasibility AFEs,*
21 *Selection AFEs, Define AFEs, Long Lead Development System AFEs,*
22 *Post-Production Project Team AFEs, or Enhanced Recovery Project*
23 *Team AFEs*).

24 **12.6 Long Lead Development System AFEs**

25 After the conclusion of the Selection Stage, in order to facilitate the early and
26 orderly commencement of the Execution Stage, the Operator has the right, prior
27 to the approval of the Execution AFE, to submit AFEs ("Long Lead Development
28 System AFEs") for (a) the acquisition of long lead-time items for the
29 Development System, (b) preliminary activities related to the fabrication,
30 transportation or installation of the Development System, or (c) any other activity
31 necessary to assist the Operator in the implementation of the Development Plan.
32 A Long Lead Development System AFE, whose total estimated cost when
33 combined with the estimated cost of all approved Long Lead Development
34 System AFEs, does not exceed one hundred twenty-five million dollars
35 (\$125,000,000), requires approval by Vote of the Participating Parties in the

1 Development Plan. A Long Lead Development System AFE, whose total
2 estimated cost when combined with the estimated cost of all approved Long
3 Lead Development System AFEs exceeds one hundred twenty-five million
4 (\$125,000,000) dollars, requires approval by the unanimous agreement of the
5 Participating Parties in the Development Plan. Any Non-Participating Party in a
6 Long Lead Development System AFE is subject to Article 16.5.3 (*Non-Consent
7 Proprietary Geophysical Operations, Feasibility AFEs, Selection AFEs, Define
8 AFEs, Long Lead Development System AFEs, Post-Production Project Team
9 AFEs, or Enhanced Recovery Project Team AFEs*).

10 **12.7 Define Stage and Execution Stage**

11 The Define Stage commences upon the approval of the Development Plan.

12 **12.7.1 Execution AFE**

13 The Operator has an exclusive period of two hundred fifty-five (255) days
14 from the commencement of the Define Stage to submit an Execution AFE,
15 which conforms with the Development Plan approved during the Selection
16 Stage to all Parties for approval by Election. The Execution AFE shall not
17 include any Cost estimates or AFEs for Development Wells. If the
18 Operator does not submit the Execution AFE during its exclusive period,
19 any Party may submit an Execution AFE, which conforms with the
20 approved Development Plan, and an AFE for the actual Costs it has
21 incurred to generate the Execution AFE. If a Project Team was not
22 formed during the Selection Stage or the Define Stage, the proposing
23 Party may submit as a part of the Execution AFE a proposal for the
24 formation of a Project Team accompanied by a memorandum similar to
25 the one referred to in Article 12.3.1 (*Proposal of a Project Team*).

26 **12.7.2 Approval of an Execution AFE and Commencement of the Execution 27 Stage**

28 By Electing to participate in an Execution AFE, each Participating Party in
29 an approved Execution AFE also Elects to participate in (a) the AFE for
30 the actual Costs incurred by the proposing Party in order to generate the
31 approved Execution AFE, referred to in Article 12.7.1 (*Execution AFE*), if
32 applicable, and (b) the formation of a Project Team during the Execution
33 Stage, if applicable. If the Parties do not form a Project Team during the
34 Selection Stage or the Define Stage and if the Operator's Execution AFE

1 is approved, the Operator shall directly charge the Joint Account the
2 actual Costs it incurred in order to generate and submit the Execution
3 AFE. The Define Stage concludes and the Execution Stage commences
4 upon the approval of the Execution AFE. A Non-Participating Party in the
5 Execution AFE for the initial Development System is subject to Article
6 16.2 (*Acreage Forfeiture Provisions*).

7 **12.7.3 Minor Modifications to Development Plans**

8 In implementing a Development Plan, the Operator shall advise the
9 Participating Parties of its own progress and that of the Project Team, if
10 one exists. As additional information becomes available, the Operator
11 may, prior to the installation of the Development System, make minor
12 modifications to the Development Plan without the approval of the
13 Participating Parties if those minor modifications are both reasonable and
14 prudent. For purposes of this paragraph, a minor modification is

15 (a) a modification, which (i) (A) is proposed prior to the commencement of
16 the Execution Stage and does not cause the estimated Cost of the
17 Define AFE to increase by more than fifteen percent (15%), or (B) is
18 proposed after the commencement of the Execution Stage and does
19 not cause the estimated Cost of the Execution AFE to increase by
20 more than fifteen percent (15%) and (ii) is not a major modification as
21 defined in Article 12.7.4 (*Major Modifications to Development Plans*);
22 or

23 (b) a modification that is necessary for health, safety, or environmental
24 reasons or regulatory requirements and does not cause the estimated
25 Cost of the Execution AFE to increase by more than fifteen percent
26 (15%), even if that modification constitutes a major modification as
27 defined in Article 12.7.4 (*Major Modifications to Development Plans*).

28 The “estimated Cost of the Execution AFE” is the total dollar amount of
29 the Execution AFE and all approved Long Lead Development System
30 AFEs. If the Operator exercises its discretionary right to make a minor
31 modification for health, safety or environmental reasons or regulatory
32 requirements, the Operator shall give each Participating Party in the
33 Development Plan written notice of that fact. A minor modification shall

1 not materially change the risk or timing of the Development Plan and is
2 binding on all the Participating Parties in the Development Plan.

3 **12.7.4 Major Modifications to Development Plans**

4 A major modification shall be deemed to have occurred when:

5 (a) the type of Production System, for example, tension leg well jacket,
6 floating production system, is to be changed; or

7 (b) the number of well slots of the Production System is to be changed
8 by at least twenty-five percent (25%); or

9 (c) the type of Hydrocarbon transmission system is changed (for
10 example, pipeline versus barge); or

11 (d) the overall Cost of the Development System is to be increased or
12 decreased more than fifteen percent (15%); or

13 (e) the initial selection of the location of the Production System is to be
14 changed by more than five thousand feet (5000') laterally in any direction;
15 or

16 (f) the initial daily production processing capacity of the Facilities is to
17 be changed by at least twenty-five percent (25%); or

18 (g) the number of Development Wells is to be increased or decreased
19 by at least twenty percent (20%); or

20 (h) the proposed hydrate or paraffin control system or technique,
21 pressure maintenance system, or enhanced recovery plan is to be
22 changed; or

23 (i) the proposed number of well completions per wellbore, that is, dual
24 versus single, is to be changed; or

25 (j) the timing of the installation of the Production System or the timing
26 of initial Hydrocarbon production from the Production System is to be
27 changed by more than one hundred and fifty (150) days; or

1 (k) in the case of a tieback to an Offsite Host Facility or a pre-existing
2 Development System, the gathering and pipeline system necessary to
3 transport the Hydrocarbons from the wellheads to an Offsite Host Facility
4 or a pre-existing Development System, as provided in the Development
5 Plan, is to be changed; or

6 (l) the Operator proposes not to complete a Development Plan.

7 The “overall Cost of the Development System” is the total dollar amount of the
8 Execution AFE and all approved Long Lead Development System AFEs.

9 **12.7.5 Major Modifications to Development Plans Prior to the Approval of**
10 **the Execution AFE**

11 Whenever a major modification to a Development Plan is proposed
12 during the Define Stage (prior to the approval of the Execution AFE), the
13 Operator shall furnish the Participating Parties in the Development Plan
14 with the proposed modification to the Development Plan (and associated
15 AFEs). That major modification shall require approval by

16 unanimous agreement of the Participating Parties in the Development
17 Plan. If that major modification is approved, the Operator shall
18 immediately provide the modified Development Plan (and associated
19 AFEs) to each Non-Participating Party in the Development Plan. That
20 Non-Participating Party has the right for a period of thirty (30) days, after
21 receipt of the modified Development Plan (and associated AFEs), in
22 which to notify the Operator in writing that it will participate in the
23 modified Development Plan (and associated AFEs). If that Non-
24 Participating Party participates in the modified Development Plan, it shall
25 be an Underinvested Party in an amount equal to its Non-Participating
26 Interest Share of the actual Costs incurred on activities associated with
27 the original Development Plan (and associated AFEs).

28 **12.7.6 Major Modifications to Development Plans After the Approval of the**
29 **Execution AFE**

30 Whenever a major modification to a Development Plan is proposed
31 during the Execution Stage (after the approval of an Execution AFE) and
32 prior to the installation of the Development System, the Operator shall
33 furnish the Participating Parties in the Execution AFE with the proposed

1 modification to the Development Plan (and associated AFEs). That
2 major modification shall require unanimous agreement

3 of the Participating Parties in the Execution AFE. If that major
4 modification is as provided in Article 12.7.4(a), (c), (d), (f), (g), (j), (k), or
5 (m)

6 and is approved, the Operator shall immediately provide the modified
7 Development Plan (and associated AFEs) to each Non-Participating
8 Party in the Execution AFE. For the time provided in Article 8.6
9 (*Response Time for Notices*) after receipt of the modified Development
10 Plan (and associated AFEs), the Non-Participating Party may notify the
11 Operator in writing that it will participate in the modified Development
12 Plan (and associated AFEs). If that Non-Participating Party participates
13 in the modified Development Plan, it shall be an Underinvested Party in
14 an amount equal to its Non-Participating Interest Share of the actual
15 Costs incurred on activities associated with (a) the Execution AFE and
16 (b) the original Development Plan (and associated AFEs) if it did not
17 participate in that Development Plan. Within thirty (30) days of the
18 elimination of the Underinvestment, the Participating Parties in the
19 Execution AFE for the initial Development Phase shall deliver to that
20 Non-Participating Party an assignment of one hundred percent (100%)
21 of its former Working Interest in the Contract Area, the wells therein and
22 production therefrom. If the Execution AFE was for a subsequent
23 Development Phase, the Non-Participating Party shall not be subject to
24 Article 16.5.5 (*Non-Consent Subsequent Development System and
25 Additional Facilities*) in regard to that AFE.

26 **12.7.7 Approval of Major Modifications**

27 If the major modification of the Development Plan is approved, the
28 Development Plan (and associated AFEs) shall be deemed modified, and
29 the Operator shall carry out the modified Development Plan. If a major
30 modification is not approved, the Operator shall continue to implement the
31 Development Plan as it was before the proposed major modification.

1 **12.7.8 Termination of a Development Plan**

2 A Development Plan terminates if (a) the Execution AFE for that
3 Development Plan is not approved by Election, (b) the Participating
4 Parties in the Define Stage or in the Execution AFE unanimously agree to
5 terminate the Development Plan, or (c) the fabrication or acquisition of the
6 Development System is not commenced within the time frame provided in
7 Article 12.7.9 (*Timely Operations for Development Systems*).

8 **12.7.8.1 Termination Prior to Execution AFE Approval**

9 The Costs, risks, and liabilities of generating and
10 implementing a Development Plan that is terminated before
11 its associated Execution AFE has been approved by
12 Election shall be borne by the Parties who participated in the
13 Define AFE and its supplemental AFEs, if any.

14 **12.7.8.2 Termination After Execution AFE Approval**

15 The Costs, risks, and liabilities of generating and
16 implementing a Development Plan that is terminated after its
17 associated Execution AFE has been approved by Election
18 shall be borne by the Participating Parties in the Execution
19 AFE and its supplemental AFEs, if any.

20 **12.7.9 Timely Operations for Development Systems**

21 The Operator shall commence or cause to be commenced the fabrication
22 or acquisition of a Development System (a) within one hundred and eighty
23 (180) days after the end of the period for Elections of the Execution AFE
24 or (b) ninety (90) days prior to the date the Operator is required to
25 commence that fabrication or acquisition under an SOP or Unit Plan,
26 whichever is earlier. If the Operator, except for an occurrence of Force
27 Majeure fails to commence the fabrication or acquisition of a Development
28 System within the applicable time period set forth above in this Article
29 12.7.9, the Non-Operating Parties may then select a successor Operator
30 under Article 4.5 (*Selection of Successor Operator*). Within ninety (90)
31 days of the selection of the successor Operator, the successor Operator
32 shall commence the fabrication or acquisition of a Development System in
33 the approved Development Plan. The fabrication or acquisition of a
34 Development System commences on the date the first major fabrication

1 contract for the Development System is awarded or the date the purchase
2 contract for a Development System is executed.

3 **12.8 Post-Production Project Team AFEs**

4 The Execution Stage concludes upon the first production of Hydrocarbons from
5 the Development System. At least sixty (60) days, but not more than one
6 hundred and twenty (120) days, prior to the first production of Hydrocarbons from
7 the Development System, the Operator may propose for approval by Vote the
8 continuance of the Project Team, if one exists, on a much smaller scale, or the
9 formation of the Project Team, if one does not exist, in order to assist the
10 Operator in the drilling of additional Development Wells approved by the Parties,
11 de-bottlenecking the Development System, ramping up Hydrocarbon production,
12 maximizing the recovery of Hydrocarbons during the Development Phase and
13 activities related thereto. With its proposal, the Operator shall include an initial
14 Post-Production Project Team AFE accompanied by a memorandum similar to
15 the one described in Article 12.3.1 (*Proposal of Project Team*).

16 At least forty-five (45) days, but not more than ninety (90) days, prior to the date
17 on which the Operator anticipates the scope of work set forth in its original
18 proposal for the continuance or formation of the Project Team and its associated
19 AFE and memorandum to be completed, the Operator may propose for approval
20 by Vote of the Parties the further continuance of the Project Team to assist the
21 Operator in reservoir management and production optimizing activities other than
22 contemplated under Article 12.11 (*Enhanced Recovery and/or Pressure
23 Maintenance Program Proposals*). With that proposal, the Operator shall include
24 a second Post-Production Project Team AFE accompanied by a memorandum
25 similar to the one described in Article 12.3.1 (*Proposal of Project Team*). The
26 administration of the Project Team during the period that it carries out the scope
27 of work referred to in this Article 12.8 shall be handled under Exhibit "G." The
28 Costs of the Project Team will be handled as they are under Article 12.3.1
29 (*Proposal of Project Team*). A Non-Participating Party in either or both of the two
30 Post-Production Project Team AFEs is subject to Article 16.5.3 (*Non-Consent
31 Proprietary Geophysical Operations, Feasibility AFEs, Selection AFEs, Define
32 AFEs, Long Lead Development System AFEs, Post-Production Project Team
33 AFEs, or Enhanced Recovery Project Team AFEs*).

1
2 **12.9 Subsequent Development Phases**

3 At any time after the installation of the initial Development System for the initial
4 Development Phase, any Participating Party may propose a subsequent
5 Development Phase and the installation of a subsequent Development System.
6 That proposal shall require approval by Vote except as provided in Article 16.4
7 (*Non-Consent Operations to Maintain Contract Area*).

8 **12.9.1 Proposal of a Subsequent Development Phase**

9 If a subsequent Development Phase is approved, the procedures specified in this
10 Article 12 (*Development Phases*) shall apply to the proposal of the subsequent
11 Development Phase.

12 **12.9.2 Execution AFE in a Subsequent Development Phase**

13 Each Non-Participating Party in an Execution AFE for a subsequent Development
14 Phase is subject to the non-consent provisions in Article 16.5.5 (*Non-Consent*
15 *Subsequent Development System and Additional Facilities*), not Article 16.2
16 (*Acreage Forfeiture Provisions*). Although a Non-Participating Party in an
17 Execution AFE for a subsequent Development Phase will retain its Working
18 Interest in the Contract Area, that Party will only be entitled to Hydrocarbon
19 production from the subsequent Development Phase, in which it did not
20 participate, after it has satisfied the non-consent provisions in Article 16.5.5 (*Non-*
21 *Consent Subsequent Development System and Additional Facilities*). A Non-
22 Participating Party in a subsequent Development Phase shall not unreasonably
23 interfere with any activities or operations in that subsequent Development Phase.
24 In all events, the Participating Parties in the Execution AFE for a subsequent
25 Development Phase shall control the sequence of, and shall conduct, all activities
26 and operations in that subsequent Development Phase.

27 **12.10 Access to Existing Facilities**

28 A Participating Party in a subsequent Development Phase may propose to
29 access the Facilities installed for a previous Development Phase in accordance
30 with Article 14 (*Facilities and Gathering Systems*). The proposal shall require
31 approval by Vote of the Participating Parties in the previous Development Phase
32 and shall include the basic terms under which the access is to be granted. If the
33 proposal is approved, it shall be incorporated into a formal "Facilities Use and
34 Production Handling Agreement" and shall bind all Parties.

1 **12.11 Enhanced Recovery and/or Pressure Maintenance Program Proposals**

2 Any Party may propose the formation of a Project Team separate and apart from
3 any Project Team already in existence for the purpose of assisting the Operator
4 in designing an enhanced recovery and/or pressure maintenance program for a
5 particular Development Phase by submitting to the Parties for approval by
6 Election an Enhanced Recovery Project Team AFE accompanied by a
7 memorandum similar to the one described in Article 12.3.1 (*Proposal of Project*
8 *Team*). Any Non-Participating Party in that Enhanced Recovery Project Team
9 AFE is subject to Article 16.5.3 (*Non-Consent Proprietary Geophysical*
10 *Operations, Feasibility AFEs, Selection AFEs, Define AFEs, Long Lead*
11 *Development System AFEs, Post-Production Project Team AFEs, or Enhanced*
12 *Recovery Project Team AFEs*). The formation and administration of a Project
13 Team for an enhanced recovery and/or pressure maintenance program will be
14 handled under Exhibit "G." The Costs of the Project Team will be handled as
15 they are under Article 12.3.1 (*Proposal of Project Team*). After the Operator has
16 designed the enhanced recovery and/or pressure maintenance program with the
17 assistance of that Project Team, the Operator may submit an enhanced recovery
18 and/or pressure maintenance program proposal and AFE to the Parties for
19 approval by Vote. The program proposal and AFE shall contain sufficient detail
20 to allow the Parties to adequately evaluate the scope, timing, Costs, and benefits
21 of the proposed program and AFE. If approved, that proposal and AFE will be
22 binding on all of the Participating Parties in the Execution AFE for that
23 Development Phase, and the Operator shall commence the program at the Cost
24 and risk of those Parties.

25 **ARTICLE 13 – DEVELOPMENT OPERATIONS**

26 **13.1 Proposal of Development Wells and Development Operations**

27 It is the intent of the Parties to proceed with the development of the Contract
28 Area under an approved Development Plan. Development Wells shall be subject
29 to separate AFEs unless a Development Plan calls for a number of Development
30 Wells to be drilled together in order to set conductor casing or to be pre-drilled
31 together prior to the installation of the Development System, in which case those
32 wells may be included in a single AFE.

1 Once a Development Well has been completed and placed on production, the
2 Participating Parties in that well must unanimously agree to allow any Party to
3 conduct a Non-Consent Operation in that well, unless that well becomes
4 incapable of producing in paying quantities. A proposal to conduct Development
5 Operations in a Producing Reservoir requires the unanimous agreement of the
6 Parties, unless the proposing Party designates the Producing Reservoir as an
7 Objective Depth or completion zone in the proposal.

8 **13.1.1 Proposal of Development Wells Included in a Development Plan**

9 Subject to Article 13.1 (*Proposal of Development Wells and*
10 *Development Operations*), any Participating Party in a Development
11 Plan and Execution AFE may propose drilling a Development Well that
12 was included in the Development Plan by giving notice of the proposal
13 (along with the associated AFE and Well Plan) to the other Parties.
14 Each proposed Development Well that was included in the
15 Development Plan requires approval by Election.

16 Each Non-Participating Party in a Development Well will be subject to
17 either acreage forfeiture or Hydrocarbon Recoupment as provided in
18 Article 16 (*Non-Consent Operations*).

19 **13.1.1.1 Revision of Well Plan**

20 Unless otherwise provided for in the Development Well
21 proposal and AFE, any revisions of the Well Plan or AFE for a
22 Development Well shall take place under the same terms and
23 conditions as those set forth for an Exploratory Well in Article
24 10.1.1 (*Revision of Well Plan*).

25 **13.1.1.2 Automatic Revision of the Well Plan**

26 The Well Plan for a Development Well shall automatically be
27 revised under the same terms and conditions as those set
28 forth for an Exploratory Well in Article 10.1.2 (*Automatic*
29 *Revision of the Well Plan*).

30 **13.1.2 Proposal of Development Operations Not Included in a**
31 **Development Plan**

32 Subject to Article 13.1 (*Proposal of Development Wells and*
33 *Development Operations*), any Participating Party in an Execution AFE

1 may propose drilling a Development Well that was not included in the
2 Development Plan associated with that Execution AFE by giving notice
3 of the proposal (along with the associated AFE and Well Plan) to the
4 other Parties. The proposal shall specify that the well was not included
5 in the Development Plan. Each proposed Development Well that was
6 not included in the Development Plan requires approval by Vote.

7 Each Non-Participating Party in a Development Well will be subject to
8 either acreage forfeiture or Hydrocarbon Recoupment, as provided in
9 Article 16 (*Non-Consent Operations*).

10 **13.1.3 Timely Operations**

11 Except as provided below, drilling operations on a Development Well
12 shall be commenced within one hundred and eighty (180) days after
13 the end of the period for the approval of the Development Well. If the
14 Operator, except for an occurrence of Force Majeure, does not
15 commence drilling operations on the Development Well within that one
16 hundred and eighty (180) day period, the approved Development Well
17 proposal shall be deemed withdrawn, with the effect as if the
18 Development Well had never been proposed and approved.

19 **13.1.4 AFE Overruns and Substitute Well**

20 Once a Development Well is commenced, the Operator shall drill the
21 well with due diligence to its Objective Depth, subject to:

- 22 (a) all supplemental AFEs required under Article 6.2.2 (*Supplemental*
23 *AFE*s),
- 24 (b) the Operator encountering mechanical difficulties, uncontrolled
25 influx of subsurface water, loss of well control, abnormal well or
26 formation pressures, pressured or heaving shale, granite or other
27 practicably impenetrable substances or other similar conditions in
28 the well bore or damage to the well bore that render, in the
29 Operator's sole opinion, further well operations impractical, and
- 30 (c) the unanimous agreement of the Participating Parties to cease
31 drilling a Development Well before reaching Objective Depth.

1 If a Development Well is abandoned due to the conditions described
2 under Article 13.1.4(b), then any Participating Party in the abandoned
3 Development Well may, within ten (10) days after abandonment of that
4 Development Well, propose the drilling of a substitute well for the
5 abandoned Development Well by giving notice of the proposal (along
6 with the associated AFE and Well Plan) to all other Participating Parties
7 in the abandoned Development Well, and that proposal requires
8 approval by Election of the Participating Parties in the abandoned
9 Development Well. The Well Plan for the substitute Development Well
10 shall be substantially the same as the abandoned Development Well's
11 Well Plan and shall also take into account those conditions that
12 rendered further drilling of the abandoned Development Well
13 impractical.

14 Each Non-Participating Party in a substitute Development Well or an
15 approved supplemental AFE for a Development Well will be subject to
16 either an acreage forfeiture or Hydrocarbon Recoupment, as provided
17 in Article 16 (*Non-Consent Operations*).

18 **13.2 Development Operations at Objective Depth**

19 After a Development Well has been drilled to its Objective Depth, all operations
20 in the controlling AFE have been conducted or terminated (except temporary
21 abandonment and permanent plugging and abandonment), and all logs and test
22 results have been distributed to the Participating Parties, the Operator shall
23 promptly notify the Parties entitled to make an Election on an operation proposed
24 under this Article 13.2, of its proposal to conduct subsequent operations in the
25 well. Except for a proposal to permanently plug and abandon the well, the
26 Operator's proposal shall include an associated AFE and a plan for the
27 operation. The Parties entitled to make an Election under this Article 13.2 are:

- 28 (a) the Participating Parties, and
- 29 (b) the Non-Participating Parties in the original well proposal, if (1) the
30 subsequent Development Operation proposal is made at the well's
31 Objective Depth and is for a Sidetrack or Deepening and (2) Article 16.4
32 (*Non-Consent Operations to Maintain Contract Area*) was not applicable to
33 the drilling of that Development Well.

1 The Operator's proposal shall be for one of the following operations:

- 2 (a) conduct Additional Testing, Logging, or Sidewall Coring of the formations
3 encountered prior to setting production casing;
- 4 (b) complete the well at the Objective Depth in the objective zone or formation;
- 5 (c) Sidetrack the well;
- 6 (d) plug back the well and attempt a completion in a shallower zone or
7 formation;
- 8 (e) Deepen the well to a new Objective Depth;
- 9 (f) conduct other operations on the well not listed;
- 10 (g) temporarily abandon the well; or
- 11 (h) permanently plug and abandon the well.

12 If the Operator fails to submit its proposal to the Participating Parties within
13 twenty (24) hours (inclusive of Saturdays, Sundays, and federal holidays) after
14 receipt of all logs and test results from a Development Well, then any
15 Participating Party may make a proposal. In that event, the procedures in this
16 Article 13.2 (*Development Operations at Objective Depth*) shall apply to that
17 proposal, and any reference in this Article 13.2 to the "Operator's proposal" shall
18 include a proposal made by a Participating Party.

19 **13.2.1 Response to Operator's Proposal**

20 A Participating Party may, within twenty-four (24) hours (inclusive of
21 Saturdays, Sundays, and federal holidays) of its receipt of the
22 Operator's proposal, make a separate proposal (along with an
23 associated AFE and a plan for the operation), except if the proposal is
24 to permanently plug and abandon the well) for one of the operations in
25 Article 13.2 (*Development Operations at Objective Depth*), and the
26 Operator, immediately after the expiration of the twenty-four (24) hour
27 period for making a separate proposal shall provide the Parties entitled
28 to make an Election with a copy of all separate proposals so made. If
29 no separate proposal is made, the Parties entitled to make an Election
30 shall, within forty-eight (48) hours (inclusive of Saturdays, Sundays,

1 and federal holidays) of its receipt of the Operator's proposal, make an
2 Election on the Operator's proposal (except for a proposal to
3 permanently plug and abandon). If a separate proposal is made, the
4 Parties entitled to make an Election shall make an Election under the
5 procedure in Article 13.2.2 (*Response to Highest Priority Proposal*). If
6 a proposal to permanently plug and abandon the well is the only
7 operation proposed, then the approval and Cost allocation provisions of
8 Article 13.5 (*Permanent Plugging and Abandonment and Cost*
9 *Allocation*) shall apply to the proposal. If Article 8.3 (*Second*
10 *Opportunity to Participate*) or Article 8.4 (*Participation by Fewer Than*
11 *All Parties*), or both, apply to an Election, then the response period in
12 those articles shall be twenty-four (24) hours (inclusive of Saturdays,
13 Sundays, and federal holidays) instead of forty-eight (48) hours
14 (exclusive of Saturdays, Sundays, and federal holidays).
15 Notwithstanding any contrary provision of this Agreement, if one or
16 more operations are proposed before the distribution of information
17 from the previous approved operation, then the response periods
18 provided above shall not begin until the Parties entitled to make an
19 Election in Article 13.2 (*Development Operations at Objective Depth*)
20 have received the information from the previous approved operation.

21 **13.2.2 Response to Highest Priority Proposal**

22 If a separate proposal is made, each Party entitled to make an Election
23 shall, within twenty-four (24) hours (inclusive of Saturdays, Sundays,
24 and federal holidays) after its receipt from the Operator of a complete
25 copy of all separate proposals, make its Election on the highest priority
26 proposal (except a proposal to permanently plug and abandon the
27 well). Article 13.2(a) has the highest priority, and Article 13.2(h) has
28 the lowest priority. If different depths or locations are proposed for the
29 same type of operation, preference shall be given to the shallowest
30 depth, or the location nearest from the existing well bore, as applicable.
31 If the proposal with the highest priority is approved, then the lower
32 priority proposals shall be deemed withdrawn. Once the approved
33 operation is completed, the Parties shall follow the procedure provided
34 in this Article 13.2 (*Development Operations at Objective Depth*) for all
35 other proposals for operations in the well bore until such time as the
36 well is temporarily abandoned or permanently abandoned.

1 **13.2.3 Response on Next Highest Priority Proposal**

2 If the proposal with the highest priority is not approved, then the next
3 highest priority proposal shall be deemed the highest priority proposal,
4 and it shall be subject to the approval procedure in Article 13.2.2
5 (*Response to Highest Priority Proposal*). This process will continue
6 until a proposal is approved to complete the Development Well,
7 temporarily plug and abandon the Development Well, or permanently
8 plug and abandon a Development Well.

9 **13.2.4 Non-Participating Parties in Development Operations at Objective**
10 **Depth**

11 A Non-Participating Party in a Development Operation conducted on a
12 Development Well after it has reached its Objective Depth [except as
13 provided for in this Article 13.2 (*Development Operations at Objective*
14 *Depth*)] is subject to Article 16.5.4 (*Non-Consent Development*
15 *Operations*) and is relieved of the Costs and risks of that Development
16 Operation, except that a Non-Participating Party in that Development
17 Operation remains responsible for its Participating Interest Share of the
18 Costs of plugging and abandoning a Development Well, less and
19 except all Costs of plugging and abandoning associated solely with the
20 subsequent Development Operation in which it was a Non-
21 Participating Party.

22 **13.2.5 Participation in a Sidetrack or Deepening by a Non-Participating**
23 **Party in a Development Well at Initial Objective Depth**

24 If a Development Well is drilled to its Objective Depth and a Non-
25 Participating Party in that Development Well becomes a Participating
26 Party in an approved Sidetracking or Deepening under Article 13.2 (c)
27 or (e), that former Non-Participating Party shall become an
28 Underinvested Party in an amount equal to its Non-Participating
29 Interest Share of the Costs of that Development Well to its Objective
30 Depth prior to that Sidetracking or Deepening. The original
31 Participating Parties in a Development Well are Overinvested Parties in
32 that amount. A former Non-Participating Party in a Development Well
33 that becomes a Participating Party in an approved Sidetracking or
34 Deepening remains a Non-Participating Party in that Development Well
35 to initial Objective Depth until (a) its Underinvestment is eliminated

1 under Article 16.9 (*Settlement of Underinvestments*) and (b) the
2 Hydrocarbon Recoupment recoverable under Article 16.5.4 (*Non-*
3 *Consent Development Operations*) less the Underinvestment, has been
4 recovered by the original Participating Parties. If a former Non-
5 Participating Party becomes a Participating Party in more than one
6 approved Sidetracking or Deepening in the same Development Well,
7 that former Non-Participating Party shall become an Underinvested
8 Party only with regard to the first Sidetracking or Deepening it
9 approves; however, that Underinvestment shall not be relieved by an
10 Underinvested Party's subsequent participation.

11 **13.3 Development Well Proposals That Include Drilling Below the Deepest**
12 **Producible Reservoir**

13 Any Party may propose a Development Well with an Objective Depth below the
14 Deepest Producible Reservoir, and in response to that well proposal each Party
15 may, in writing, limit its participation in the drilling of that Development Well to the
16 base of the Deepest Producible Reservoir to be penetrated by that Development
17 Well. A Party who limits its participation in a Development Well to the base of
18 the Deepest Producible Reservoir shall bear its Participating Interest Share of
19 the Cost and risk of drilling that Development Well to the base of the Deepest
20 Producible Reservoir (including abandonment), and it shall be a Non-
21 Participating Party for the Deeper Drilling and shall be subject to Article 16.5.4
22 (*Non-Consent Development Operations*) in regard to the Deeper Drilling.

23 **13.3.1 Multiple Completion Alternatives Above and Below the Deepest**
24 **Producible Reservoir**

25 If a Party Electing to limit its participation in a well to the base of the
26 Deepest Producible Reservoir to be penetrated by the well under
27 Article 11.3 (*Appraisal Well Proposals That Include Drilling Below the*
28 *Deepest Producible Reservoir*) or Article 13.3 (*Development Well*
29 *Proposals That Include Drilling Below the Deepest Producible*
30 *Reservoir*) considers the well to be capable of producing at or above
31 the Deepest Producible Reservoir and has notified the Participating
32 Parties down to Objective Depth of its desire to complete the well at or
33 above the Deepest Producible Reservoir, the well will be drilled subject
34 to the following provisions:

1 (a) **Multiple Completion:** If before drilling of the well commences, all
2 Participating Parties in the well agree that multiple well
3 completions are possible and practicable and that those
4 completions will involve (i) a completion at or above the Deepest
5 Producing Reservoir and (ii) a completion below the Deepest
6 Producing Reservoir, the Participating Parties in the Deeper
7 Drilling will bear one hundred percent (100%) of the Costs of
8 drilling the well to an Objective Depth below the Deepest
9 Producing Reservoir, that are in excess of the original Costs to
10 drill and complete the well in the Deepest Producing Reservoir.

11 (b) **Single Completions:** If prior to the commencement of the drilling
12 of the well, the Participating Parties do not unanimously agree
13 that multiple well completions are possible, then the first
14 completion shall be at the objective deeper than the Deepest
15 Producing Reservoir. A Non-Participating Party in the Deeper
16 Drilling is an Overinvested Party in the well in an amount equal to
17 its Participating Interest Share of the Costs of drilling the well to
18 the Deepest Producing Reservoir, and the Participating Parties in
19 the Deeper Drilling on the well are Underinvested Parties for that
20 amount upon the first of the following events to occur:

21 (i) the well is not a Producing Well at a depth deeper than the
22 Deepest Producing Reservoir and the well is plugged back
23 to a zone at or above the Deepest Producing Reservoir;

24 (ii) the well is completed as a Producing Well at a depth
25 deeper than Deepest Producing Reservoir, but
26 Hydrocarbon production from that depth is later depleted
27 prior to Complete Recoupment (in regard to Deeper
28 Drilling) and the well is plugged back to a zone at or above
29 the Deepest Producing Reservoir;

30 (iii) the well is completed as a Producing Well at a depth
31 deeper than the Deepest Producing Reservoir and the
32 Participating Parties have achieved Complete Recoupment
33 (in regard to the Deeper Drilling) from Hydrocarbon

1 production from a zone deeper than the Deepest
2 Producible Reservoir,

3 (iv) the well is plugged and abandoned prior to an attempted
4 completion at or above the Deepest Producible Reservoir.

5 The Underinvestment will be depreciated at the rate of one-half percent
6 (1/2%) per month from the date the Deeper Drilling commences to the
7 date the Non-Participating Party is entitled to share in the Hydrocarbon
8 production from zones deeper than Deepest Producible Reservoir, but
9 that depreciation will not reduce the Underinvestment below seventy-
10 five percent (75%) of the original Underinvestment.

11 **13.3.2 Completion Attempts At or Above the Deepest Producible** 12 **Reservoir**

13 If a Development Well in which Deeper Drilling is conducted is not
14 completed for production below the Deepest Producible Reservoir, then
15 the Participating Parties in that well down to the Deepest Producible
16 Reservoir may use the well for completion in a zone at or above the
17 Deepest Producible Reservoir. The Parties who paid their
18 proportionate share of the drilling Costs to the base of the Deepest
19 Producible Reservoir under Article 13.3 (*Development Well Proposals*
20 *That Include Drilling Below the Deepest Producible Reservoir*) may
21 participate in the completion attempt in the zone at or above the
22 Deepest Producible Reservoir. The Participating Parties in the Deeper
23 Drilling operation shall bear the Costs (including plugging back Costs)
24 necessary to place the well in proper condition for its completion in the
25 zone at or above the Deepest Producible Reservoir. If a well drilled
26 below the Deepest Producible Reservoir is damaged to the extent that
27 it is rendered incapable of being completed and produced at or above
28 the Deepest Producible Reservoir, the Participating Parties in the
29 Deeper Drilling are obligated to reimburse the Non-Participating Parties
30 in the Deeper Drilling for their Participating Interest Share of the Costs
31 of drilling the well to the base of the Deepest Producible Reservoir.

32 **13.4 Recompletions and Workovers**

33 Any of the Participating Parties in the subsequent Development Operation,
34 Recompletion, or Workover that resulted in the most recent Hydrocarbon

1 production from a Development Well may propose a Recompletion in or
2 Workover of that Development Well. Each Recompletion or Workover, including
3 the permanent plugging and abandonment of a Producing Reservoir, requires
4 approval by Vote of those Participating Parties. A Non-Participating Party in a
5 Recompletion or Workover is subject to Article 16.5.4 (*Non-Consent*
6 *Development Operations*) and is relieved of the Costs and risks of the
7 Recompletion or Workover but remains responsible for its Participating Interest
8 Share of the Costs of plugging and abandoning the Development Well, less and
9 except any Costs of plugging and abandoning associated solely with a
10 Recompletion or Workover in which it is a Non-Participating Party.

11 **13.5 Permanent Plugging and Abandonment and Cost Allocation**

12 The permanent plugging and abandonment of a Development Well that:

- 13 (a) is to be plugged due to mechanical difficulties or impenetrable conditions
14 before the well has been drilled to its Objective Depth under Article 13.1.4
15 (b),
- 16 (b) is to be plugged under Article 13.2 (*Development Operations at Objective*
17 *Depth*), or
- 18 (c) has been previously temporarily abandoned under Article 13.2
19 (*Development Operations at Objective Depth*)

20 and has not produced Hydrocarbons (other than as a result of Production
21 Testing), requires the approval of the Participating Parties by Vote. Approval to
22 plug and abandon a Development Well that has produced Hydrocarbons (other
23 than as a result of Production Testing) shall be governed by Article 18.1
24 (*Abandonment of Wells*). If a proposal to plug and abandon a Development Well
25 receives approval by Vote, the approved proposal binds all Parties. If any
26 Participating Party fails to respond within the applicable response period for a
27 proposal to plug and abandon a Development Well, that Participating Party shall
28 be deemed to have approved the plugging and abandonment of that
29 Development Well. If a rig is on location and a proposal to plug and abandon a
30 Development Well under either Article 13.5(a) or 13.5(b) does not receive
31 approval by Vote, and if within twenty-four (24) hours (inclusive of Saturdays,
32 Sundays, and federal holidays) after receipt of that proposal no other operation
33 is proposed (and subsequently approved) for the well by a Party entitled to make

1 a proposal, the Operator may nevertheless proceed to plug and abandon the
2 Development Well, and shall give each Participating Party notice of that fact. If
3 the proposal to plug and abandon a Development Well that has not produced
4 Hydrocarbons (other than as a result of Production Testing) does not receive
5 approval by Vote, but the Operator deems the well bore not to be safe or in
6 sound enough condition for it to perform further operations, the Operator may
7 nevertheless proceed to plug and abandon that Development Well and shall give
8 each Participating Party notice of that fact.

9 The Participating Parties in a Development Well proposal shall pay all Costs of
10 plugging and abandoning that Development Well, except all increased plugging
11 and abandoning Costs associated solely with a Non-Consent Operation
12 approved under Article 13.2 (*Development Operations at Objective Depth*) or
13 Article 6.2.2 (*Supplemental AFEs*). The Participating Parties in that Non-
14 Consent Operation are responsible for the increased plugging and abandoning
15 Costs attributable to that Non-Consent Operation.

16 **ARTICLE 14 – FACILITIES AND GATHERING** 17 **SYSTEMS**

18 **14.1 Facilities as a Part of Development Plan**

19 The Development Plan shall provide for the installation of all Facilities necessary
20 to handle or service Hydrocarbons produced pursuant to that Development Plan.
21 If the approved Development Plan provides that Hydrocarbon production can
22 most efficiently be processed and handled by Offsite Host Facilities, the
23 Development Plan shall provide for a Development System designed to use
24 Offsite Host Facilities.

25 **14.2 Use of Offsite Host Facilities**

26 In the event the approved Development Plan provides that Hydrocarbon
27 production can most efficiently be processed and handled by Offsite Host
28 Facilities, the Participating Parties shall use reasonable efforts to secure a formal
29 "Facilities Use and Production Handling Agreement" from the owners of the
30 Offsite Host Facilities under the terms submitted to the Parties by the Operator
31 under Article 12.4.1(f) (*Tieback Operations*), but no Participating Party shall have
32 a duty (fiduciary or otherwise) to secure capacity in the Offsite Host Facilities on

1 behalf of any other Participating Party. However, any capacity secured by that
2 "Facilities Use and Production Handling Agreement" to Offsite Host Facilities
3 shall be shared proportionately by the Participating Parties, who executed the
4 "Facilities Use and Production Handling Agreement", on the basis of their
5 Participating Interest Share in the Development System, unless those Parties
6 agree to a different proportionate share of the capacity. This Agreement shall
7 govern all operations and activities regarding Hydrocarbon production, which are
8 not specifically addressed in the "Facilities Use and Production Handling
9 Agreement." This Article 14.2 shall not constitute a limit on a Party's right to
10 install its own facilities under Article 15 (*Disposition of Hydrocarbon Production*).

11 **14.3 Use of Development Systems**

12 The Participating Parties in a Development System have priority access to and
13 utilization of the Facilities associated with the Development System in order to
14 operate and develop the Contract Area under an approved Development Plan.

15 **14.4 Processing Priorities**

16 The Participating Parties in a Development System jointly own all processing and
17 handling capacity associated with that Development System. The use of excess
18 processing or handling capacity in that Development System is subject to the
19 following priority of usage:

- 20 a) First priority to Hydrocarbon production from the Development Phase
21 during which the existing processing Facilities were fabricated and
22 installed;
- 23 b) Second priority to Hydrocarbon production from a Development Phase
24 during which the existing processing Facilities were not fabricated and
25 installed;
- 26 c) Third priority to hydrocarbon production from outside the Contract Area
27 that is owned one hundred percent (100%) by all Participating Parties in
28 the Development System in the same percentage as their ownership in
29 that Development System;
- 30 d) Fourth priority to hydrocarbon production from outside the Contract Area
31 that is owned one hundred percent (100%) by all of the Participating

1 Parties in the Development System but not in the same percentage as
2 their ownership in the Development System;

3 e) Fifth priority to hydrocarbon production from outside the Contract Area
4 that is owned by all Participating Parties in the Development System and
5 a third party;

6 f) Sixth priority to hydrocarbon production from outside the Contract Area
7 that is owned by one or more Participating Parties in the Development
8 System, but not by all of them, and a third party; and

9 g) Seventh priority to hydrocarbon production from outside the Contract Area
10 that is owned one hundred percent (100%) by a third party.

11 Any hydrocarbon production processing and handling capacity offered to parties
12 under d), e), f) and g) of this Article 14.4 shall be processed and handled under a
13 "Facilities Use and Production Handling Agreement" unanimously agreed to by
14 the Participating Parties in the Execution AFE for that Development System and,
15 if applicable, the Participating Parties in any additional Facilities which are to be
16 used for the processing or handling of those hydrocarbons.

17 **14.5 Approval of Additional Facilities**

18 This Article 14.5 shall only apply to Facilities that were not included in an
19 approved Development Plan and are to be utilized for Hydrocarbon production.
20 Any Participating Party in an Execution AFE for a Development System may
21 propose the installation of additional Facilities beyond those specified in the
22 Development Plan associated with that Development System by giving notice to
23 the other Participating Parties (along with an associated AFE), together with
24 information adequate to describe the proposed Facilities. Except as provided in
25 Article 15.2 (*Facilities to Take In Kind*), the installation of additional Facilities
26 beyond the scope of a Development Plan requires the approval by Vote of the
27 Participating Parties in the Execution AFE (and all supplemental AFEs) for the
28 Development System that is to receive the additional Facilities. Upon approval
29 of such a proposal, the Operator shall proceed to install the additional Facilities,
30 provided that, in the judgment of the Operator, the additional Facilities do not
31 interfere with continuing operations on the Contract Area and there is sufficient
32 deck space and buoyancy available to support the proposed additional Facilities.
33 A Non-Participating Party in a proposal for additional Facilities shall be subject to

1 Article 16.5.5 (*Non-Consent Subsequent Production System and Additional*
2 *Facilities*). If the Facilities proposal is for a disposal well, that Facilities proposal
3 shall contain the same information provided in a Development Well proposal.

4 **14.6 Expansion or Modification of Existing Production System**

5 This Article 14.6 shall only apply to expansions or modifications of a Production
6 System that are to be utilized for activities or operations on the Contract Area.
7 After installation of a Production System described and approved in a
8 Development Plan, any Participating Party in that Production System may
9 propose the expansion or modification of that Production System by written
10 notice (along with its associated AFE) to the other Participating Parties in that
11 Production System. That proposal requires the approval by Vote of the
12 Participating Parties in that Production System. If approved, that proposal will be
13 binding on all Participating Parties in that Production System and the Operator
14 shall commence that expansion or modification at the sole Cost and risk of all of
15 the Participating Parties in that Production System unless otherwise agreed.

16 **14.7 Additions, Expansion or Modification of Production System or Facilities** 17 **for Health, Safety or Environmental Reasons**

18 If a proposal for additional Facilities or a proposal for the expansion or
19 modification of a Production System does not receive approval by Vote of the
20 Participating Parties in the Execution AFE (and all supplemental AFEs) for the
21 Development System that is to receive additional Facilities or have its Production
22 System expanded or modified, whichever is applicable, and that proposal is
23 necessary for health, safety, or environmental reasons and has been mandated
24 by governmental authority or judicial process, the Operator may, at its discretion,
25 install those additional Facilities or make those expansions or modifications to
26 the Production System. If the Operator elects to exercise its discretionary right
27 to make those installations, modifications, or expansions, the Operator shall
28 provide written notice of its decision to each Participating Party in the Execution
29 AFE (and all supplemental AFEs) for the Development System that is to receive
30 additional Facilities or have its Production System expanded or modified,
31 whichever applies.

1 **ARTICLE 15 – DISPOSITION OF HYDROCARBON**
2 **PRODUCTION**

3 **15.1 Duty to Take in Kind**

4 Each Party has the right and duty to take in kind or separately dispose of its
5 share of the Hydrocarbons, excluding (i) Hydrocarbons that are unavoidably lost
6 and (ii) Hydrocarbon production that the Operator uses in production or
7 Development Operations or in preparing and treating Hydrocarbons for
8 marketing or transportation in an Export Pipeline.

9 **15.2 Facilities to Take in Kind**

10 Each Participating Party in the Execution AFE for a Development System has
11 the right, at its sole cost and risk, to construct and install facilities on and connect
12 pipelines to the Development System for purposes of taking its share of
13 Hydrocarbon production in kind, provided that, in the judgment of the Operator,
14 the installation and operation of those facilities and pipelines will not
15 unreasonably interfere with continuing operations on the Development System or
16 the Contract Area.

17 **15.3 Failure to Take Oil or Condensate in Kind**

18 If a Party fails to take in kind or dispose of its share of the oil or condensate
19 produced from the Contract Area, the Operator may, but is not obligated to,
20 purchase for its own account, sell to others, or otherwise dispose of all or part of
21 that oil or condensate at the same price at which the Operator calculates and
22 pays lessor's royalty on its oil or condensate, or if lessor takes its royalty in kind,
23 sell that oil or condensate to others at the price prevailing in the area for oil or
24 condensate of the same kind, gravity, and quality reasonably obtainable by the
25 Operator under the circumstances, subject to revocation by the non-taking Party
26 upon thirty (30) days written notice to the Operator but shall not take effect until
27 the Operator's sales contract with a third party terminates. The Operator is not
28 obligated to obtain a price equal to the price at which its oil or condensate is
29 sold. The Operator's right to take in kind or dispose of a non-taking Party's
30 share of the oil or condensate is subject to the non-taking Party's right, at any
31 time and from time to time, to take in kind or dispose of its share of the oil or
32 condensate. All contracts of sale by the Operator for another Party's oil or
33 condensate shall be only for such reasonable periods not to exceed one (1) year.
34 Proceeds of all sales by the Operator under this Article 15.3 shall be paid within

1 fifteen (15) days of Operator's receipt of such proceeds so that the Parties
2 entitled to those proceeds will be able to make timely payments, without penalty,
3 of lessor's royalty on the oil or condensate, which generated the proceeds.

4 Unless required by governmental authority or judicial process, no Party shall be
5 forced to share an available market with a non-taking Party.

6 **15.4 Gas Balancing Provision**

7 If for any reason a Party fails to take or market its full share of gas as produced,
8 the gas balancing and accounting between the Parties shall be handled under
9 Exhibit "D."

10 **15.5 Expenses of Delivery in Kind**

11 All Costs incurred by the Operator in making delivery of a Party's share of
12 Hydrocarbon production or disposing of same shall be borne by that Party.

13 **ARTICLE 16 – NON-CONSENT OPERATIONS**

14 **16.1 Conduct of Non-Consent Operations**

15 Any activity or operation that invokes this Article 16 (*Non-Consent Operations*)
16 must be proposed by a Party in good faith, using Cost estimates and Objective
17 Depths that are reasonable for the Contract Area. Non-Consent Operations
18 shall not unreasonably interfere with activities or operations conducted by all
19 Parties, unless the Non-Consent activity or operation will maintain all or a portion
20 of the Contract Area under Article 16.4 (*Non-Consent Operations to Maintain*
21 *Contract Area*).

22 **16.1.1 Costs**

23 The Costs of a Non-Consent Operation shall be borne by the
24 Participating Parties in accordance with their Participating Interest
25 Share in the Non-Consent Operation (unless otherwise agreed by the
26 Participating Parties). Within ninety (90) days after a Non-Consent
27 Operation has been conducted, the Operator shall furnish all other
28 Parties with either (a) an itemized statement of the Cost of the Non-
29 Consent Operation and an inventory of the pertinent equipment or (b) a
30 detailed statement of monthly billings. The Operator shall furnish to the
31 Parties a monthly statement showing operating, maintenance, and

1 other expenses attributable to the Non-Consent Operation together with
2 a statement of the quantity of Hydrocarbons produced, and the
3 revenues from the sale of Hydrocarbon production for the preceding
4 month from operations subject to Hydrocarbon Recoupment under this
5 Article 16. In accounting for the revenues from Non-Consent
6 Operations, Hydrocarbon production need not be separately metered,
7 but may be determined upon the basis of monthly well tests, or as
8 otherwise permitted in the MMS Surface or Subsurface Commingling
9 Approval. Operating expenses shall be allocated under Article 16.8.3
10 (*Operating and Maintenance Charges*). If a Party takes its share of
11 production in kind under Article 15 (*Disposition of Hydrocarbon*
12 *Production*), that Party shall advise the Operator (in writing on or before
13 the tenth day of the month following the month in which the
14 Hydrocarbon production is sold or used off the premises) of the
15 volumes of Hydrocarbons sold or used off the premises and the prices
16 received for those Hydrocarbons so that the Operator may calculate the
17 balance of any Hydrocarbon Recoupment amounts.

18 The calculation of the balance of Hydrocarbon Recoupment shall be
19 accomplished as follows:

20 The Operator shall prepare the monthly statement of the quantities of
21 oil and gas produced and the amounts of the proceeds from the sale of
22 all Non-Participating Parties' relinquished production based on the
23 proceeds received for the Operator's share of production. When
24 Operator's payout calculation indicates that payout has occurred,
25 Operator shall promptly notify all Parties. The Participating Parties
26 shall then provide the Operator all information pertaining to the
27 cumulative proceeds received from the sale of the Non-Participating
28 Parties' relinquished production. The Operator shall revise the payout
29 date using the actual proceeds from the sale of the Non-Participating
30 Party's relinquished production and administer subsequent adjustments
31 between the Parties.

1 **16.1.2 Multiple Completions**

2 Non-Consent Operations shall not be conducted in a well having
3 multiple completions unless:

- 4 (a) each of the multiple completions are owned by the same Parties
5 in the same proportion;
- 6 (b) none of the previous well completions are capable of producing in
7 paying quantities; or
- 8 (c) the Participating Parties in the well containing the multiple
9 completions unanimously agree to those Non-Consent
10 Operations.

11 For the purposes of this Article 16, each completion is a separate well.

12 **16.2 Acreage Forfeiture Provisions**

13 In view of the significantly greater risks associated with the first Exploratory Well
14 and the Execution AFE for the initial Development System, the Participating
15 Parties in the first Exploratory Well or that Execution AFE are entitled to an
16 assignment of all of the right, title, and interest (including operating rights) in the
17 Contract Area of the Non-Participating Parties in that well or AFE as provided
18 below.

19 **16.2.1 First Exploratory Well**

20 If a Participating Party proceeds with the timely commencement of the
21 drilling of the first Exploratory Well as a Non-Consent Operation and

- 22 (a) the first Exploratory Well is drilled to its Objective Depth;
- 23 (b) the first Exploratory Well is drilled to a depth shallower than its
24 Objective Depth and one hundred percent (100%) or more of the
25 total amount of the AFE for that Exploratory Well is expended; or
- 26 (c) the first Exploratory Well is abandoned under Article 10.1.4 (*AFE*
27 *Overruns and Substitute Well*) prior to reaching its Objective
28 Depth and prior to the Participating Parties expending at least one
29 hundred percent (100%) or more of the AFE for that Exploratory
30 Well, but the Participating Parties timely commence the drilling of

1 a substitute well, and the cumulative Costs of that Exploratory
2 Well and its substitute well equal or exceed one hundred percent
3 (100%) of the total amount of the AFE for the original first
4 Exploratory Well;

5 then within thirty (30) days after notice of the occurrence of an event
6 described in clause (a), (b), or (c), a Non-Participating Party in the first
7 Exploratory Well or its substitute well, as applicable, shall execute and
8 deliver an assignment of all of its right, title, and interest in the Contract
9 Area, free of all Lease Burdens as defined in Article 19.1 (*Burdens on*
10 *Hydrocarbon Production*), effective on the date actual drilling
11 operations for the well are commenced, to the Participating Parties in
12 the first Exploratory Well or its substitute well, as applicable, with no
13 reimbursement by and at no Cost to those Participating Parties. If an
14 assignment is made under this Article 16.2.1, then each Participating
15 Party shall accept its Participating Interest Share, as determined under
16 Article 8.4 (*Participation by Fewer Than All Parties*), of the Non-
17 Participating Party's assigned interest. The Non-Participating Party's
18 Election or Vote not to participate in the first Exploratory Well shall be
19 deemed a withdrawal under Article 17 (*Withdrawal From Agreement*),
20 and the Parties shall be subject to Article 17 (*Withdrawal From*
21 *Agreement*). After the satisfaction of Article 16.2.1(a), (b) or (c), a Non-
22 Consent Operation performed in the first Exploratory Well's well bore or
23 its substitute's well bore, as applicable, shall not be subject to this
24 Article 16.2.1 but shall be subject to the Hydrocarbon Recoupment
25 premium provided in Article 16.5.1.1 (*Non-Consent Exploratory*
26 *Operations at Objective Depth*), except as provided in Article 16.4
27 (*Non-Consent Operations to Maintain Contract Area*).

28 **16.2.2 Execution AFE**

29 Within thirty (30) days of notice of the timely commencement of the
30 activities or operations associated with the Execution AFE for the initial
31 Development System, a Non-Participating Party in that Execution AFE
32 shall execute and deliver an assignment of all of its right, title, and
33 interest in the Contract Area to the Participating Parties in that
34 Execution AFE, free of all Lease Burdens as defined in Article 19.1
35 (*Burdens on Hydrocarbon Production*), effective on the date the

1 construction or acquisition of the initial Development System is
2 commenced, with no reimbursement by and at no Cost to those
3 Participating Parties. If an assignment is made under this Article
4 16.2.2, then each Participating Party shall accept its Participating
5 Interest Share, as determined under Article 8.4 (*Participation by Fewer
6 Than All Parties*), of the Non-Participating Party's assigned interest.
7 The Non-Participating Party's Election not to participate in the
8 Execution AFE for the initial Development System shall be deemed a
9 withdrawal under Article 17 (*Withdrawal From Agreement*), and the
10 Parties shall be subject to Article 17 (*Withdrawal From Agreement*).

11 **16.3 Costs and Liabilities of Prior Operations**

12 Subject to Article 6.2.2 (*Supplemental AFEs*), a Non-Participating Party subject
13 to a non-consent provision remains liable for its share of previously incurred
14 Costs and liabilities for activities and operations in which it was a Participating
15 Party, and there shall be no re-allocation of Costs for activities and operations in
16 which it was a Participating Party, except as provided in Article 13.3.1 (*Multiple
17 Completion Alternatives Above and Below the Deepest Producing Reservoir*).

18 **16.4 Non-Consent Operations to Maintain Contract Area**

19 If a proposal is made for

- 20 (a) an activity or operation required under a governmental agency order,
21 notice, regulation, or Lease to maintain all or part of the Contract Area; or
- 22 (b) an activity or operation
- 23 (i) within the final three hundred and sixty-five (365) days of the primary
24 term of a Lease, and if the Lease is not held by any means and will
25 expire under its own terms, or
- 26 (ii) within one hundred twenty (120) days prior to the deadline for an
27 activity or operation required under an SOO or SOP activity schedule
28 or a unit plan of operation,

29 and the proposal requires approval by Vote or Election or unanimous agreement
30 and that approval or agreement is not obtained within the applicable response
31 period, then, notwithstanding any contrary provision of Article 8 (*Approvals and
32 Notices*), the proposed activity or operation shall be deemed to have been

1 approved, and all Parties that Voted or Elected or agreed by written statement to
2 participate in the proposed activity or operation may proceed with the proposed
3 activity or operation at their sole Cost and risk. However, before those Parties
4 commence that activity or operation, they shall give written notice to the other
5 Parties of their intention to commence that activity or operation. The other
6 Parties shall have a second opportunity to participate in that activity or operation,
7 under Article 8.3 (*Second Opportunity to Participate*).

8 **16.4.1 Acreege Forfeiture in the Entire Contract Area**

9 If it is necessary to conduct an activity or operation referred to in Article
10 16.4 (*Non-Consent Operations to Maintain Contract Area*) in order to
11 maintain the entire Contract Area, then each Non-Participating Party in
12 that activity or operation shall relinquish and permanently assign,
13 effective on the date the operation is commenced, to the Participating
14 Parties one hundred percent (100%) of the Non-Participating Party's
15 Working Interest in the entire Contract Area, including property and
16 equipment acquired under this Agreement, within thirty (30) days of the
17 commencement of that activity or operation. Failure to participate in
18 that activity or operation is deemed a withdrawal, and the Parties will be
19 subject to Article 17 (*Withdrawal From Agreement*).

20 **16.4.2 Acreege Forfeiture in a Portion of a Contract Area**

21 If it is necessary to conduct an activity or operation referred to in Article
22 16.4 (*Non-Consent Operations to Maintain Contract Area*) in order to
23 maintain a portion of the Contract Area, then each Non-Participating
24 Party in that activity or operation shall relinquish and permanently
25 assign, effective on the date the operation is commenced, to the
26 Participating Parties one hundred percent (100%) of the Non-
27 Participating Party's Working Interest in the affected portion of the
28 Contract Area, including property and equipment acquired under this
29 Agreement, within thirty (30) days of the commencement of that activity
30 or operation. That assignment shall be conveyed to the Participating
31 Parties in proportion to their Participating Interest Share in that activity
32 or operation. The Non-Participating Party shall bear all expenses
33 associated with that assignment and shall be subject to Article 17.3.1
34 (*Prior Expenses*), Article 17.3.2 (*Confidentiality*) and Article 17.3.3
35 (*Emergencies and Force Majeure*) with respect to the assigned

1 acreage. If a Development System does not exist at the time of the
2 forfeiture assignment or if the Non-Participating Party, who forfeited its
3 interest under this Article 16.4, was a Non-Participating Party in the
4 Development System which is located in the non-forfeited portion of the
5 Contract Area, upon MMS approval of that assignment, the assigned
6 acreage shall be expunged from Exhibit "A-1," and it shall no longer be
7 included in the Contract Area. If that assignment is to two or more
8 Participating Parties in that activity or operation, then (a) the assigned
9 acreage shall be deemed to be governed by an operating agreement
10 incorporating identical provisions as the provisions in this Agreement,
11 except to the extent they are clearly inappropriate, (b) the execution of
12 the operating agreement by those Participating Parties shall be
13 considered a mere formality only, (c) the Operator of the assigned
14 acreage shall promptly prepare that operating agreement, and (d) the
15 Participating Parties shall promptly execute it. If a Development
16 System is located on the non-forfeited portion of the Contract Area and
17 if the Participating Parties in the operation or activity, which were
18 conducted in order to save the forfeited portion of the Contract Area, are
19 Participating Parties in that Development System, the Parties shall
20 amend this Agreement to provide for a separate operational area for the
21 forfeited portion of the Contract Area and a separate operational area for
22 the non-forfeited portion of the Contract Area, and this Agreement shall
23 apply separately to each operational area; provided however, the
24 Participating Parties in the Development System located on the non-
25 forfeited portion of the Contract Area, who participated in the operation
26 or activity, which was conducted in order to save the forfeited portion of
27 the Contract Area, shall have the same priority of access to that
28 Development System as the Parties in the separate operational area for
29 the non-forfeited portion of the Contract Area.

30 **16.4.3 Limitations on Acreage Forfeiture**

31 Notwithstanding the foregoing, if more than one activity or operation is
32 conducted under Article 16.4 (*Non-Consent Operations to Maintain*
33 *Contract Area*), any one of which would maintain the entire Contract
34 Area or the affected portion of the Contract Area, a Participating Party
35 in any one of those activities or operations shall not be required to
36 make an assignment under Article 16.4 (*Non-Consent Operations to*

1 *Maintain Contract Area*). In addition, no Party is required to relinquish
2 or assign all or any portion of its Working Interest in the Contract Area if
3 a governmental agency order, notice, regulation, Lease provision, SOO
4 or SOP activity schedule, or unit plan of operation requiring the activity
5 or operation is appealed and successfully overturned.

6 **16.5 Percentage Hydrocarbon Recoupment for Non-Consent Operations**

7 Except as provided in Articles 16.2 (*Acreage Forfeiture Provisions*) and 16.4
8 (*Non-Consent Operations to Maintain Contract Area*), upon the timely
9 commencement of a Non-Consent Operation, each Non-Participating Party's
10 Working Interest and leasehold operating rights in the Non-Consent Operation
11 along with its title to that portion of future Hydrocarbon production provided in
12 this Article 16.5, if any, shall be owned by and vested in each Participating Party
13 in accordance with its Participating Party Interest Share in the Non-Consent
14 Operation under Article 8.4 (*Participation by Fewer Than All Parties*). A third-
15 party cash contribution made for Confidential Data from a Non-Consent
16 Operation shall be deducted from the Non-Participating Interest Share of the
17 Costs of the well operation or of drilling and completing the well, as applicable,
18 prior to computation of the Hydrocarbon Recoupment amount.

19 **16.5.1 Non-Consent Exploratory Operations down to Objective Depth in**
20 **the First Exploratory Well**

21 Since the Participating Parties in the first Exploratory Well are entitled
22 to an assignment of all of the right, title, and interest (including
23 operating rights) in the Contract Area of the Non-Participating Parties in
24 that well as provided in Article 16.2.1 (*First Exploratory Well*), there is
25 no Hydrocarbon Recoupment for Non-Consent Exploratory Operations
26 conducted in the first Exploratory Well down to its Objective Depth.

27 **16.5.1.1 Non-Consent Exploratory Operations At Objective Depth**

28 The Hydrocarbon Recoupment amount for all non-consent
29 Exploratory Operations conducted after the first Exploratory
30 Well has reached its Objective Depth, be they non-consent
31 Exploratory Wells other than the first Exploratory Well or
32 operations conducted subsequent to an Exploratory Well,
33 including the first Exploratory Well, reaching its Objective
34 Depth, is the Non-Participating Interest Share of the Costs of

1 that Non-consent Operation multiplied by eight hundred
2 percent (800%).

3 **16.5.2 Non-Consent Appraisal Operations**

4 The Hydrocarbon Recoupment amount for all Appraisal Operations
5 conducted as Non-Consent Operations is the Non-Participating Interest
6 Share of the Costs of the Appraisal Operation multiplied by six hundred
7 percent (600%).

8 **16.5.3 Non-Consent Proprietary Geophysical Operations, Feasibility**
9 **AFEs, Selection AFEs, Define AFEs, Long Lead Development**
10 **System AFEs, Post-Production Project Team AFEs, or Enhanced**
11 **Recovery Project Team AFEs**

12 If a Non-Participating Party in a Proprietary Geophysical Operation,

13 Feasibility AFE, Define AFE, Long Lead Development System AFE,
14 Post-Production Project Team AFE, or Enhanced Recovery Project
15 Team AFE takes, or is deemed to have taken, the steps set forth in
16 Article 16.9 (*Settlement of Underinvestments*), that Party is an
17 Underinvested Party in an amount equal to two hundred percent
18 (200%) of the amount it would have paid had it participated in that
19 activity, operation or AFE until the Underinvestment is eliminated under
20 Article 16.9 (*Settlement of Underinvestments*). If a Non-Participating
21 Party in a Selection AFE takes, or is deemed to have taken, the steps
22 set forth in Article 16.9 (*Settlement of Underinvestments*), that Party is
23 an Underinvested Party in an amount equal to one hundred and ten
24 percent (110%) of the amount that the it would have paid had it
25 participated in that AFE until the Underinvestment is eliminated under
26 Article 16.9 (*Settlement of Underinvestments*).

27 **16.5.4 Non-Consent Development Operations**

28 The Hydrocarbon Recoupment amount for all Development Operations
29 conducted as Non-Consent Operations is the Non-Participating Interest
30 Share of the Costs of the Development Operation multiplied by four
31 hundred percent (400%).

1 **16.5.5 Non-Consent Subsequent Development System and Additional**
2 **Facilities**

3 The Hydrocarbon Recoupment amount for a non-consent Execution
4 AFE for a subsequent Development System or additional Facilities not
5 included in an Execution AFE is the Non-Participating Interest Share of
6 the Cost incurred with respect to that Execution AFE or those additional
7 Facilities not included in an Execution AFE multiplied by three hundred
8 percent (300%).

9 **16.5.6 Additional Hydrocarbon Recoupment**

10 In addition to the percentage Hydrocarbon Recoupment for the various
11 Non-Consent Operations set forth above, the Participating Parties are
12 entitled to recoup:

- 13 (a) one hundred and ten percent (110%) of the Non-Participating
14 Interest Share of the Cost of using an existing Development
15 System that is needed to serve a Production System or Facilities
16 installed as a Non-Consent Operation, in which the Non-
17 Participating Party has a Participating Interest; plus
- 18 (b) one hundred and ten percent (110%) of the Non-Participating
19 Interest Share of the Cost of operating expenses, maintenance
20 Costs, royalties, and severance, gathering, and production taxes
21 and other governmental fees based on production.

22 **16.5.7 Hydrocarbon Recoupment From Production**

23 Hydrocarbon Recoupment for a Non-Consent Operation shall be made
24 from the Hydrocarbon production as follows:

25 **16.5.7.1 Non-Consent Exploratory Operations, Non-Consent**
26 **Appraisal Operations, and Non-Consent Development**
27 **Operations That Discover or Extend a Producing**
28 **Reservoir**

29 For

- 30 (a) an Exploratory Operation,
31 (b) an Appraisal Operation, or

1 (c) a Development Operation,

2 that is conducted as a Non-Consent Operation and discovers
3 a new Producidle Reservoir or extends an existing Producidle
4 Reservoir (as the Producidle Reservoirs existed at the time
5 the Development Operation was proposed), each Non-
6 Participating Party shall satisfy Hydrocarbon Recoupment
7 from

8 (i) one hundred percent (100%) of its Non-Participating
9 Interest Share of all Hydrocarbons produced and saved
10 from the Non-Consent Operation, if the Non-Consent
11 Operation results in Hydrocarbon production, and

12 (ii) fifty percent (50%) of its Participating Interest Share of
13 all Hydrocarbons produced and saved from operations
14 conducted after the Non-Consent Operation that result
15 in Hydrocarbon production from the same Producidle
16 Reservoir discovered or extended by the Non-Consent
17 Operation.

18 **16.5.7.2 Non-Consent Development Operations in an Existing**
19 **Producidle Reservoir**

20 If a Development Operation is conducted as a Non-Consent
21 Operation and does not discover a new Producidle Reservoir
22 and also does not extend an existing Producidle Reservoir (as
23 the Producidle Reservoirs existed at the time the
24 Development Operation was proposed), each Non-
25 Participating Party shall satisfy Hydrocarbon Recoupment
26 from one hundred percent (100%) of its Non-Participating
27 Interest Share of Hydrocarbons produced and saved from the
28 Non-Consent Operation, if the Non-Consent Operation results
29 in Hydrocarbon production.

30 **16.5.7.3 Non-Consent Subsequent Development Systems**

31 If the construction and installation of a subsequent
32 Development System is conducted as a Non-Consent

1 Operation, each Non-Participating Party shall satisfy
2 Hydrocarbon Recoupment from:

3 (a) one hundred percent (100%) of its Non-Participating
4 Interest Share or its Participating Interest Share
5 (whichever applies) of Hydrocarbons produced and
6 saved from all Development Operations that are
7 conducted from that subsequent Development System,
8 and

9 (b) one hundred percent (100%) of its Non-Participating
10 Interest Share or its Participating Interest Share
11 (whichever applies) of Hydrocarbons produced and
12 saved from all wells that benefit from injection or
13 disposal wells drilled and/or operated from that
14 subsequent Development System.

15 **16.6 Restoration of Interests to Non-Participating Party**

16 Except as provided in Articles 16.2 (*Acreage Forfeiture Provisions*) and 16.4
17 (*Non-Consent Operations to Maintain Contract Area*), a Non-Participating Party's
18 Working Interest and leasehold operating rights revert to the Non-Participating
19 Party, effective at 7:00 a.m. of the day after the occurrence of the first of the
20 following events:

21 (a) the well bore of the Non-Consent Operation is not a Producing Well on the
22 date the permanent plugging and abandonment of the well concludes;

23 (b) Hydrocarbon production recouped under Article 16.5.7 (*Hydrocarbon*
24 *Recoupment From Production*) as result of a Non-Consent Operation
25 ceases prior to Complete Recoupment;

26 (c) the Participating Parties Sidetrack or Deepen an Exploratory Well,
27 Appraisal Well or Development Well and that well does not qualify as a
28 Producing Well; or

29 (d) upon Complete Recoupment.

30 However, only upon Complete Recoupment does a former Non-Participating
31 Party become a Participating Party in the Non-Consent Operation.

1 **16.6.1 Dry Hole Reversion**

2 If a Non-Consent Operation, other than a Non-Consent Operation
3 under Articles 16.2 (*Acreage Forfeiture Provisions*) and 16.4 (*Non-*
4 *Consent Operations to Maintain Contract Area*), results in an event
5 provided in Article 16.6(a) or (b) and a Non-Participating Party's
6 Working Interest and leasehold operating rights revert back to the Non-
7 Participating Party, all well equipment in place as a result of that Non-
8 Consent Operation and all Development Systems fabricated and
9 installed as a result of that Non-Consent Operation and rights to future
10 Hydrocarbon production from a Producing Reservoir discovered or
11 extended by that Non-Consent Operation as described in Article 16.5.7
12 (*Hydrocarbon Recoupment From Production*) remain vested in the
13 Participating Parties. Any salvage value in excess of Complete
14 Recoupment will be credited to all Parties according to their Working
15 Interest and without regard to their participation status.

16 **16.6.2 Sidetracking or Deepening a Non-Consent Well**

17 If a Non-Participating Party participates in a Sidetracking or Deepening
18 as provided in Article 10.2.5 (*Participation in Sidetrack or Deepening by*
19 *a Non-Participating Party in an Exploratory Well at Initial Objective*
20 *Depth*), Article 11.2.5 (*Participation in Sidetrack or Deepening by a*
21 *Non-Participating Party in an Appraisal Well at Initial Objective Depth*)
22 or Article 13.2.5 (*Participation in Sidetrack or Deepening by a Non-*
23 *Participating Party in a Development Well at Initial Objective Depth*),
24 and if the Participating Parties have recouped the Cost of the original
25 well down to its Objective Depth at the time the Sidetrack or Deepening
26 is approved by Election, then the Non-Participating Party shall not be
27 an Underinvested Party in the Sidetracking or Deepening of that well,
28 and the Participating Parties in the original well shall achieve Complete
29 Recoupment under Article 16.5.7.1 (*Non-Consent Exploratory*
30 *Operations, Non-Consent Appraisal Operations, and Non-Consent*
31 *Development Operations That Discover or Extend a Producing*
32 *Reservoir*) or Article 16.5.7.2 (*Non-Consent Development Operations in*
33 *an Existing Producing Reservoir*), whichever applies.

1 **16.7 Operations From a Subsequent Non-Consent Development System**

2 A Party who Elected not to participate in a subsequent Development System
3 may participate in Development Operations from that subsequent Development
4 System. If that Non-Participating Party participates in such a Development
5 Operation, then the Non-Participating Party shall make to the Operator a lump
6 sum payment of any remaining Hydrocarbon Recoupment and Underinvestment
7 under Article 16 (*Non-Consent Operations*) for which it is still liable. The
8 Operator shall then distribute to the Participating Parties in the subsequent
9 Development System their Participating Interest Share of the payment. Upon
10 that payment, the Non-Participating Party will become an owner and a
11 Participating Party in the subsequent Development System.

12 **16.8 Allocation of Development System Costs to Non-Consent Operations**

13 In the event a well is drilled from or produced through a Production System or is
14 produced through Facilities whose Participating Parties are different from the
15 Participating Parties in that well or if the Participating Parties' Participating
16 Interest Shares in that Production System or Facilities are different from their
17 Participating Interest Shares in that well, the rights of the Participating Parties in
18 that well and the Costs to use the Production System or Facilities for that well
19 shall be determined as follows:

20 **16.8.1 Investment Charges**

21 (a) The Participating Parties in that well shall pay to the Operator a
22 one-time slot usage fee for the use of a slot on the Production
23 System equal to two percent (2%) of the Cost of the Production
24 System; provided, however, each Non-Participating Party's share
25 of the slot usage fee shall be included in the calculation of any
26 Hydrocarbon Recoupment to which it is subject as a result of the
27 Non-Consent Operation's utilizing that slot. Within fifteen (15)
28 days of its receipt of that fee, the Operator shall distribute to the
29 Participating Parties in the Production System their Participating
30 Interest Share of that payment. For purposes of calculating the
31 slot usage fee, the total Cost of the Production System shall be
32 reduced by .625 percent per month, commencing on the date the
33 Production System was installed and continuing every month
34 thereafter until the month actual drilling operations on that well is
35 commenced; however, the total Cost of the Production System

1 shall not be reduced by more than fifty percent (50%) of the total
2 Production System's costs. The Cost of additions to the
3 Production System shall be reduced in the same manner
4 commencing the first month after the addition is installed.

5 If that well is abandoned, having never produced Hydrocarbons,
6 the right of the Participating Parties in that well to use the
7 Production System slot through which the well was drilled shall
8 terminate unless those Parties commence drilling a substitute well
9 for the abandoned well through the same slot within ninety (90)
10 days of the abandonment. If that substitute well is abandoned,
11 having never produced Hydrocarbons, the right of the
12 Participating Parties in that well to use the Production System slot
13 through which the well was drilled shall terminate.

14 The slot usage fee shall not apply to a slot deemed to be
15 "surplus." A slot may be deemed surplus only by the unanimous
16 agreement of the owners of the Production System.

- 17 (b) The Participating Parties in that well shall pay to the owners of the
18 Facilities a sum equal to that portion of the total Cost of those
19 Facilities that the throughput volume of the Non-Consent
20 Operation bears to the total design throughput volume of the
21 Facilities. Throughput volume shall be estimated by the Operator
22 in barrels produced per day (5.8 mcf of gas determined at a
23 pressure of 14.73 pounds per square inch atmospheric and a
24 temperature of sixty (60) degrees Fahrenheit equaling one barrel
25 of oil and one barrel of water equaling one barrel of oil), using an
26 average daily volume of the first three months of Hydrocarbon
27 and water production from the Non-Consent Operation. For
28 purposes of calculating the Facilities usage fee, the total Cost of
29 the Facilities, shall be reduced by .625 percent per month,
30 commencing from the date when the Facilities were installed and
31 continuing every month thereafter until the first month during
32 which production from the Non-Consent Operation commences,
33 but the total Cost of the Facilities shall not be reduced more than
34 fifty percent (50%) of the total Facilities' Cost. If a modification,

1 expansion, or addition to the Facilities is made after commencing
2 first production and before connection of the Non-Consent
3 Operation to the Facilities, the Facilities investment shall be
4 reduced in the same manner described above, from the month in
5 which the Facilities modification, expansion or addition is
6 completed until the first month during which production from the
7 Non-Consent Operation is commenced.

8 **16.8.2 Payments**

9 Payment of a usage fee shall not be deemed to be a purchase by the
10 Participating Parties of an additional interest in the Production System
11 or Facilities. Payments under Article 16.8.1 (*Investment Charges*) shall
12 be due and payable on commencement of initial production from the
13 Non-Consent Operation.

14 **16.8.3 Operating and Maintenance Charges**

15 The Participating Parties in a well drilled as a Non-Consent Operation
16 shall pay all Costs necessary to connect the well to the Production
17 System. The Costs of operating and maintaining the Facilities and the
18 Production System shall be allocated equally among all active
19 completions served. Subsea production system operating and
20 maintenance Costs shall be allocated equally among all subsea well
21 completions served by the subsea production system. Operating and
22 maintenance Costs for the Facilities shall be allocated to each well
23 served in the proportion that the volume throughput of the well bears to
24 the total volume throughput of all wells handled by the Facilities.

25 **16.9 Settlement of Underinvestments**

26 A Non-Participating Party shall become an Underinvested Party and become
27 liable for settling an Underinvestment if it (a) makes a revised Election or Vote to
28 become a Participating Party in an AFE, activity or operation in which it originally
29 Elected or Voted not to participate, (b) Elects to participate (i) in the Sidetracking
30 or Deepening of a wellbore in which it did not participate to Objective Depth or (ii)
31 in a Sidetracking or Deepening thereafter, (c) Elects to participate in a
32 Development Plan after a Major Modification of that plan has been approved, or
33 (d) Elects to participate in Development Operations from a subsequent
34 Development System in which it did not participate. A Non-Participating Party in

1 a Selection AFE, who elects to participate in the Define AFE, which follows it,
2 shall automatically be deemed to have submitted to the Operator a written
3 statement memorializing its subsequent Election to (a) participate in that
4 Selection AFE, in which it originally Elected not to participate, and (b) become an
5 Underinvested Party in regard to that AFE. A Non-Participating Party in a Define
6 AFE, who elects to participate in the Execution AFE, which follows it, shall
7 automatically be deemed to have submitted to the Operator a written statement
8 memorializing its subsequent Election to (a) participate in the Define AFE in
9 which it originally Elected not to participate and (b) become an Underinvested
10 Party in regard to that AFE. A Non-Participating Party in a Long Lead
11 Development System AFE, who elects to participate in the activity or operation
12 for which the long lead item in the Long Lead Development System AFE was
13 procured, shall automatically be deemed to have submitted to the Operator a
14 written statement memorializing its subsequent Election to (a) participate in that
15 Long Lead Development System AFE, in which it originally Elected not to
16 participate, and (b) become an Underinvested Party in regard to that AFE.
17 Except as provided in Article 16.9.1 (*Cash Settlement of Underinvestment*), an
18 Underinvested Party shall settle its Underinvestment through Disproportionate
19 Spending. The Underinvested Party shall be responsible for and pay one
20 hundred percent (100%) of the Overinvested Parties' share of the Costs (or if
21 there are two or more Underinvested Parties, a proportion of those Costs based
22 on each Party's Underinvestment) in subsequent activities or operations or AFEs
23 under this Agreement in which that Underinvested Party and one or more
24 Overinvested Parties participate until the amount of the Underinvestment is
25 eliminated, except under Article 13.3.1 (*Multiple Completion Alternatives Above
26 and Below the Deepest Producing Reservoir*) the Underinvested Party shall be
27 responsible for and pay one hundred percent (100%) of the Overinvested
28 Parties' share of the Costs (or if there are two or more Underinvested Parties, a
29 proportion of those Costs based on each Party's Underinvestment) in
30 subsequent activities or operations or AFEs within the Contract Area in which
31 one or more Overinvested Parties participate until the amount of the
32 Underinvestment is eliminated.

33 **16.9.1 Cash Settlement of Underinvestment**

34 If the Parties do not plan or propose further activities or operations
35 under this Agreement (for which Costs would be allocated to the
36 elimination of an Underinvestment), the Underinvested Party shall pay

1 the Overinvested Parties the remaining Underinvestment amount in
2 cash under Exhibit "C." If Disproportionate Spending in the Contract
3 Area does not eliminate an Underinvestment within two (2) years after
4 the date the Underinvestment is incurred, or upon final accounting and
5 settlement under this Agreement, or before the Underinvested Party
6 withdraws from the Contract Area under Article 17 (*Withdrawal From*
7 *Agreement*), whichever comes first, the Underinvested Party shall pay
8 the Overinvested Parties the remaining Underinvestment in cash under
9 Article 17 (*Withdrawal From Agreement*) and Exhibit "C."

10 **ARTICLE 17 – WITHDRAWAL FROM AGREEMENT**

11 **17.1 Right to Withdraw**

12 Subject to this Article 17.1, any Party may withdraw from this Agreement (the
13 "Withdrawing Party") by giving prior written notice to all other Parties stating its
14 decision to withdraw ("the withdrawal notice"). The withdrawal notice shall
15 specify an effective date of withdrawal that is at least sixty (60) days, but not
16 more than ninety (90) days, after the date of the withdrawal notice. Within thirty
17 (30) days of receipt of the withdrawal notice, the other Parties may join in the
18 withdrawal by giving written notice of that fact to the Operator ("written notice to
19 join in the withdrawal") and upon giving written notice to join in the withdrawal are
20 "Other Withdrawing Parties." The withdrawal notice and the written notice to join
21 in the withdrawal are unconditional and irrevocable offers by the Withdrawing
22 Party and the Other Withdrawing Parties to convey to the Parties who do not join
23 in the withdrawal ("the Remaining Parties") the Withdrawing Party's and the
24 Other Withdrawing Parties' entire Working Interest in all of the Leases,
25 Hydrocarbon production, and other property and equipment owned under this
26 Agreement.

27 **17.2 Response to Withdrawal Notice**

28 Failure to respond to a withdrawal notice is deemed a decision not to join in the
29 withdrawal.

30 **17.2.1 Unanimous Withdrawal**

31 If all the other Parties join in the withdrawal,

- 1 (a) no assignment of Working Interests shall take place;
- 2 (b) subject to Article 18.4 (*Abandonment Operations Required by*
3 *Governmental Authority*), no further operations may be conducted
4 under this Agreement unless agreed to by all Parties;
- 5 (c) the Parties shall abandon all activities and operations within the
6 Contract Area and relinquish all of their Working Interests to the
7 MMS within thirty (30) days of the conclusion of the thirty (30) day
8 joining period; and
- 9 (d) notwithstanding anything to the contrary in Article 18
10 (*Abandonment and Salvage*), the Operator shall:
- 11 (i) furnish all Parties a detailed abandonment plan, if
12 applicable, and a detailed cost estimate for the
13 abandonment within sixty (60) days after the conclusion of
14 the thirty (30) day joining period; and
- 15 (ii) cease operations and begin to permanently plug and
16 abandon all wells and remove all Production Systems and
17 Facilities in accordance with the abandonment plan.

18 **17.2.2 No Additional Withdrawing Parties**

19 If none of the other Parties join in the withdrawal, then the Remaining
20 Parties must accept an assignment of their Participating Interest Share
21 of the Withdrawing Party's Working Interest, unless the Remaining
22 Parties agree to the share of the Withdrawing Party's Working Interest
23 in a different percentage.

24 **17.2.3 Acceptance of the Withdrawing Parties' Interests**

25 If one or more but not all of the other Parties join in the withdrawal and
26 become Other Withdrawing Parties, then within forty-eight (48) hours
27 (exclusive of Saturdays, Sundays, and federal holidays) of the
28 conclusion of the thirty (30) day joining period, each of the Remaining
29 Parties shall submit to the Operator a written rejection or acceptance of
30 its Participating Interest Share of the Withdrawing Party's and Other
31 Withdrawing Parties' Working Interest. Failure to make that written
32 rejection or acceptance shall be deemed a written acceptance. If the

1 Remaining Parties are unable to select a successor Operator, if
2 applicable, or if a Remaining Party submits a written rejection and the
3 other Remaining Parties do not agree to accept one hundred percent
4 (100%) of the Withdrawing Party's and Other Withdrawing Parties'
5 Working Interest within thirty (30) days of the conclusion of the forty-
6 eight (48) hour period to submit a written rejection or acceptance, the
7 Remaining Parties will be deemed to have joined in the withdrawal, and
8 Article 17.2.1 (*Unanimous Withdrawal*) will apply.

9 **17.2.4 Effects of Withdrawal**

10 Except as otherwise provided in this Agreement, after giving a
11 withdrawal notice or a written notice to join in the withdrawal, the
12 Withdrawing Party and Other Withdrawing Parties are not entitled to
13 approve or participate in any activity or operation in the Contract Area,
14 other than those activities or operations for which they retain a financial
15 responsibility. The Withdrawing Party and Other Withdrawing Parties
16 shall take all necessary steps to accomplish their withdrawal by the
17 effective date referred to in Article 17.1 (*Right to Withdraw*) and shall
18 execute and deliver to the Remaining Parties all necessary instruments
19 to assign their Working Interest to the Remaining Parties. A
20 Withdrawing Party and Other Withdrawing Parties shall bear all
21 expenses associated with their withdrawal and the transfer of their
22 Working Interest.

23 **17.3 Limitation Upon and Conditions of Withdrawal**

24 **17.3.1 Prior Expenses**

25 The Withdrawing Party and Other Withdrawing Parties remain liable for
26 their remaining Underinvestments and their Participating Interest Share
27 of the Costs of activities, operations, rentals, royalties, taxes, damages,
28 Hydrocarbon imbalances or other liability or expense accruing or
29 relating to (i) obligations existing as of the effective date of the
30 withdrawal, (ii) activities or operations conducted before the effective
31 date of the withdrawal, (iii) activities or operations approved by the
32 Withdrawing Party and Other Withdrawing Parties before the effective
33 date of the withdrawal, or (iv) activities or operations commenced by
34 the Operator under one of its discretionary powers under this
35 Agreement before the effective date of the withdrawal. Before the

1 effective date of the withdrawal, the Operator shall render a statement
2 to the Withdrawing Party and Other Withdrawing Parties for (1) their
3 respective shares of all identifiable Costs under this Article 17.3.1 and
4 (2) their respective Participating Interest Shares of the estimated
5 current Costs of plugging and abandoning all wells and removing all
6 Production Systems, Facilities, and other materiel and equipment
7 serving the Contract Area, less their respective Participating Interest
8 Shares of the estimated salvage value of the assets at the time of
9 abandonment, as approved by Vote. This statement of expenses,
10 Costs, and salvage value shall be prepared by the Operator under
11 Exhibit "C." Before withdrawing, the Withdrawing Party and Other
12 Withdrawing Parties shall either pay the Operator, for the benefit of the
13 Remaining Parties, the amounts allocated to them in the statement or
14 provide security satisfactory to the Remaining Parties for all obligations
15 and liabilities they have incurred and all obligations and liabilities
16 attributable to them before the effective date of the withdrawal. All
17 liens, charges, and other encumbrances, including but not limited to
18 overriding royalties, net profits interest and production payments, which
19 the Withdrawing Party and Other Withdrawing Parties placed (or
20 caused to be placed) on their Working Interest shall be fully satisfied or
21 released prior to the effective date of its withdrawal (unless the
22 Remaining Parties are willing to accept the Working Interest subject to
23 those liens, charges, and other encumbrances).

24 **17.3.2 Confidentiality**

25 The Withdrawing Party and Other Withdrawing Parties will continue to
26 be bound by the confidentiality provisions of Article 7 (*Confidentiality of*
27 *Data*) after the effective date of the withdrawal but will have no further
28 access to technical information relating to activities or operations under
29 this Agreement. The Withdrawing Party and Other Withdrawing Parties
30 are not required to return to the Remaining Parties Confidential Data
31 acquired prior to the effective date of the withdrawal.

32 **17.3.3 Emergencies and Force Majeure**

33 No Party may withdraw during a Force Majeure or emergency that
34 poses a threat to life, safety, property or the environment but may
35 withdraw from this Agreement after termination of the Force Majeure or

1 emergency. The Withdrawing Party and Other Withdrawing Parties
2 remain liable for their share of all Costs and liabilities arising from the
3 Force Majeure or emergency, including but not limited to the drilling of
4 relief wells, containment and cleanup of oil spills and pollution, and all
5 Costs of debris removal made necessary by the Force Majeure or
6 emergency.

7 **ARTICLE 18 – ABANDONMENT AND SALVAGE**

8 **18.1 Abandonment of Wells**

9 Any Participating Party may propose the permanent plugging and abandonment
10 of a well that has produced Hydrocarbons (other than as a result of Production
11 Testing) by notifying the other Participating Parties. Any Participating Party that
12 fails to respond within the applicable response period shall be deemed to have
13 approved the permanent plugging and abandonment of the well. If the
14 permanent plugging and abandonment proposal is unanimously agreed to by the
15 Participating Parties in that well, the well shall be permanently plugged and
16 abandoned under the applicable regulations at the Cost and risk of the
17 Participating Parties. If the Participating Parties do not unanimously agree to
18 permanently plug and abandon the well, the Operator shall prepare an estimate
19 of the Costs of the permanent plugging and abandonment of the well less the
20 estimated salvage value of the well, as determined under Exhibit "C," and the
21 Participating Party desiring to permanently plug and abandon the well shall pay
22 the Operator, for the benefit of the non-abandoning Participating Parties, its
23 share of that estimate within thirty (30) days of its receipt of the estimate. If an
24 abandoning Participating Party's respective share of the estimated salvage value
25 is greater than its share of the estimated Costs of the permanent plugging and
26 abandonment, the Operator, on behalf of the non-abandoning Participating
27 Parties, shall pay to the abandoning Participating Party a sum equal to the
28 deficiency within thirty (30) days of the abandoning Participating Party's receipt
29 of the estimate. Each Participating Party desiring to abandon a well shall assign
30 to each non-abandoning Participating Party in that well a portion of its Working
31 Interest in that well and the equipment therein and the Hydrocarbon production
32 therefrom equal to the non-abandoning Party's Participating Interests in that well
33 divided by the entire Participating Interests of the non-abandoning Parties in that
34 well. That assignment shall be effective as of the date of the abandoning Party's

1 response to the well abandonment proposal. The abandoning Party shall
2 assume and be liable for all obligations pertaining to that well, except liability for
3 payments under this Article 18.1, prior to the effective date of its assignment to
4 the non-abandoning Parties. The abandoning Party shall not assume and be
5 liable for any obligations pertaining to that well, except liability for payments under
6 this Article 18.1, as of the effective date of its assignment to the non-abandoning
7 Parties.

8 **18.2 Abandonment of Equipment**

9 Any Participating Party in a Production System or Facilities or an enhanced
10 recovery and/or pressure maintenance program described in Article 12.11
11 (*Enhanced Recovery and/or Pressure Maintenance Program Proposals*) (the
12 "Equipment") may propose the abandonment and disposition of that Equipment.
13 If that proposal is unanimously agreed to by the Participating Parties, the
14 Operator shall abandon and dispose of that Equipment at the Cost and risk of
15 the Participating Parties. If a Participating Party fails to respond within the
16 applicable response period, that Participating Party shall be deemed to have
17 approved the abandonment and disposal of the Equipment. If all Participating
18 Parties do not approve abandoning and disposing of the Equipment, the
19 Operator shall prepare an estimate of the Costs of abandonment, removal, site
20 clearance, and disposition of the Equipment, less the estimated salvage value of
21 the Equipment, as determined under Exhibit "C," and the Participating Party
22 desiring to abandon and dispose of the Equipment shall pay the Operator, for the
23 benefit of the non-abandoning Participating Parties, its share of that estimate
24 within thirty (30) days of its receipt of the estimate. If an abandoning
25 Participating Party's respective share of the estimated salvage value is greater
26 than its share of the estimated costs, the Operator, on behalf of the non-
27 abandoning Participating Parties, shall pay to the abandoning Participating Party
28 a sum equal to the surplus within thirty (30) days of the abandoning Participating
29 Party's receipt of the estimate. Each Participating Party desiring to abandon the
30 Equipment shall assign to each non-abandoning Participating Party in the
31 Equipment a portion of its Working Interest in the Equipment equal to the non-
32 abandoning Party's Participating Interests in the Equipment divided by the entire
33 Participating Interests of the non-abandoning Parties in the Equipment. That
34 assignment shall be effective as of the date of the abandoning Party's response
35 to the Equipment abandonment proposal. The abandoning Party shall assume
36 and be liable for all obligations pertaining to the Equipment, except liability for

1 payments under this Article 18.2, prior to the effective date of its assignment to
2 the non-abandoning Parties. The abandoning Party shall not assume and be
3 liable for any obligations pertaining to the Equipment, except liability for payments
4 under this Article 18.2, as of the effective date of its assignment to the non-
5 abandoning Parties.

6 **18.3 Disposal of Surplus Material**

7 The Operator may classify material acquired under this Agreement as surplus
8 when the Operator deems it is no longer needed in present or foreseeable
9 activities or operations. The Operator shall determine the value and Cost of
10 disposing of the material under Exhibit "C." If the material is classified as junk or
11 if the value, less the Cost of disposal, is less than or equal to five hundred
12 thousand dollars (\$500,000), the Operator may dispose of the surplus material in
13 a manner it deems appropriate. If the value, less the Cost of disposal of the
14 surplus material, is greater than five hundred thousand dollars (\$500,000), the
15 Operator shall give written notice thereof to the Parties owning the material, and
16 the surplus material shall be disposed of in accordance with the method of
17 disposal approved by the Parties owning the material. Proceeds from the sale or
18 transfer of surplus material shall be promptly credited to each Party in proportion
19 to its ownership of the material at the time of the retirement or disposition of the
20 material.

21 **18.4 Abandonment Operations Required by Governmental Authority**

22 The Operator shall conduct the abandonment and removal of any Equipment [as
23 defined in Article 18.2 (*Abandonment of Equipment*)] required by a governmental
24 authority, and the Costs, risks, and net proceeds of that abandonment and
25 removal will be shared by the Participating Parties in that Equipment [as defined
26 in Article 18.2 (*Abandonment of Equipment*)] according to their Participating
27 Interest Share.

28 **ARTICLE 19 – RENTALS, ROYALTIES, AND** 29 **MINIMUM ROYALTIES**

30 **19.1 Burdens on Hydrocarbon Production**

31 If a Party has previously created or hereafter creates an overriding royalty,
32 production payment, carried or reversionary working interest, net profits interest,

1 mortgage, lien, security interest or other type of burden on Hydrocarbon
2 production, including, but not limited to, agreements affecting the marketing,
3 processing or transportation of Hydrocarbon Production, other than the lessor's
4 royalty stipulated in a Lease (a "Lease Burden"), the Party creating the Lease
5 Burden shall assume and bear all liabilities and obligations of the Lease Burden
6 regardless of that Party's participation status and notwithstanding an assignment
7 under this Agreement of all or part of that Party's Working Interest to another
8 party. The Party creating the Lease Burden shall indemnify, release, defend,
9 and hold all other Parties harmless from all claims and demands for payment
10 asserted by the owners of the Lease Burden.

11 **19.1.1 Subsequently Created Lease Burdens**

12 Notwithstanding any contrary provision of this Agreement, if a Party,
13 after executing this Agreement, creates a Lease Burden, that Lease
14 Burden shall be made specifically subject to this Agreement. If the
15 Party owning the Working Interest from which a Lease Burden is
16 created (a) fails to pay when due its share of Costs, (b) withdraws from
17 this Agreement, or (c) Elects to abandon a well under Article 18.1
18 (*Abandonment of Wells*), then the beneficiary of the Lease Burden will
19 be chargeable with Costs equal to its fractional interest in gross
20 production and the security rights created in Exhibit "F" will be
21 applicable against that Lease Burden. The Operator has the right to
22 enforce the security rights (and all other rights granted under this
23 Agreement) against the beneficiary of a Lease Burden for the purpose
24 of collecting Costs chargeable to the Lease Burden. The rights of the
25 beneficiary of a Lease Burden are subordinate to the rights of the
26 Parties granted by Exhibit "F."

27 **19.2 Payment of Rentals and Royalties**

28 The Operator shall make all rental payments for the Leases on behalf of the
29 Parties. The Operator shall use reasonable care to make proper and timely
30 payment of the rental payments, all minimum royalties, and all other similar
31 payments accruing under the Leases. Upon receipt of proper evidence of those
32 payments and the Operator's invoice for its proportionate share of those
33 payments, each Non-Operating Party shall reimburse the Operator for the
34 Non-Operating Party's Working Interest share of those payments. In the event
35 the Operator fails to make proper payment of a rental, minimum royalty or other

1 similar payment accruing under a Lease through mistake or oversight where that
2 payment is required to continue that Lease in force and effect, the Operator will
3 not be liable to the other Parties for any resulting damages or any loss that
4 results from the non-payment, unless that non-payment is due to the Gross
5 Negligence or Willful Misconduct of the Operator. The loss of a Lease or interest
6 therein that results from the Operator's failure to pay, or the Operator's
7 erroneous payment of, a rental, minimum royalty, or other similar payments is a
8 joint loss, and there will be no readjustment of Working Interests as a
9 consequence thereof. For production delivered in-kind by the Operator to a Non-
10 Operating Party or to a third party for the account of a Non-Operating Party, the
11 Non-Operating Party shall provide the Operator with information about the
12 proceeds or value of the production in order for the Operator to make payments
13 of all minimum royalties due.

14 **19.2.1 Non-Participation in Payments**

15 If a Party notifies the other Parties, in writing at least sixty (60) days
16 before the date the payment is due of its intention not to pay its share
17 of a rental, minimum royalty, or other similar payment, that Party shall
18 be deemed to have given a withdrawal notice under Article 17
19 (*Withdrawal From Agreement*), and must withdraw from the entire
20 Contract Area, not just the Lease on which the payment is due. Upon
21 this occurrence, the Operator shall make the payment solely for the
22 benefit of the Remaining Parties, as defined in Article 17 (*Withdrawal
23 From Agreement*), and the Remaining Parties shall reimburse the
24 Operator for their respective shares of the payment, based on the
25 procedures in Article 17.2 (*Response to Withdrawal Notice*).

26 **19.2.2 Royalty Payments**

27 Each Party shall pay or cause to be paid all royalty and other amounts
28 payable, which are based on its share of Hydrocarbon production.
29 Adjustments to those payments shall be made among the Parties in
30 accordance with Exhibit "D" (Gas Balancing Agreement). When the
31 Participating Parties are recouping their Costs from a Non-Consent
32 Operation and an applicable premium under Article 16.5 (*Percentage
33 Hydrocarbon Recoupment for Non-Consent Operations*), each of the
34 Participating Parties shall pay or cause to be paid the Lease royalty on
35 the portion of the Hydrocarbon Recoupment to which it is entitled.

ARTICLE 20 – TAXES

20.1 Internal Revenue Provision

Notwithstanding any provision in this Agreement to the effect that the rights and liabilities of the Parties are several, not joint or collective, and that the Agreement and the activities and operations under this Agreement do not constitute a partnership under state law, each Party elects to be excluded from the application of all or any part of the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as amended, or similar provisions of applicable state laws regardless of whether for federal income tax purposes this Agreement and the activities and operations under this Agreement are regarded as a partnership.

20.2 Other Taxes and Assessments

The Operator shall file all tax returns and reports required by law and pay all applicable taxes [other than income or other taxes provided in Article 20.2.2 (*Production and Severance Taxes*)] and assessments levied with respect to activities and operations conducted under this Agreement. The Parties shall promptly furnish the Operator with copies of all notices, assessments, and statements received pertaining to taxes to be paid by the Operator. The Operator will charge each Party its Working Interest share of all taxes and assessments paid [other than income or other taxes provided in Article 20.2.2 (*Production and Severance Taxes*)] and, upon written request from a Non-Operating Party, provide copies of all tax returns, reports, tax statements, and receipts for the taxes. The Operator shall not allow any taxes to become delinquent unless unanimously agreed to by the Parties.

20.2.1 Property Taxes

The Operator shall render for ad valorem property tax purposes all personal property and/or real property covered by this Agreement as may be subject to that taxation and shall pay those property taxes for the benefit of each Party. The Operator shall timely and diligently protest a valuation of the Leases for tax purposes it deems unreasonable. Pending final determination of the valuation of the Leases for tax purposes, unless unanimously agreed to by the Parties to the contrary under Article 20.2 (*Other Taxes and Assessments*), the

1 Operator shall, on or before the due date, pay under protest taxes on
2 the Leases at the assessed value of the Leases. If upon final
3 determination, additional taxes are due or if interest or a penalty has
4 accrued as a result of the protest, the Operator shall pay the taxes,
5 interest, and penalty and shall charge each Party its Working Interest
6 share of the taxes, interest, and penalty under Exhibit "C."

7 **20.2.2 Production and Severance Taxes**

8 Each Party shall pay, or cause to be paid, all production, excise,
9 severance, and other similar taxes due on its share of Hydrocarbon
10 production. Each Party shall upon a written request from the Operator,
11 provide evidence that those taxes have been paid.

12 **ARTICLE 21 – INSURANCE AND BONDS**

13 **21.1 Insurance**

14 The Operator shall provide and maintain the insurance coverage specified in
15 Exhibit "B" and charge those Costs to the Joint Account. No other insurance
16 shall be carried for the benefit of the Parties under this Agreement unless
17 otherwise agreed by the Parties.

18 **21.2 Bonds**

19 The Costs of those bonds or financial guarantees acquired exclusively for the
20 conduct of activities and operations under this Agreement shall be charged to
21 the Joint Account, including an amount equivalent to the reasonable cost of that
22 bond or financial guarantee if the Operator provides that bond or guarantee itself
23 and does not engage a third party to do so. The Operator shall require all
24 contractors to obtain and maintain all bonds required by an applicable law,
25 regulation or rule.

26 **ARTICLE 22 – LIABILITY, CLAIMS, AND LAWSUITS**

27 **22.1 Individual Obligations**

28 The obligations, duties, and liabilities of the Parties under this Agreement are
29 several, but limited in proportion to each Party's Participating Interest Share, and
30 not joint, or joint and several, or collective; and, except as otherwise provided in

1 Article 20 (*Taxes*), nothing in this Agreement shall be construed to create a
2 partnership, joint venture, association, or other form of business entity
3 recognizable in law for any purpose. In their relations with each other under this
4 Agreement, the Parties are not fiduciaries, but rather are free to act at arm's
5 length in accordance with their own respective interests.

6 **22.2 Notice of Claim or Lawsuit**

7 If, on account of a matter involving activities or operations under this Agreement,
8 or affecting the Leases or the Contract Area, a claim is made against a Party, or
9 if a party outside of this Agreement files a lawsuit against a Party, or if a Party
10 files a lawsuit, or if a Party receives notice of a material administrative or judicial
11 hearing or other proceeding, that Party shall give written notice of the claim,
12 lawsuit, hearing, or proceeding ("Claim") to the other Parties as soon as
13 reasonably practicable.

14 **22.3 Settlements**

15 The Operator may settle a Claim, or multiple Claims arising out of the same
16 incident, involving activities or operations under this Agreement or affecting the
17 Leases or the Contract Area, if the aggregate expenditure does not exceed four
18 hundred thousand dollars (\$400,000) and if the payment is in complete
19 settlement of these Claims. If the amount required for settlement exceeds this
20 amount, the Parties shall determine the further handling of the Claims under
21 Article 22.4 (*Defense of Claims and Lawsuits*).

22 **22.4 Defense of Claims and Lawsuits**

23 The Operator shall supervise the handling, conduct, and prosecution of all
24 Claims involving activities or operations under this Agreement or affecting the
25 Leases or the Contract Area. Claims may be settled in excess of the amount
26 specified in Article 22.3 (*Settlements*) if the settlement is approved by Vote of the
27 Participating Parties in the activity or operation out of which the Claim arose, but
28 a Party may independently settle a Claim or the portion of a Claim which is
29 attributable to its Participating Interest Share alone as long as that settlement
30 does not directly and adversely affect the interest or rights of the other
31 Participating Parties. No charge shall be made for services performed by the
32 staff attorneys of a Party, but all other expenses incurred by the Operator in the
33 prosecution or defense of Claims for the Parties, together with the amount paid
34 to discharge a final judgment, are Costs and shall be paid by the Parties in

1 proportion to their Participating Interest Share in the activity or operation out of
2 which the Claim arose. The employment of outside counsel and the selection of
3 that counsel, requires approval by Vote of the Participating Parties in the activity
4 or operation out of which the Claim arose. If the use of outside counsel is
5 approved, the fees and expenses incurred as a result thereof shall be charged to
6 the Parties in proportion to their Participating Interest Share in the activity or
7 operation out of which that Claim arose. Each Party has the right to hire its own
8 outside counsel at its sole cost with respect to its own defense.

9 **22.5 Liability for Damages**

10 Unless specifically provided otherwise in this Agreement, liability for losses,
11 damages, Costs, expenses or Claims involving activities or operations under this
12 Agreement or affecting the Leases or the Contract Area which are not covered
13 by or in excess of the insurance carried for the Joint Account shall be borne by
14 each Party in proportion to its Participating Interest Share in the activity or
15 operation out of which that liability arises, except that when liability results from
16 the Gross Negligence or Willful Misconduct of a Party, that Party shall be solely
17 responsible for liability resulting from its Gross Negligence or Willful Misconduct.
18 **UNDER NO CIRCUMSTANCES WILL A PARTY BE LIABLE TO ANOTHER
19 PARTY FOR PUNITIVE DAMAGES, CONSEQUENTIAL, INDIRECT,
20 UNFORSEEN, LOSS OF PROFIT, OR OTHER INDIRECT OR PENALTY
21 DAMAGES EITHER IN LAW OR EQUITY.**

22 **22.6 Indemnification for Non-Consent Operations**

23 **TO THE EXTENT ALLOWED BY LAW, THE PARTICIPATING PARTIES WILL
24 HOLD THE NON-PARTICIPATING PARTIES (AND THEIR AFFILIATES,
25 AGENTS, INSURERS, DIRECTORS, OFFICERS, AND EMPLOYEES)
26 HARMLESS AND RELEASE, DEFEND, AND INDEMNIFY THEM AGAINST
27 ALL CLAIMS, DEMANDS, LIABILITIES, REGULATORY DECREES, AND
28 LIENS FOR ENVIRONMENTAL POLLUTION AND PROPERTY DAMAGE OR
29 PERSONAL INJURY, INCLUDING SICKNESS AND DEATH, CAUSED BY OR
30 OTHERWISE ARISING OUT OF NON-CONSENT OPERATIONS, AND ANY
31 LOSS AND COST SUFFERED BY A NON-PARTICIPATING PARTY AS AN
32 INCIDENT THEREOF, EXCEPT WHERE THAT LOSS OR COST RESULTS
33 FROM THE SOLE, CONCURRENT, OR JOINT NEGLIGENCE, FAULT, OR
34 STRICT LIABILITY OF THAT NON-PARTICIPATING PARTY, IN WHICH CASE
35 EACH PARTY SHALL PAY OR CONTRIBUTE TO THE SETTLEMENT OR**

1 SATISFACTION OF JUDGMENT IN THE PROPORTION THAT ITS
2 NEGLIGENCE, FAULT, OR STRICT LIABILITY CAUSED OR CONTRIBUTED
3 TO THE INCIDENT. IF AN INDEMNITY IN THIS AGREEMENT IS
4 DETERMINED TO VIOLATE LAW OR PUBLIC POLICY, THAT INDEMNITY
5 SHALL THEN BE ENFORCEABLE ONLY TO THE MAXIMUM EXTENT
6 ALLOWED BY LAW.

7 **22.7 Damage to Reservoir and Loss of Reserves**

8 NOTWITHSTANDING ANY CONTRARY PROVISION OF THIS AGREEMENT,
9 NO PARTY IS LIABLE TO ANY OTHER PARTY FOR DAMAGE TO A
10 RESERVOIR OR LOSS OF HYDROCARBONS.

11 **22.8 Non-Essential Personnel**

12 UNLESS OTHERWISE MUTUALLY AGREED BY THE PARTIES IN WRITING,
13 IN THE EVENT A PARTY REQUESTS TRANSPORTATION OR ACCESS TO
14 ANY DRILLING RIG, PRODUCTION SYSTEM, VESSEL OR OTHER FACILITY
15 USED FOR ACTIVITIES OR OPERATIONS UNDER THIS AGREEMENT FOR
16 ANY PERSON WHO IS NOT EMPLOYED BY, CONTRACTED BY OR
17 REPRESENTING SUCH PARTY IN CONNECTION WITH AN ACTIVITY OR
18 OPERATION CONDUCTED PURSUANT TO THIS AGREEMENT, OTHER
19 THAN GOVERNMENTAL OFFICIALS OR REPRESENTATIVES OF
20 GOVERNMENTAL OR REGULATORY AGENCIES ("NON-ESSENTIAL
21 PERSONNEL"), THE PARTY REQUESTING SUCH TRANSPORTATION OR
22 ACCESS AGREES TO PROTECT, INDEMNIFY, RELEASE, DEFEND AND
23 HOLD HARMLESS THE OTHER PARTIES AND THEIR RESPECTIVE
24 OFFICERS, DIRECTORS, MANAGERS, EMPLOYEES, AGENTS,
25 CONTRACTORS, SUBCONTRACTORS, INVITEES, INSURERS AND
26 REPRESENTATIVES FROM AND AGAINST ALL CLAIMS, DEMANDS,
27 CAUSES OF ACTION, JUDGMENTS, LIABILITIES, CONTRACTUAL
28 LIABILITIES, AND OTHER COSTS (INCLUDING, WITHOUT LIMITATION,
29 COURT COSTS, JUDICIAL INTEREST, FINES AND PENALTIES OTHER
30 THAN FOR CRIMINAL ACTS, LITIGATION EXPENSES AND REASONABLE
31 ATTORNEYS' FEES) FOR DAMAGE TO, DESTRUCTION OR LOSS OF
32 PROPERTY, AND FOR PERSONAL INJURY OR DEATH OF PERSONS, AND
33 FOR DAMAGE OR HARM TO THE ENVIRONMENT (INCLUDING WITHOUT
34 LIMITATION, SPILL RESPONSE, ENVIRONMENTAL POLLUTION AND
35 CONTAMINATION AND CLEAN-UP COSTS) ARISING OUT OF OR RELATED

1 IN ANY WAY TO THE NEGLIGENCE, FAULT OR LIABILITY WITHOUT FAULT
2 OF THE NON-ESSENTIAL PERSONNEL BROUGHT BY OR ON BEHALF OF
3 ANY PARTY WHOMSOEVER (INCLUDING WITHOUT LIMITATION, ALL
4 THIRD PARTIES AND GOVERNMENTAL AGENCIES), WITHOUT REGARD
5 TO THE CAUSES THEREOF, INCLUDING PRE-EXISTING CONDITIONS, THE
6 UNSEAWORTHINESS OF ANY VESSEL, THE STRICT LIABILITY,
7 NEGLIGENCE OR OTHER FAULT OF ANY PARTY, REGARDLESS OF
8 WHETHER THE NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, ACTIVE
9 OR PASSIVE, EXCEPT IF CAUSED BY THE GROSS NEGLIGENCE OR
10 WILLFUL MISCONDUCT OF THE PARTY SO INDEMNIFIED AND
11 PROTECTED.

12 **22.9 Dispute Resolution Procedure**

13 Any claim, controversy or dispute arising out of, relating to, or in connection with
14 this Agreement or an activity or operation conducted under this Agreement shall
15 be resolved under the Dispute Resolution Procedure in Exhibit "H" to this
16 Agreement.

17 **ARTICLE 23 – CONTRIBUTIONS**

18 **23.1 Contributions from Third Parties**

19 A "Contribution" means a bottom hole cash contribution, dry hole cash
20 contribution or acreage contribution from third parties as consideration for data
21 from wells or well operations on the Contract Area. This Article 23 does not
22 apply to the following:

- 23 (a) Trades of Confidential Data for other similar geophysical, geological,
24 geochemical, drilling or engineering data from third parties. Those trades
25 of Confidential Data are subject to Article 7.2.1 (*Trades of Confidential*
26 *Data*).
- 27 (b) Contributions received as consideration for entering into a contract for the
28 sale of Hydrocarbon production, as proceeds of loans, or as proceeds of
29 other financial arrangements.
- 30 (c) A farmout of all or a portion of a Party's Working Interest, which is subject
31 to Article 24 (*Transfer of Interest and Preferential Right to Purchase*).

1 **23.2 Methods of Obtaining Contributions**

2 The Operator shall negotiate all Contributions on behalf of the Participating
3 Parties in the well or well operation. A Contribution may be obtained in the
4 following ways:

5 (a) Any Participating Party in a well or well operation may propose that the
6 Participating Parties in that well or well operation seek a Contribution from
7 a third party towards that well or well operation.

8 (b) If a Participating Party in a well or well operation receives a Contribution
9 offer for that well or well operation from a third party, that Party shall notify
10 all other Participating Parties in that well or well operation of the terms of
11 that offer within five (5) days of its receipt of that offer.

12 **23.3 Counteroffers**

13 If a third party makes a Contribution counteroffer to the Participating Parties'
14 Contribution offer, or if a Participating Party proposes to make a Contribution
15 counteroffer to a third party Contribution offer, the Operator shall submit the
16 Contribution counteroffer to the other Participating Parties.

17 **23.4 Approval of Contributions**

18 A Contribution proposal, a Contribution counteroffer to a third party Contribution
19 offer, an acceptance of a Contribution offer from a third party or a Contribution
20 counteroffer from a third party requires the unanimous agreement of the
21 Participating Parties in the well or well operation affected by the Contribution.
22 Within fifteen (15) days of their receipt of a notice of a Contribution proposal,
23 Contribution offer or Contribution counteroffer, those Participating Parties shall
24 respond to the Operator.

25 **23.5 Cash Contributions**

26 If a bottom hole or dry hole cash Contribution is offered and accepted, that cash
27 Contribution shall be paid to the Operator, and the Operator shall credit the
28 amount of the cash Contribution against the Costs of that well or well operation
29 to each Participating Party in proportion to its Participating Interest Share.

30 **23.6 Acreage Contributions**

31 Any acreage Contribution, which is offered and accepted under this Article 23
32 (*Contributions*), shall be conveyed to the Participating Parties in the well or well

1 operation in proportion to their Participating Interest Share therein. The leases
2 or portions of leases included in the acreage Contribution shall not be added to
3 Exhibit "A-1" or included in the Contract Area.

4 **23.6.1 Two or More Parties Own One Hundred Percent of the Acreage**
5 **Contribution**

6 If two or more Parties participate in the acreage Contribution and the
7 conveyances to effectuate it, and if, after the conveyances are
8 approved by the MMS, those Parties own one hundred percent (100%)
9 of the ownership interest in the contributed acreage, then (a) the
10 contributed acreage shall be deemed to be governed by an operating
11 agreement incorporating identical provisions as the provisions in this
12 Agreement, except to the extent they are clearly inappropriate, (b) the
13 execution of the operating agreement by the Parties participating in the
14 acreage Contribution shall be considered a mere formality only, (c) the
15 designated operator shall promptly prepare the operating agreement,
16 and (d) the Parties participating in the acreage Contribution shall
17 promptly execute the operating agreement once it is prepared.

18 **23.6.2 Two or More Parties Own Less Than One Hundred Percent of the**
19 **Acreage Contribution**

20 If two or more Parties participate in the acreage Contribution and the
21 conveyances to effectuate it, and if, after the conveyances are
22 approved by the MMS, those Parties own less than one hundred
23 percent (100%) of the ownership interest in the contributed acreage,
24 then those Parties shall use reasonable efforts to negotiate and
25 execute with the other Working Interest owners in the contributed
26 acreage an operating agreement covering the contributed acreage,
27 which is as close in form to this Agreement as possible.

28 **ARTICLE 24 – TRANSFER OF INTEREST AND**
29 **PREFERENTIAL RIGHT TO PURCHASE**

30 **24.1 Transfer of Interest**

31 Except as provided in 24.1.1 (*Exceptions to Transfer Notice*), a Transfer of
32 Interest shall be preceded by written notice to the Operator and the other Parties

1 (“the transfer notice”). Any Transfer of Interest shall be made to a party whom
2 the other Parties unanimously agree is financially capable of assuming the
3 corresponding obligations under this Agreement. No Transfer of Interest shall
4 release a Party from its obligations and liabilities under this Agreement, which
5 are incurred prior to the effective date of that Transfer of Interest, or from debts
6 or obligations incurred prior to the effective date of that Transfer of Interest,
7 except to the extent expressly assumed by the transferee, and the security rights
8 under Article 6.3 (*Security Rights*) shall continue to burden the Working Interest
9 transferred and to secure the payment of any retained obligations and liabilities.
10 Once a Transfer of Interest becomes effective under Article 24.1.2 (*Effective*
11 *Date of Transfer of Interest*), the transferor shall not be responsible for any
12 obligations, debts or liabilities under this Agreement, which are incurred by the
13 Parties on or after the effective date of that Transfer of Interest.

14 **24.1.1 Exceptions to Transfer Notice**

15 Notwithstanding any contrary provision of this Agreement, the transfer
16 notice is not required when a Party proposes to mortgage, pledge,
17 hypothecate or grant a security interest in all or a portion of its Working
18 Interest (including Assignments of Hydrocarbon production executed as
19 further security for the debt secured by that security device); any
20 Production Systems, Facilities or equipment, or when any interest is
21 conveyed in accordance with Articles 16 (*Non-Consent Operations*), 17
22 (*Withdrawal From Agreement*) and 18 (*Abandonment and Salvage*).
23 However, an encumbrance arising from the financing transaction shall
24 be expressly made subject and subordinated to this Agreement.

25 **24.1.2 Effective Date of Transfer of Interest**

26 The effective date of a Transfer of Interest shall be at least sixty (60)
27 days, but not more than one hundred eighty (180) days, after the date
28 of the receipt of the transfer notice. A Transfer of Interest, other than
29 those provided in Article 17.1 (*Right to Withdraw*) and Article 24.1.1
30 (*Exceptions to Transfer Notice*), is effective and shall be binding upon
31 the Parties at the latest date of occurrence of all of the following: (i) the
32 transferor or transferee provides all remaining Parties with a photocopy
33 of a fully executed Transfer of Interest and an executed MMS Form
34 1123, “Designation of Operator,” and an “Application for Certification of
35 Oil Spill Responsibility” form and (ii) evidence of receipt of all necessary

1 approvals by the MMS. The Parties shall promptly undertake all
2 reasonable actions necessary to secure those approvals and shall
3 execute and deliver all documents necessary to effectuate that
4 Transfer of Interest. All costs attributable to a Transfer of Interest are
5 the sole obligation of the assigning Party.

6 **24.1.3 Minimum Transfer of Interest**

7 Except as otherwise provided in this Agreement, a Transfer of Interest
8 shall cover an undivided Working Interest in the entire Contract Area.
9 Prior to the approval of the Execution AFE for the initial Development
10 System, no Transfer of Interest shall be made that is not at least an
11 undivided twelve and one-half percent (12.5%) Working Interest, unless
12 the Parties unanimously agree to a different minimum Transfer of
13 Interest. After the Execution AFE Election on the initial Development
14 System, a Transfer of Interest to a third party shall be limited to a
15 minimum Working Interest of twelve and one-half percent (12.5%),
16 unless the Parties unanimously agree to a different minimum Transfer
17 of Interest.

18 **24.1.4 Form of Transfer of Interest**

19 Any Transfer of Interest shall incorporate provisions that the Transfer of
20 Interest is subordinate to and made expressly subject to this
21 Agreement and provide for the assumption by the assignee of the
22 performance of all of the assigning Party's obligations under this
23 Agreement. Any Transfer of Interest not in compliance with this
24 provision is voidable by the non-assigning Parties.

25 **24.1.5 Warranty**

26 Any Transfer of Interest, vesting or relinquishment of Working Interest
27 between the Parties under this Agreement shall be made without
28 warranty of title.

29 **24.2 Preferential Right to Purchase**

30 Any Transfer of Interest shall be subject to the following provisions:

31 **24.2.1 Notice of Proposed Transfer of Interest**

32 The transfer notice shall provide full information about the proposed
33 Transfer of Interest, including, but not limited to, the name and address

1 of the prospective assignee (who must be ready, willing, and able to
2 acquire the interest and deliver the stated consideration therefor), the
3 full consideration for the Transfer of Interest, and all other terms of the
4 offer.

5 In the case of a package sale of oil and gas interests that includes all or
6 part of the assigning Party's Working Interest, or if the proposed
7 Transfer of Interest is structured as a like-kind exchange, the Working
8 Interest that is subject to the Transfer of Interest shall be separately
9 valued and the transfer notice shall state the monetary value attributed
10 to the Working Interest by that prospective assignee. Article 24.2
11 (*Preferential Right to Purchase*) shall apply only to the Working Interest
12 that is subject to the Transfer of Interest.

13 **24.2.2 Exercise of Preferential Right to Purchase**

14 Within thirty (30) days from receipt of the transfer notice, each non-
15 assigning Party may exercise its preferential right to purchase its
16 Participating Interest Share of the Working Interest offered (on the
17 same terms and conditions, or on equivalent terms for a non-cash
18 transaction as stated in the notice) without reservations or conditions by
19 written notice of that fact to all of the Parties. If a non-assigning Party
20 does not exercise its preferential right to purchase its Participating
21 Interest Share of the Working Interest offered and the non-assigning
22 Parties, who wish to exercise their preferential right to purchase, do not
23 agree to pay the full consideration for the Transfer of Interest and
24 accept all of the other terms of the third party offer within ten (10) days
25 of the termination of the thirty-day period in which the non-assigning
26 Parties may exercise their preferential right to purchase, the assigning
27 Party shall be free to complete the proposed conveyance on the terms
28 disclosed in the notice. If the other non-assigning Parties agree to pay
29 the full consideration for the Transfer of Interest and accept all of the
30 other terms of the third party offer, the assigning Party shall transfer the
31 Working Interest to the non-assigning Parties who exercised their
32 preferential right to purchase under this Article 24 (*Transfer of Interest
33 and Preferential Right to Purchase*). The Transfer of Interest shall be
34 concluded within a reasonable time, but no later than one hundred

1 twenty (120) days after the applicable period in which the non-
2 assigning Parties may exercise their preferential right to purchase.

3 **24.2.3 Transfer of Interest Not Affected by the Preferential Right to**
4 **Purchase**

5 Article 24.2 (*Preferential Right to Purchase*) shall not apply when a
6 Party proposes to:

- 7 (a) mortgage, pledge, hypothecate or grant a security interest in all or
8 a portion of its Working Interest (including assignments of
9 Hydrocarbon production executed as further security for the debt
10 secured by that security device), or
- 11 (b) grant an overriding royalty, a net profits interest, or a production
12 payment
- 13 (c) dispose of its Working Interest by:
- 14 (i) a simultaneous like-kind exchange under Section 1031 of
15 the Internal Revenue Code of 1986, as amended,
16 (“Code”);
- 17 (ii) a property exchange transaction other than a non-
18 simultaneous like-kind exchange under Section 1031 of
19 the Code;
- 20 (iii) merger, reorganization, or consolidation;
- 21 (iv) a Transfer of Interest of substantially all of a Party's
22 exploration and production properties in the Gulf of Mexico;
- 23 (v) a Transfer of Interest to an Affiliate; or
- 24 (vi) a Transfer of Interest pursuant to Articles 16 (*Non-Consent*
25 *Operations*), 17 (*Withdrawal*) and/or 18 (*Abandonment and*
26 *Salvage*).

27 **24.2.4 Completion of Transfer of Interest**

28 If the proposed Transfer of Interest is not executed and filed of record
29 with the MMS within ninety (90) days after receipt of the transfer notice

1 by the non-assigning Parties, or if the terms of the proposed Transfer of
2 Interest conveyance are materially altered, the proposed Transfer of
3 Interest shall be deemed withdrawn, and the Working Interest included
4 in the proposed Transfer of Interest shall again be governed by this
5 Article 24.2 (*Preferential Right to Purchase*).

6 **ARTICLE 25 – FORCE MAJEURE**

7 **25.1 Force Majeure**

8 If a Party is unable, wholly or in part because of a Force Majeure, to carry out its
9 obligations under this Agreement, other than the obligation to make money
10 payments, that Party shall give the other Parties prompt written notice of the
11 Force Majeure with full particulars about it. Effective upon the date notice is
12 given, the obligations of the Party, so far as they are affected by the Force
13 Majeure, shall be suspended during, but no longer than, the continuance of the
14 Force Majeure. Time is of the essence in the performance of this Agreement,
15 and every reasonable effort will be made by the Party to avoid delay or
16 suspension of any work or acts to be performed under this Agreement. The
17 requirement that the Force Majeure be remedied with all reasonable dispatch
18 shall not require a Party to settle strikes or other labor difficulties.

19 **ARTICLE 26 – AREA OF MUTUAL INTEREST**

20 **26.1 Area Established**

21 The Parties hereby establish an area of mutual interest (“AMI”) covering the area
22 described in Exhibit “A-2” (“AMI Area”). The AMI shall be effective as of the date
23 of this Agreement and shall continue in full force and effect until the earlier of (1)
24 February 1, 2011, or (2) the date on which the Parties mutually agree in writing to
25 terminate the AMI.

26 **26.2 Acquired Interest**

27 During the term of the AMI, if either Party acquires an interest (“Acquiring Party”),
28 or the right to acquire an interest, in any oil and gas lease covering all or any
29 portion of the AMI Area through purchase, farm-in or otherwise (“Acquired
30 Interest”), then the Acquiring Party shall give the other Party (“Offeree”) written
31

notice of such fact within twenty (20) days following the date of such acquisition. Any such written notice shall include the particulars of all terms and conditions of the acquisition. Offeree shall be entitled, for a period of thirty (30) days following the date of its receipt of such written notice, to elect in writing whether or not it desires to participate in the Acquired Interest, based on the Party's Working Interest, and to assume its proportionate Working Interest share of all costs, expenses, obligations and liabilities associated with the acquisition of such Acquired Interest. In the event Offeree elects to participate in the Acquired Interest, the Acquiring Party shall, within thirty (30) days after receipt of the Offeree's affirmative election, assign and convey to the Offeree the Offeree's Working Interest share of such Acquired Interest, free and clear of any and all burdens created by the Acquiring Party other than those burdens associated with the acquisition of such Acquired Interest. In the event that the terms of acquisition of the Acquired Interest include payment of cash by the Acquiring Party, and the Offeree affirmatively elects to participate in such Acquired Interest, then any such election shall require that the Offeree reimburse its pro rata Working Interest share of such cash payment to the Acquiring Party, and assume a like share of all obligations associated with the acquisition of such Acquired Interest, within thirty (30) days after the date of its receipt of an invoice therefor and an assignment of its pro rata Working Interest share of the Acquired Interest from the Acquiring Party. In the event that Offeree elects not to participate in an Acquired Interest, such non-electing Party shall have no further rights with respect to that portion of the AMI covered by such Acquired Interest and the AMI shall terminate as to such non-electing Party as to that portion of the AMI Area covering the Acquired Interest effective upon the date of such Party's election not to participate therein.

26.3 Exceptions to AMI

Notwithstanding anything hereinabove to the contrary, the AMI shall not apply to any instance in which the Acquired Interest becomes vested in a Party through a merger or consolidation, or by the acquisition of any corporation in which a Party now or hereinafter owns a majority of the stock.

26.4 AMI Operating Agreement

Any Acquired Interest that becomes jointly owned by the Parties pursuant to this Article 26 shall automatically be subject to the terms and provisions of this

1 Agreement effective on the date the Acquired Interest becomes jointly owned by
2 the Parties. The Parties agree to amend Exhibit "A-1" hereto by adding such
3 Acquired Interest to the Contract Area. However, in the event any jointly owned
4 Acquired Interest is subject to an existing operating agreement and the Parties
5 acquire less than 100% of the Working Interest in the Acquired Interest, the
6 Parties agree that the existing operating agreement shall govern such Acquired
7 Interest.

8 9 **26.5 Right to Bid and Bidding Agreement**

10 It is not the intention of any Party hereto to restrict the right of any other Party to
11 bid on any block, including a block within the AMI Area ("AMI Block") offered at
12 any future OCS – Gulf of Mexico Lease Sale ("Sale") and each Party shall have
13 the right to bid on any block offered at any such Sale. However, in the event any
14 AMI Block is unleased and available for lease at any such Sale, and a Party
15 (Acquiring Party) desires to bid on any or all of such unleased AMI Blocks, then
16 such Acquiring Party shall notify the other Party (Offeree) of its intention to bid on
17 such AMI Blocks by tendering to the Offeree, at least forty (40) days prior to the
18 Sale, an executed bidding agreement covering the AMI Blocks on which the
19 Acquiring Party desires to bid. Such bidding agreement shall contain terms and
20 provisions common to the industry for such bidding agreements and shall
21 provide that any joint bids submitted and the ownership of any AMI Blocks that
22 may be subsequently jointly acquired shall be in the percentages set forth on
23 Exhibit "A-1", and shall also contain any additional terms and provisions as may
24 be necessary and required to reflect the intent hereunder. Such bidding
25 agreement so tendered shall, for the purposes of this Article 26, be deemed by
26 the Parties to constitute a notice of acquisition on the AMI Blocks covered by
27 such bidding agreement. Upon execution of said bidding agreement within thirty
28 (30) days of receipt by the Offeree, the terms and provisions of such bidding
29 agreement shall supersede and take precedence over the terms and provisions
30 of this Article 26 as to the AMI Blocks identified therein and for the term of such
31 bidding agreement. Failure of any Offeree to execute the bidding agreement
32 within thirty (30) days of receipt of said bidding agreement shall constitute an
33 election by that Offeree not to participate in the acquisition of the AMI Block
34 lease or leases covered thereby, in the event the Acquiring Party is the
35 successful high bidder at the Sale and is subsequently awarded such AMI Block
36 lease or leases. Upon the termination of such bidding agreement, the AMI

1 Blocks subject to such bidding agreement and not acquired pursuant to the
2 terms of such bidding agreement, shall again become subject to the terms and
3 conditions of this Article 26 of this Agreement.
4

5 **26.6 Prior AMI**

6 Effective July 1, 2008, Article VIII (*Area of Mutual Interest*) of that certain
7 Agreement to Convey Lease Interests, Joint Bidding and Area of Mutual Interest
8 dated February 1, 2008 by and between BHP Billiton Petroleum (Deepwater) Inc.
9 and Cobalt International Energy, L.P. shall be deleted in its entirety.
10

11 **ARTICLE 27 – ADMINISTRATIVE PROVISIONS**

12 **27.1 Term**

13 This Agreement shall remain in effect so long as a Lease remains in effect and
14 thereafter until (a) all wells have been abandoned and plugged or turned over to
15 the Parties owning an interest in the Lease on which the wells are located; (b) all
16 Production Systems, Facilities, and equipment have been disposed by the
17 Operator in accordance Article 18 (*Abandonment and Salvage*); (c) all Claims as
18 defined in Article 22 (*Liability, Claims, and Lawsuits*) have been settled or
19 otherwise disposed of; and (d) there has been a final accounting and settlement.
20 In accordance with Article 4.5 (*Selection of Successor Operator*), this Agreement
21 will also terminate if no Party is willing to become Operator, effective after all
22 conditions in clauses (a) through (d) above have been completed. Termination
23 of this Agreement shall not relieve a Party of a liability or obligation accrued or
24 incurred before termination and is without prejudice to all continuing
25 confidentiality obligations or other obligations in this Agreement.

26 **27.2 Waiver**

27 A term, provision, covenant, representation, warranty, or condition of this
28 Agreement may be waived only by written instrument executed by the Party
29 waiving compliance. The failure or delay of a Party in the enforcement or
30 exercise of the rights granted under this Agreement shall not constitute a waiver
31 of said rights nor shall it be considered as a basis for estoppel. Time is of the
32 essence in the performance of this Agreement and all time limits shall be strictly
33 construed and enforced.

1 **27.3 Waiver of Right to Partition**

2 Each Party waives the right to bring an action for partition of its interest in the
3 Contract Area, Production System, Facilities, and equipment held under this
4 Agreement, and covenants that during the existence of this Agreement it shall
5 not resort at any time to an action at law or in equity to partition any or all of the
6 Leases and lands or personal property subject to this Agreement.

7 **27.4 Compliance With Laws and Regulations**

8 This Agreement, and all activities or operations conducted by the Parties under
9 this Agreement, are expressly subject to, and shall comply with, all laws, orders,
10 rules, and regulations of all federal, state, and local governmental authorities
11 having jurisdiction over the Contract Area. No Party shall suffer a forfeiture or be
12 liable in damages for failure to comply with any of the provisions of this
13 Agreement if such compliance is prevented by or if such failure results from
14 compliance with any applicable law, order, rule or regulation.

15 **27.4.1 Applicable Law**

16 **THIS AGREEMENT AND THE RELATIONSHIP OF THE PARTIES**
17 **UNDER THIS AGREEMENT SHALL BE GOVERNED BY AND**
18 **INTERPRETED UNDER FEDERAL LAWS AND LAWS OF THE**
19 **STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF**
20 **CONFLICTS OF LAWS THAT WOULD OTHERWISE REFER THE**
21 **MATTER TO THE LAWS OF ANOTHER JURISDICTION.**

22 **27.4.2 Severance of Invalid Provisions**

23 If, for any reason and for so long as, a clause or provision of this
24 Agreement is held by a court of competent jurisdiction to be illegal,
25 invalid, unenforceable or unconscionable under a present or future law
26 (or interpretation thereof), the remainder of this Agreement will not be
27 affected by that illegality or invalidity. An illegal or invalid provision will
28 be deemed severed from this Agreement, as if this Agreement had
29 been executed without the illegal or invalid provision. The surviving
30 provisions of this Agreement will remain in full force and effect unless
31 the removal of the illegal or invalid provision destroys the legitimate
32 purposes of this Agreement; in which event this Agreement shall be null
33 and void.

1 **27.4.3 Fair and Equal Employment**

2 Each of the Parties is an Equal Opportunity Employer, and the equal
3 opportunity provisions of 30 CFR 270 and 41 CFR 60-1 are
4 incorporated in this Agreement by reference. The affirmative action
5 clauses concerning disabled veterans and veterans of the Vietnam era
6 (41 CFR 60-250) and the affirmative action clauses concerning
7 employment of the handicapped (41 CFR 60-741) are also
8 incorporated in this Agreement by reference. In performing work under
9 this Agreement, the Parties shall comply with (and the Operator shall
10 require each independent contractor to comply with) the governmental
11 requirements in Exhibit "E" that pertain to non-segregated facilities.

12 **27.5 Construction and Interpretation of this Agreement**

13 **27.5.1 Headings for Convenience**

14 Except for the definition headings in Article 2 (*Definitions*), all the table
15 of contents, captions, numbering sequences, and paragraph headings
16 in this Agreement are inserted for convenience only and do not define,
17 expand or limit the scope, meaning, or intent of this Agreement.

18 **27.5.2 Article References**

19 Except as otherwise provided in this Agreement, each reference to an
20 article of this Agreement includes all of the referenced article and its
21 sub-articles.

22 **27.5.3 Gender and Number**

23 The use of pronouns in whatever gender or number is a proper
24 reference to the Parties to this Agreement though the Parties may be
25 individuals, business entities, or groups thereof. Reference in this
26 Agreement to the singular of a noun or pronoun includes the plural and
27 vice versa.

28 **27.5.4 Joint Preparation**

29 This Agreement shall be deemed for all purposes to have been
30 prepared through the joint efforts of the Parties and shall not be
31 construed for or against one Party or the other as a result of the
32 preparation, submittal, drafting, execution or other event of negotiation
33 hereof.

1 **27.5.5 Integrated Agreement**

2 This Agreement contains the final and entire agreement of the Parties
3 for the matters covered by this Agreement and, as such, supersedes all
4 prior written or oral communications and agreements.

5 **27.5.6 Binding Effect**

6 To the extent it is assignable, this Agreement shall bind and inure to
7 the benefit of the Parties and their respective successors and assigns,
8 and shall constitute a covenant running with the land comprising the
9 Contract Area. This Agreement does not benefit or create any rights in
10 a person or entity that is not a Party to this Agreement.

11 **27.5.7 Further Assurances**

12 Each Party will take all actions necessary and will sign all documents
13 necessary to implement this Agreement. Except as otherwise provided
14 in this Agreement, within (30) days after their receipt of a valid written
15 request for those documents from a Party, all other Parties shall
16 prepare and execute the documents.

17 **27.5.8 Counterpart Execution**

18 This Agreement may be executed by signing the original or a
19 counterpart. If this Agreement is executed in counterparts, all
20 counterparts taken together shall have the same effect as if all Parties
21 had signed the same agreement. No Party shall be bound to this
22 Agreement until all Parties have executed a counterpart or the original
23 of this Agreement. This Agreement may also be ratified by a separate
24 instrument that refers to this Agreement and adopts by reference all
25 provisions of this Agreement. A ratification shall have the same effect
26 as an execution of this Agreement.

27 **27.5.9 Currency**

28 Any amounts due or payable under this Agreement shall be paid in
29 United States currency.

30 **27.5.10 Future References**

31 A reference to a Party includes such Party's successors and assigns
32 and, in the case of governmental bodies, persons succeeding to their
33 respective functions and capacities.

1 **27.6 Restricted Bidding**

2 If more than one Party is ever on the list of restricted joint bidders for OCS lease
3 sales, as issued by the MMS under 30 CFR 256.44, as amended, the Parties
4 shall comply with all statutes and regulations regarding restricted joint bidders on
5 the OCS.

6 **27.7 Prior Offshore Operating Agreement**

7 This Agreement shall replace and be in lieu of that certain Offshore Operating
8 Agreement attached as Exhibit "C" to that certain Agreement to Convey Lease
9 Interests, Joint Bidding and Area of Mutual Interest dated February 1, 2008 by
10 and between BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International
11 Energy, L.P.

12 **IN WITNESS WHEREOF**, each Party, through its duly authorized agent or
13 representative, has executed this Agreement as of the Effective Date.

14 WITNESSES:

BHP BILLITON PETROLEUM (GOM) INC.

15 R.B. Priestly
16 Andrew Jung

By: Scott H. Cornwell

Name: Scott H. Cornwell

Title: Negotiations Manager

20 WITNESSES:

BHP BILLITON PETROLEUM (DEEPWATER) INC.

21 R.B. Priestly
22 Andrew Jung

By: Scott H. Cornwell

Name: Scott H. Cornwell

Title: Negotiations Manager

1
2
3
4
5
6

WITNESSES:

COBALT INTERNATIONAL ENERGY, L.P.

R. B. Lusk
Guthrie King

By: Lynne L. Hackedorn

Name: Lynne L. Hackedorn

Title: Land Manager

Exhibit "A-1"

Attached to and made a part of that certain Offshore Operating Agreement dated July 1, 2008 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

DESCRIPTION OF LEASES, WORKING INTERESTS OF THE PARTIES, AND REPRESENTATIVES

I. LEASES AND WORKING INTEREST:

<u>Green Canyon</u>	<u>OCS-G #</u>	<u>Effective Date</u>	<u>WORKING INTEREST</u>	
			<u>BHP Deepwater</u>	<u>Cobalt</u>
588	OCS-G 25172	6/1/2003	60%	40%
589(SW/4, W/2 of SE/4)	OCS-G 21217	6/1/1999	60%	40%
632	OCS-G 25177	6/1/2003	60%	40%
633	OCS-G 32520	7/1/2008	60%	40%
676	OCS-G 32525	8/1/2008	60%	40%

II. OPERATOR

BHP Billiton Petroleum (GOM) Inc.

III. REPRESENTATIVES AND ADDRESSES

BHP Billiton Petroleum (Deepwater) Inc. Scott H. Cornwell
1360 Post Oak Boulevard, Suite 150 Negotiation Manager
Houston, Texas 77056-3020
Telephone: (713) 961-8306
Facsimile: (713) 961- 8339

Cobalt International Energy, L.P. Ms. Lynne Hackedorn
1980 Post Oak Blvd., Suite 1200 Land Manager
Houston, Texas 77056
Telephone: (713) 579-9115
Facsimile: (713) 579-9196

Exhibit "A-2"

Attached to and made a part of that certain Offshore Operating Agreement dated July 1, 2008 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

AMI AREA

Green Canyon Block 587

Green Canyon Block 589, *only as to the SW/4 and W/2 of SE/4*

Green Canyon Block 631

Green Canyon Block 675

Green Canyon Block 677

Green Canyon Block 719

Green Canyon Block 720

Green Canyon Block 721

EXHIBIT "B"

Attached to and made a part of that certain Offshore Operating Agreement dated July 1, 2008 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

OFFSHORE INSURANCE PROVISIONS

I. WORKERS COMPENSATION & EMPLOYERS LIABILITY INSURANCE

Operator will carry Workers Compensation insurance in compliance with all State and Federal Regulations in the jurisdiction where any of the work under this agreement shall be performed, including the following special coverage extensions:

1. Employers' Liability coverage with limits of not less than \$1,000,000 per accident or occurrence.
2. U.S. Longshoremen and Harbor Workers' Act and Outer Continental Shelf Lands Act coverage.
3. Employers' Liability arising out of Maritime operations including coverage for benefits and damages under the Jones Act including transportation, wages, maintenance and cure and Death on the High Seas Act with limits of at least \$1,000,000 per occurrence.
4. "In Rem" endorsement providing that a claim "In Rem" shall be treated as a claim against the Operator.
5. Waiver of Subrogation endorsement which waives the insurers rights of subrogation against all of the Parties to this agreement.

Premiums for the insurance above specified shall be charged to the Joint Account. Provided, however, that if the Operator either self-insures or effectively self-insures, the Operator shall charge to the Joint Account, in lieu of any premiums for such insurance, an amount not to exceed the workers compensation manual rates times the payroll. Claims under Operator's self-insurance program shall not be charged to the Joint Account.

Except as provided above, Operator shall not be obligated to obtain or cause to be carried insurance for the benefit of the Joint Account. Operator shall not obtain or cause to be carried for the benefit of the Joint Account, control of well or seepage and pollution insurance nor insurance against the hazards of fire, windstorm, explosion, blowout, cratering, reservoir damage, or insurance other than specified above.

II. INSURANCE NOT CHARGED TO THE JOINT ACCOUNT

At all times while the Offshore Operating Agreement is in effect, each party to the Agreement shall insure or self-insure for their share of any liabilities assumed under the Offshore Operating Agreement. The cost of these insurance or self-insurance programs shall be the individual responsibilities of each of the parties and none of the cost associated with these programs shall be charged to the Joint Account. Each party shall insure or self-insure the following coverage for the minimum limits stated.

1. Commercial General Liability Insurance for bodily injury and property damage covering all of the Parties operations, including their offshore operations, and including contractual liability coverage with combined single limits of at least \$10,000,000 per occurrence and in the annual aggregate.
2. Automobile Liability covering all owned, non-owned and leased vehicles with combined single limits of at least \$10,000,000 per occurrence and in the annual aggregate.
3. Pollution Liability insurance covering offshore oil pollution with limits of at least \$10,000,000 per occurrence.
4. Control of Well, Seepage and Pollution and Redrill insurance with limits of at least \$10,000,000 (100%) per occurrence or participation in Oil Insurance Limited.
5. Charterers Legal Liability Insurance for bodily injury and property damage with limits of at least \$10,000,000 per occurrence and in the annual aggregate.
6. Non-owned aviation liability insurance in the amount of \$35,000,000 per occurrence covering liability arising out of any fixed or rotary winged owned, non owned or leased aircraft used in the connection with the work to be performed under the Offshore Operating Agreement.

All of the above coverages shall be endorsed to waive the insurers' rights of subrogation against Operator and all other Parties to the Agreement. Any Party to the Agreement, at the request of any other Party to the Agreement, shall advise all of the other Parties to the Offshore Operating Agreement as to whether it will insure or self-insure the abovementioned coverages. If insurance is purchased, upon request, a Party will provide all other Parties to the Offshore Operating Agreement with a certificate of insurance evidencing that all of the above insurance and special insuring provisions are in place. If insurance is purchased, then such coverage(s) shall be from a carrier that has a Standard & Poor's rating of at least A- or equivalent.

In the event a Party elects to self-insure all or part of the above requirements, and if any of the other Parties to the Offshore Operating Agreement believe or have a concern that the Party does not have the financial capability to meet its obligations under such self-insurance programs, any Party to the Agreement may request any other Party to provide proof of its ability to self-insure these risks. If the self-insuring Party is unable to provide adequate proof, the other Parties to the Agreement may, but are not required to do so, purchase any or all of the insurance that the Party elected to self-insure. The cost of said insurance shall be for the individual account of the Party on whose behalf the insurance was purchased.

III. CONTRACTORS INSURANCE

Operator (including any Party conducting Non-Consent Operations) shall use reasonable endeavors to require each contractor who performs work on behalf of the Offshore Operating Agreement ("Contractor") to carry the following insurance and special insuring provisions.

1. Comprehensive Commercial General Liability (bodily injury and property damage) insurance with limits of not less than One Million U.S. Dollars (US \$1,000,000.00) combined single limit per occurrence and not less than Two Million U.S. Dollars (US \$2,000,000.00) in the aggregate including the following supplementary coverage:
 - A. Contractual Liability to cover liability assumed under this Agreement.
 - B. Products Hazard Coverage for any and all products provided or furnished by or on behalf of Contractor during the course of service rendered by Contractor hereunder.
 - C. Completed Operations Hazard Coverage for any claim relating to defects or deficiencies in goods, products, and materials or services used or rendered by Contractor in connection with its operations.
 - D. Broad Form Property Damage Liability insurance.
 - E. Coverage for explosion, collapse, and underground hazards for work performed by Contractor involving equipment or materials of a volatile, incendiary or explosive nature or involving excavation, drilling or subsurface activity.
 - F. Independent Contractor's Contingent coverage.
 - G. Personal Injury Liability.
 - H. Premises Liability.
 - I. In Rem Endorsement.
 - J. Territorial extension to cover all work areas.
 - K. Watercraft exclusion deleted in both Contractual Liability Insurance and Contractual Liability Endorsement.

- L. Seepage and Pollution Liability including cleanup on a Sudden and Accidental Basis.
2. Automobile Liability Insurance covering owned, hired and non-owned vehicles or automotive equipment used by or for Contractor with limits of One Million U.S. Dollars (US \$1,000,000.00) combined single limit per occurrence for bodily Injury and property damages combined single limits including coverage for sudden and accidental pollution for trucking companies and contractual liability to cover liability assigned under this agreement.
 3. Worker's Compensation and Occupational Disease Insurance in accordance with the state, federal and maritime laws and requirements of the state in which the work is to be performed, the state in which the Contractor's employees reside and the state in which the Contractor is domiciled; covering all liabilities owed for compensation and other benefits under the relevant Worker's Compensation laws of any state or of the federal government, and Employer's Liability Insurance with limits of not less than One Million U.S. Dollars (US \$1,000,000.00) per accident/occurrence, without limitation:
 - A. Protection for liabilities under the U.S. Longshore and Harbor Worker's Compensation Act and the Outer Continental Shelf Lands Act.
 - B. Coverage for liability under the Merchant Marine Act 1920, commonly known as the Jones Act, the Admiralty Extension Act of 1948, and the Death on the High Seas Act.
 - C. Protection against liability of the employer to provide transportation, wages, maintenance and cure fund to maritime employees and a Voluntary Compensation Endorsement.
 - D. Coverage amended to provide that a claim In Rem shall be treated as a claim against the employer.
 - E. Territorial extension to cover all work areas.
 - F. "Alternate Employer/Borrowed Servant" Endorsement stating that a claim brought against COMPANY as a "Borrowed Servant" by any person who is on the payroll of the Contractor or its subcontractors shall be treated as a claim against the Contractor or its subcontractor.

For all vessels owned, operated, chartered or brokered by or for Contractor in connection with its work under the agreement, the Contractor shall carry or require the owner or operator of such vessels to carry (including Umbrella and/or Excess Liability Insurance) the following:

4. Hull and Machinery Insurance – Full Form Hull and Machinery Insurance, including Collision Liability, with the sistership clause unamended, with limits of liability at least equal to the replacement cost value of the vessel

and with navigational limits adequate for Contractor to perform the work and services hereunder. Where the vessel(s) engage in towing operations, said insurance shall include full Tower's Liability with the sistership clause unamended. Insurance will provide for removal of wreck and debris coverage. Said policy shall be endorsed to provide that additional assureds may, but shall not be obliged to, sue and labor. Any language in this policy which limits the coverage to an insured who is not the Contractor or who is not entitled to limitation of liability shall be deleted.

5. Protection and Indemnity Insurance – Coverage including, but not limited to, injuries to or death of master, mates and crews of vessels with limits of not less than \$1,000,000 combined single limit per occurrence including insurance for removal of wreck and debris coverage. This insurance shall be equivalent to Form Sp-23, including coverage for crew, Tower's Liability (with the sistership clause unamended), sue and labor and salvage charges, and Contractual Liability. Any language in this policy which limits the coverage to an insured who is not the Contractor or who is not entitled to limitation of liability shall be deleted.
6. Charterers Legal Liability Insurance for bodily injury and property damage with limits of not less than One Million U.S. Dollars (US \$1,000,000.00) combined single limit per occurrence.
7. Aircraft Liability Insurance covering fixed and rotary winged aircraft (where Contractor has hired aircraft or helicopters) with combined single limit coverage for public liability, passenger liability and property damage of not less than One Million U.S. Dollars (US \$1,000,000.00) combined single limit per seat per occurrence covering all owned, non-owned and hired aircraft by Contractor in connection with services to be performed.
8. Umbrella/Excess Liability Insurance Coverage providing coverage excess of #1, 2, 3 (Employers Liability) 5, 6 and 7 in the amount of at least Fifty Million U.S. Dollars (US \$50,000,000.00) following form of the primary insurance coverages.
9. Property Insurance in an all risk form (including transit) covering the Contractor's machinery and equipment for its replacement cost value and including removal of wreck and debris coverage.

Operator will require Contractor to obtain endorsements providing a Waiver of Recovery or Subrogation of the insurers rights in favor of Operator and Operator group and also naming the Operator as an Additional Insured on the policies of insurance where appropriate and to provide that the word 'Insured' also includes any party, co-owner or joint venturer. However, Operator shall not be liable to Non-Operating Parties or to their parent companies, subsidiaries or any affiliated companies for failure to do any of the above. It is recognized in the industry that there are certain contractors and service companies whose services are

necessary to operations contemplated by the Parties, who as a matter of their policy refuse contractually to indemnify working interest owners or to carry any insurance indemnifying working interest owners. As to those entities, Operator may waive any requirement of contractual indemnity or any or all of the insurance or special insurance provisions required above.

IV. NOTICE

Operator shall promptly notify Non-Operating Parties of any loss, damage or claim not covered by the insurance obtained hereunder for the Joint Account. All losses which are not covered and all losses in excess of insurance coverage shall be borne by the Parties in accordance with the terms of the Offshore Operating Agreement under which said operations are being conducted by the Parties.

EXHIBIT "C"

Attached to and made a part of that certain Offshore Operating Agreement dated July 1, 2008 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

ACCOUNTING PROCEDURE PROJECT TEAM JOINT OPERATIONS

I. GENERAL PROVISIONS

1. DEFINITIONS

All terms used in this Accounting Procedure, if not otherwise defined in the Agreement to which this Accounting Procedure is attached, shall have the following meaning:

- A. "Affiliate" shall mean, with respect to any Party, any separate legal entity directly or indirectly controlling, controlled by, or under common control with such Party, unless otherwise defined in the Agreement to which this Accounting Procedure is attached.
- B. "Controllable Material" shall mean Material that at the time of acquisition or disposition by the Joint Account is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies (COPAS).
- C. "First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of the Operator's field employees and/or contract labor directly employed on the Joint Property in the conduct of Joint Operations.
- D. "Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations that are to be shared by the Working Interest Owners.
- E. "Joint Operations" shall mean activities required to handle operating conditions and problems for the exploration, appraisal, development, production, protection, maintenance, abandonment, and restoration of the Joint Property.
- F. "Joint Property" shall mean the real and personal property subject to the Agreement to which this Accounting Procedure is attached. For operations involving subsea or remote structures, the phrase "on the Joint Property" may include a platform, surface production facility, remote facility, or floating production storage facility, which is the surface location from which Joint Operations are conducted, even if such location is not owned by the Joint Account.
- G. "Material" shall mean personal property, equipment, supplies, or consumables acquired or held for use by the Joint Property.

- H. "Non-Operators" shall mean the Parties to this Agreement other than the Operator.
- I. "Offshore Facilities" shall mean platforms, surface and subsea development and production systems, and other support systems such as oil and gas handling facilities, living quarters, offices, shops, cranes, electrical supply equipment and systems, fuel and water storage and piping, heliport, marine docking installations, communication facilities, navigation aids, and other similar facilities necessary in the conduct of offshore operations, all of which are located offshore.
- J. "Operator" shall mean the Party designated to conduct the Joint Operations.
- K. "Parties" shall mean legal entities signatory to the Agreement or their successors or assigns to which his Accounting Procedure is attached.
- L. "Personal Expenses" shall mean reimbursed costs for travel, temporary living, relocation, and other expenses of Operator's employees, as well as similar expenses incurred by a Non-Operator or any Party's Affiliate for personnel assigned to a Project Team.
- M. "Project Team" shall mean employees of the Parties, Affiliates, or contractors assigned to perform work and/or studies as authorized under the terms of the Agreement.
- N. "Shore Base Facilities" shall mean onshore support facilities that during Joint Operations provide such services to the Joint Property as a receiving and transshipment point for Materials; debarkation point for drilling and production personnel and services; communication, scheduling and dispatching center; and other associated functions benefiting the Joint Property.
- O. "Technical Employees" shall mean personnel having special and specific engineering, geoscience, or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

2. STATEMENTS AND BILLINGS

- A. The Operator shall bill Non-Operators on or before the last day of the month for their proportionate share of the Joint Account for the preceding month. Such bills shall be accompanied by statements that identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate categories of investment and expense. In lieu of detailed descriptions, Controllable Material may be summarized by major Material classifications. Intangible drilling costs, audit adjustments, and unusual charges and credits shall be separately and clearly identified.
- B. Non-Operators shall bill the Operator, on a monthly basis, in accordance with the provisions contained herein, for the salaries, wages, payroll burden, and Personal Expenses, if any, of its employees assigned to the Project Team. In a like manner, the Non-Operator shall bill the Operator for such expenses of the Non-Operator's Affiliate employees and/or contractor employees retained by the Non-Operator who are assigned to the Project Team. The Operator shall reimburse the Non-Operators in accordance with Section I, Paragraph 3.B. For the

purposes of Paragraphs 3, 4, and 5 of this Section I, the Non-Operator's costs shall be considered a Joint Account.

3. **ADVANCES AND PAYMENTS BY THE PARTIES**

- A. If gross expenditures for the Joint Account are expected to exceed \$500,000 in the next succeeding month's operations, the Operator may require the Non-Operators to advance their share of the estimated cash outlay for such month's operations. Unless otherwise provided in the Agreement, any billing for such advance shall be payable within 15 days after receipt of the advance request or by the first day of the month for which the advance is required, whichever is later. The Operator shall adjust each monthly billing to reflect advances received from the Non-Operators for such month. If a refund is due, the Operator shall apply the excess to subsequent month's billings or advances, unless a refund is specifically requested.
- B. Except as provided below, each Party shall pay its proportion of all bills within 30 days of receipt date. If payment is not made within such time, the unpaid balance shall bear interest compounded monthly using the U.S. Treasury Bill 13-week discount rate plus 3% in effect on the first day of the month for each month that the payment is delinquent or the maximum contract rate permitted by the applicable usury laws governing the Joint Property, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts. Interest shall begin accruing on the first day of the month in which the payment was due.

XX Electronic Fund Transfer (optional)

- C. Payments by Parties for monthly cash advances and billings shall be made by Electronic Fund Transfer (EFT) or Automated Clearing House (ACH) transaction.

4. **ADJUSTMENTS**

- A. Payment of any such bills shall not prejudice the right of any Party to protest or question the correctness thereof; however, all bills and statements (including payout status statements) rendered during any calendar year shall conclusively be presumed to be true and correct, with respect only to expenditures, after 24 months following the end of any such calendar year, unless within said period a Party takes specific detailed written exception thereto requesting review for adjustment.
- B. All adjustments initiated by the billing Parties except those described in (1) through (4) below are limited to the 24-month period following the end of the calendar year in which the original charge appeared or should have appeared on the billing Party's Joint Account statement or payout status statement. Adjustments made beyond the 24-month period are limited to the following:
 - (1) a physical inventory of Controllable Material as provided for in Section V
 - (2) an offsetting entry (whether in whole or in part) that is the direct result of a specific joint interest audit exception granted by the Party relating to another property
 - (3) a government/regulatory audit
 - (4) working interest ownership adjustments

5. EXPENDITURE AUDITS

A. A Non-Operator, upon notice in writing to the Operator and other Non-Operators including any non-participating Parties, shall have the right to audit the Operator's accounts and records relating to the Joint Account for any calendar year within the 24-month period following the end of such calendar year; however, conducting an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. The Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of the Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit. The lead audit company's audit report shall be issued within 90 days after completion of the audit testing and analysis but no later than 90 days from the end of the calendar year in which the audit was commenced; however, the 90-day time period shall not extend the 24-month requirement for taking specific detailed written exception as required in Paragraph 4.A above. All claims shall be supported with sufficient documentation. Failure to issue the report within the prescribed time or to take specific written exception within the 24-month period will preclude the Non-Operator from taking exception to any charge billed within the time period audited.

A timely filed audit report or any timely submitted response thereto shall suspend the running of any applicable statute of limitations regarding claims made in the audit report. While any audit claim is being resolved, the applicable statute of limitations will be suspended; however, the failure to comply with the deadlines provided herein shall cause the statute to commence running again.

- B. The Operator shall allow or deny all exceptions in writing to an audit report within 180 days after receipt of such report. Denied exceptions should be accompanied by a substantive response. Failure to respond to an exception with substantive information on denials within the time provided will result in the Operator paying interest on that exception, if ultimately granted, from the date of the audit report. The interest charged shall be calculated in the same manner as used in Section I, Paragraph 3.B.
- C. The lead audit company shall reply to the Operator's response to an audit report within 90 days of receipt, and the Operator shall reply to the lead audit company's follow-up response within 90 days of receipt. If the lead audit company does not provide a substantive response to an exception within 90 days, that unresolved audit exception will be disallowed. If the Operator does not provide a substantive response to lead auditor's follow-up response within 90 days, that unresolved audit exception will be allowed and adjustments made to the Joint Account.
- D. The Operator or any audit participant may call an audit resolution meeting for the purpose of resolving audit issues/exceptions that are outstanding at least 15 months after the date of the audit report. The meeting will require one month's written notice to the Operator and all

audit participants, a mutually agreed upon time and location, and attendance by representatives of the Operator and audit participants with authority to resolve such outstanding audit issues. Any Party who fails to attend the resolution meeting shall be bound by any resolution reached at the meeting. The lead audit company will coordinate the response and positions of the audit participants throughout the audit resolution process.

Attendees will make good faith efforts to resolve outstanding issues, and each Party will be required to present substantive information supporting its position. An audit resolution meeting may be held as often as agreed to by the Parties. Issues unresolved at one meeting can be discussed at subsequent meetings until each such issue is resolved.

- E. This Accounting Procedure contemplates Non-Operators may incur Project Team expenditures that are subsequently billed to the Operator and charged to the Joint Account pursuant to Section I, Paragraph 2.B. Accordingly, such Non-Operators are required to maintain auditable records supporting such charges. Regarding such charges, the Operator and/or any other Non-Operators are hereby provided the same rights and Obligations as set forth in Section I, Paragraphs 5.A. through 5.D., as pertain to the Non-Operators in audit of the Joint Account. Conversely in such situation, the Non-Operator being audited is hereby provided the same rights and obligations as set forth in Section I, Paragraphs 5.A. through 5.D. for the Operator.

6. APPROVAL BY PARTIES

Where an approval or other agreement is required, the Parties shall use the Voting Procedures provided in the Offshore Operating Agreement to which this Exhibit "C" is attached..

For the purpose of administering the voting procedures of this Paragraph 6, if two or more Parties to this Agreement are Affiliates of each other, such Affiliated Parties shall be treated as a vote by a single Party having the combined interest of the Affiliated Parties.

II. DIRECT CHARGES

The Operator shall charge the Joint Account with the following items:

1. RENTALS AND ROYALTIES

Lease rentals and royalties paid by the Operator, on behalf of all Parties, for the Joint Operations

2. LABOR

- A. Salaries and Wages including Incentive Compensation Programs, as set forth in COPAS Interpretation 30, for personnel serving the Joint Property shall be chargeable in accordance with the following provisions.

- (1) Project Team

- All salaries and wages of employees of the Operator and Non-Operator assigned to the Project Team on a full-time or part-time basis shall be considered a direct cost and shall be charged to the Joint Account. Such employees shall include personnel who are

directly engaged in project management, evaluation, design, construction, and installation activities regardless of location. Part-time Project Team personnel specifically assigned to the Project Team shall be charged to the Joint Account, based on actual days worked, only when such time involves at least one full-day equivalent per month that is devoted to the project. Technical Employees not assigned to the Project Team but working under the direction of the Project Team shall be charged to the Joint Account based on actual days worked, only when such time involves at least one full-day equivalent per month. Contractor and Affiliate charges for personnel assigned to the Project Team are chargeable pursuant to Section II, Paragraphs 5 and 7. The Operator and Non-Operator will attempt to negotiate a separate agreement setting forth a daily rate to be charged for individuals assigned to the Project Team.

(2) Other Operations-Non-Project Team

The following salaries and wages shall be charged for employees:

- (a) Salaries and wages of the Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations
 - (b) Salaries and wages of the Operator's employees directly employed on Shore Base Facilities or other Offshore Facilities serving the Joint Property if such costs are not charged under Paragraph 6 of this Section II
 - (c) Salaries of First Level Supervisors
 - (d) Salaries and wages of Technical Employees directly employed on the Joint Property in the conduct of Joint Operations, or on Offshore Facilities serving the Joint Property, if such charges are excluded from the Overhead rates
 - (e) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from the overhead rates
- B. Cost of holiday, vacation, sickness and disability benefits, and other customary allowances paid to personnel to the extent their salaries and wages are chargeable to the Joint Account under Paragraph 2.A of this Section II, excluding severance payments or other termination allowances. Such costs under this Paragraph 2.B may be charged on a "when and as-paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2.A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's or Non-Operators' cost experience, as appropriate.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to costs chargeable to the Joint Account under Paragraphs 2.A and 2.B of this Section II
- D. Personal Expenses, other than relocation costs, of personnel whose salaries and wages are chargeable to the Joint Account under Paragraph 2.A of this Section II

Relocation costs, consistent with the employer's established policy, are chargeable to the extent their salaries and wages are chargeable, in accordance with the following:

(1) For personnel transferred and assigned to a Project Team for a minimum of 12 consecutive months

- shall be charged to the Joint Account
- shall not be charged to the Joint Account

For those assigned for less than 12 consecutive months shall not be chargeable unless agreed to by the Parties.

(2) For Operator's field employees and/or First Level Supervisors

- shall be charged to the Joint Account
- shall be chargeable for the initial staffing upon commencement of Joint Operations for a given platform, facility, or production system
- shall be chargeable for First Level Supervisors
- shall not be chargeable to the Joint Account

Notwithstanding the foregoing, relocation costs that result from reorganization or merger of a Party shall not be chargeable to the Joint Account. Extraordinary relocation costs, such as those incurred as a result of transfers from remote locations such as Alaska or overseas, shall be approved by the Parties pursuant to the provisions in Section I, Paragraph 6.

- E. Training costs shall be chargeable as specified in COPAS Interpretation 27 and as provided in Section II, Paragraph 13. This training charge shall include the wages, salaries, training course cost, and Personal Expenses incurred during the training session for personnel to the extent their salaries and wages are chargeable under Paragraph 2.A of this Section II. The cost of the training course will be limited to prevailing commercial rates where available.
- F. Cost of established plans for employees' benefits as described in COPAS Interpretation No. 11, determined by applying the employee benefits limitation percentage most recently recommended by COPAS to the chargeable salaries and wages

3. MATERIAL

Materials purchased or furnished by the Operator for use on the Joint Property in the conduct of Joint Operations as provided under Section IV. Only such Materials shall be purchased for or transferred to the Joint Property as may be required for immediate use or is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

4. TRANSPORTATION

Transportation of Operator's, Non-Operator's, Affiliate's or contractor's personnel, and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest supply store where like Material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.
- B. If surplus Material is moved to the Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest supply store where like Material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties unless agreed to by the Parties.
- C. In the application of Paragraphs 4.A. and 4.B. above, the option to equalize or charge actual trucking cost is available when the actual charge is less than the amount most recently recommended by COPAS, excluding accessorial charges, as set forth in COPAS Bulletin 21.

5. SERVICES

The cost of contract services, equipment, and utilities used in the conduct of Joint Operations and provided by sources other than the Parties, except for contract services, equipment, and utilities covered by the Section III overhead provisions, Paragraph 7 of this Section II, or excluded under Paragraph 9 of this Section II. Notwithstanding anything herein to the contrary, the cost of contract personnel assigned to the Project Team are directly chargeable to the Joint Account. Costs, such as rig modification costs, dead time and major maintenance, may be accounted for as specified in COPAS AG-25 (Allocation of Rig-Related Expenditures) using a day rate commensurate with the remaining term of the drilling contract.

6. EQUIPMENT AND FACILITIES FURNISHED BY OPERATOR

In the absence of a separately negotiated agreement, equipment and facilities furnished by the Operator will be charged as follows:

- A. Equipment and facilities owned by the Operator shall be charged to the Joint Account at the average prevailing commercial rate for such equipment. If an average commercial rate is used to bill the Joint Account, the Operator shall adequately document and support such rate and shall periodically review and update the rate and the supporting documentation.
- B. In lieu of charges in Paragraph 6.A. above, or if a prevailing commercial rate is not available, equipment and facilities owned by the Operator will be charged to the Joint Account at the Operator's actual cost. Such costs shall be limited to expenses that would be chargeable pursuant to this Section II if such equipment and facilities were jointly owned, depreciation using straight line depreciation method, and interest on investment (less gross accumulated depreciation) not to exceed 10% per annum. In addition, for platforms, subsea production systems, and production handling facilities, the rate may include an element of the estimated cost of abandonment, reclamation, and dismantlement. Depreciation shall not be charged when the equipment and facilities investment have been fully depreciated. Charges shall not exceed the average prevailing commercial rate, if available.
- C. When applicable for Operator-owned or leased motor vehicles, the Operator shall use rates published by the Petroleum Motor Transport Association or such other organization

recognized by COPAS as the official source of such rates. When such rates are not available, the Operator shall comply with the provisions of Paragraph 6.A. or 6.B. above.

7. AFFILIATES

Affiliate Materials, facilities, and services provided for the Joint Operations shall be chargeable to the Joint Account as herein provided.

- A. If any Operator Affiliate provides Materials, facilities, or services for operations not under the direction of a Project Team that are expected to exceed two hundred fifty thousand dollars (\$250,000.00) per annum, per Affiliate, or if such expenditures exceeded said amount during the preceding 12-month period, such charges to the Joint Account for such Materials, facilities or services shall be pursuant to written agreement between the Parties.
- B. If a Non-Operator's Affiliate provides Materials, facilities, or services for operations not under the direction of a Project Team, charges shall be considered third-party services as provided in Paragraph 5 of this Section II.
- C. An Affiliate of the Operator or Non-Operator working at the request of a Project Team shall be chargeable to the Joint Account using the methods indicated below. If more than one option is selected below, notification of the method to be used shall be required prior to commencement of the activity utilizing the Affiliate.

- o Fixed Rate Basis

Affiliate Materials, facilities, or services shall be charged based on all-inclusive standard rates. Written approval of the rates shall be required of the Parties. Once established, the rates shall be subject to annual adjustment as of the first day of April each year using the percentage wage index adjustment recommended by COPAS for that year.

Any Party may request adjustments to Affiliate costs or rates at any time it deems appropriate but no more than once per year for a given Affiliate. The Parties shall respond to proposals for revised Affiliate costs or rates within the time prescribed in the Agreement for general voting matters. Approval of proposed Affiliate rates shall be determined in accordance with the provisions of Section I, Paragraph 6 and shall not be unreasonably withheld by the Parties.

- X Cost Basis

Affiliate services shall be charged to the Joint Account as charged by the Affiliate and include any services or Materials procured for Joint Operations. Parties shall charge the Joint Account for the use of Affiliate-owned equipment and facilities at rates commensurate with costs of ownership and operations, which shall include only those costs that would be chargeable if furnished by the Operator pursuant to Section II, Paragraph 6.B.

Charges to the Joint Account for any Materials, facilities, or services provided by an Affiliate shall not exceed average commercial rates, when such rates are available. In the event a Party determines such charges to be excessive compared with third-party rates, that Party must

substantiate that such charges exceed average commercial rates and shall provide sufficient documentation to support all such claims in accordance with Section I, Paragraph 5.

___ AFE/Project Basis

Prior to the commencement of each project, the proposing Party shall submit an AFE that details each Party's Affiliate Materials, facilities, or services to be provided and the costs/rates charged by such Affiliates. Such AFE and costs/rates contained therein shall require the agreement and written approval of the Parties in accordance with the applicable provisions of the Agreement. Once agreed to, such Affiliate costs/rates shall remain in effect for the duration of the AFE/Project, unless revised by the Parties in accordance with Section I, Paragraph 6 of this Accounting Procedure.

Any Party may request adjustments to Affiliate costs or rates at any time it deems appropriate but no more than once per year for a given Affiliate. The Parties shall respond to proposals for revised Affiliate costs or rates within the time prescribed in the Agreement for general voting matters. Approval of proposed Affiliate rates shall be determined in accordance with the provisions of Section I Paragraph 6 and shall not be unreasonably withheld by the Parties.

- D. Each Party will make a good faith effort to obtain sufficient evidentiary supporting documentation from its Affiliate and shall maintain auditable records to support all Affiliate charges to the Joint Account. Unless otherwise provided below, such documentation shall be subject to audit in accordance with Section I, Paragraph 5.

If affiliate charges are based on rates established using a fixed rate basis, the audit of the Affiliate charges shall be limited to verification that the rates charged were as agreed to by the Parties, and that the units or basis to which the rates were applied are correct.

If the Cost Basis method is selected, the Parties agree that the Affiliate's records relating to the Materials, facilities, or services provided by the Affiliates

- will not be made available for audit
 will be made available for audit

8. DAMAGES AND LOSSES TO JOINT PROPERTY

All costs or expenses necessary for the repair or replacement of Joint Property resulting because of damages or losses incurred, except to the extent such damages or losses result from a Party's gross negligence or willful misconduct, in which case such Party shall be solely liable.

9. LEGAL EXPENSE

The Operator may not charge for services of the Operator's legal staff or fees and expenses of outside attorneys unless approved by the Parties, except that title examinations and curative work shall be chargeable, unless otherwise provided for in the Agreement. Other types of legal expense, other than attorney fees, such as recording fees and handling, settling, or otherwise

discharging litigation, claims, and liens necessary to protect or recover the Joint Property shall be chargeable.

10. TAXES AND PERMITS

All taxes and permits of every kind and nature, assessed or levied upon or in connection with the Joint Property, or the production therefrom, and which have been paid by the Operator for the benefit of the Parties, including penalties and interest, except to the extent the penalties and interest result from the Operator's gross negligence or willful misconduct.

If ad valorem taxes paid by the Operator are based in whole or in part upon separate valuations of each Party's working interest, then notwithstanding any contrary provisions, the charges to Parties will be made in accordance with the tax value generated by each Party's working interest.

11. INSURANCE

Net premiums paid for insurance required to be carried for Joint Operations for the protection of the Parties. If Joint Operations are conducted at locations where the Operator acts as self-insurer in regard to its workers' compensation and employer's liability insurance obligation, the Operator shall charge the Joint Account manual rates for the risk assumed in its self-insurance program as regulated by the jurisdiction governing the Joint Property. Such rates shall be adjusted for offshore operations by the U.S. Longshoreman and Harbor Workers (USL&H) or Jones Act surcharge, as appropriate.

12. COMMUNICATIONS

Costs of acquiring, leasing, installing, operating, repairing, and maintaining communication systems, including radio and microwave facilities, between the Joint Property and the Operator's offices directly responsible for field operations. In the event communication systems serving the Joint Property are Operator or Affiliate-owned, charges to the Joint Account shall be made as provided in Section II, Paragraph 6 or 7 as applicable.

13. ECOLOGICAL, ENVIRONMENTAL, AND SAFETY

A. Ecological and Environmental costs incurred

- for the benefit of the Joint Property
- on the Joint Property

resulting from laws, rules, regulations, or orders for archaeological and geophysical surveys relative to identification and protection of cultural resources and/or other environmental or ecological surveys as may be required by the Minerals Management Service or other regulatory authority. Also, costs to provide or have available pollution containment and removal equipment plus actual costs of control and cleanup and resulting responsibilities of oil and other spills as well as discharges from permitted outfalls as required by applicable laws and regulations are chargeable. Ecological and environmental costs incurred by the Operator as deemed by the Operator to be appropriate for prudent operations are also chargeable to the extent such costs directly benefit Joint Operations.

B. Safety costs incurred

- for the benefit of the Joint Property
- on the Joint Property

to conduct and/or implement safe operational practices/guidelines as a result of laws, rules, regulations, or orders or as recommended for voluntary compliance. Examples are the requirements mandated by the Occupational Safety and Hazards Act (OSHA), Safety and Environmental Management Program (SEMP), Process Safety Management (PSM), and/or requirements which may be mandated/recommended by similar programs or by other current or successor regulatory agencies. Safety costs incurred by the Operator as deemed by the Operator to be appropriate for prudent operations are also chargeable to the extent such costs directly benefit Joint Operations.

C. Environmental, ecological, and safety training costs for personnel whose time would otherwise be chargeable under Paragraph 13.A or B above, regardless of whether training is mandated by statute or regulatory agency, is chargeable to the Joint Account.

D. Safety and other team accomplishment awards for personnel chargeable to the Joint Account

- shall be chargeable to the Joint Account
- shall not be chargeable to the Joint Account

In the event of a conflict between the provisions of this Paragraph 13 and Section III, Paragraphs i. and ii., the following election shall prevail:

- Section II, Paragraph 13
- Section III, Paragraphs i. and ii.

14. ABANDONMENT AND RECLAMATION

Costs incurred for abandonment and reclamation of the Joint Property, including costs required by governmental, regulatory, or judicial authority

III. OVERHEAD

As compensation for administrative, supervision, office services and warehousing costs, or other costs not specifically identified as being chargeable to the Joint Account pursuant to Section II of this Accounting Procedure, the Operator shall charge the Joint Account in accordance with this Section III.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of offices and salaries or wages plus applicable burdens and expenses of personnel, except those costs identified as directly chargeable under Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, purchasing, accounting, administrative or clerical duties, or matters before or involving governmental agencies shall be

considered as included in the overhead rates provided for in this Section III unless directly chargeable under Section II or such costs are agreed to by the Parties as a direct charge to the Joint Account. Costs of functions which solely benefit the Operator are not recoverable from the Joint Account.

- i. Except as otherwise provided in Paragraphs 1 and 3 of this Section III, the salaries, wages, related payroll burden and Personal Expenses of Technical Employees, and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property in the conduct of Joint Operations
 - o shall be covered by the overhead rates
 - shall not be covered by the overhead rates

- ii. Except as otherwise provided in Paragraphs 1 and 3 of this Section III, the salaries, wages, related payroll burden and Personal Expenses of Technical Employees, and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property
 - shall be covered by the overhead rates
 - o shall not be covered by the overhead rates

1. OVERHEAD-PROJECT TEAM

To compensate the Parties for overhead costs incurred to support a Project Team, the Parties shall charge Project Team Overhead. Such overhead costs may include, but shall not be limited to the following: all personnel not directly chargeable to the Project Team, all computer equipment and supplies, office space, utilities, office furniture and equipment, cleaning and general housekeeping, office supplies, conference room facilities, facsimile machines, copy machines, telephones, and other general costs of supporting the Project Team. The overhead recovery shall be pursuant to one of the following options:

- The Operator shall charge a rate of three and a half Percent (3.5%) of the total cost of the Project Team AFE
- o The Parties shall negotiate and document an overhead recovery method for the Project Team AFE when the Project Team AFE is proposed by the Parties. Approval of the overhead recovery method shall be determined in accordance with the Agreement provisions governing approval of the Project Team AFE

2. OVERHEAD-DEVELOPMENT AND OPERATING

As compensation for overhead in connection with drilling and producing operations not covered by other provisions of this Section III, Operator shall charge on either

- Fixed Rate Basis, Paragraph 2.A.
- Percentage Basis, Paragraph 2.B.

A. OVERHEAD-FIXED RATE BASIS

(1) The Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate per month \$_____ (Prorated for less than a full month)

Producing Well Rate per month \$_____

(2) Application of Overhead-Drilling Well Rate shall be as follows:

- (a) Charges for onshore drilling wells shall begin on spud date and terminate on the date the drilling or completion equipment is released, whichever occurs later. Charges for offshore drilling wells shall begin on the date the drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first. No charge shall be made during suspension of drilling or completion operations for 15 or more consecutive calendar days.
- (b) Charges for wells undergoing any type of workover, recompletion, or abandonment for a period of five consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, and commence through date of rig or other unit release, except that no charges shall be made during suspension of operations for 15 or more consecutive calendar days.

(3) Application of Overhead-Producing Well Rate shall be as follows:

- (a) An active well completion for any portion of the month shall qualify for a one-well charge for the entire month. An active completion is one that is
 - [1] produced
 - [2] injected into for recovery or disposal
 - [3] used to obtain water supply to support production operations
- (b) Each active completion in a multi-completed well shall qualify for a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

- (c) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when the drilling well rate applies.
 - (d) An active gas well shut in because of overproduction or failure of a purchaser to take production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
 - (e) All wells not meeting the criteria set forth in this Paragraph 2.A.(3) (a), (b), (c), or (d) shall not qualify for a producing overhead charge.
- (4) The well rates shall be adjusted on the first day of the production month of April each year following the effective date of the Agreement to which this Accounting Procedure is attached or the effective date of any overhead rate amendment. The adjusted rates shall be the rates on the effective date of the overhead rate, increased or decreased by the COPAS percentage wage index adjustment for each year from such effective date to the date of the adjustment.

B. OVERHEAD-PERCENTAGE BASIS

- (1) Operator shall charge the Joint Account at the following rates:
- (a) Development Rate two and three-quarters Percent (2.75%) of the cost of development of the Joint Property exclusive of costs provided under Section II, Paragraph 9, all salvage credits, and all Project Team expenses and overhead.
 - (b) Operating Rate thirteen Percent (13%) of the cost of operating the Joint Property exclusive of costs provided under Section II, Paragraphs 1 and 9; all salvage credits; the value of substances purchased for enhanced recovery; all property and ad valorem taxes and any other taxes and assessments that are levied, assessed, and paid upon the mineral interest in and to the Joint Property.
- (2) Application of Overhead-Percentage Basis shall be as follows:
- (a) Development rate shall be applied to all costs in connection with
 - [1] drilling, re-drilling, plugging back, sidetracking, or deepening of a well
 - [2] workover operations requiring a period of 15 consecutive work days or more on a well
 - [3] preliminary expenditures necessary in preparation for drilling
 - [4] expenditures incurred in abandoning when the well is not completed as a producer
 - [5] original construction or installation of fixed assets, expansion of fixed assets, and any other project clearly discernible as a fixed asset except Major Construction as defined in Section III, Paragraph 3 or any Project Team expenses and overhead
 - [6] expenditures incurred for geological and geophysical work performed for the development of the Joint Property.

- (b) Operating rate shall be applied to all other costs in connection with Joint Operations except those subject to Section III Paragraphs 1 and 3.

3. OVERHEAD-MAJOR CONSTRUCTION AND CATASTROPHE

Major Construction is defined as any project requiring an AFE, under the terms of the Agreement to which this Accounting Procedure is attached, for the construction and installation of fixed assets; the expansion of fixed assets; or in the abandonment of fixed assets and any associated reclamation required for the exploration, development, and operation of the Joint Property.

Catastrophe is defined as a calamitous event bringing damage, loss, or destruction resulting from a single occurrence requiring an AFE to restore the Joint Property to the equivalent condition that existed prior to the event causing the damage.

To compensate the Operator for overhead costs incurred in connection with Major Construction and Catastrophes, the Operator shall either negotiate a rate prior to beginning the work or shall charge the Joint Account for overhead based on the following rates:

- A. If the Operator charges, to a Project Team AFE, the engineering, design, and drafting costs associated with a Major Construction or Catastrophe project AFE, the overhead assessment shall be two and three-quarters percent (2.75%) of total project costs.
- B. If the Operator does not charge the engineering, design, and drafting costs related to a Major Construction or Catastrophe project AFE to a separate Project Team AFE, the Operator shall charge the following rates:

If the Operator absorbs engineering, design, and drafting costs related to the project, the overhead assessment shall be two and a half percent (2.5%) of total project costs.

If the Operator charges engineering, design, and drafting costs related to the project directly to the Joint Account, the overhead assessment shall be two percent (2%) of total project costs.

For calculating Major Construction overhead, the cost of drilling and workover wells shall be excluded. For calculating Catastrophe overhead the cost of drilling relief wells, substitute wells, or conducting other well operations resulting from the catastrophic event shall be included. Expenditures to which these rates apply shall not be reduced by insurance recoveries. Overhead assessed under the Major Construction and Catastrophe provisions shall be in lieu of all other overhead provisions. In the event of any conflict between the provisions of this paragraph and the provisions of Section II, Paragraphs 2 and 5, the provisions of this paragraph shall govern. Total project costs shall exclude Project Team costs if recorded to a separate Project Team AFE and overhead is charged on Project Team costs pursuant to Section III, Paragraph 1.

4. AMENDMENT OF RATES

The Overhead rates provided for in this Section III may be amended from time to time if, in practice, the rates are found to be insufficient or excessive, in accordance with the provisions of Section I, Paragraph 6.

IV. MATERIAL PURCHASES, TRANSFERS, AND DISPOSITIONS

The Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for direct purchases, transfers, and dispositions. The Operator normally provides all Material for use in the conduct of Joint Operations but does not warrant the Material furnished. Except as otherwise provided in Section IV, Paragraph 4.A., Material may be supplied by Non-Operators at the Operator's option.

1. DIRECT PURCHASES

Direct purchases shall be charged to the Joint Account at the price paid by the Operator after deduction of all discounts received. A direct purchase is determined to occur when an agreement is made between an Operator and a third party for the acquisition of Materials for a specific well site or location. Material provided by the Operator under "vendor stocking programs," where the initial use is for a Joint Property and title of the Material does not pass from the vendor until usage, is considered a direct purchase. If Material is found to be defective or is returned to the vendor for any other reason, credit shall be passed to the Joint Account when adjustments have been received by the Operator from the manufacturer, distributor, or agent.

2. TRANSFERS

A transfer is determined to occur when the Operator furnishes Material from its storage facility or from another operated property. Additionally, the Operator has assumed liability for the storage costs and changes in value and has previously secured and held title to the transferred Material. Similarly, the removal of Material from a Joint Property to the Operator's facility or to another operated property is also considered a transfer. Material that is moved from the Joint Property to a temporary storage location pending disposition may remain charged to the Joint Account and is not considered a transfer.

A. PRICING

The value of Material transferred to/from the Joint Property should generally reflect the market value on the date of transfer. Transfers of new Material will be priced using one of the following new Material bases:

- (1) Published prices in effect on date of movement as adjusted by the appropriate COPAS Historical Price Multiplier (HPM) or prices provided by the COPAS Computerized Equipment Pricing System (CEPS)

The HPMs and the associated date of published price to which they should be applied will be published by COPAS periodically.

- (a) For oil country tubulars and line pipe, the published price shall be based upon eastern mill (Houston for special end) carload base prices effective as of date of movement, plus transportation cost as defined in Section IV, Paragraph 2.B.

- (b) For other Material, the published price shall be the published list price in effect at date of movement, as listed by a supply store nearest the Joint Property (where like Material is normally available) or point of manufacture, plus transportation costs as defined in Section IV, Paragraph 2.B.
- (2) A price quotation that reflects a current realistic acquisition cost may be obtained from a supplier/manufacturer.
- (3) Historical purchase price may be used, providing it reflects a current realistic acquisition cost on date of movement. Sufficient documentation should be available to Non-Operators for purposes of verifying Material transfer valuation.
- (4) As agreed to by the Parties
- (5) When higher than specification grade or size tubulars from the Operator's inventory are used on the Joint Property in the conduct of Joint Operations, the Operator shall charge the Joint Account at the equivalent price for well design specification tubulars.

B. FREIGHT

Transportation costs should be added to the Material transfer price based on one of the following:

- (1) Transportation costs for oil country tubulars and line pipe shall be calculated using the distance from eastern mill to the railway receiving point nearest the Joint Property based on the carload weight basis as recommended by COPAS in Bulletin 21 and COPAS Interpretations in effect at the time of the transfer.
- (2) Transportation costs for special mill items shall be calculated from that mill's shipping point to the railway receiving point nearest the Joint Property. For transportation costs from other than eastern mills, the 30,000-pound Specialized Motor Carriers interstate truck rate shall be used. Transportation costs for macaroni tubing shall be calculated based on the Specialized Motor Carriers rate per weight of tubing transferred to the railway receiving point nearest the Joint Property.
- (3) Transportation costs for special end tubular goods shall be calculated using the 30,000-pound Specialized Motor Carriers interstate truck rate from Houston, Texas to the railway receiving point nearest the Joint Property.
- (4) Transportation costs for Material other than that described in Section IV, Paragraphs 2.B (1) through (3), if applicable, shall be calculated from the supply store or point of manufacture, whichever is appropriate, to the railway receiving point nearest the Joint Property.

C. CONDITION

- (1) Condition "A"-New and unused Material in sound and serviceable condition shall be charged at 100% of the price as determined in Section IV, Paragraphs 2.A. and 2.B. Material transferred from the Joint Property that was not placed in service shall be

credited as charged without gain or loss. Any unused Material that was charged to the Joint Account through a direct purchase will be credited to the Joint Account at the original cost paid less restocking charges. All refurbishing costs required or necessary to return the Material to original condition or to correct handling or transportation damages and other related costs will be borne by the divesting property. The Joint Account is responsible for Material preparation, handling, and transportation costs for new and unused Material charged to the Joint Property either through a direct purchase or transfer. Any preparation costs incurred, including any internal or external coating and wrapping, will be credited on new Material provided these services were not repeated for such Material for the receiving property.

- (2) Condition "B"-Used Material in sound and serviceable condition and suitable for reuse without reconditioning shall be priced by multiplying the price determined in Section IV, Paragraphs 2.A. and 2.B. by

X 75%
the condition percentage most recently recommended by COPAS

All refurbishing cost or reconditioning required to return the Material to Condition "B" or to correct handling or transportation damages and other related costs will be borne by the divesting property.

If the Material was originally charged to the Joint Account as used Material and placed in service for the Joint Property, the Material will be credited at the price determined in Section IV, Paragraphs 2.A. and 2.B. multiplied by

X 65%
the condition percentage most recently recommended by COPAS

Used Material transferred from the Joint Property that was not placed in service on the property shall be credited as charged without gain or loss.

- (3) Condition "C"-Material that is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced by multiplying the price determined in Section IV, Paragraphs 2.A. and 2.B. by

X 50%
the condition percentage most recently recommended by COPAS

The cost of reconditioning shall be charged to the receiving property to the extent Condition "C" value, plus cost of reconditioning, does not exceed Condition "B" value.

- (4) Condition "D"-Other Material that is no longer suitable for its original purpose but useable for some other purpose is considered Condition "D" Material. Included under Condition "D" is also obsolete items or Material that does not meet original specifications but still has value and can be used in other services as a substitute for items with different specifications. Due to the condition or value of other used and obsolete items, it is not possible to price these items under Section IV, Paragraph 2.A. The price used should result in the Joint Account being charged or credited with the

value of the service rendered or use of the Material. In some instances, it may be necessary or desirable to have the Material specially priced as agreed to by the parties.

(5) Condition "E"-Junk shall be priced at prevailing scrap value prices.

D. OTHER PRICING PROVISIONS

(1) Preparation Costs

Costs incurred by the Operator in making Material serviceable including inspection, third party surveillance services, and other similar services will be charged to the Joint Account at prices which reflect the Operator's actual costs of the services. Documentation must be retained to support the cost of service. New coating and/or wrapping may be charged in accordance with Section IV, Paragraph 2.A.

(2) Loading and Unloading Costs

Loading and unloading costs related to the movement of the Material to the Joint Property shall be charged at the rate most recently recommended by COPAS in accordance with the methods specified in COPAS Bulletin 21.

3. DISPOSITION OF SURPLUS

Surplus Material is that Material, whether new or used, that is no longer required for Joint Operations. The Operator may purchase, but shall be under no obligation to purchase, the interest of the Non-Operator in surplus Material.

Dispositions for the purpose of this procedure are considered to be the relinquishment of title of the Material from the Joint Property to either a third party, a Non-Operator, or to the Operator. To avoid the accumulation of surplus Materials, the Operator should make good faith efforts to dispose of surplus within 12 months through buy/sale agreements, trade, sale to a third party, division in-kind, or other dispositions as agreed to by the Parties.

The Operator may, through a sale to an unrelated third party or entity, dispose of surplus Material having a gross sale value that is less than or equal to the Operator's expenditure limit as set forth in the Agreement to which this Accounting Procedure is attached without the prior approval of the Non-Operator. If the gross sale value exceeds the Agreement expenditure limit, the disposal must be agreed to by the Parties owning such Materials.

The Operator may dispose of Condition "D" and "E" Material under procedures normally utilized by the Operator without prior approval.

4. SPECIAL PRICING PROVISIONS

A. PREMIUM PRICING

Whenever Material is not readily replaceable due to national emergencies, strikes, or other unusual causes over which the Operator has no control, the Operator may charge the Joint

Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property provided notice in writing is furnished to Non-Operators of the proposed charge prior to use and to billing Non-Operators for such Material. During premium pricing periods, each Non-Operator shall have the right to furnish in-kind all or part of its share of such Material suitable for use and acceptable to the Operator by so electing and notifying the Operator within 10 days after receiving notice from the Operator.

B. SHOP-MADE ITEMS

Shop-made items shall be priced using the value of the Material used to construct the item plus the cost of labor to fabricate the item. If the Material is from the Operator's scrap or junk account, the Material shall be priced at either 25% of the current price as determined in Section IV, Paragraph 2.A. or scrap value, whichever is higher, plus the cost of labor to fabricate the item.

C. MILL REJECTS

Mill rejects purchased as "limited service" casing or tubing shall be priced at 80% of K-55/J-55 price as determined in Section IV, Paragraphs 2.A. and 2.B. Line pipe converted to casing or tubing with casing or tubing couplings attached shall be priced as K-55/J-55 casing or tubing at the nearest size and weight.

V. INVENTORIES OF CONTROLLABLE MATERIAL

The Operator shall maintain records of Controllable Material charged to the Joint Account as defined in the most recent COPAS Material Classification Manual, with sufficient detail to perform the physical inventories requested unless directed otherwise by the Non-Operators.

Adjustments to the Joint Account by the Operator resulting from a physical inventory of jointly owned Controllable Material shall be made within six months following the taking of the inventory or receipt of Non-Operator inventory. Charges and credits for overages or shortages will be valued for the Joint Account based on the Condition "B" prices in effect on the date of physical inventory as determined in accordance with Section IV, Paragraph 2.A. and 2.B. unless the inventorying Parties can prove another Material condition applies.

1. DIRECTED INVENTORIES

With an interval of not less than five years, physical inventories shall be performed by the Operator upon written request of a majority in working interests of the Non-Operators.

Expenses of directed inventories will be borne by the Joint Account and may include the following:

- A. Audit per diem rate for each inventory person in accordance with the auditor rates recommended by COPAS at the time the inventory is conducted

The per diem should also be applied to a reasonable number of days for pre-inventory work and for report preparation. The amount of time required for this additional work may vary from inventory to inventory.

B. Actual travel including Operator-provided transportation and Personal Expenses for the inventory team

C. Reasonable charges for report typing and processing

The Operator is expected to exercise judgment in keeping expenses within reasonable limits. Unless otherwise agreed, costs associated with any post-report follow-up work in settling the inventory will be absorbed by the Party incurring such costs. Any anticipated disproportionate costs should be discussed and agreed upon prior to commencement of the inventory.

When directed inventories are performed, all Parties shall be governed by the results of such inventory.

2. **NON-DIRECTED INVENTORIES**

A. OPERATOR INVENTORIES

Periodic physical inventories that are not requested by the Non-Operator may be performed by the Operator at the Operator's discretion. The expenses of conducting such Operator inventories shall not be charged to the Joint Account.

B. NON-OPERATOR INVENTORIES

Any Non-Operators may conduct a physical inventory at reasonable times at their sole cost and risk with prior notification to the Operator of at least 90 days. Non-Operator inventory findings shall be furnished to the Operator in writing within 90 days of completing the inventory field work.

C. OTHER INVENTORIES

Other inventories may be taken whenever there is any sale or change of interest. When possible, the selling Party should notify all other owners at least 30 days prior to the anticipated closing date. When there is a change in Operator of the Joint Property, an inventory by the former and new Operator should be taken. The expenses of conducting other inventories shall be charged to the Joint Account in accordance with Section V, Paragraph 1.

EXHIBIT "D"

Attached to and made a part of that certain Offshore Operating Agreement dated July 1, 2008 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

GAS BALANCING AGREEMENT ("AGREEMENT")

1. DEFINITIONS

The following definitions shall apply to this Agreement:

- 1.01 **Arm's Length Agreement:** shall mean any gas sales agreement with an unaffiliated purchaser or any gas sales agreement with an affiliated purchaser where the sales price and delivery conditions under such agreement are representative of prices and delivery conditions existing under other similar agreements in the area between unaffiliated parties at the same time for natural gas of comparable quality and quantity.
- 1.02 **Balancing Area:** shall mean all of the acreage and depths within an Operating Area, and after the Operating Agreement terminates it shall mean the acreage and depths covered by the leases previously located within the Operating Area.
- 1.03 **Full Share of Current Production:** shall mean the Percentage Interest of each Party in the Gas actually produced from the Balancing Area during each month.
- 1.04 **Gas:** shall mean all hydrocarbons produced or producible from the Balancing Area, whether from a well classified as an oil well or gas well by the regulatory agency having jurisdiction in such matters, which are or may be made available for sale or separate disposition by the Parties, excluding oil, condensate and other liquids recovered by field equipment operated for the joint account. "Gas" does not include gas used in joint operations, such as for fuel, recycling or reinjection, or which is vented or lost prior to its sale or delivery from the Balancing Area.
- 1.05 **Makeup Gas:** shall mean any Gas taken by an Underproduced Party from the Balancing Area in excess of its Full Share of Current Production, whether pursuant to Section 3.3 or Section 4.1 hereof.
- 1.06 **MMBtu:** shall mean one million British Thermal Units. A British Thermal Unit shall mean the quantity of heat required to raise one pound avoirdupois of pure water from 58.5 degrees Fahrenheit to 59.5 degrees Fahrenheit at a constant pressure of 14.73 pounds per square inch absolute.
- 1.07 **Operator:** shall mean the individual or entity designated under the terms of the Operating Agreement or, in the event this Agreement is not employed in

connection with an operating agreement, the individual or entity designated as the operator of the well(s) located in the Balancing Area.

- 1.08 **Operating Agreement:** shall mean the Operating Agreement to which this Exhibit "D" is attached and made a part thereof.
- 1.09 **Operating Area:** shall mean each individual Prospect Area, as that term is defined in the Operating Agreement, that (a) is composed of the leases set forth in Exhibit "A-1" to the Operating Agreement and (b) is operated separately under the Operating Agreement.
- 1.10 **Overproduced Party:** shall mean any Party having taken a greater quantity of Gas from the Balancing Area than the Percentage Interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.11 **Overproduction:** shall mean the cumulative quantity of Gas taken by a Party in excess of its Percentage Interest in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.12 **Party:** shall mean those individuals or entities subject to this Agreement, and their respective heirs, successors, transferees and assigns.
- 1.13 **Percentage Interest:** shall mean the percentage or decimal interest of each Party in the Gas produced from the Balancing Area pursuant to the Operating Agreement covering the Balancing Area.
- 1.14 **Royalty:** shall mean payments on production of Gas from the Balancing Area to all owners of royalties, overriding royalties, production payments or similar interests.
- 1.15 **Underproduced Party:** shall mean any Party having taken a lesser quantity of Gas from the Balancing Area than the Percentage Interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.16 **Underproduction:** shall mean the deficiency between the cumulative quantity of Gas taken by a Party and its Percentage Interest in the cumulative quantity of all Gas produced from the Balancing Area.
- 1.17 **Winter Period:** shall mean the month(s) of October, November and December in one calendar year and the month(s) of January, February and March in the succeeding calendar year.

2. BALANCING AREA

- 2.1 If this Agreement covers more than one Balancing Area, it shall be applied as if each Balancing Area were covered by separate but identical agreements. All balancing hereunder shall be on the basis of Gas taken from the Balancing Area measured in MMBtus.

- 2.2** In the event that all or part of the Gas deliverable from a Balancing Area is or becomes subject to one or more maximum lawful prices, any Gas not subject to price controls shall be considered as produced from a single Balancing Area and Gas subject to each maximum lawful price category shall be considered produced from a separate Balancing Area.

3. RIGHT OF PARTIES TO TAKE GAS

- 3.1** Each Party desiring to take Gas will notify the Operator, or cause the Operator to be notified of the volumes nominated, the name of the transporting pipeline and the pipeline contract number (if available) and meter station relating to such delivery, sufficiently in advance for the Operator, acting with reasonable diligence, to meet all nomination and other requirements. Operator is authorized to deliver the volumes so nominated and confirmed (if confirmation is required) to the transporting pipeline in accordance with the terms of this Agreement. Operator shall provide each Party with an estimate of its Full Share of Current Production and the estimated sustainable Gas volumes for Makeup Gas by the 20th calendar day of the month prior to the month of production. The Parties recognize that Operator's estimates are no more than estimates, and these estimated volumes may vary from the actual Gas sales volumes during the month. Operator will, insofar as reasonably possible and practical, notify (by telephone or facsimile) the Parties of significant variances in production volumes relative to nominations where these variances could be reasonably expected to result in penalties being imposed by pipelines or purchasers or both. Operator will use reasonable efforts to notify all Parties of scheduled operations that will impact sustained production.
- 3.2** Each Party shall make a reasonable, good faith effort to take its Full Share of Current Production each month, to the extent that such production is required to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production.
- 3.3** When a Party fails for any reason to take its Full Share of Current Production (as such Share may be reduced by the right of the other Parties to make up for Underproduction as provided herein), the other Parties shall be entitled to take any Gas which such Party fails to take. To the extent practicable, such Gas shall be made available initially to each Underproduced Party in the proportion that its Percentage Interest in the Balancing Area bears to the total Percentage Interests of all Underproduced Parties desiring to take such Gas. If all such Gas is not taken by the Underproduced Parties, the portion not taken shall then be made available to the other Parties in the proportion that their respective Percentage Interests in the Balancing Area bear to the total Percentage Interests of such Parties.
- 3.4** All Gas taken by a Party in accordance with the provisions of this Agreement, regardless of whether such Party is underproduced or overproduced, shall be regarded as Gas taken for its own account with title thereto being in such taking Party.

- 3.5** Notwithstanding the provisions of Section 3.3 hereof, no Overproduced Party shall be entitled in any month to take any Gas in excess of three hundred percent (300%) of its Percentage Interest of the Balancing Area's then-current Maximum Monthly Availability; provided, however, that this limitation shall not apply to the extent that it would preclude production that is required to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production. "Maximum Monthly Availability" shall mean the maximum average monthly rate of production at which Gas can be delivered from the Balancing Area, as determined by the Operator, considering the maximum efficient well rate for each well within the Balancing Area, the maximum allowable(s) set by the appropriate regulatory agency, mode of operation, production facility capabilities and pipeline pressures.
- 3.6** In the event that a Party fails to make arrangements to take its Full Share of Current Production required to be produced to maintain leases in effect, to protect the producing capacity of a well or reservoir, to preserve correlative rights, or to maintain oil production, the Operator may sell any part of such Party's Full Share of Current Production that such Party fails to take for the account of such Party and render to such Party, on a current basis, the full proceeds of the sale, less any reasonable marketing, compression, treating, gathering or transportation costs incurred directly in connection with the sale of such Full Share of Current Production. In making the sale contemplated herein, the Operator shall be obligated only to obtain such price and conditions for the sale as are reasonable under the circumstances and shall not be obligated to share any of its markets. Any such sale by Operator under the terms hereof shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one year. Notwithstanding the provisions of Article 3.4 hereof, Gas sold by Operator for a Party under the provisions hereof shall be deemed to be Gas taken for the account of such Party. Notwithstanding anything contained herein to the contrary, no agency relationship or other relationship of trust and confidence shall be created by such sale and Operator shall only be required to act as a reasonably prudent operator.

4. IN-KIND BALANCING

- 4.1** Effective the first day of any calendar month following at least thirty (30) days prior written notice to the Operator, any Underproduced Party may begin taking, in addition to its Full Share of Current Production and any Makeup Gas taken pursuant to Section 3.3 of this Agreement, a share of current production determined by multiplying thirty-seven and a half percent (37.50%) of the Full Shares of Current Production of all Overproduced Parties by a fraction, the numerator of which is the Percentage Interest of such Underproduced Party and the denominator of which is the total of the Percentage Interests of all Underproduced Parties desiring to take Makeup Gas. In no event will an Overproduced Party be required to provide more than thirty-seven and a half percent (37.50%) of its Full Share of Current Production for Makeup Gas.

The Operator will promptly notify all Overproduced Parties of the election of an Underproduced Party to begin taking Makeup Gas.

- 4.2** Notwithstanding the provisions of Section 4.1, the average monthly amount of Makeup Gas taken by an Underproduced Party during the Winter Period pursuant to Section 4.1 shall not exceed the average monthly amount of Makeup Gas taken by such Underproduced Party during the six(6) months immediately preceding the Winter Period.

5. STATEMENT OF GAS BALANCES

- 5.1** The Operator will maintain appropriate accounting on a monthly and cumulative basis of the volumes of Gas that each Party is entitled to receive and the volumes of Gas actually taken or sold for each Party's account. Within forty-five (45) days after the month of production, the Operator will furnish a statement for such month showing (1) each Party's Full Share of Current Production, (2) the total volume of Gas actually taken or sold for each Party's account, (3) the difference between the volume taken by each party and that Party's Full Share of Current Production, (4) the Overproduction or Underproduction of each Party, and (5) other data as recommended by the provisions of the Council of Petroleum Accountants Societies Bulletin No. 24, as amended or supplemented hereafter. Each Party taking Gas will promptly provide to the Operator any data required by the Operator for preparation of the statements required hereunder.
- 5.2** If any Party fails to provide the data required herein for four (4) consecutive production months, the Operator, or where the Operator has failed to provide data, another Party, may audit the production and Gas sales and transportation volumes of the non-reporting Party to provide the required data. Such audit shall be conducted only after reasonable notice and during normal business hours in the office of the Party whose records are being audited. All costs associated with such audit will be charged to the account of the Party failing to provide the required data.

6. PAYMENTS ON PRODUCTION

- 6.1** Each Party taking Gas shall pay or cause to be paid all production and severance taxes due on all volumes of Gas actually taken by such Party.
- 6.2** Each Party shall pay or cause to be paid Royalty due with respect to Royalty owners to whom it is accountable based on the volume of Gas actually taken for its account.
- 6.3** In the event that any governmental authority requires that Royalty payments be made on any other basis than that provided for in this Section 6, each Party agrees to make such Royalty payments accordingly, commencing on the effective date required by such governmental authority, and the method provided for herein shall be thereby superseded.

7. CASH SETTLEMENTS

- 7.1** Upon the earlier of the plugging and abandonment of the last producing interval in the Balancing Area, the termination of the Operating Agreement or any pooling or unit agreement covering the Balancing Area, or at any time no Gas is taken from the Balancing Area for a period of twelve (12) consecutive months, any Party may give written notice calling for cash settlement of the Gas production imbalances among the Parties. Such notice shall be given to all Parties in the Balancing Area.
- 7.2** Within sixty (60) days after the notice calling for cash settlement under Section 7.1, the Operator will distribute to each Party a Final Gas Settlement Statement detailing the quantity of Overproduction owed by each Overproduced Party to each Underproduced Party and identifying the month to which such Overproduction is attributed, pursuant to the methodology set out in Section 7.4.
- 7.3** Within sixty (60) days after receipt of the Final Gas Settlement Statement, each Overproduced Party will pay to each Underproduced Party entitled to settlement the appropriate cash settlement, accompanied by appropriate accounting detail. At the time of payment, the Overproduced Party will notify the Operator of the Gas imbalance settled by the Overproduced Party's payment.
- 7.4** The amount of the cash settlement will be based on the proceeds received by the Overproduced Party under an Arm's Length Agreement for the Gas taken from time to time by the Overproduced Party in excess of the Overproduced Party's Full Share of Current Production. Any Makeup Gas taken by the Underproduced Party prior to monetary settlement hereunder will be applied to offset Overproduction chronologically in the order of accrual.
- 7.5** The values used for calculating the cash settlement under Section 7.4 will include all proceeds received for the sale of the Gas by the Overproduced Party calculated at the Balancing Area, after deducting any production or severance taxes paid and any Royalty actually paid by the Overproduced Party to an Underproduced Party's Royalty owner(s), to the extent said payments amounted to a discharge of said Underproduced Party's Royalty obligation, as well as any reasonable marketing, compression, treating, gathering or transportation costs incurred directly in connection with the sale of the Overproduction.
- 7.5.1** For Overproduction processed for the account of the Overproduced Party at a gas processing plant for the extraction of liquid hydrocarbons, the full quantity of the Overproduction will be valued for purposes of cash settlement at the prices received by the Overproduced Party for the sale of the residue gas attributable to the Overproduction without regard to proceeds attributable to liquid hydrocarbons which may have been extracted from the Overproduction.

- 7.6** To the extent the Overproduced Party did not sell all Overproduction under an Arm's Length Agreement, the cash settlement will be based on the weighted average price received by the Overproduced Party for any gas sold from the Balancing Area under Arm's Length Agreements during the months to which such Overproduction is attributed. The Overproduced settlement volumes will be valued beginning with the latest Overproduced period until the total Overproduction has been valued. Underproduced volumes are excluded from the weighted average price calculation. In the event that no sales under Arm's Length Agreements were made during any such month, the cash settlement for such month will be based on the "Index of the Prices of Spot Gas Delivered to Pipelines" published for the applicable pipeline in the first issue of *Inside FERC's Gas Market Report* for such month. Should this publication cease to exist, the Parties shall mutually agree to a pricing bulletin.
- 7.7** Interest compounded at the rate of the then current prime rate of Citibank N.A. New York, New York as published in the Wall Street Journal plus one (1) percent per annum or the maximum lawful rate of interest applicable to the Balancing Area, whichever is less, will accrue for all amounts due under Section 7.1, beginning the first day following the date payment is due pursuant to Section 7.3. Such interest shall be borne by the Operator or any Overproduced Party in the proportion that their respective delays beyond the deadlines set out in Sections 7.2 and 7.3 contributed to the accrual of the interest.
- 7.8** In lieu of the cash settlement required by Section 7.3, an Overproduced Party may deliver to the Underproduced Party an offer to settle its Overproduction in-kind and at such rates, quantities, times and sources as may be agreed upon by the Underproduced Party. If the Parties are unable to agree upon the manner in which such in-kind settlement gas will be furnished within sixty (60) days after the Overproduced Party's offer to settle in kind, which period may be extended by agreement of said Parties, the Overproduced Party shall make a cash settlement as provided in Section 7.3. The making of an in-kind settlement offer under this Section 7.8 will not delay the accrual of interest on the cash settlement should the Parties fail to reach agreement on an in-kind settlement.
- 7.9** At any time during the term of this Agreement, any Overproduced Party may, at its sole discretion, make cash settlement(s) with the Underproduced Parties covering all or part of its outstanding Gas imbalance, provided that such settlements must be made with all Underproduced Parties proportionately based on the relative imbalances of the Underproduced Parties, and provided further that such settlements may not be made more often than once every twenty-four (24) months. Such settlements will be calculated in the same manner provided above for final cash settlements. The Overproduced Party will provide Operator a detailed accounting of any such cash settlement within thirty (30) days after the settlement is made.

8. OPERATING COSTS

Nothing in this Agreement shall change or affect any Party's obligation to pay its proportionate share of all costs and liabilities incurred in operations on or in connection with the Balancing Area, as its share thereof is set forth in the Operating Agreement, irrespective of whether any Party is at any time selling and using Gas or whether such sales or use are in proportion to its Percentage Interest in the Balancing Area.

9. LIQUIDS

The Parties shall share proportionately in and own all liquid hydrocarbons recovered with Gas by field equipment operated for the joint account in accordance with their Percentage Interests in the Balancing Area.

10. AUDIT RIGHTS

Notwithstanding any provision in this Agreement or any other agreement between the Parties hereto, and further notwithstanding any termination or cancellation of this Agreement, for a period of two (2) years from the end of the calendar year in which any information to be furnished under Section 5 or 7 hereof is supplied, any Party shall have the right to audit the records of any other Party regarding quantity, including but not limited to information regarding Btu-content. Any Underproduced Party shall have the right for a period of two (2) years from the end of the calendar year in which any cash settlement is received pursuant to Section 7 to audit the records of any Overproduced Party as to all matters concerning values, including but not limited to information regarding prices and disposition of Gas from the Balancing Area. Any such audit shall be conducted at the expense of the Party or Parties desiring such audit, and shall be conducted, after reasonable notice, during normal business hours in the office of the Party whose records are being audited. Each Party hereto agrees to maintain records as to the volumes and prices of Gas sold each month and the volumes of Gas used in its own operations, along with the Royalty paid on any such Gas used by a Party in its own operations. The audit rights provided for in this Section 10 shall be in addition to those provided for in Section 5.2 of this Agreement.

11. MISCELLANEOUS

11.1 As between the Parties, in the event of any conflict between the provisions of this Agreement and the provisions of any gas sales contract, or in the event of any conflict between the provisions of this Agreement and the provisions of the Operating Agreement, the provisions of this Agreement shall govern.

11.2 Each Party agrees to defend, indemnify and hold harmless all other Parties from and against any and all liability for any claims, which may be asserted by any third party which now or hereafter stands in a contractual relationship with such indemnifying Party and which arise out of the operation of this Agreement or any activities of such indemnifying Party, under the provisions

of this Agreement, and does further agree to save the other Parties harmless from all judgments or damages sustained and costs incurred in connection therewith.

- 11.3** Except as otherwise provided in this Agreement, Operator is authorized to administer the provisions of this Agreement, but shall have no liability to the other parties for losses sustained or liability incurred which arise out of or in connection with the performance of Operator's duties hereunder, except such as may result from Operator's gross negligence or willful misconduct. Operator shall not be liable to any Underproduced Party for the failure of any Overproduced Party (other than Operator) to pay any amounts owed pursuant to the terms hereof.
- 11.4** This Agreement shall remain in full force and effect for as long as the Operating Agreement shall remain in force and effect as to the Balancing Area, and thereafter until the Gas accounts between the Parties are settled in full, and shall inure to the benefit of and be binding upon the Parties hereto, and their respective heirs, successors, legal representatives and assigns, if any. The Parties hereto agree to give notice of the existence of this Agreement to any successor in interest of any such Party and to provide that any such successor shall be bound by this Agreement, and shall further make any transfer of any interest subject to the Operating Agreement, or any part thereof, also subject to the terms of this Agreement.
- 11.5** Unless the context clearly indicates otherwise, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.
- 11.6** This Agreement shall bind the Parties in accordance with the provisions hereof, and nothing herein shall be construed or interpreted as creating any rights in any person or entity not a signatory hereto, or as being a stipulation in favor of any such person or entity.
- 11.7** If contemporaneously with this Agreement becoming effective, or thereafter, any Party requests that any other Party execute an appropriate memorandum or notice of this Agreement in order to give third parties notice of record of same and submits same for execution in recordable form, such memorandum or notice shall be duly executed by the Party to which such request is made and delivered promptly thereafter to the Party making the request. Upon receipt, the Party making the request shall cause the memorandum or notice to be duly recorded in the appropriate real property or other records affecting the Balancing Area.
- 11.8** The Parties agree to compute and report income to the Internal Revenue Service using the cumulative gas balancing method as prescribed by 26 CFR Part 1 and Part 2, as amended effective January 1, 1995.

12. ASSIGNMENT AND RIGHTS UPON ASSIGNMENT

- 12.1** Subject to the provisions of Sections 12.2 and 12.3 hereof, and notwithstanding anything in this Agreement or in the Operating Agreement to the contrary, if any Party assigns (including any sale, exchange or other transfer) any of its working interest in the Balancing Area when such Party is an Underproduced or Overproduced Party, the assignment or other act of transfer shall, insofar as the Parties hereto are concerned, include all interest of the assigning or transferring Party in the Gas, all rights to receive or obligations to provide or take Makeup Gas and all rights to receive or obligations to make any monetary payment which may ultimately be due hereunder, as applicable. Operator and each of the other Parties hereto shall thereafter treat the assignment accordingly, and the assigning or transferring Party shall look solely to its assignee or other transferee for any interest in the Gas or monetary payment that such Party may have or to which it may be entitled, and shall cause its assignee or other transferee to assume its obligations hereunder.
- 12.2** Notwithstanding anything in this Agreement (including but not limited to the provisions of Section 12.1 hereof) or in the Operating Agreement to the contrary, and subject to the provisions of Section 12.3 hereof, in the event an Overproduced Party intends to sell, assign, exchange or otherwise transfer any of its interest in a Balancing Area, such Overproduced Party shall notify in writing the other working interest owners who are Parties hereto in such Balancing Area of such fact at least sixty (60) days prior to closing the transaction. Such notice shall contain a gas settlement statement detailing the quantity of Overproduction owed by the Overproduced Party to each Underproduced Party and the value of such Overproduction, calculated in accordance with Sections 7.4 through 7.6 hereof. Thereafter, any Underproduced Party may demand from such Overproduced Party in writing, within thirty (30) days after receipt of the Overproduced Party's notice, a cash settlement of its Underproduction from the Balancing Area. The Operator shall be notified of any such demand and of any cash settlement pursuant to this Section 12, and the Overproduction and Underproduction of each Party shall be adjusted accordingly. Any cash settlement pursuant to this Section 12 shall be paid by the Overproduced Party at the closing of the transaction in which the Overproduced Party sells, assigns, exchanges or otherwise transfers its interest in a Balancing Area on the same basis as otherwise set forth in Sections 7.3 through 7.6 hereof, and shall bear interest at the rate set forth in Section 7.7 hereof, beginning the first day following the closing of the Overproduced Party's sale, assignment, exchange or transfer of its interest in the Balancing Area for any amounts not paid. Provided, however, if any Underproduced Party does not so demand such cash settlement of its Underproduction from the Balancing Area, such Underproduced Party shall look exclusively to the assignee or other successor in interest of the Overproduced Party giving notice hereunder for the satisfaction of such Underproduced Party's Underproduction in accordance with the provisions of Section 12.1 hereof.
- 12.3** The provisions of this Section 12 shall not be applicable in the event any Party mortgages its interest or disposes of its interest by merger, reorganization, consolidation or sale of substantially all of its assets to a subsidiary or parent

company, or to any company in which any parent or subsidiary of such Party owns a majority of the stock of such company.

EXHIBIT "E"

Attached to and made a part of that certain Offshore Operating Agreement dated July 1, 2008 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

ATTACHED TO AND MADE A PART OF THAT CERTAIN OFFSHORE OPERATING AGREEMENT EFFECTIVE

CERTIFICATION OF NONSEGREGATED FACILITIES

Contractor certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not permit its employees to perform their services at any location under its control, where segregated facilities are maintained. Contractor certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. Contractor agrees that a breach of this certification is a violation of the Equal Opportunity Clause in any Government contract between Contractor and Operator. As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, rest rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin because of habit, local custom or otherwise. Contractor further agrees that (except where it has obtained identical certifications from proposed subcontractors) prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity Clause; that it will retain such certifications in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT FOR CERTIFICATIONS OF NONSEGREGATED FACILITIES. A Certification of Non-segregated Facilities, as required by the May 9, 1967 order on Elimination of Segregated Facilities, by the Secretary of Labor (32 Fed. Reg. 7439, May 19, 1967), must be submitted prior to the award of a subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal Opportunity Clause. The certification may be submitted either for each subcontract or for all subcontracts during a period (i. e., quarterly, semi-annually or annually). (1968 MAR.) (Note: The penalty for making false statements in offers is prescribed in 18. U.S.C. 1001.)

Whenever used in the foregoing Section, the term "contractor" refers to each party to this agreement.

EXHIBIT "F"

Attached to and made a part of that certain Offshore Operating Agreement dated July 1, 2008 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

ARTICLE 6.3 ET SEQ. DEEPWATER OPERATING AGREEMENT (Louisiana)

Security Rights; Default; Unpaid Charges; Carved-out Interests.

6.3 Security Rights.

- A. Security Rights - Properties Located Offshore Adjacent to the State of Louisiana. In addition to any other security rights and remedies provided by law with respect to services rendered or materials and equipment furnished under this Agreement, for and in consideration of the covenants and mutual undertakings of the Operator and the Non-Operating Parties herein, the Parties shall have the following security rights:
- (i) Mortgage in Favor of the Operator. Each Non-Operating Party hereby grants to the Operator a mortgage, hypothecate, assignment and pledge of and over all of its rights, titles, and interests, whether now existing or hereafter acquired, in and to (a) the Leases, (b) the oil, gas and other minerals in, on, under, and that may be produced from the lands within the Contract Area, and (c) all other immovable property or other property susceptible of mortgage situated within the Contract Area.

This mortgage is given to secure the complete and timely performance of and payment by each Non-Operating Party of all obligations and indebtedness of every kind and nature, whether now owed by such Non-Operating Party or hereafter arising, pursuant to this Agreement. To the extent susceptible under applicable law, this mortgage and the security interests granted in favor of the Operator herein shall secure the payment of all Costs and other expenses properly charged to such Party, together with (A) interest on such indebtedness, Costs, and other expenses at the rate set forth in Exhibit "C" attached hereto (the "Accounting Procedure") or the maximum rate allowed by law, whichever is the lesser, (B) reasonable attorneys' fees, (C) court costs, and (D) other directly related collection costs. If any Non-Operating Party does not pay such Costs and other expenses or perform its obligations under this Agreement when due, the Operator shall have the additional right to notify the purchaser or purchasers of the defaulting Non-Operating Party's Hydrocarbon production and collect such Costs and other expenses out of the proceeds from the sale of the defaulting Non-Operating Party's share of Hydrocarbon production until the amount owed has been paid. The Operator shall have the right to offset the amount owed against the proceeds from the sale of such defaulting Non-Operating Party's share of Hydrocarbon production. Any purchaser of such production shall be entitled to rely on the Operator's statement concerning the amount of Costs and other expenses owed by the defaulting Non-Operating Party and payment made to the Operator by any purchaser shall be binding and conclusive as between such purchaser and such defaulting Non-Operating Party.

The maximum amount for which the mortgage herein granted by each Non-Operating Party shall be deemed to secure the obligations and indebtedness of such Non-Operating Party to

the Operator as stipulated herein is hereby fixed in an amount equal to \$25,000,000.00 (the "Limit of the Mortgage of each Non-Operating Party"). Except as provided in the previous sentence (and then only to the extent such limitations are required by law), the entire amount of obligations and indebtedness of each Non-Operating Party to the Operator is secured hereby without limitation. Notwithstanding the foregoing Limit of the Mortgage of each Non-Operating Party, the liability of each Non-Operating Party under this Agreement and the mortgage and security interest granted hereby shall be limited to (and the Operator shall not be entitled to enforce the same against such Non-Operating Party for, an amount exceeding) the actual obligations and indebtedness (including all interest charges, costs, attorneys' fees, and other charges provided for in this Agreement or in the Memorandum of Operating Agreement and Financing Statement (Louisiana), as such term is defined in Section 6.3.b.(v) hereof) outstanding and unpaid and that are attributable to or charged against the interest of such Non-Operating Party pursuant to this Agreement.

- (ii) Security Interest in Favor of the Operator. To secure the complete and timely performance of and payment by each Non-Operating Party of all obligations and indebtedness of every kind and nature, whether now owed by such Non-Operating Party or hereafter arising, pursuant to this Agreement, each Non-Operating Party hereby grants to the Operator a mortgage and continuing security interest in and to all of its rights, titles, interests, claims, general intangibles, proceeds, and products thereof, whether now existing or hereafter acquired, in and to (a) all oil, gas and other minerals produced from the lands or offshore blocks covered by the Leases or included within the Contract Area or attributable to the Leases or the Contract Area when produced, (b) all accounts receivable accruing or arising as a result of the sale of such oil and gas (including, without limitation, accounts arising from gas imbalances or from the sale of oil and gas at the wellhead), (c) all cash or other proceeds from the sale of such oil and gas once produced, and (d) all Development Systems, platforms, wells, facilities, fixtures, other corporeal property, whether movable or immovable, whether now or hereafter placed on the lands or offshore blocks covered by the Leases or the Contract Area or maintained or used in connection with the ownership, use or exploitation of the Leases or the Contract Area, and other surface and sub-surface equipment of any kind or character located on or attributable to the Leases or the Contract Area and the cash or other proceeds realized from the sale, transfer, disposition or conversion thereof. The interest of the Non-Operating Parties in and to the oil and gas produced from or attributable to the Leases or the Contract Area when extracted and the accounts receivable accruing or arising as the result of the sale thereof shall be financed at the wellhead of the well or wells located on the Leases or the Contract Area. To the extent susceptible under applicable law, the mortgage and security interest granted by each Non-Operating Party hereunder covers: (A) all substitutions, replacements, and accessions to the property of such Non-Operating Party described herein and is intended to cover all of the rights, titles and interests of such Non-Operating Party in all movable property now or hereafter located upon or used in connection with the Contract Area, whether corporeal or incorporeal; (B) all rights under any gas balancing agreement, farmout rights, option farmout rights, acreage and cash contributions, and conversion rights of such Non-Operating Party in connection with the Leases or the Contract Area, or the oil and gas produced from or attributable to the Leases or the Contract Area, whether now owned and existing or hereafter acquired or arising; and (C) all

rights, claims, general intangibles, and proceeds, whether now existing or hereafter acquired, of each Non-Operating Party in and to the contracts, agreements, permits, licenses, rights-of-way, and similar rights and privileges that relate to or are appurtenant to the Leases or the Contract Area, including the following:

- (1) all of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in, to, and under or derived from any present or future operating, farmout, bidding, pooling, unitization, and communitization agreements, assignments, and subleases, whether or not described in Exhibit "A," to the extent, and only to the extent, that such agreements, assignments, and subleases cover or include any of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in and to all or any portion of the Leases or the Contract Area, and all units created by any such pooling, unitization, and communitization agreements and all units formed under orders, regulations, rules, or other official acts of any governmental authority having jurisdiction, to the extent and only to the extent that such units cover or include all or any portion of the Leases or the Contract Area;
 - (2) all of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in, to, and under or derived from all presently existing and future advance payment agreements, and oil, casinghead gas, and gas sales, exchange, and processing contracts and agreements, including, without limitation, those contracts and agreements that are described on Exhibit "A," to the extent, and only to the extent, those contracts and agreements cover or include all or any portion of the Leases or the Contract Area; and
 - (3) all of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in, to, and under or derived from all existing and future permits, licenses, rights-of-way, and similar rights and privileges that relate to or are appurtenant to any of the Leases or the Contract Area.
- (iii) Mortgage in Favor of the Non-Operating Parties. Operator's Affiliate, as defined in the Offshore Operating Agreement ("Mortgagor"), hereby grants to each Non-Operating Party a mortgage, hypothecate, assignment and pledge of and over all of its rights, titles, and interests, whether now existing or hereinafter acquired, in and to (a) the Leases; (b) the oil, gas and other minerals in, on, under, and that may be produced from the lands within the Contract Area; and (c) all other immovable property or other property susceptible of mortgage situated within the Contract Area.

This mortgage is given to secure the complete and timely performance of and payment by the Operator (a non Working Interest Owner) of all obligations and indebtedness of every kind and nature, whether now owed by the Operator or hereafter arising, pursuant to this Agreement. To the extent susceptible under applicable law, this mortgage and the security interests granted in favor of each Non-Operating Party herein shall secure the payment of all Costs and other expenses properly charged to the Operator, together with (A) interest on such

indebtedness, Costs, and other expenses at the rate set forth in the Accounting Procedure or the maximum rate allowed by law, whichever is the lesser, (B) reasonable attorneys' fees, (C) court costs, and (D) other directly related collection costs. If the Operator does not pay such Costs and other expenses or perform its obligations under this Agreement when due, the Non-Operating Parties shall have the additional right to notify the purchaser or purchasers of the Mortgagor's Hydrocarbon production and collect such Costs and other expenses out of the proceeds from the sale of the Mortgagor's share of Hydrocarbon production until the amount owed has been paid. The Non-Operating Parties shall have the right to offset the amount owed against the proceeds from the sale of the Mortgagor's share of Hydrocarbon production. Any purchaser of such production shall be entitled to rely on the Non-Operating Parties' statement concerning the amount of Costs and other expenses owed by the Operator and payment made to the Non-Operating Parties by any purchaser shall be binding and conclusive as between such purchaser and the Operator.

The maximum amount for which the mortgage herein granted by the Mortgagor shall be deemed to secure the obligations and indebtedness of the Operator to all Non-Operating Parties as stipulated herein is hereby fixed in an amount equal to \$25,000,000.00 in the aggregate (the "Limit of the Mortgage of the Operator"). Except as provided in the previous sentence (and then only to the extent such limitations are required by law), the entire amount of obligations and indebtedness of the Operator to the Non-Operating Parties is secured hereby without limitation. Notwithstanding the foregoing Limit of the Mortgage of the Mortgagor, the liability of the Mortgagor under this Agreement and the mortgage and security interest granted hereby shall be limited to (and the Non-Operating Parties shall not be entitled to enforce the same against the Mortgagor for, an amount exceeding) the actual obligations and indebtedness (including all interest charges, costs, attorneys' fees, and other charges provided for in this Agreement or in the Memorandum of Operating Agreement and Financing Statement (Louisiana), as such term is defined in Section 6.3.b.(v) hereof) outstanding and unpaid and that are attributable to or charged against the interest of the Operator pursuant to this Agreement.

- (iv) Security Interest in Favor of the Non-Operating Parties. To secure the complete and timely performance of and payment by the Operator (a non Working Interest Owner) of all obligations and indebtedness of every kind and nature, whether now owed by the Operator or hereafter arising, pursuant to this Agreement, the Mortgagor hereby grants to each Non-Operating Party a mortgage and continuing security interest in and to all of its rights, titles, interests, claims, general intangibles, proceeds, and products thereof, whether now existing or hereafter acquired, in and to (a) all oil, gas and other minerals produced from the lands or offshore blocks covered by the Leases or included within the Contract Area or attributable to the Leases or the Contract Area when produced, (b) all accounts receivable accruing or arising as a result of the sale of such oil and gas (including, without limitation, accounts arising from gas imbalances or from the sale of oil and gas at the wellhead), (c) all cash or other proceeds from the sale of such oil and gas once produced, and (d) all Development Systems, platforms, wells, facilities, fixtures, other corporeal property whether movable or immovable, whether now or hereafter placed on the offshore blocks covered by the Leases or the Contract Area or maintained or used in connection with the ownership, use or exploitation of the Leases or the Contract Area, and other surface and sub-surface equipment of any kind or character located on or attributable to the Leases or the Contract Area and the cash or other proceeds realized from the sale, transfer, disposition or conversion thereof. The interest of

the Mortgagor in and to the oil and gas produced from or attributable to the Leases when extracted and the accounts receivable accruing or arising as the result of the sale thereof shall be financed at the wellhead of the well or wells located on the Leases or the Contract Area. To the extent susceptible under applicable law, the mortgage and security interest granted by the Mortgagor hereunder covers: (A) all substitutions, replacements, and accessions to the property of the Mortgagor described herein and is intended to cover all of the rights, titles and interests of the Mortgagor in all movable property now or hereafter located upon or used in connection with the Contract Area, whether corporeal or incorporeal; (B) all rights under any gas balancing agreement, farmout rights, option farmout rights, acreage and cash contributions, and conversion rights of the Mortgagor in connection with the Leases or the Contract Area, the oil and gas produced from or attributable to the Leases or the Contract Area, whether now owned and existing or hereafter acquired or arising; and (C) all rights, claims, general intangibles, and proceeds, whether now existing or hereafter acquired, of the Mortgagor in and to the contracts, agreements, permits, licenses, rights-of-way, and similar rights and privileges that relate to or are appurtenant to the Leases or the Contract Area, including the following:

- (1) all of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in, to, and under or derived from any present or future operating, farmout, bidding, pooling, unitization, and communitization agreements, assignments, and subleases, whether or not described in Exhibit "A," to the extent, and only to the extent, that such agreements, assignments, and subleases cover or include any of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in and to all or any portion of the Leases or the Contract Area, and all units created by any such pooling, unitization, and communitization agreements and all units formed under orders, regulations, rules, or other official acts of any governmental authority having jurisdiction, to the extent and only to the extent that such units cover or include all or any portion of the Leases or the Contract Area;
- (2) all of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in, to, and under or derived from all presently existing and future advance payment agreements, and oil, casinghead gas, and gas sales, exchange, and processing contracts and agreements, including, without limitation, those contracts and agreements that are described on Exhibit "A," to the extent, and only to the extent, those contracts and agreements cover or include all or any portion of the Leases or the Contract Area; and
- (3) all of its rights, titles, and interests, whether now owned and existing or hereafter acquired or arising, in, to, and under or derived from all existing and future permits, licenses, rights-of-way, and similar rights and privileges that relate to or are appurtenant to any of the Leases or the Contract Area.

(v) Recordation. To provide evidence of, and to further perfect the Parties' security

rights created hereunder, upon request, each Party shall execute and acknowledge the Memorandum of Operating Agreement and Financing Statement (Louisiana) attached as Exhibit "I" (the "Memorandum of Operating Agreement and Financing Statement (Louisiana)") in multiple counterparts as appropriate. The Parties authorize the Operator to file the Memorandum of Operating Agreement and Financing Statement (Louisiana) in the public records set forth below to serve as notice of the existence of this Agreement as a burden on the title of the Working Interest Owners in the Leases or the Contract Area and for purposes of satisfying otherwise relevant recording and filing requirements of applicable law and to attach an original of the Memorandum of Operating Agreement and Financing Statement (Louisiana) to a standard UCC-1 in the forms attached as Exhibits "K-1" and "K-2" to the Agreement for filing in the UCC records set forth below to perfect the security interests created by the Parties in this Agreement. Upon the acquisition of a leasehold interest in the Contract Area, the Parties shall, within five business days following request by one of the Parties hereto, execute and furnish to the requesting Party for recordation such a Memorandum of Operating Agreement and Financing Statement (Louisiana) describing such leasehold interest. Such Memorandum of Operating Agreement and Financing Statement (Louisiana) shall be amended from time to time upon acquisition of additional leasehold interests in the Contract Area, and the Parties shall, within five business days following request by one of the Parties hereto, execute and furnish to the requesting Party for recordation any such amendment.

The Memorandum of Operating Agreement and Financing Statement (Louisiana) is to be filed or recorded, as the case may be, in (a) the conveyance records of the parish or parishes adjacent to the lands or offshore blocks covered by the Leases or contained within the Contract Area pursuant to La. R.S. 9:2731 et seq., (b) the mortgage records of such parish or parishes, and (c) the appropriate Uniform Commercial Code records.

- B. Default. If any Party does not pay its share of the charges authorized under this Agreement when due, the Operator may give the defaulting Party notice that unless payment is made within thirty (30) days from delivery of the notice, the non-paying Party shall be in default. A Party in default shall have no further access to the rig, Production System, Facilities, any Confidential Data or other maps, records, data, interpretations, or other information obtained in connection with activities or operations hereunder or be allowed to participate in meetings. A Party in default shall not be entitled to Vote or to make an Election until such time as the defaulting Party is no longer in default. The voting interest of each non-defaulting Party shall be counted in the proportion its Working Interest bears to the total non-defaulting Working Interests. As to any operation approved during the time a Party is in default, such defaulting Party shall be deemed to be a Non-Participating Party, except where such approval is binding on all Parties or Participating Parties, as applicable. In the event a Party believes that such statement of charges is incorrect, the Party shall nevertheless pay the amounts due as provided herein, and the Operator shall attempt to resolve the issue as soon as practicable, but said attempt shall be made no later than sixty (60) days after receiving notice from the Party of such disputed charges.
- C. Unpaid Charges. If any Participating Party fails to pay its share of the Costs and other expenses authorized under this Agreement within thirty (30) days after receipt of an

invoice therefor or to otherwise perform any of its obligations under this Agreement when due, the Party to whom such payment is due, in order to take advantage of the provisions of this Section 6.3, shall notify the other Party by certified or registered U.S. Mail that it is in default and has thirty (30) days from the receipt of such notice to pay. If such payment is not made timely by the non-paying Party after the issuance of such notice to pay, the Party requesting such payment may take immediate steps to diligently pursue collection of the unpaid Costs and other expenses owed by such Participating Party, to collect consequential damages as a result of the default, and to exercise the mortgage and security rights granted by this Agreement. The bringing of a suit and the obtaining of a judgment by any Party for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the security rights granted herein. In addition to any other remedy afforded by law, each Party shall have, and is hereby given and vested with, the power and authority to foreclose the lien, mortgage, pledge, and security interest established hereby in its favor in the manner provided by law, to exercise the Power of Sale provided for herein, if applicable, and to exercise all rights of a secured party under the Uniform Commercial Code as adopted by the state in which the Contract Area is located or such other states as such Party may deem appropriate. The Operator shall keep an accurate account of amounts owed by the nonperforming Party (plus interest and collection costs) and any amounts collected with respect to amounts owed by the nonperforming Party. In the event there become three or more Working Interest Owners in a Lease, then if any nonperforming Party's share of Costs remains delinquent for a period of sixty (60) days, each other Participating Party shall, upon the Operator's request, pay the unpaid amount of Costs in the proportion that its Working Interest bears to the total non-defaulting Working Interests. Each Participating Party paying its share of the unpaid amounts of a nonperforming Party shall be subrogated to the Operator's mortgage and security rights to the extent of the payment made by such Participating Party.

- D. Carved-out Interests. Any agreements creating any overriding royalty, production payment, net proceeds interest, net profits interest, carried interest or any other interest carved out of a Working Interest in the Leases or the Contract Area shall specifically make such interests inferior to the rights of the Parties to this Agreement. If any Party whose Working Interest is so encumbered does not pay its share of Costs and other expenses authorized under this Agreement, and the proceeds from the sale of its Hydrocarbon production pursuant to this Section are insufficient to pay such Costs and expenses, the security rights provided for in this Section may be applied against the carved-out interests with which the defaulting or non-performing Party's interest in the Leases or the Contract Area is burdened. In such event, the rights of the owner of such carved-out interest shall be subordinated to the security rights granted by this Section.

1 **EXHIBIT "G"**

2
3 **Attached to and made a part of that certain Offshore Operating Agreement**
4 **dated July 1, 2008 by and between BHP Billiton Petroleum (GOM) Inc., BHP**
5 **Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.**
6

7
8 **PROJECT TEAM EXHIBIT**
9 **(with Technology Sharing Provisions)**
10

11 **WHEREAS,**) BHP Billiton Petroleum (Deepwater) Inc., and Cobalt International
12 Energy, L.P. herein collectively referred to as the "Parties", desire to further provide for
13 the formation and operation of a Project Team for the purpose of assisting the Operator
14 with preparing a Development Plan for the Prospect Area and in the planning, design and
15 engineering of an Initial Development System and any Subsequent Development System
16 for the Prospect Area; and,
17

18 **WHEREAS,** Each of the Parties has considerable experience in developing
19 offshore oil and gas properties and the design and installation of an Initial Development
20 System will require significant engineering effort; and,
21

22 **WHEREAS,** The Parties desire to establish an understanding, relating to i) the
23 costs and expenses of the Project Team to be charged to the Joint Account and the
24 method in which such costs shall be shared, ii) the overall operation, administration and
25 management of the Project Team, and iii) the exchange, development and use of
26 technology collected or developed by or through this Project Team.
27

28 **NOW, THEREFORE,** in consideration of the premises and of the mutual
29 promises exchanged and contained within this Project Team Exhibit, the Parties have
30 reached the following agreement concerning the formation and operation of the Project
31 Team.

1 **SECTION 1.0 DEFINITIONS**

2
3 As used in this Exhibit, the initially capitalized terms shall have the meanings
4 assigned in Article 2.0 of the Operating Agreement or as specified below:
5

6 **1.1 Confidential Work Product:** shall mean all proprietary geophysical,
7 geochemical, drilling, engineering or other similar technical data, along with
8 information, reports, studies, analysis, models or similar data and documents that
9 are developed by the Project Team within the scope of its work or received from
10 or on behalf of the Parties for use in the Project Team's work. The term shall
11 include all proprietary information developed by the Project Team, the cost of
12 which is charged to the Joint Account. The provisions of this Exhibit shall not be
13 applicable to "Confidential Data", as that term is defined in the Operating
14 Agreement. However, to the extent that "Confidential Data" is submitted by a
15 Participating Party for use by the Project Team, such "Confidential Data"
16 continues to be governed solely by the terms of the Operating Agreement. For the
17 avoidance of doubt, the term "Confidential Work Product" does not include
18 Background Technology.
19

20 **1.2 Background Technology:** shall mean any proprietary geophysical, geochemical
21 drilling, engineering or other similar technical data, information, reports, studies,
22 analysis, models or similar data and documents developed or obtained by a Party
23 outside of the scope of the Operating Agreement (and this Exhibit) that is
24 disclosed by a Party or exchanged by the Parties for use by the Project Team.
25

26 **1.3 Project Manager:** shall mean the designated representative of the Operator who
27 will direct, supervise and oversee the work of the Project Team.
28

29 **1.4 Project Team:** shall mean the group of management, supervisory, technical and
30 support personnel drawn from the staff of each Participating Party and assigned to
31 the Project Team. The Project Team shall assist the Operator in planning the
32 efficient appraisal, development and operation of the Prospect Area. A Project
33 Team shall be formed to assist in the preparation of any Development Plan for an
34 Initial Development System or Subsequent Development System within the
35 Prospect Area pursuant to Article 12.0 (*Development Plans*).
36

1 **1.5** Operating Agreement: Shall mean that certain Offshore Operating Agreement
2 dated July 1, 2008 by and between BHP Billiton Petroleum (GOM) Inc., BHP
3 Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.
4
5

6 SECTION 2.0 PROJECT TEAM FORMATION 7

8 **2.1** Formation and Staffing of the Project Team: A Project Team of project,
9 technical and support personnel shall be established pursuant to the terms of
10 Article 12.3.1 (*Proposal of a Project Team*) of the Operating Agreement. Each
11 Participating Party may nominate representatives possessing specific backgrounds
12 as identified by the Project Manager, commensurate with the needs and objectives
13 of the Project Team as described in the Project Team AFE (and scoping memo)
14 prepared in accordance with Section 3.1 of this exhibit (Work Scope of the
15 Project Team). The Project Manager shall staff the Project Team from the pool of
16 nominated representatives designated by each Party, provided however, if the
17 Project Manager has not staffed a position from the pool of representatives, the
18 Project Manager may request additional representatives be nominated for
19 consideration. Provided however, each Participating Party shall have the right to
20 a percentage representation on the Project Team equal to their Participating
21 Interest. A Party shall not be precluded from having more or less than its
22 respective Participation Interest representation on the Project Team, consistent
23 with the needs of the Project Team as mutually agreed to by the Participating
24 Parties. The Project Manager must approve actual participation of any individual
25 nominated by a Party for participation on the Project Team, and such approval
26 shall not be unreasonably withheld.
27

28 **2.1.1** Employee Staff Contribution: Each Participating Party in the Project
29 Team AFE shall have the right (but not the obligation) to nominate its
30 employees as members of the Project Team. Nominated employees may
31 include project, technical or support personnel. Each Participating Party
32 shall have the right to nominate expatriate employees to the Project Team.
33

34 **2.1.2** Affiliate and Contract Staff: The Project Team may utilize the resources
35 of Affiliates, consultants and contractors to carry out the work of the
36 Project Team. Consultants or contractors nominated by Participating

1 Parties to serve on the Project Team in the place of a Participating Party's
2 employees are included under the terms of this Section 2.1.2. The
3 individuals nominated for participation by the Participating Parties must
4 have experience commensurate with the position to which they are being
5 nominated, who could be expected to meaningfully participate and
6 contribute to the work of the Project Team.
7

8 **2.2 Project Manager:** The Project Team shall operate under the direction of the
9 Project Manager, who shall be selected by the Operator. The Project Manager
10 shall be responsible for making team assignments and shall be responsible for the
11 overall management and supervision of specific work tasks for the Project Team.
12 The Project Manager shall determine at whose offices the Project Team work is to
13 be undertaken. The Project Manager shall be responsible for selecting team
14 members from the nominations provided by Parties and dismissing Project Team
15 members as needed in order to accomplish specific tasks or phases of the Project
16 Team. The Project Manager shall also be responsible for selecting outside
17 contractors to perform certain Project Team activities, acquiring supplies and
18 services needed by the Project Team and for instituting rules and procedures for
19 maintaining confidential information. The Project Manager shall also be
20 responsible for making presentations on any Initial or Subsequent Development
21 System and associated documentation at meetings which are conducted under the
22 Operating Agreement.
23

24 **2.3 Status of Team Members:** Each employee member of the Project Team shall
25 remain an employee of its respective company and each company shall remain
26 responsible for their employees' salaries and benefits as well as maintaining
27 worker's compensation insurance on their employees. Accordingly, each Party
28 will continue to administer the compensation, benefits, allowances and staff
29 planning of its employees on the Project Team. Each Party retains the right to
30 ultimately direct the details and means by which their representatives participate
31 on the Project Team. However, employees who participate on the Project Team
32 will receive team assignments and general supervision from the Project Manager
33 in connection with their day to day work. An individual selected to the Project
34 Team shall, insofar as possible, and consistent with the needs of the Project Team
35 and the individual's employer, serve on the Project Team for the duration of the
36 Project Team. Notwithstanding the above, some Project Team members may be

1 selected for specific tasks or phases of Project Team work after which these team
2 members may be dismissed by the Project Manager.

- 3
4 **2.4 Liability of Project Team Members.** Each Party agrees to defend, hold harmless
5 and indemnify the other Parties from and against any loss, damage, claim, suit,
6 liability, judgment and expense (including attorney fees and other costs of
7 litigation) for any personal injury (including death) of its employees on the Project
8 Team.

9
10
11 **SECTION 3.0 WORK SCOPE AND DURATION OF PROJECT TEAM**

- 12
13 **3.1 Work Scope of the Project Team:** The primary objective for forming any
14 Project Team is to pool the talents of the Parties in preparing the Development
15 Plan and provide each Participating Party the opportunity to have input regarding
16 the planning, design, engineering, fabrication, transportation and installation of
17 any Development System. The proposal of the Development Plan (including the
18 Initial Development System) and commitment of funds thereto shall be handled in
19 accordance with Article 12.0 (*Development Phases*) of the Operating Agreement.
20 For any project undertaken by the Project Team, the Operator shall provide: (1) a
21 memo describing the anticipated scope of the team's work to be undertaken in
22 reasonable detail such that the Non-Operator may make an informed decision
23 concerning its participation in the Project Team; (2) a memo describing the type
24 and number of staff required to complete the assignment; and (3) an AFE
25 itemizing the Operator's estimate of the Cost of the Project Team. Approval of
26 the Selection AFE shall be handled pursuant to Article 12.3.1 (*Proposal of a*
27 *Project Team*) of the Operating Agreement.

- 28
29 **3.2 Reports by the Project Team:** The Project Team shall review the progress of its
30 work with all Participating Parties at least quarterly, and present the results of any
31 studies or planning upon their conclusion. The time and place of the meetings of
32 the Project Team and location for conducting Project Team activities shall be
33 determined by the Project Manager.

- 34
35 **3.3 Duration of the Project Team:** The Project Team shall remain in place until (1)
36 the team has completed the work described in the Project Team AFE and scoping

1 memo, or (2) the planning, design, construction, installation and start-up phase of
2 any Development System has been completed, or (3) Project Team work has been
3 terminated by approval of the Participating Parties by Vote, whichever is the
4 earlier event. Upon dissolution of the Project Team, the Operator shall conduct
5 any further work required for the installation of the Development System. Any
6 AFE in progress at the time of the Project Team's dissolution shall continue to be
7 accounted for under Section II. of Exhibit "C" (*Accounting Procedures*).
8

9 **3.4 Re-instatement of Project Team:** The Project Team created for planning and
10 designing the Initial Development System may be reinstated by the Operator to
11 assist in further work on the Initial Development System or planning and
12 designing any Subsequent Development System. Any reinstated Project Team
13 shall utilize the procedures of this Exhibit, with any applicable time periods in
14 Article 12 of the Operating Agreement running from the date of reinstatement of
15 the Project Team.
16
17

18 **SECTION 4.0 COSTS AND ADMINISTRATION OF THE PROJECT TEAM**

19
20 **4.1 Project Team Costs:** The costs and expenses for the Project Team shall be
21 charged to the Joint Account pursuant to Exhibit "C", (*Accounting Procedures*) of
22 the Operating Agreement. Each Participating Party in the Project Team shall be
23 responsible for its Participating Interest share of the Project Team expenses,
24 regardless of its level of employee or contractor participation on the Project Team.
25

26 **4.1.1 Employee Charges:** Each Participating Party in a Project Team shall
27 recover the costs of employees including expatriates assigned to or
28 associated with the Project Team through charges to the Joint Account
29 under Section II of Exhibit "C" (*Accounting Procedure*) of the Operating
30 Agreement. However, mutual agreement of the Participating Parties shall
31 be required to charge the Joint Account with costs associated with
32 expatriates if the total number of expatriates of any Party exceeds thirty
33 percent (30%) of that Party's Participating Interest representation on the
34 Project Team.
35

1 **4.1.2 Contractors and Consultants:** The Project Manager may retain the
2 services of such consultants and contractors as is reasonably necessary to
3 carry out the studies and tasks assigned to the Project Team. Costs of
4 consultants and contractors assigned to the Project Team shall be
5 recovered by Operator through charges to the Joint Account under Section
6 VI of Exhibit "C" (*Accounting Procedure*) of the Operating Agreement.
7 So long as the Costs of the consultant or contractor are within the scope
8 and amount of an approved AFE, the Project Manager's retention of
9 consultants shall not require additional approval by the Participating
10 Parties.

13 **SECTION 5.0 CONFIDENTIALITY**

15 **5.1 Confidentiality Obligation:** Each Party agrees to maintain as confidential and
16 not to use or disclose to any third party the Confidential Work Product, except as
17 expressly provided hereunder, for a confidentiality period commencing on the
18 date of execution of the Operating Agreement and extending through the later of
19 (a) two (2) years following the termination of the Project Team work pursuant to
20 Section 9.3 of this Exhibit or (b) seven (7) years following the date of execution
21 of the Operating Agreement. After expiration of the confidentiality period the
22 receiving Party's obligations of confidentiality and restrictions on use shall cease.
23 Each Party agrees to treat the disclosure of the Confidential Work Product in the
24 same manner as it treats its own confidential information.

26 **5.1.1 Background Technology:** The Parties shall use best efforts to declare
27 and list Background Technology and information which will be utilized by
28 the Project Team prior to establishment of the Project Team. However a
29 Participating Party may declare and list additional Background Technology
30 after establishment of the Project Team if it deems such technology will be
31 beneficial to the Project Team. Any Party claiming Background
32 Technology shall not be subject to the confidentiality obligation of this
33 Exhibit or the Operating Agreement as to the Background Technology.
34 Prior to the claiming Party disclosing the Background Technology to the
35 Project Team, the other Participating Parties shall agree to exempt the
36 Background Technology from the terms of this Exhibit and the Operating

1 Agreement. If such agreement is not obtained, such Background
2 Technology need not be disclosed to the Project Team. The receiving
3 Party shall maintain any Background Technology received as Confidential
4 Work Product under this Exhibit. In no event will Background
5 Technology be disclosed to a third party without the prior written consent
6 of the Party providing the Background Technology to the Project Team.
7

8 **5.1.2 Supporting Agreements:** Each Party shall be responsible for insuring
9 that its respective representatives fully abide by all obligations associated
10 with the confidentiality of all information learned as a result of their
11 participation on the Project Team and agree to convey such information to
12 others in their company on a "need-to-know" basis only. In this regard,
13 there shall be limited reproduction of Project Team generated data. Upon
14 the Project Manager's request, each Party shall require its respective
15 employees participating on the Project Team to execute a confidentiality
16 agreement consistent with the confidentiality obligations specified in the
17 Operating Agreement and this Exhibit and shall furnish the other Parties
18 with a copy of same upon request. Operator shall be responsible for
19 securing confidentiality agreements from outside contract services.
20

21 **5.1.3 Consultant Agreements:** The Project Manager and each Party soliciting
22 work from third party contractors and consultants (or from Affiliates) in
23 connection with the Project Team shall use its best efforts to secure
24 contract terms with such third party which contain applicable
25 confidentiality terms and which support rights to the Parties consistent
26 with this Agreement.
27

28 **5.2 Exceptions and Permitted Disclosures:** Any Participating Party may disclose
29 Confidential Work Product to third parties if such disclosure is either an exception
30 to the confidentiality obligation as listed in Article 7.1.1 (*Exceptions to*
31 *Confidentiality*) or is a permitted disclosure under Article 7.1.2 (*Permitted*
32 *Disclosures*) of the Operating Agreement.
33

34 **5.3 Security Policies:** All Operator and Non-Operator employees and associates with
35 the Project Team shall honor Operator's security system and shall treat all
36 information directly or indirectly learned or received by virtue of its participation

1 on the Project Team as confidential in accordance with the provisions of
2 Operator's security manual, and all revisions thereto which are made prior to
3 termination of this Exhibit. A copy of the security manual and any revisions
4 thereto shall be made available to Non-Operator employees by the Project
5 Manager for their use during the project. This obligation of confidentiality shall
6 also apply to any other proprietary and confidential information which may relate
7 to matters other than the Prospect Area to which Project Team members are
8 exposed by virtue of working in Operator's offices. Operator will use reasonable
9 efforts to minimize the exposure of Non-Operator personnel to the Operator's
10 proprietary and confidential information. In no event shall confidential
11 information be disclosed to a third party without the prior written consent of
12 Operator and Non-Operator except as provided in the Operating Agreement.
13

14 **5.4 Subsequent Disclosures:** Following the expiration of the period of
15 confidentiality set forth in Section 5.1 above, each Party may freely use and
16 disclose the Confidential Work Product (but not Background Technology, the
17 disclosure of which is addressed in Section 5.1.1) without accounting to any other
18 Party, subject only to whatever patent rights, copyright restrictions or
19 confidentiality obligations owed to third parties. Subject to the obligations of
20 confidentiality set forth herein, each Party has the right to copy, display, publish,
21 distribute and prepare derivative works of all documents, drawings or other
22 writings or materials created or conveyed under this Exhibit, including the rights
23 to license, sell or otherwise transfer such rights; provided, however, that no such
24 right shall apply to Background Technology and documents, drawings or other
25 writings or materials that would divulge Background Technology.
26
27

28 **SECTION 6.0 USE OF CONFIDENTIAL WORK PRODUCT**

29
30 **6.1 Receipt of Confidential Work Product:** Each Party will be entitled to receive
31 the full reports of all technical studies, detail reports, general conclusions,
32 numerical results, and design drawings from all engineering services that are
33 charged to the Joint Account pursuant to an AFE in which it is a Participating
34 Party, whether those engineering services are performed by a Party participating in
35 the Project Team, an Affiliate or by a third party.
36

1 **6.2 Right to use Confidential Work Product:** Each Participating Party may use for
2 its own account (and free of cost) all Confidential Work Product received or
3 developed by the Project Team which is developed by the Project Team under this
4 Agreement or the cost of which is charged to the Joint Account.
5

6 **6.2.1 Third Party Limitations:** The Parties acknowledge that various
7 Background Technology may have been received from third parties under
8 preexisting restrictions (e.g., that the Party may disclose the third party
9 source information to a partner in a joint venture only under obligations of
10 confidentiality and under restriction to use the information only in
11 connection with the joint venture). Each delivering Party agrees to
12 identify, in writing, any Background Technology subject to third party
13 restrictions and disclose the nature of the restriction to the receiving Party
14 prior to disclosure of the Background Technology. The delivering Party
15 shall secure the receiving Party's acknowledgment of such restrictions
16 prior to transmittal of such third party Background Technology. The
17 receiving Party's acknowledgment constitutes its acceptance of such
18 obligations and restrictions imposed upon disclosure and use of the
19 Background Technology.

20 **6.2.2 Proprietary Software:** During the term of the Project Team, a Party may
21 be authorized to use various computer software and programs which are
22 identified as being proprietary to one of the other Parties. Such proprietary
23 computer software and programs shall not be considered joint property and
24 such computer software and programs are not a deliverable under this
25 Agreement. Use of such proprietary software and programs is not a grant
26 of license of any rights outside of this Agreement and the Parties retain all
27 rights to such property. Computer software and programs which are not
28 proprietary to one of the Parties, but which were developed jointly by the
29 Project Team, shall be considered Confidential Work Product and joint
30 property.
31

32
33 **SECTION 7.0 INVENTIONS, PATENTS AND COPYRIGHTS**
34

35 **7.1 Patent Assignment with Right to License and Sublicense:** Patents on
36 inventions which are (1) conceived solely by outside contractors or consultants

1 employed for the Joint Account, or conceived jointly among the Parties (each
2 including its respective Affiliates) while working on the Project Team and (2)
3 from work which has been funded by the Joint Account will be assigned to the
4 Operator. The Operator agrees to grant each Participating Party an irrevocable,
5 non-exclusive, worldwide, royalty-free license to practice under all such patents,
6 including the right to grant sublicenses under such patents to any third party or
7 Affiliate on such other terms and conditions that such Party deems appropriate,
8 without accounting to any other Party.
9

10 **7.2 Patent Assignment and License With Limited Right to Sublicense:** Patents on
11 inventions not covered in Section 7.1, which are conceived or first reduced to
12 practice (actual or constructive), by a Party or its Affiliate, either alone or jointly
13 with any outside contractors or consultants, and as a direct result of work which
14 has been funded by the Joint Account, will be owned by that Party. The Party
15 owning any such patent agrees to grant each other Party an irrevocable, non-
16 exclusive, worldwide, royalty-free license under all such patents to make, have
17 made, use and have used such invention for such other Party's own business,
18 including any joint venture or production sharing arrangement in which such other
19 Party has an ownership interest. Further, each such other Party has the right to
20 extend these rights to its Affiliates.
21

22 **7.3 No Commitment to Disclose Technology:** Except as expressly set forth above,
23 nothing in this Exhibit "G" will be deemed to require any Party or Affiliate to
24 grant any licenses under any patents to anyone. The scope and content of any
25 Background Technology disclosed under this Agreement will be determined in the
26 sole discretion of the disclosing Party.
27
28

29 **SECTION 8.0 WARRANTIES AND INDEMNITIES**

30
31 **8.1 Disclaimer of Warranties:** ALL INFORMATION DISCLOSED OR
32 RECEIVED BY THE PARTIES HEREUNDER SHALL BE PROVIDED
33 ON AN "AS IS" BASIS WITHOUT ANY WARRANTIES, EITHER
34 EXPRESS OR IMPLIED, AS TO THE ACCURACY, VALIDITY OR
35 UTILITY OF SUCH INFORMATION. WITHOUT LIMITING THE
36 PRECEDING, ANY EXPRESS, IMPLIED OR STATUTORY WARRANTY

1 OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR
2 PURPOSE ARE EXPRESSLY EXCLUDED FROM THIS AGREEMENT.
3 IN NO EVENT SHALL A PARTY CONVEYING OR DISCLOSING
4 INFORMATION BE LIABLE FOR ANY INCIDENTAL,
5 CONSEQUENTIAL OR SIMILAR INDIRECT DAMAGES ARISING OUT
6 OF OR RESULTING FROM THE USE OF INFORMATION CONVEYED
7 OR DISCLOSED UNDER THIS EXHIBIT.

8
9 **8.2 Indemnities:** Each Party agrees to defend, hold harmless and indemnify the other
10 Parties from and against any loss, damage, claim, suit, liability, judgment and
11 expense (including attorney fees and other costs of litigation) related to or in
12 connection with its use (including use by others which it authorizes), disclosure of
13 any Confidential Work Product, Background Technology or other information or
14 other technology disclosed in any way not permitted under this Agreement.

15
16
17 **SECTION 9.0 MISCELLANEOUS PROVISIONS**

18
19 **9.1 Export Controls:** Each Party agrees to abide by the United States Department of
20 Commerce regulations concerning the export or re-export of United States source
21 technical data, or the direct product thereof, to unauthorized destinations and
22 regulations in respect of information supplied by or on behalf of any other Party
23 hereunder.

24
25 **9.2 Independent Research.** Nothing herein shall in any way restrict or impair the
26 right of any Party to conduct its own independent research, development, or
27 design activities relating to the evaluation of alternate deepwater development
28 systems even though such activities may parallel or overlap the activities of the
29 Project Team. Any such Party conducting such independent research activities
30 shall be under no obligation pursuant to the Operating Agreement or this Exhibit
31 to disclose any results of independent research to the other Party(ies) or with
32 respect to the use or disposition of the results of independent research, including
33 but not limited to all information and data resulting therefrom. Any Background
34 Technology presently owned and developed by a Party prior to the effective date
35 of the Operating Agreement shall remain the sole property of that Party
36

1 **9.3 Assignability:** A third party (not currently a Party to this Agreement) who
2 acquires a Working Interest in the Prospect Area may join the Project Team upon
3 the approval of the Participating Parties as a Vote. A new Party joining the
4 Project Team must agree, in writing, to undertake all obligations set forth for a
5 Party under this Exhibit. Such new Party will have all rights, duties and
6 obligations under this Exhibit regarding the use of all Confidential Work Product
7 exchanged or developed prior to the date it joins the Project Team and during its
8 participation thereunder. However, patent rights received by such new Party
9 hereunder pursuant to Section 7.0 of this Exhibit shall be limited to patents based
10 on developments after the date such Party joins the Project Team. In the event
11 that a Party assigns its entire interest in the Leases, the assigning Party shall have
12 all the rights specified in this Exhibit, including patent rights and license rights
13 thereunder, based on developments and exchanges prior to the effective date of
14 such assignment and shall continue to have all obligations and duties with respect
15 thereto as set forth in this Exhibit "G" relating to the confidentiality, restrictions
16 on use, patents, indemnity, and as applicable, duties to license the other Parties.

17
18

EXHIBIT "H"

Attached to and made a part of that certain Offshore Operating Agreement dated July 1, 2008 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

DISPUTE RESOLUTION PROCEDURE

1.1 Applicable Law

The substantive laws of the State of Texas, exclusive of any conflicts of laws rules that could require the application of any other law, shall determine all Disputes between or among Parties.

2.1 Dispute Resolution-Arbitration

(1) **Dispute.**

Dispute means any dispute, controversy, or claim (of any and every kind or type, whether based on contract, tort, statute, regulation, or otherwise) arising out of, relating to, or connected with this Agreement, or the operations carried out under this Agreement, including but not limited to any dispute concerning the existence, validity, interpretation, performance, breach, or termination of this Agreement.

(2) **Binding Arbitration.** Any Dispute shall be resolved through final and binding arbitration.

(3) **Arbitration Rules.** The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "**Rules**").

(4) **Number of Arbitrators.** The arbitration shall be conducted by three arbitrators, unless all Parties to the Dispute agree to a sole arbitrator within thirty (30) Days after commencement of the arbitration.

(5) **Multiple Parties - Method of Appointment of the Arbitrators.** If the arbitration is to be conducted by three arbitrators and there are more than two Parties to the Dispute, then within thirty (30) days of commencement of the arbitration, all claimants shall jointly appoint one arbitrator and all respondents shall jointly appoint one arbitrator, and the two arbitrators so appointed shall select the presiding arbitrator within thirty (30) days after the two arbitrators have been appointed. If the party-appointed arbitrators

fail to appoint the presiding arbitrator in a timely fashion, then the appointing authority designated by the Parties shall appoint the presiding arbitrator. If either all claimants or all respondents fail to make a joint appointment of an arbitrator, the appointing authority designated by the Parties shall appoint all three arbitrators.

- (6) **Qualifications and Conduct of the Arbitrators.** All arbitrators shall be and remain at all times independent and impartial, and, once appointed, no arbitrator shall have any *ex parte* communications with any of the Parties to the Dispute concerning the arbitration or the underlying Dispute other than communications directly concerning the selection of the presiding arbitrator, when applicable. All arbitrators shall be qualified by education, training, or experience to resolve the Dispute.
- (7) **Place of Arbitration.** Unless otherwise agreed by all parties to the Dispute, the place of arbitration shall be Houston, Texas.
- (8) **Entry of Judgment.** The award of the arbitral tribunal shall be final and binding. Judgment on the award may be entered and enforced by any court of competent jurisdiction.
- (9) **Interim Measures.** Notwithstanding any requirements for alternative dispute resolution procedures as set forth in Article 3.1, any Party to the Dispute may apply to a court for interim measures, including injunction, attachment, and conservation orders. The Parties agree that seeking and obtaining such court-ordered interim measures shall not waive the right to arbitration. The arbitrators (or in an emergency the presiding arbitrator acting alone in the event one or more of the other arbitrators is unable to be involved in a timely fashion) may grant interim measures including injunctions, attachments, and conservation orders in appropriate circumstances, which measures may be immediately enforced by court order. Hearings on requests for interim measures may be held in person, by telephone or video conference, or by other means that permit the Parties to the Dispute to present evidence and arguments. The arbitrators may require any Party to provide appropriate security in connection with such measures.
- (10) **Cost and Attorneys' Fees.** The arbitral tribunal is authorized to award costs, attorneys' fees, and expert witness fees and to allocate them among the Parties to the Dispute.
- (11) **Interest.** The award may include interest, as determined by the arbitral tribunal, from the date of any default, breach, or other accrual of a claim until the arbitral award is paid in full.
- (12) **Currency of Award.** The arbitral award shall be made and payable in United States dollars, free of any tax or other deduction.

- (13) **Exemplary Damages.** The Parties waive their rights to claim or recover, and the arbitral tribunal shall not award, any punitive, multiple, or other exemplary damages (whether statutory or common law) except to the extent such damages have been awarded to a third party and are subject to allocation among the Parties to the Dispute.
- (14) **Consolidation.** If there exist multiple arbitrations (more than one) between or among the same Parties, the subject matters of which are related by common questions of law or fact and which could result in conflicting or inconsistent awards, then all such arbitrations may be consolidated into a single arbitration.

3.1 Dispute Resolution – Multi-Step Options

- (A) **Notification.** A Party who desires to submit a Dispute for resolution shall commence the dispute resolution process by providing the other Parties to the Dispute a written notice of the Dispute (“***Notice of Dispute***”). The Notice of Dispute shall identify the Parties to the Dispute and contain a brief statement of the nature of the Dispute and the relief requested. The submission of a Notice of Dispute shall toll any applicable statutes of limitation or prescriptive periods related to the Dispute, pending the conclusion or abandonment of dispute resolution proceedings under this Agreement.
- (B) **Negotiations.** The Parties to the Dispute shall seek to resolve any Dispute by negotiations among Senior Executives. A “***Senior Executive***” means any individual who has authority to settle the Dispute for a Party. Within thirty (30) days after the date of the receipt by each Party to the Dispute of the Notice of Dispute (which notice shall request negotiations among Senior Executives), the Senior Executives representing the Parties to the Dispute shall meet at a mutually acceptable time and place to exchange relevant information in an attempt to resolve the Dispute. If a Senior Executive intends to be accompanied at the meeting by an attorney, each other Party’s Senior Executive shall be given written notice of such intention at least three (3) business days in advance and may also be accompanied at the meeting by an attorney.
- (C) **Transition to Arbitration.** In the event the Dispute is not resolved within sixty (60) days of receipt by each Party to the Dispute of the Notice of Dispute, the Dispute shall be resolved by final and binding arbitration.

4.1 Confidentiality

All negotiations, mediation, arbitration, and expert determinations relating to a Dispute (including a settlement resulting from negotiation or mediation, an arbitral award, documents exchanged or produced during a mediation or arbitration proceeding, and memorials, briefs or

other documents prepared for the arbitration) are confidential and may not be disclosed by the Parties, their employees, officers, directors, counsel, consultants, and expert witnesses, except to the extent necessary to enforce any settlement agreement, arbitration award, or expert determination, to enforce other rights of a Party, as required by law or regulation, or for a bona fide business purpose, such as disclosure to accountants, shareholders, or third-party purchasers; provided, however, that breach of this confidentiality provision shall not void any settlement, expert determination, or award.

5.1 Notice

Any papers, notices, or process necessary or proper for an arbitration hereunder, or any court action in connection with an arbitration or an award, may be served on a Party by registered or certified mail, courier, facsimile transmission, E-mail, or any other means of communication that provides a record of the receipt thereof, provided that a reasonable opportunity to be heard with regard to the court action is or has been granted to the Party.

EXHIBIT "I"

Attached to and made a part of that certain Offshore Operating Agreement dated July 1, 2008 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

Well Data Trade and Confidentiality Agreement

This Agreement ("Agreement") is made effective _____, 200_ (the "Effective Date") between _____ ("_____") and _____ (collectively "the _____ Parties") and _____ ("_____"), and _____ (collectively "the _____ Parties"). In this Agreement, the _____ Parties and the _____ Parties may be sometimes referred to individually as a "Party" or collectively as the "Parties."

Recitals

The _____ Parties are the owners of the well data from the Operator's Name, Protraction Area Name Block #, OCS-G _____ No. 1 Well, identified on Exhibit "A" attached to and made a part of this Agreement (the "Insert Prospect Name Well Data").

The _____ Parties are the owners of the well data from the Operator's Name, Protraction Area Name Block #, OCS-G _____ No. 1, No. 1 ST and No.1 ST2 Wells, identified on Exhibit "B" attached to and made a part of this Agreement (the "Insert Prospect Name Well Data").

The Parties have agreed to exchange all of the Insert Prospect Name Well Data for all of the Insert Prospect Name Well Data, unless otherwise specified in this agreement.

The Parties desire, by their execution of this Agreement, to set forth the terms and provisions of the well data exchange, and further desire to set forth the Parties' confidentiality obligations in regard to the well data received by each Party.

Accordingly, in consideration of the mutual advantages and benefits accruing to the Parties, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1

Definitions

Affiliate:

"Affiliate," means any corporation, company, limited liability company, partnership, or other legal entity that:

- is owned or controlled by a Party, or
- is owned or controlled by any other corporation, company, limited liability company, partnership, or other legal entity that is owned or controlled by a Party, or
- owns or controls a Party, or
- is owned or controlled by a corporation, company, limited liability company, partnership, or other legal entity that owns or controls a Party.

For the purposes of this definition, ownership or control means the ownership, directly or indirectly, of fifty percent (50%) or more of the shares, voting rights, or interest in a corporation, company, limited liability company, partnership, or other legal entity.

Confidential Information:

"Confidential Information" means (i) as to the _____ Parties, the Insert Prospect Name Well Data and any copies and reproductions thereof, and (ii) as to the _____ Parties, the Insert Prospect Name Well Data and any copies and reproductions thereof.

Consultant:

“Consultant” means an individual, corporation, company, limited liability company, partnership, financial analyst/institution, auditor or other legal entity that is engaged by a Party to evaluate, interpret, reprocess or make other technical studies of the well data received by that Party under the provisions of this Agreement, but shall not include one who is primarily engaged in the business of exploring for oil, gas, or other hydrocarbons.

Disclose or Disclosure:

“Disclose” or “Disclosure” means to display, show, reveal, or give access to, or permit to be viewed or accessed, the Confidential Information or any part thereof.

Transfer:

“Transfer” means a sale, assignment, trade, loan, conveyance, exchange, encumbrance, license, or other disposition of the Confidential Information.

ARTICLE 2

(Insert Prospect Name) Well Data

- 2.1 Grant of the *(Insert Prospect Name)* Well Data Use to the _____ Parties
The _____ Parties grant to the _____ Parties the non-exclusive, non-transferable (except as provided herein), perpetual right to use the _____ Well Data under the terms and conditions of this Agreement.
- 2.2 *(Insert Prospect Name)* Well Data Ownership
The *Insert Prospect Name* Parties represent and warrant that they hold full ownership rights in and to the _____ Well Data. The _____ Well Data is proprietary to the _____ Parties and the _____ Parties maintain all trade secret and copyright interests in such data. Except as provided herein, the _____ Parties retain the exclusive right to Disclose or Transfer the _____ Well Data to other parties at any time and under whatever terms and conditions they consider acceptable, subject to the terms of the joint operating agreement between the _____ Parties.
- 2.3 The _____ Parties’ Obligation of Confidentiality and Restriction on Disclosure and Transfer
The _____ Parties agree to treat the _____ Well Data, and any copies and reproductions thereof, as confidential, agree to use the _____ Well Data only for their internal business purposes and the internal business purposes of their Affiliates, and agree not to Disclose or Transfer the _____ Well Data, except as specifically permitted under this Agreement and shall exercise the same degree of care to safeguard the _____ Well Data as they would for their own Confidential Information of a similar nature.
- 2.4 Exceptions to the _____ Parties’ Obligation of Confidentiality and Restriction on Disclosure and Transfer
- A. The _____ Parties, or each of them, may Disclose or Transfer the _____ Well Data to their Affiliate(s) provided that such Affiliate(s) agrees to the obligations of confidentiality and restrictions on Disclosure or Transfer set forth in this Agreement.
- B. The _____ Parties, or each of them, may Disclose the _____ Well Data, including providing copies of the _____ Well Data, to a Consultant retained by such Party (“the Disclosing *Insert Prospect Name* Party”) to evaluate, reprocess, or interpret the _____ Well Data, provided that before any such Disclosure occurs, the Consultant must agree in writing that: (1) any evaluation, reprocessing or interpretation of the _____ Well Data is for the sole benefit of the Disclosing *Insert Prospect Name* Party, or its Affiliate, making the Disclosure, (2) the _____ Well Data will be maintained in accordance with Section 2.3 above and

will not be Disclosed to any third party without the prior written permission of the _____ Parties, and (3) upon completion of its work, all copies of the _____ Well Data will be returned to the Disclosing _____ Party, or its Affiliate, making the Disclosure.

C. The _____ Parties' obligation of confidentiality and restriction on Disclosure does not apply to the extent any portion of the _____ Well Data: (1) comes legally into the possession of the _____ Parties, or any of them, or the possession of an Affiliate, independent of this Agreement, or is legally divulged to the _____ Parties, or any of them, or an Affiliate, by a third party without limitation on disclosure, or (2) becomes part of the public domain through no fault or neglect of the _____ Parties, or any of them, or an Affiliate, or (3) must be disclosed to third parties under requirement of law, including, but not limited to, the regulations of the Minerals Management Service ("MMS") of the Department of Interior. In the event the _____ Parties are required by any rule, law or court order to disclose _____ Well Data, the _____ Parties shall immediately notify the _____ Parties and make good faith efforts to cooperate in the _____ Parties' efforts to obtain any injunctive or protective orders that the _____ Parties may unilaterally deem desirable or necessary.

2.5 Responsibility for Unauthorized Disclosure or Transfer

The _____ Parties shall be responsible for ensuring that all persons to whom it Discloses or Transfers the _____ Well Data keep such Well Data confidential and not Disclose or Transfer such Well Data to any unauthorized person, and comply with the use restrictions set forth in this Agreement. No _____ Party shall be liable for any breach of this Agreement by any other _____ Party, and the _____ Parties agree to hold all such non-breaching _____ Party harmless for any breach of this Agreement by a breaching _____ Party.

2.6 Paleo. Samples and Preparation

The _____ Parties agree to make reasonably available to the _____ Parties raw cutting samples for all depths collected in the respective borehole(s) corresponding to the _____ Well Data. Raw cuttings should be in quantities sufficient to conduct standard preparations for foraminifera and nannofossil analyses. In the event that the quantity of raw cuttings are insufficient to conduct standard paleo analyses, the _____ Parties are each entitled to borrow the previously prepared foraminifera wash and nannofossil slides used for the _____ Parties' paleontological analyses. After the _____ Parties have completed the biostratigraphic analyses, the _____ Parties each agree to return all previously prepared foraminifera wash and nannofossil slide materials that were borrowed. Any unused, unprocessed raw materials provided to any of the _____ Parties will be returned after sample preparation is complete. Materials and residues resulting from sample processing (foram wash, nanno slurries, etc.) will become the property of the _____ Parties. All such furnished material shall be deemed to constitute a part of the _____ Well Data for all purposes.

2.7 Summary Reports

The _____ Parties agree to provide original paleontologic data in digital format, where possible, and to make reasonably available to the _____ Parties paleontological and biostratigraphic interpretations equivalent to or more detailed than what is provided to the MMS. The interpretations provided by the _____ Parties will be in the form of a summary of foraminiferal and nannofossil species events or "tops" and paleoenvironmental interpretations. All such furnished material shall be deemed to constitute a part of the _____ Well Data for all purposes.

2.8 Conventional Core

The _____ Parties agree to make reasonably available to the _____ Parties all conventional core data taken from all depths in the wellbore(s) which is part of the _____ Well Data. The _____ Parties shall be allowed to look at the conventional core photographs, as well as, physically inspect the conventional core at _____ Labs. The _____ Parties, individually, shall be allowed up to three physical inspection(s) of the conventional core within a period of one year from the date on which the last Party has executed this Agreement. Any costs associated with viewing the conventional core shall be at the sole cost of the viewing company. The _____ Parties shall also be allowed access to thin section samples made from conventional

core and rotary cores, as well as petrographic (point count) data derived from the thin sections, and scanning electron microscopy (SEM) and X-Ray diffraction (XRD) data.

(Optional)

2.9 Data Being Withheld From *Prospect Name/Prospect Name* Trade

It is understood and agreed to between the _____ Parties and the _____ Parties that the Conventional Core data and the Palynostratigraphic Analysis from the *Insert Prospect Name* Well will not be made a part of this data exchange.

ARTICLE 3

(Insert Prospect Name) Well Data

Grant of the (*Insert Prospect Name*) Well Data Use to the _____ Parties

The _____ Parties grant to the _____ Parties the non-exclusive, non-transferable (except as provided herein), perpetual right to use the _____ Well Data under the terms and conditions of this Agreement.

3.2 (*Insert Prospect Name*) Well Data Ownership

The *Insert Prospect Name* Parties represent and warrant that they hold full ownership rights in and to the _____ Well Data. The _____ Well Data is proprietary to the _____ Parties and the _____ Parties maintain all trade secret and copyright interests in such data. Except as provided herein, the _____ Parties retain the exclusive right to Disclose or Transfer the _____ Well Data to other parties at any time and under whatever terms and conditions they consider acceptable, subject to the terms of the joint operating agreement between the _____ Parties.

3.3 The _____ Parties' Obligation of Confidentiality and Restriction on Disclosure and Transfer

The _____ Parties agree to treat the _____ Well Data, and any copies and reproductions thereof, as confidential, agree to use the _____ Well Data only for their internal business purposes and the internal business purposes of their Affiliates, and agree not to Disclose or Transfer the _____ Well Data, except as specifically permitted under this Agreement and shall exercise the same degree of care to safeguard the _____ Well Data as they would for their own Confidential Information of a similar nature.

3.4 Exceptions to the Parties' Obligation of Confidentiality and Restriction on Disclosure and Transfer

A. The _____ Parties, or each of them, may Disclose or Transfer the _____ Well Data to their Affiliate(s) provided that such Affiliate(s) agrees to the obligations of confidentiality and restrictions on Disclosure or Transfer set forth in this Agreement.

B. The _____ Parties, or each of them, may Disclose the _____ Well Data, including providing copies of such _____ Well Data, to a Consultant retained by such Party ("the Disclosing *Insert Prospect Name* Party") to evaluate, reprocess, or interpret the _____ Well Data, provided that before any such Disclosure occurs, the Consultant must agree in writing that: (1) any evaluation, reprocessing, or interpretation of the _____ Well Data is for the sole benefit of the Disclosing _____ Party, or its Affiliate, making the Disclosure, (2) the _____ Well Data will be maintained in accordance with Section 3.3 above and will not be Disclosed to any third party without the prior written permission of the _____ Parties, and (3) upon completion of its work, all copies of the _____ Well Data will be returned to the Disclosing _____ Party, or its Affiliate, making the Disclosure.

C. The _____ Parties' obligation of confidentiality and restriction on disclosure does not apply to the

extent any portion of the _____ Well Data: (1) comes legally into the possession of the _____ Parties, or any of them, or the possession of an Affiliate, independent of this Agreement, or is legally divulged to the _____ Parties, or any of them, or an Affiliate, by a third party without limitation on disclosure, or (2) becomes part of the public domain through no fault or neglect of the _____ Parties, or any of them, or an Affiliate, or (3) must be disclosed to third parties under requirement of law, including, but not limited to, the regulations of the MMS. In the event the _____ Parties are required by any rule, law or court order to disclose _____ Well Data, the _____ Parties shall immediately notify the _____ Parties and make good faith efforts to cooperate in the _____ Parties' efforts to obtain any injunctive or protective orders that the _____ Parties may unilaterally deem desirable or necessary.

3.5 Responsibility for Unauthorized Disclosure or Transfer

The _____ Parties shall be responsible for ensuring that all persons to whom it Discloses or Transfers the _____ Well Data keep such Well Data confidential and not Disclose or Transfer such Well Data to any unauthorized person, and comply with the use restrictions set forth in this Agreement. No _____ Party shall be liable for any breach of this Agreement by any other _____ Party, and the _____ Parties agree to hold all such non-breaching _____ Party harmless for any breach of this Agreement by a breaching _____ Party.

3.6 Paleo. Samples and Preparation

The _____ Parties agree to make reasonably available to the _____ Parties raw cutting samples for all depths collected in the respective borehole(s) corresponding to the _____ Well Data. Raw cuttings should be in quantities sufficient to conduct standard preparations for foraminifera and nannofossil analyses. In the event that the quantity of raw cuttings are insufficient to conduct standard paleo analyses, the _____ Parties are each entitled to borrow the previously prepared foraminifera wash and nannofossil slides used for the _____ Parties paleontological analyses. After the _____ Parties have completed the biostratigraphic analyses, the _____ Parties each agree to return all previously prepared foraminifera wash and nannofossil slide materials that were borrowed. Any unused, unprocessed raw materials provided to any of the _____ Parties will be returned after sample preparation is complete. Materials and residues resulting from sample processing (foram wash, nanno slurries, etc.) will become the property of the _____ Parties. All such furnished material shall be deemed to constitute a part of the _____ Well Data for all purposes.

3.7 Summary Reports

The _____ Parties agree to provide original paleontologic data in digital format, where possible, and to make reasonably available to the _____ Parties paleontological and biostratigraphic interpretations equivalent to or more detailed than what is provided to the MMS. The interpretations provided by the _____ Parties will be in the form of a summary of foraminiferal and nannofossil species events or "tops" and paleoenvironmental interpretations. All such furnished material shall be deemed to constitute a part of the _____ Well Data for all purposes.

3.8 Conventional Core

The _____ Parties agree to make reasonably available to the _____ Parties all conventional core data taken from all depths in the wellbore(s) which is part of the _____ Well Data. The _____ Parties shall be allowed to look at the conventional core photographs, as well as, physically inspect the conventional core at _____ Labs. The _____ Parties, individually, shall be allowed up to three physical inspection(s) of the conventional core within a period of one year from the date on which the last Party has executed this Agreement. Any costs associated with viewing the conventional core shall be at the sole cost of the viewing company. The _____ Parties shall also be allowed access to thin section samples made from conventional core and rotary cores, as well as petrographic (point count) data derived from the thin sections, and scanning electron microscopy (SEM) and X-Ray diffraction (XRD) data.

(Optional)

- 3.8 Data Being Withheld From *Prospect Name/Prospect Name* Trade
It is understood and agreed to between the _____ Parties and the _____ Parties that the Conventional Core data and the Palynostratigraphic Analysis from the _____ Well will not be made a part of this data exchange.

ARTICLE 4
General Provisions

- 4.1 Waiver of Representations and Warranties
THE _____ WELL DATA AND THE _____ WELL DATA ARE PROVIDED "AS IS" AND EACH PARTY RECEIVING SUCH DATA ACKNOWLEDGES THAT IT IS ACCEPTING THE DATA "AS IS." SUBJECT TO ARTICLES 2.2 AND 3.2 CONTAINED HEREIN, THE RESPECTIVE OWNERS OF SUCH DATA MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, OF ANY KIND OR DESCRIPTION IN RESPECT THERETO AND SUCH DATA IS DELIVERED HEREUNDER WITH THE EXPLICIT UNDERSTANDING AND AGREEMENT THAT ANY ACTION A PARTY MAY TAKE BASED ON SUCH DATA RECEIVED SHALL BE AT THE PARTY'S OWN RISK AND RESPONSIBILITY AND SUCH PARTY SHALL HAVE NO CLAIM AGAINST THE OWNER OF SUCH DATA AS A CONSEQUENCE THEREOF.
- 4.2 Grant of Well Data under Articles 2 and 3
The well data to be granted pursuant to Articles 2 and 3 is of equal value. The Parties will identify the data to be granted, to the extent that it is not already identified in this Agreement before forty-five (45) days after the date of the first delivery of data, and the Parties will complete the grant of well data so that all Parties have received all data to be granted subject to this agreement prior to the earlier of (1) one hundred and eighty (180) days after the date of the first delivery of data, or (2) the due date, including any extensions thereof, for any Parties' tax return for the year in which data is first delivered.
- 4.3 Delivery of Well Data
Except for [set forth reciprocal data not now available by both Parties], within _____ () days from the date on which the last Party hereto has executed this Agreement, the Insert Prospect Name Operator shall deliver to each of the _____ Parties the _____ Well Data, and the Insert Prospect Name Operator shall deliver to each of the _____ Parties the _____ Well Data. The contacts for purposes of arranging for delivery and receipt of the well data are set forth below:

(INSERT PROSPECT NAME) PARTIES: (INSERTPROSPECT NAME) PARTIES:

Each of the following items:

[set forth reciprocal data not now available by both Parties]

shall be delivered within _____ () days of the day on which the _____ Operator notifies the _____ Operator in writing that it is in possession of these items in the quantities required in this Section 4.3.

- 4.4 Term
This Agreement shall remain in effect in perpetuity, however, the confidentiality obligations and disclosure restrictions of this Agreement, as to each referenced set of well data, are effective for a period of _____ () years from the Effective Date of this Agreement, or until the Confidential Information becomes publicly available through the MMS, whichever event occurs first. Following expiration of such confidentiality

obligations and disclosure restrictions each Party may keep and use the well data received from the other Party hereunder without such obligations or restrictions.

4.5 Assignment

Each Party may Transfer this Agreement to an Affiliate. Except as otherwise provided herein, this Agreement may not be Transferred.

4.6 Headings for Convenience

Except for the definition headings contained in Article 1, all paragraph headings used in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of this Agreement or any part thereof; nor do the paragraph headings have any legal effect other than to aid in the reasonable interpretation of this Agreement.

4.7 Entire Agreement

This Agreement supersedes and replaces all oral or written communication between the Parties regarding their exchange and use of the _____ Well Data and the _____ Well Data.

4.8 Selection of Law

This Agreement will be construed under the laws of the State of Texas, without regard to choice of law rules of any jurisdiction.

4.9 Drafting of Agreement and Construction

The Parties each declare that they have contributed to the drafting of this Agreement or have had it reviewed by its counsel before signing it. Each agrees that this Agreement has been purposefully drawn and correctly reflects the understanding of the Parties regarding the subject transaction. In the event of a dispute between the Parties concerning the application or construction of this Agreement, the Parties agree that this Agreement will be construed fairly and reasonably and neither more strongly in favor or against any Party.

4.10 Waiver

A. The rights of each Party may be exercised from time to time, by the Parties individually or jointly, and singularly or in combination with other rights.

B. No waiver of any breach of a term, provision or condition of this Agreement by one Party shall be deemed to have been made by another Party hereto unless such waiver is in writing and signed by an authorized representative of such other Party. The failure of a Party to insist upon the strict performance of any term, provision or condition of this Agreement shall not be construed as a waiver or relinquishment in the future of the same or any other term, provision or condition.

4.11 Relationship of the Parties

This Agreement is not intended to be nor shall it be construed as a joint venture, association, partnership or other form of a business organization or agency relationship between the Parties.

4.12 Severability

If any term or other provision of this Agreement is determined by any court or other governmental agency of competent jurisdiction to be invalid, illegal or unenforceable, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect.

4.13 Equitable Relief

The Parties agree that the respective owners of the _____ Well Data and the _____ Well Data may be irreparably injured by a breach of this Agreement by a Party, and that the respective owners of such data will be entitled to seek equitable relief, including injunctive relief and specific performance, in the event of any breach of the provisions of this Agreement by a Party receiving such data. Such remedies will not be deemed to be the

exclusive remedies for a breach of this Agreement, but will be in addition to all other remedies available to each respective owner of such data at law or equity.

Each Party waives the right to claim or recover incidental, consequential, indirect and punitive damages against all other Parties.

4.14 Counterparts

This Agreement may be executed by signing the original or a counterpart thereof. If this Agreement is executed in counterparts, all counterparts taken together will have the same effect as if all the Parties had signed the same instrument.

4.15 Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the Parties, their Affiliates, and their successors and permitted assigns.

This Agreement is executed by each Party on the dates indicated below, but is effective for all purposes as of the Effective Date.

(INSERT PROSPECT NAME) PARTIES

(INSERT PROSPECT NAME) PARTIES

COMPANY NAME

By:

Title:

Date:

COMPANY NAME

By:

Title:

Date:

COMPANY NAME

By:

Title:

Date:

COMPANY NAME

By:

Title:

Date:

Exhibit "A"

Attached to and made a part of that certain Well Data Trade and Confidentiality Agreement between _____ and _____ and

_____ and _____, dated effective _____,
200 .

(Insert Prospect Name) Well Data

Insert Prospect Name Well Data includes all data obtained from the (1) Insert Protraction Area Name Insert Block # #1 _____ Prospect, INSERT API # _____, OCSG-

1, unless specifically excluded on this Exhibit "A". The data set forth below may not be a complete list of the Insert Prospect Name Well Data

Data Summary

Type	Format	File name	Depth Range
LOGS			
LWD Digits	LAS		
Prints	PDS		
Wireline			
Mud Digits	LAS		
Image	EMF/CGM		
MDT	PDF		
SURVEYS			
Directional Survey	TXT		
VSP/Checkshot			
REPORTS			
Show Reports	PDF		
Drilling Reports	PDF		
PALEO	DIGITAL		
DATA			
Geochemical Data			

Data Summary
 Insert Protraction Area Name Block # #1 _____ Prospect
 Insert API #
 OCSG-_____ 1

Type	Format	File name	Depth Range
LOGS			
LWD Digits	LAS		
Images	PDS		
Wireline	LAS		
Images	PDF		
Mud Digits	LAS		
Image	EMF/CGM		
MDT	PDF PDS		
SURVEYS			
Directional Survey	TXT		
VSP/Checkshot			
REPORTS			
Show Reports	PDF		
Drilling Reports	PDF		All Days
Side Wall Core Reports			
PALEO			
DATA			
Geochemical Data			

The following data will be excluded from Exhibit "A":

Exhibit I - Rattler

_____ Well Core Data
Palyostratigraphic Analysis

**** END OF EXHIBIT "A" ****

Exhibit "B"

Attached to and made a part of that certain Well Data Trade and Confidentiality Agreement between _____ and _____ and _____, dated _____ effective _____, 200 .

(Insert Prospect Name) Well Data
Insert Prospect Name Well Data includes all data obtained from the Insert Protraction Area Name Insert Block # #1 OCS-G _____, unless specifically excluded on this Exhibit "B". The data set forth below may not be a complete list of the Insert Prospect Name Well Data

Data Type		ST01	ST02
	CD # label in bold		
1 Daily Reports and Surveys	CD #, CD #		
Drilling Reports, Directional Surveys, Mudlogging Reports, Geologic reports, Mud reports			
2 LWD Digits and Graphics	BP00 - BP01 - BP02 -	CD#, CD#	CD#, CD#
ARC, iSONIC, APWD, DIR End of Well Report-Schlumberger	' to ' MD	' to ' MD	' to ' MD
3 Mudlog Digits and Graphics	CD#	CD#	CD#
Lithology, Gas Chromatograph End of Well Report-Sperry Sun Combo, Pressure, Show logs	' to ' MD	' to ' MD	' to ' MD
4 Wireline Digits and Graphics	CD#		
GR, AIT, DEN, NEUT, CMR, DSI, OBMI, MDT	' to ' MD	N/A	' to ' MD
5 Paleo Data	CD#		
Final Paleo Biostratigraphic Summary (Nanno and Foram) Reports	' to ' MD BP00 ' to ' MD BP02	' to ' MD	' to ' MD
6 Geochemical Data	Isotech CD#, Baseline CD#		
Mud Gas Isotube Analysis-Isotech Headspace Gas Analysis-Baseline MDT oil and Gas Data	' to ' MD	' to ' MD	' to ' MD
7 MDT oil and Gas Data analysis	CD# ' to ' MD	N/A	' MD
8 Side Wall Cores	BP00 = CD#, BP02 = CD#		
_____ Labs - cuttings & SWC	_____ ' to _____ ' cuttings from	N/A	N/A

	BP00, ' to ' MD SWC's from BP02		
9 Seismic			CD#
Walk-away VSP raw data	N/A	N/A	' to ' MD
Walk-away VSP processed image			

Geochemical and Fluid Analysis Further Defined:

Original Hole

- 1)
- 2)
- 3)
- 5)
- 6)
- 7)

BP01

BP02

- 1)
- 2)
- 3)
- 4)
- 5)
- 6)
- 7)

ST01

- 1)
- 2)

ST02

- 1)
- 2)
- 3)
- 4)

Baseline reports of MDT fluid geochemistry

- 1)
- 2)
- 3)
- 4)
- 5)

Isotech Data disk

- 1)
- 2)

Pencor and ADS oil and water reports

BP02

- 1)
- 2)

3)

ST02

The following data will be excluded from Exhibit "B":

_____ Well Core Data

Palynostratigraphic Analysis

******END OF EXHIBIT "B" ******

EXHIBIT "J"

Attached to and made a part of that certain Offshore Operating Agreement dated July 1, 2008 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

SAFETY, HEALTH AND ENVIRONMENT ("SHE")

Safety, Health and Environmental Management Systems

- I. Plan Requirements for Operator: Operator shall have an effective Safety & Environmental Management Plan ("SEMP"), in accordance with API RP75, or an equivalent standard, including Operator's internal policies and HSE rules agreed upon by the Operator and Non-Operator, for all operations conducted under the Operating Agreement to which this Exhibit "K" is attached.
- II. Overview of Plan for Non-Operators: Upon the written request of any Non-Operator, the Operator will present to the Non-Operators, at a meeting called in accordance with the Operating Agreement, a sufficient overview of its Safety and Environmental Management systems to evidence compliance with I. above.
- III. Operator's SHE Performance as an Agenda Item: Upon written request, Operator's SHE performance shall be an agenda item for all meetings of the Parties where past SHE statistical performance as well as ongoing and future SHE improvement initiatives are presented and discussed.

Safety, Health and Environmental Reporting

- IV. Operator's Obligation to Notify Non-Operators: The Operator shall notify the Non-Operators in a timely manner after any of the following incidents occur:
 - (a) well blow-out,
 - (b) oil spill greater than 50 barrels,
 - (c) fatality or accident resulting in lost time injuries of one (1) or more people,
 - (d) an incident where property damage is estimated to be in excess of \$250,000, or
 - (e) an incident that causes a significant loss of production; andsuch notification will be followed by a written report.
- V. Maintenance and Non-Operator's Review of SHE Statistics: SHE statistics for activities and operations conducted under the Operating Agreement will be maintained and be accessible to Non-Operators in accordance with the provisions in Article 5.5 (*Records*) in the Operating Agreement. SHE statistics are defined as: Recordable Injuries, Lost Time Injuries, Lost Time Injury Frequency, Reportable Spills, Fines or Incidents of Non-compliance (all as defined by OSHA, MMS and USCG). In addition to opportunities to review data

through audits, Operator will, upon written request, furnish SHE performance information annually and be amenable to an annual meeting with Non-Operators specifically to review and discuss performance of the Production System, Facility(s) or operation(s) applicable to this Operating Agreement.

Safety, Health and Environmental Inspections

- VI. Non-Operator's Right of Access: For purposes of conducting environmental and safety inspections and audits, the Non-Operators shall have the right of access to activities and operations as provided in Article 7.3 (*Access to the Lease and Rig*) of the Operating Agreement, and shall have access to Operator's files as provided in Article 5.5 (*Records*) of the Operating Agreement. Operator will cooperate fully in these environmental and safety audits.

EXHIBIT "K"

Attached to and made a part of that certain Offshore Operating Agreement dated July 1, 2008 by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc. and Cobalt International Energy, L.P.

GEOPHYSICAL OPERATIONS

1.0 Proprietary Geophysical Operations: For purposes of this Exhibit K, Proprietary Geophysical Operations means the acquisition and initial processing of a geophysical survey which (1) exclusively covers all or a portion of the Contract Area, (2) is conducted solely on behalf of and for the benefit of the Participating Parties in accordance with Section 1.5 of this Exhibit "K", and (3) is not a group-shoot or speculative geophysical survey, shallow hazard survey or velocity survey (or similar wellbore geophysical operation). Any Party may propose Proprietary Geophysical Operations at any time during the term of this Agreement. Such a proposal (i) shall include the timing, location, acquisition parameters, processing parameters, and Costs of such operations and (ii) requires approval by Election. The Costs in the proposal shall include all tape copy, film, and reproduction costs to be allocated to each Participating Party, as well as mobilization, acquisition, and processing costs to be shared by the Participating Parties. Proprietary Geophysical Operations are independent operations and are not Exploratory, Appraisal or Development Operations; however, they may be conducted simultaneously with Exploratory, Appraisal or Development Operations.

1.1 Response to Proposal: Any other Party may, within five (5) days (exclusive of Saturdays, Sundays and federal holidays) of its receipt of a proposal for Proprietary Geophysical Operations, submit a separate proposal for Proprietary Geophysical Operations (along with the associated AFE and the plan for the operation). If no other proposal is submitted, the Parties shall make an Election on the lone proposal submitted. If an additional proposal is

submitted, then the Operator shall call a meeting of the Parties which shall be held within ten (10) days of the conclusion of the five (5) day period for the submission of other proposals. At such meeting the Parties shall approve by Vote on which proposal the Parties shall make their Election.

1.2 Non-Participating Parties in Proprietary Geophysical

Operations: If a Non-Participating Party in Proprietary Geophysical Operations makes a revised Election or Vote to become a Participating Party in the Proprietary Geophysical Operations in which it originally Elected or Voted not to participate, such Non-Participating Party is an Underinvested Party subject to Article 16.5.3 (*Proprietary Geophysical Operations, Project Team AFE, Pre-Development AFEs, or Final Design AFE*), and the Operator shall deliver the data, information and results from the Proprietary Geophysical Operations in which the Underinvested Party originally Elected or Voted not to participate to the Underinvested Party within fifteen(15) of it's the Operator's receipt of such notice.

1.3 Conduct of Proprietary Geophysical Operations:

The Operator shall provide the Participating Parties with copies of all field data and support documentation as appropriate for all seismic data collected from the Proprietary Geophysical Operations. The Operator shall obtain all licenses and permits from all governmental agencies necessary to conduct Proprietary Geophysical Operations. The Participating Parties in Proprietary Geophysical Operations own the geophysical data derived from such Proprietary Geophysical Operations; provided, however that such ownership is limited to the field tapes, i.e., raw data and initial processed data, and does not include any re-processed or interpreted data.

1.4 **Disclosure of Data Outside the Contract Area:** In the event any geophysical data is acquired pursuant to this Article 10.5 which covers lands outside the Contract Area, a Participating Party in such data shall not be obligated to obtain permission from the other Participating Parties to disclose such data covering lands outside the Contract Area to third parties.

1.5 **Timely Operations for Geophysical Surveys:** Actual Proprietary Geophysical Operations shall be commenced within ninety (90) days from the conclusion of the period for approval of Proprietary Geophysical Operations. In all events, including the occurrence of a Force Majeure, if the Operator does not commence actual Proprietary Geophysical Operations within ninety (90) days from the conclusion of the period for approval of Proprietary Geophysical Operations, the proposal of the Proprietary Geophysical Operations and its approval will be deemed withdrawn. If a proposal for Proprietary Geophysical Operations is deemed withdrawn, any Costs incurred in the preparation for or in furtherance of such Proprietary Geophysical Operations will be chargeable to the Participating Parties.

2.0 **Group-Shoot And Speculative Seismic Surveys:** The Operator shall coordinate the acquisition of and participation in any new group-shoot or speculative seismic surveys covering one or more of the Leases. For such seismic data acquisitions, the acquiring Parties shall unanimously agree upon the Cost shares of the total licensing fee (rather than basing their shares on their Working Interest).

3-18-2010 Total change of Notice Information

4-6-2009 Ratification, binder & First Amendment

March 18, 2010

**BHP Billiton Petroleum (Deepwater) Inc. &
BHP Billiton Petroleum (GOM) Inc.**

Attention: Scott H. Cornwell
1360 Post Oak Blvd, Suite 150
Houston, TX 77056-3020

Cobalt International Energy, L.P.

Attention: Lynne L. Hackedorn
1980 Post Oak Blvd., Suite 1200
Houston, TX 77056

**RE: CHANGE OF NOTICE INFORMATION
RATTLER PROSPECT**

Ladies and Gentlemen:

Reference is made to that certain Unit Operating Agreement, dated effective as of July 1, 2008 ("Rattler Prospect Operating Agreement"), by and between BHP Billiton Petroleum (Deepwater) Inc., BHP Billiton Petroleum (GOM) Inc., Cobalt International Energy, L.P. and TOTAL E&P USA, INC. ("TEP USA").

Pursuant to the Rattler Prospect Operating Agreement, TEP USA hereby provides notice to the parties of the following change in TEP USA's notice information and representatives.

TOTAL E&P USA, INC.
1201 Louisiana, Suite 1800
Houston, Texas 77002

For all matters other than HSE matters and emergency notices:

Attention: Nikita Taldykin
Phone: (713) 647-3326
Fax: (713) 647-3086
Email: tepusa_bds@total.com

Primary for HSE matters and emergency notices:

Attention: Anthony McAteer
Phone: (713) 647-3503
Fax: (713) 647-3673

Alternate for HSE matters and emergency notices:

Attention: Keith Boedecker
Phone: (713) 647-3550
Fax: (713) 647-3859

TEP USA would also like to use this opportunity to inform its partners of TEP USA's Code of Conduct enclosed with this letter. When we do not lead or operate a venture, we urge the leader or operator to apply principles that are compatible with our Business Principles and Rules of Individual Behavior. If you become aware of violations of the principles set forth in TEP USA's Code of Conduct, we encourage you to contact our offices directly or to report the matter at <https://TEPUSA.alertline.com>

If you have any questions, please do not hesitate to give me a call.

Sincerely,



Nikita Taldykin

Enclosure



TOTAL

1201 Louisiana Street, Suite 1800, Houston Texas 77002
P. O. Box 4397, Houston 77210-4397
Tel: (713) 647-3000 - Fax (713) 647-3662

RATIFICATION, JOINDER AND FIRST AMENDMENT OF OFFSHORE OPERATING AGREEMENT

[Rum Ramsey Prospect]

This Ratification, Joinder and First Amendment of Offshore Operating Agreement (“Amendment”) is made by and among BHP Billiton Petroleum (GOM) Inc. and BHP Billiton Petroleum (Deepwater) Inc., (hereinafter collectively referred to as “BHPB”), Cobalt International Energy, L.P., (“Cobalt”), and TOTAL E&P USA, INC. (“TOTAL”). The parties herein may be individually referred to as “Party” or collectively as the “Parties.”

Recitals

1. BHPB and Cobalt are parties to that certain Offshore Operating Agreement dated July 1, 2008 (“OPERATING AGREEMENT”), covering the leases and lands described in Section 1 of Exhibit “A-1” attached hereto (“Contract Area”).
2. Pursuant to that certain Simultaneous Exchange Agreement dated April 6, 2009, between Cobalt and TOTAL, Cobalt assigned an undivided forty percent (40%) of its right, title and interest in the Contract Area to TOTAL.
3. The Parties desire that TOTAL join and ratify the OPERATING AGREEMENT and that the OPERATING AGREEMENT be amended as hereinafter provided.

Ratification and Joinder

Now, therefore:

4. TOTAL, in consideration of the mutual covenants contained herein and effective April 6, 2009 (“Effective Date”), does hereby expressly ratify, join, approve, adopt, confirm and is made a party to the OPERATING AGREEMENT, and all of its terms and provisions. As of the Effective Date, TOTAL does hereby accept and agree to be bound by all of the terms and provisions of the OPERATING AGREEMENT, to the same extent as if TOTAL had originally executed the same, and does hereby assume and agree to perform its proportionate part of all duties, covenants and obligations thereunder arising from and after the Effective Date and takes cognizance of all of the terms and provisions thereof.

Amendment

5. The Parties hereby agree that the revised Exhibit “A-1” attached hereto shall replace and supersede the existing Exhibit “A-1” of the OPERATING AGREEMENT, from and after the Effective Date, to reflect the Working Interest ownership in the Leases to be as shown therein, and to add the notice address and contact numbers for TOTAL as shown therein.
6. This Amendment shall be binding upon the undersigned Parties and their respective heirs, successors and assigns. Capitalized terms not otherwise defined herein shall have the same meaning as in the OPERATING AGREEMENT. Except for the matters specifically addressed herein, no other changes or modifications are made to the OPERATING AGREEMENT, and the OPERATING AGREEMENT shall remain in full force and effect as written.

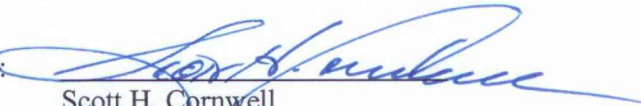
Ratification, Joinder and First Amendment of Offshore Operating Agreement-Rum Ramsey Prospect

7. THE PROVISIONS OF THIS AMENDMENT AND THE RELATIONSHIP OF THE PARTIES SHALL BE GOVERNED AND INTERPRETED ACCORDING TO THE FEDERAL LAWS AND LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS THAT WOULD REFER THE MATTER TO THE LAWS OF ANOTHER JURISDICTION.

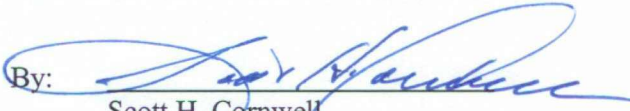
8. Any claim, controversy or dispute arising out of, relating to, or in connection with this Amendment shall be resolved under the Dispute Resolution Procedure in Exhibit "H" to the OPERATING AGREEMENT.

9. This Amendment may be executed in any number of counterparts for filing with applicable governmental agencies and recording. Each counterpart hereof shall be deemed to be an original instrument, but all such counterparts shall constitute but one Amendment.

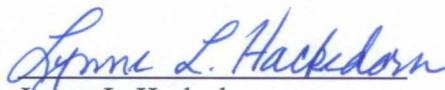
BHP Billiton Petroleum (GOM) Inc.

By: 
Scott H. Cornwell
Negotiations Manager
Date: November 20, 2009


BHP Billiton Petroleum (Deepwater) Inc.

By: 
Scott H. Cornwell
Negotiations Manager
Date: November 20, 2009

Cobalt International Energy, L.P.

By: 
Lynne L. Hackedorn
Vice President, Land
Date: November 20, 2009

TOTAL E&P USA, INC.

By: 
Dawn Lannin
Business Development & Strategy-
Commercial Manager
November 20, 2009

REVISED (Effective April 6, 2009) Exhibit "A-1"

Attached to and made a part of that certain Offshore Operating Agreement dated July 1, 2008, by and between BHP Billiton Petroleum (GOM) Inc., BHP Billiton Petroleum (Deepwater) Inc., Cobalt International Energy, L.P., and TOTAL E&P USA, INC. [Rum Ramsey Prospect]

DESCRIPTION OF LEASES, WORKING INTEREST OF THE PARTIES, AND REPRESENTATIVES

I. LEASES AND WORKING INTEREST:

Area/Block	OCS-G No.	Effective Date	Working Interest		
			BHPB*	Cobalt	TOTAL
Green Canyon 588	25172	6/1/2003	60%	24%	16%
Green Canyon 632	25177	6/1/2003	60%	24%	16%
Green Canyon 633	32520	7/1/2008	60%	24%	16%
Green Canyon 676	32525	8/1/2008	60%	24%	16%

*BHP Billiton Petroleum (Deepwater) Inc. is a Working Interest owner in the Leases. BHP Billiton Petroleum (GOM) Inc. owns no Working Interest in the Leases.

II. OPERATOR:

BHP Billiton Petroleum (GOM) Inc.

III. REPRESENTATIVES AND ADDRESSES

BHP Billiton Petroleum (Deepwater) Inc. &

BHP Billiton Petroleum (GOM) Inc.

1360 Post Oak Boulevard, Suite 150

Houston, Texas 77056-3020

Attention: Scott H. Cornwell
Negotiations Manager

Telephone: (713) 961-8306

Facsimile: (713) 961-8339

Cobalt International Energy, L.P.

1980 Post Oak Boulevard, Suite 1200

Houston, Texas 77056

Attention: Lynne L. Hackedorn
Vice President, Land

Telephone: (713) 579-9115

Facsimile: (713) 579-9196

TOTAL E&P USA, INC.

1201 Louisiana Street, Suite 1800

Houston, Texas 77002

Attention: Dawn Lannin
Commercial Manager

Telephone: (713) 647-3995

Facsimile: (713) 647-3662

END OF EXHIBIT "A-1"

Joint Interest Invoice

April 2011



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0420110006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	2,757.30
Partner's Share of Expenses	2,757.30
Total for Venture P16127 / Equity Group G02	2,757.30
Net Expenditure for Venture P16127 BHPB Firefox Prospect	2,757.30



BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : April/ 2011

INVOICE : 0420110006000126

AFE EXPENDITURES

PI00.C.90017 Expl / Firefox-Drill (BI)

L 00002 Development Overhead 245.99

M00001 Intangible 8,945.00

Total: PI00.C.90017 Expl / Firefox-Drill (BI) 9,190.99

TOTAL: AFE EXPENDITURES 9,190.99

Total: Gross Expenditure 9,190.99

Equity Share: 30.000000 Net Share of Gross Expenditure: 2,757.30

Total Partner's Share of Expenses: 2,757.30

Joint Interest Invoice

April 2017



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0420170006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	33,263.64
Partner's Share of Expenses	33,263.64
Total for Venture P16127 / Equity Group G02	33,263.64
Net Expenditure for Venture P16127 BHPB Firefox Prospect	33,263.64

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : April/ 2017

INVOICE : 0420170006000126

OPERATING EXPENSE

M00001 Intangible

110,878.81

TOTAL: OPERATING EXPENSE

110,878.81

Total: Gross Expenditure

110,878.81

Equity Share: 30.000000

Net Share of Gross Expenditure:

33,263.64

Total Partner's Share of Expenses:

33,263.64

Joint Interest Invoice

August 2015



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0820150006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	-3,670.44	
Partner's Netted Income		-3,670.44
Net Audit Adjustments	-133,470.53	
Total for Venture P16127 / Equity Group G02		-137,140.97
Net Expenditure for Venture P16127 BHPB Firefox Prospect		-137,140.97

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : August/ 2015

INVOICE : 0820150006000126

AFE EXPENDITURES

PI00.C.90017 Expl / Firefox-Drill (BI)

L 00002 Development Overhead -12,234.80

M00001 Intangible - Audit Adjustments: JVOP 1202 PE03 / PE08 / PE30 -444,901.77

Total: PI00.C.90017 Expl / Firefox-Drill (BI) -457,136.57

TOTAL: AFE EXPENDITURES -457,136.57

Total: Gross Expenditure -457,136.57

Equity Share: 30.000000 Net Share of Gross Expenditure: -137,140.97

Total Partner's Share of Expenses: -137,140.97

Joint Interest Invoice

December 2013



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 1220130006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	-18.00
Partner's Share of Expenses	-18.00
Total for Venture P16127 / Equity Group G02	-18.00
Net Expenditure for Venture P16127 BHPB Firefox Prospect	-18.00

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : December/ 2013

INVOICE : 1220130006000126

OPERATING EXPENSE

M00001 Intangible -60.00

TOTAL: OPERATING EXPENSE -60.00

Total: Gross Expenditure -60.00

Equity Share: 30.000000 Net Share of Gross Expenditure: -18.00

Total Partner's Share of Expenses: -18.00

Joint Interest Invoice

February 2013



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON 77056

Invoice Number: 0220130006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	32,832.00
Partner's Netted Income	32,832.00
Total for Venture P16127 / Equity Group G02	32,832.00
Net Expenditure for Venture P16127 BHPB Firefox Prospect	32,832.00

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : February/ 2013

INVOICE : 0220130006000126

OPERATING EXPENSE

M00001 Intangible

109,440.00

TOTAL: OPERATING EXPENSE

109,440.00

Total: Gross Expenditure

109,440.00

Equity Share: 30.000000

Net Share of Gross Expenditure:

32,832.00

Total Partner's Share of Expenses:

32,832.00

Joint Interest Invoice

January 2013



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0120130006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	-383.77
Partner's Share of Expenses	-383.77
Total for Venture P16127 / Equity Group G02	-383.77
Net Expenditure for Venture P16127 BHPB Firefox Prospect	-383.77

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : January/ 2013

INVOICE : 0120130006000126

AFE EXPENDITURES

PI00.C.90017 Expl / Firefox-Drill (BI)

L 00002 Development Overhead -34.24

M00001 Intangible -1,245.00

Total: PI00.C.90017 Expl / Firefox-Drill (BI) -1,279.24

TOTAL: AFE EXPENDITURES -1,279.24

Total: Gross Expenditure -1,279.24

Equity Share: 30.000000 Net Share of Gross Expenditure: -383.77

Total Partner's Share of Expenses: -383.77

Joint Interest Invoice

January 2014



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0120140006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	-370.88	
Partner's Share of Expenses		-370.88
Net Audit Adjustments	-13,486.48	
Total for Venture P16127 / Equity Group G02		-13,857.36
Net Expenditure for Venture P16127 BHPB Firefox Prospect		-13,857.36

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : January/ 2014

INVOICE : 0120140006000126

AFE EXPENDITURES

PI00.C.90017 Expl / Firefox-Drill (BI)

L 00002 Development Overhead -1,236.26

M00001 Intangible -44,954.94

Total: PI00.C.90017 Expl / Firefox-Drill (BI) -46,191.20

TOTAL: AFE EXPENDITURES -46,191.20

Total: Gross Expenditure -46,191.20

Equity Share: 30.000000 Net Share of Gross Expenditure: -13,857.36

Total Partner's Share of Expenses: -13,857.36

Joint Interest Invoice

July 2012



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0720120006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	129.47
Partner's Share of Expenses	129.47
Total for Venture P16127 / Equity Group G02	129.47
Net Expenditure for Venture P16127 BHPB Firefox Prospect	129.47

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : July / 2012

INVOICE : 0720120006000126

AFE EXPENDITURES

PI00.C.90017 Expl / Firefox-Drill (BI)

L 00002 Development Overhead 11.55

M00001 Intangible 420.00

Total: PI00.C.90017 Expl / Firefox-Drill (BI) 431.55

TOTAL: AFE EXPENDITURES 431.55

Total: Gross Expenditure 431.55

Equity Share: 30.000000 Net Share of Gross Expenditure: 129.47

Total Partner's Share of Expenses: 129.47

Joint Interest Invoice

July 2013



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON 77056

Invoice Number: 0720130006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	-2,284.70	
Partner's Share of Expenses		-2,284.70
Net Audit Adjustments	-83,080.07	
Total for Venture P16127 / Equity Group G02		-85,364.77
Net Expenditure for Venture P16127 BHPB Firefox Prospect		-85,364.77

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : July / 2013

INVOICE : 0720130006000126

AFE EXPENDITURES

PI00.C.90017 Expl / Firefox-Drill (BI)

L 00002	Development Overhead		-7,615.67
M00001	Intangible		-187,818.08
	Audit Adjustment:# 0100232143 - 010		
	\$JVOP 1202 PE 02	-9,143.20	
	Audit Adjustment:# 0100232143 - 011		
	\$JVOP 1202 PE 06	-14,484.00	
	Audit Adjustment:# 0100232143 - 012		
	\$JVOP 1202 PE 10	-8,779.00	
	Audit Adjustment:# 0100232143 - 013		
	\$JVOP 1202 PE 11	-127,547.00	
	Audit Adjustment:# 0100232143 - 015		
	\$JVOP 1202 PE 17	-6,679.84	
	Audit Adjustment:# 0100232143 - 018		
	\$JVOP 1202 PE 29	-21,185.04	
M00002	Tangible Controllable Equipment		-89,115.50
	Miscellaneous Services/Materials		
	\$JVOP 1202 PE 02		
	Cond:Qty 0.000 0100232143 014		-7,750.00
	Cond:Qty 0.000 0100232143 016		-76,945.65
	Cond:Qty 0.000 0100232143 017		-4,419.85
	Total Tangible Controllable Equipment		-89,115.50
Total:	PI00.C.90017 Expl / Firefox-Drill (BI)		-284,549.25

TOTAL: AFE EXPENDITURES -284,549.25

Total: Gross Expenditure -284,549.25

Equity Share: 30.000000 Net Share of Gross Expenditure: -85,364.77

Total Partner's Share of Expenses: -85,364.77

Joint Interest Invoice

June 2012



Partner Details: 6000126
 Name: Cobalt Int'l Energy LP
 Address: Cobalt Int'l Energy LP
 1980 Post Oak Blvd. Suite
 1200
 HOUSTON TX 77056

Invoice Number: 0620120006000126
 WHEN MAKING PAYMENT PLEASE NOTE
 ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
 Name: BHPB Pet (Deepwater) Inc
 Address: BHPB Pet (Deepwater) Inc
 Suite 150
 1360 Post Oak Boulevard
 Houston TX 77056
 Phone :
 Fax :

Remittance/EFT Information:
 Bank: Bank of America, National
 Association
 ABA#: (ACH) [REDACTED]
 ABA#: (WIRE) [REDACTED]
 Account: [REDACTED]
 Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
 As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	5,920.67
Partner's Share of Expenses	5,920.67
Total for Venture P16127 / Equity Group G02	5,920.67
Net Expenditure for Venture P16127 BHPB Firefox Prospect	5,920.67

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : June/ 2012

INVOICE : 0620120006000126

OPERATING EXPENSE

M00001 Intangible

19,735.57

TOTAL: OPERATING EXPENSE

19,735.57

Total: Gross Expenditure

19,735.57

Equity Share: 30.000000

Net Share of Gross Expenditure:

5,920.67

Total Partner's Share of Expenses:

5,920.67

Joint Interest Invoice

June 2013



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON 77056

Invoice Number: 0620130006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	212,433.33
Partner's Share of Expenses	212,433.33
Total for Venture P16127 / Equity Group G02	212,433.33
Net Expenditure for Venture P16127 BHPB Firefox Prospect	212,433.33

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : June/ 2013

INVOICE : 0620130006000126

AFE EXPENDITURES

PI00.C.90017 Expl / Firefox-Drill (BI)

L 00002 Development Overhead 18,951.88

M00001 Intangible 689,159.23

Total: PI00.C.90017 Expl / Firefox-Drill (BI) 708,111.11

TOTAL: AFE EXPENDITURES 708,111.11

Total: Gross Expenditure 708,111.11

Equity Share: 30.000000 Net Share of Gross Expenditure: 212,433.33

Total Partner's Share of Expenses: 212,433.33

Joint Interest Invoice

March 2012



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0320120006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	5,783.46
Partner's Share of Expenses	5,783.46
Total for Venture P16127 / Equity Group G02	5,783.46
Net Expenditure for Venture P16127 BHPB Firefox Prospect	5,783.46

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : March/ 2012

INVOICE : 0320120006000126

AFE EXPENDITURES

PI00.C.90017 Expl / Firefox-Drill (BI)

L 00002 Development Overhead 515.96

M00001 Intangible 18,762.24

Total: PI00.C.90017 Expl / Firefox-Drill (BI) 19,278.20

TOTAL: AFE EXPENDITURES 19,278.20

Total: Gross Expenditure 19,278.20

Equity Share: 30.000000 Net Share of Gross Expenditure: 5,783.46

Total Partner's Share of Expenses: 5,783.46

Joint Interest Invoice

May 2012



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0520120006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	52,638.75
Partner's Share of Expenses	52,638.75
Total for Venture P16127 / Equity Group G02	52,638.75
Net Expenditure for Venture P16127 BHPB Firefox Prospect	52,638.75

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : May/ 2012

INVOICE : 0520120006000126

AFE EXPENDITURES

PI00.C.90017 Expl / Firefox-Drill (BI)

L 00002 Development Overhead

302.50

M00001 Intangible

11,000.00

Total: PI00.C.90017 Expl / Firefox-Drill (BI)

11,302.50

TOTAL: AFE EXPENDITURES

11,302.50

OPERATING EXPENSE

M00001 Intangible

164,160.00

TOTAL: OPERATING EXPENSE

164,160.00

Total: Gross Expenditure

175,462.50

Equity Share: 30.000000

Net Share of Gross Expenditure:

52,638.75

Total Partner's Share of Expenses:

52,638.75

Joint Interest Invoice

May 2014



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0520140006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	-2,757.30
Partner's Share of Expenses	-2,757.30
Total for Venture P16127 / Equity Group G02	-2,757.30
Net Expenditure for Venture P16127 BHPB Firefox Prospect	-2,757.30

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : May/ 2014

INVOICE : 0520140006000126

AFE EXPENDITURES

PI00.C.90017 Expl / Firefox-Drill (BI)

L 00002 Development Overhead -245.99

M00001 Intangible -8,945.00

Total: PI00.C.90017 Expl / Firefox-Drill (BI) -9,190.99

TOTAL: AFE EXPENDITURES -9,190.99

Total: Gross Expenditure -9,190.99

Equity Share: 30.000000 Net Share of Gross Expenditure: -2,757.30

Total Partner's Share of Expenses: -2,757.30

Joint Interest Invoice

November 2011



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 1120110006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310215

Venture: P16127 BHPB Firefox Prospect

Equity Group G02 Cobalt 30% Total 20%

Partner's Share of Expenses	-25,148.56
Partner's Share of Expenses	-25,148.56
Total for Venture P16127 / Equity Group G02	-25,148.56
Net Expenditure for Venture P16127 BHPB Firefox Prospect	-25,148.56

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310215

VENTURE : P16127 BHPB Firefox Prospect

EQUITY GROUP : G02 Cobalt 30% Total 20%

PERIOD : November/ 2011

INVOICE : 1120110006000126

AFE EXPENDITURES

PI00.C.90017 Expl / Firefox-Drill (BI)

L 00002 Development Overhead -3,708.11

M00001 Intangible -134,840.42

Total: PI00.C.90017 Expl / Firefox-Drill (BI) -138,548.53

TOTAL: AFE EXPENDITURES

-138,548.53

OPERATING EXPENSE

M00001 Intangible 54,720.00

TOTAL: OPERATING EXPENSE

54,720.00

Total: Gross Expenditure -83,828.53

Equity Share: 30.000000 Net Share of Gross Expenditure: -25,148.56

Total Partner's Share of Expenses: -25,148.56

Joint Interest Invoice

April 2013



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0420130006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	1.33
Partner's Netted Income	1.33
Total for Venture P16092 / Equity Group G35	1.33
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	1.33

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

PERIOD : April/ 2013

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

INVOICE : 0420130006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible

3.33

Total: PI00.E.01560 Rum Ramsey Prospect

3.33

TOTAL: AFE EXPENDITURES

3.33

Total: Gross Expenditure

3.33

Equity Share: 40.000000

Net Share of Gross Expenditure:

1.33

Total Partner's Share of Expenses:

1.33

Joint Interest Invoice

August 2012



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0820120006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	3,762.00
Partner's Netted Income	3,762.00
Total for Venture P16092 / Equity Group G35	3,762.00
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	3,762.00

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

PERIOD : August/ 2012

INVOICE : 0820120006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible

9,405.00

Total: PI00.E.01560 Rum Ramsey Prospect

9,405.00

TOTAL: AFE EXPENDITURES

9,405.00

OPERATING EXPENSE

TOTAL: OPERATING EXPENSE

0.00

Total: Gross Expenditure

9,405.00

Equity Share: 40.000000

Net Share of Gross Expenditure:

3,762.00

Total Partner's Share of Expenses:

3,762.00

Joint Interest Invoice

December 2012



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 1220120006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	3.59
Partner's Netted Income	3.59
Total for Venture P16092 / Equity Group G35	3.59
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	3.59

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

PERIOD : December/ 2012

INVOICE : 1220120006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible

8.97

Total: PI00.E.01560 Rum Ramsey Prospect

8.97

TOTAL: AFE EXPENDITURES

8.97

Total: Gross Expenditure

8.97

Equity Share: 40.000000

Net Share of Gross Expenditure:

3.59

Total Partner's Share of Expenses:

3.59

Joint Interest Invoice

December 2013



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 1220130006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	2,808.59
Partner's Netted Income	2,808.59
Total for Venture P16092 / Equity Group G35	2,808.59
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	2,808.59

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

PERIOD : December/ 2013

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

INVOICE : 1220130006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible

7,021.48

Total: PI00.E.01560 Rum Ramsey Prospect

7,021.48

TOTAL: AFE EXPENDITURES

7,021.48

Total: Gross Expenditure

7,021.48

Equity Share: 40.000000

Net Share of Gross Expenditure:

2,808.59

Total Partner's Share of Expenses:

2,808.59

Joint Interest Invoice

February 2013



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0220130006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G31 BHPB 50% Cobalt 50%

Partner's Share of Expenses	128.05
Partner's Netted Income	128.05
Total for Venture P16092 / Equity Group G31	128.05
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	128.05

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

EQUITY GROUP : G31 BHPB 50% Cobalt 50%

PERIOD : February/ 2013

INVOICE : 0220130006000126

OPERATING EXPENSE

K 00001 Delayed Rentals 256.10

TOTAL: OPERATING EXPENSE 256.10

Total: Gross Expenditure 256.10

Equity Share: 50.000000 Net Share of Gross Expenditure: 128.05

Total Partner's Share of Expenses: 128.05

Joint Interest Invoice

January 2013



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0120130006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	1.34
Partner's Netted Income	1.34
Total for Venture P16092 / Equity Group G35	1.34
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	1.34

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

PERIOD : January/ 2013

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

INVOICE : 0120130006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible

3.34

Total: PI00.E.01560 Rum Ramsey Prospect

3.34

TOTAL: AFE EXPENDITURES

3.34

Total: Gross Expenditure

3.34

Equity Share: 40.000000

Net Share of Gross Expenditure:

1.34

Total Partner's Share of Expenses:

1.34

Joint Interest Invoice

January 2014



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0120140006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	3,318.92
Partner's Netted Income	3,318.92
Total for Venture P16092 / Equity Group G35	3,318.92
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	3,318.92

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

PERIOD : January/ 2014

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

INVOICE : 0120140006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible

8,297.31

Total: PI00.E.01560 Rum Ramsey Prospect

8,297.31

TOTAL: AFE EXPENDITURES

8,297.31

Total: Gross Expenditure

8,297.31

Equity Share: 40.000000

Net Share of Gross Expenditure:

3,318.92

Total Partner's Share of Expenses:

3,318.92

Joint Interest Invoice

March 2012



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0320120006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	120.00
Partner's Netted Income	120.00
Total for Venture P16092 / Equity Group G35	120.00
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	120.00

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

PERIOD : March/ 2012

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

INVOICE : 0320120006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible

300.00

Total: PI00.E.01560 Rum Ramsey Prospect

300.00

TOTAL: AFE EXPENDITURES

300.00

Total: Gross Expenditure

300.00

Equity Share: 40.000000

Net Share of Gross Expenditure:

120.00

Total Partner's Share of Expenses:

120.00

Joint Interest Invoice

March 2013



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0320130006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G31 BHPB 50% Cobalt 50%

Partner's Share of Expenses	292.98
Partner's Netted Income	292.98
Total for Venture P16092 / Equity Group G31	292.98
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	292.98

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

EQUITY GROUP : G31 BHPB 50% Cobalt 50%

PERIOD : March/ 2013

INVOICE : 0320130006000126

OPERATING EXPENSE

K 00001 Delayed Rentals

585.96

TOTAL: OPERATING EXPENSE

585.96

Total: Gross Expenditure

585.96

Equity Share: 50.000000

Net Share of Gross Expenditure:

292.98

Total Partner's Share of Expenses:

292.98

Joint Interest Invoice

March 2013



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0320130006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	19.20
Partner's Netted Income	19.20
Total for Venture P16092 / Equity Group G35	19.20
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	19.20

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

PERIOD : March/ 2013

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

INVOICE : 0320130006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible

47.99

Total: PI00.E.01560 Rum Ramsey Prospect

47.99

TOTAL: AFE EXPENDITURES

47.99

Total: Gross Expenditure

47.99

Equity Share: 40.000000

Net Share of Gross Expenditure:

19.20

Total Partner's Share of Expenses:

19.20

Joint Interest Invoice

March 2015



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0320150006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	18.70
Partner's Netted Income	18.70
Total for Venture P16092 / Equity Group G35	18.70
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	18.70

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

PERIOD : March/ 2015

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

INVOICE : 0320150006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible

46.74

Total: PI00.E.01560 Rum Ramsey Prospect

46.74

TOTAL: AFE EXPENDITURES

46.74

Total: Gross Expenditure

46.74

Equity Share: 40.000000

Net Share of Gross Expenditure:

18.70

Total Partner's Share of Expenses:

18.70

Joint Interest Invoice

May 2012



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0520120006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	84.61
Partner's Netted Income	84.61
Total for Venture P16092 / Equity Group G35	84.61
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	84.61

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

PERIOD : May/ 2012

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

INVOICE : 0520120006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible

211.53

Total: PI00.E.01560 Rum Ramsey Prospect

211.53

TOTAL: AFE EXPENDITURES

211.53

Total: Gross Expenditure

211.53

Equity Share: 40.000000

Net Share of Gross Expenditure:

84.61

Total Partner's Share of Expenses:

84.61

Joint Interest Invoice

November 2011



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 1120110006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	6,884.00
Partner's Netted Income	6,884.00
Total for Venture P16092 / Equity Group G35	6,884.00
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	6,884.00

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

PERIOD : November/ 2011

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

INVOICE : 1120110006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible 17,210.00

Total: PI00.E.01560 Rum Ramsey Prospect 17,210.00

TOTAL: AFE EXPENDITURES 17,210.00

Total: Gross Expenditure 17,210.00

Equity Share: 40.000000 Net Share of Gross Expenditure: 6,884.00

Total Partner's Share of Expenses: 6,884.00

Joint Interest Invoice

November 2013



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 1120130006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	1,150.26
Partner's Netted Income	1,150.26
Total for Venture P16092 / Equity Group G35	1,150.26
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	1,150.26

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

PERIOD : November/ 2013

INVOICE : 1120130006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible 2,875.64

Total: PI00.E.01560 Rum Ramsey Prospect 2,875.64

TOTAL: AFE EXPENDITURES 2,875.64

Total: Gross Expenditure 2,875.64

Equity Share: 40.000000 Net Share of Gross Expenditure: 1,150.26

Total Partner's Share of Expenses: 1,150.26

Joint Interest Invoice

October 2012



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 1020120006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	49.12
Partner's Netted Income	49.12
Total for Venture P16092 / Equity Group G35	49.12
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	49.12

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

PERIOD : October/ 2012

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

INVOICE : 1020120006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible

122.80

Total: PI00.E.01560 Rum Ramsey Prospect

122.80

TOTAL: AFE EXPENDITURES

122.80

Total: Gross Expenditure

122.80

Equity Share: 40.000000

Net Share of Gross Expenditure:

49.12

Total Partner's Share of Expenses:

49.12

Joint Interest Invoice

September 2011



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0920110006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	200.77
Partner's Netted Income	200.77
Total for Venture P16092 / Equity Group G35	200.77
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	200.77

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

PERIOD : September/ 2011

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

INVOICE : 0920110006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible

501.92

Total: PI00.E.01560 Rum Ramsey Prospect

501.92

TOTAL: AFE EXPENDITURES

501.92

Total: Gross Expenditure

501.92

Equity Share: 40.000000

Net Share of Gross Expenditure:

200.77

Total Partner's Share of Expenses:

200.77

Joint Interest Invoice

September 2012



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0920120006000126
WHEN MAKING PAYMENT PLEASE NOTE
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INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
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Phone :
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Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	-113.39
Partner's Netted Income	-113.39
Total for Venture P16092 / Equity Group G35	-113.39
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	-113.39

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

PERIOD : September/ 2012

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

INVOICE : 0920120006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible -283.48

Total: PI00.E.01560 Rum Ramsey Prospect -283.48

TOTAL: AFE EXPENDITURES -283.48

Total: Gross Expenditure -283.48

Equity Share: 40.000000 Net Share of Gross Expenditure: -113.39

Total Partner's Share of Expenses: -113.39

Joint Interest Invoice

September 2013



Partner Details: 6000126
Name: Cobalt Int'l Energy LP
Address: Cobalt Int'l Energy LP
1980 Post Oak Blvd. Suite
1200
HOUSTON TX 77056

Invoice Number: 0920130006000126
WHEN MAKING PAYMENT PLEASE NOTE
ABOVE INVOICE NUMBER

INQUIRIES ADDRESS
Name: BHPB Pet (Deepwater) Inc
Address: BHPB Pet (Deepwater) Inc
Suite 150
1360 Post Oak Boulevard
Houston TX 77056
Phone :
Fax :

Remittance/EFT Information:
Bank: Bank of America, National
Association
ABA#: (ACH) [REDACTED]
ABA#: (WIRE) [REDACTED]
Account: [REDACTED]
Account Name: BHPB Pet (Deepwater) Inc

Payment Terms:
As Per the JOA

Property ID 310175

Venture: P16092 NON-PRODUCING GOM LEASES

Equity Group G35 Rattler BHP 60% Cobalt 40%

Partner's Share of Expenses	1,847.22
Partner's Netted Income	1,847.22
Total for Venture P16092 / Equity Group G35	1,847.22
Net Expenditure for Venture P16092 NON-PRODUCING GOM LEASES	1,847.22

BHPB Pet (Deepwater) Inc
EXPENDITURE DETAIL



PROPERTY ID : 310175

VENTURE : P16092 NON-PRODUCING GOM LEASES

PERIOD : September/ 2013

EQUITY GROUP : G35 Rattler BHP 60% Cobalt 40%

INVOICE : 0920130006000126

AFE EXPENDITURES

PI00.E.01560 Rum Ramsey Prospect

M00001 Intangible

4,618.05

Total: PI00.E.01560 Rum Ramsey Prospect

4,618.05

TOTAL: AFE EXPENDITURES

4,618.05

Total: Gross Expenditure

4,618.05

Equity Share: 40.000000

Net Share of Gross Expenditure:

1,847.22

Total Partner's Share of Expenses:

1,847.22
