

RECONNAISSANCE CONTRACT

REGARDING

THE RECONNAISSANCE AND THE EVALUATION OF

THE PETROLEUM POTENTIAL OF

“.....” AREA

BETWEEN

OFFICE NATIONAL DES HYDROCARBURES ET DES MINES

“ONHYM”

AND

PETCO

“PETCO”

THIS RECONNAISSANCE CONTRACT ("Contract") IS CONCLUDED

BETWEEN

The **OFFICE NATIONAL DES HYDROCARBURES ET DES MINES**, hereinafter named "**ONHYM**", a public Moroccan establishment instituted by law n° 33-01 promulgated by dahir n°1-03-203 on the date of 16 Ramadan 1424 (November 11th, 2003) and implemented by decree n°2-04-372 on the date of 16 Kaada 1425 (December 29th, 2004), whose headquarter is at 5, Moulay Hassan Avenue B.P 99 - RABAT - MOROCCO, fiscal identification n° 330 4 540, Patent n° 25112444, RC n° 61 577, herein represented by its General Director, Mme. **Amina BENKHADRA**,

ON THE ONE HAND;

AND

PETCO, hereinafter named "**PETCO**", a company organized and established under the laws of, whose registered office is located, herein represented by its, Mr.,

ON THE OTHER HAND;

FOR THE RECONNAISSANCE AND THE EVALUATION OF THE PETROLEUM POTENTIAL OF THE "....." AREA.

ONHYM and **PETCO** will be hereinafter called individually "the Party" or collectively "the Parties".

Whereas the Parties are interested in the evaluation of the petroleum potential of the "....." Area, hereinafter referred to as the "Area of Interest" and whereas the Parties are willing to cooperate in conducting said evaluation;

Whereas the Parties have, in accordance with section 20 of the law n°21-90 relating to the exploration for and exploitation of hydrocarbon deposits promulgated by dahir n°1-91-118 of 27 Ramadan 1412 (April 1st, 1992) as modified and completed by law n°27-99 promulgated by dahir n°1-99-340 of 9 Kaada 1420 (February 15, 2000), and implemented by the decree n°2-93-786 of 18th Joumada I 1414 (November 3, 1993), modified by decree n°2-99-210 of 9 Hija 1420 (March 16, 2000), jointly applied for an Exclusive Reconnaissance License covering the Area of Interest for a period of twelve (12) months.

ONHYM and **PETCO** agree to the following :

I. VALIDITY PERIOD / EFFECTIVE DATE

The (Exclusive) Reconnaissance License shall be valid for an initial period of twelve (12) months ("Initial Validity Period") commencing at the "Effective Date" defined as the date of notification of the decision, signed by the Minister in charge of Energy, granting to the Parties the (Exclusive) Reconnaissance License.

If necessary, the Initial Validity Period of the (Exclusive) Reconnaissance License, shall be extended (Extension Period) in accordance with section 20 of the law and section 4 of the decree as mentioned above.

References herein to the "Validity Period" shall include both the Initial Validity Period and any Extension Period if applied for.

II. AREA OF INTEREST

The (Exclusive) Reconnaissance License shall cover the Area of Interest which is the area shown on the map and defined by its coordinates and made a part of this Contract as Attachments "A" and "B".

III. MINIMUM RECONNAISSANCE WORK PROGRAM

Upon the Effective Date of the (Exclusive) Reconnaissance License, **PETCO** commits to undertake on the Area of Interest the following Minimum Reconnaissance Work Program pursuant to this Contract :

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The cost to execute this Minimum Reconnaissance Work Program is estimated to beUS Dollars (US \$).

Notwithstanding the preceding, it is understood and expressly agreed between the Parties, that it is the performance of the Minimum Reconnaissance Work Program and not the expenditures associated with the estimated cost thereof which shall determine **PETCO's** compliance with its commitments related to this Contract.

In the event of a decision by the Parties to apply for an Extension Period, a consequent Minimum Reconnaissance Work Program will be negotiated between the Parties.

IV- PROFESSIONAL TRAINING

PETCO will contribute to the training of **ONHYM** personnel during the Validity Period of the (Exclusive) Reconnaissance License. During the Initial Validity Period, the amount allocated by **PETCO** for professional training of **ONHYM** personnel isU.S Dollars (US \$)

The aforementioned amount will be used and shall include training fees (registration, insurance, living fees, travel fees), software and hardware acquisition, as well as promotion fees.

If the amount allocated to the training program has not been entirely spent during the Validity Period, **PETCO** will remit to **ONHYM** the outstanding training budget amount according and upon **ONHYM** written demand..

Furthermore, **PETCO** will commit for professional training a sum calculated pro rata temporis for any Extension Period if requested.

V- BANK GUARANTEE

No later than the date of signature of this Contract, **PETCO** shall issue provide **ONHYM** with an irrevocable on first demand bank guarantee, acceptable by **ONHYM**, for the amount of United States Dollars (US \$), in order to cover the non-fulfillment by **PETCO** of the Minimum Reconnaissance Work Program.

If **PETCO** is in default regarding the total or partial fulfillment of the Minimum Reconnaissance Work Program, the amount of the bank guarantee will remain in place as far as the said works were not accomplished by **PETCO**. In the event of non execution by **PETCO** of the Minimum Reconnaissance Work Program, **PETCO** will pay to **ONHYM** a penalty equal to the estimated cost of the Minimum Reconnaissance Work Program.

If at any time before the end of the Initial Validity Period **ONHYM** states that the Minimum Reconnaissance Work Program has been totally accomplished and that **PETCO** remitted to **ONHYM** copies of all reports, documents and information generated pursuant to works executed by **PETCO**, the amount of the bank guarantee will be released after receipt by the bank of a notification signed by **ONHYM** stating that **PETCO** had totally executed the Minimum Reconnaissance Work Program.

Except in case of Force Majeure, if **PETCO** does not fulfil totally or partially the Minimum Reconnaissance Work Program for a particular Validity Period to which it is committed under Article III, **ONHYM** shall call the Bank Guarantee in conformity with the terms and conditions set out in said Bank Guarantee.

VI. PENALTY

It is the intention of the Parties that the Reconnaissance Work set out in the Minimum Reconnaissance Work Programs shall be carried out by **PETCO** as a minimum commitment. However, if for any reason other than Force Majeure, **PETCO** has not completed the Minimum Reconnaissance Work Program for a particular Validity Period to which it is committed under Article III, then **PETCO** shall pay a penalty equal to the estimated cost of the Minimum Reconnaissance Work Program set out in Article III.

It is understood between the Parties that, in case **ONHYM** did call the Bank Guarantee according to Article V, the amount of such bank Guarantee, if already paid to **ONHYM**, will be deducted from the amount of the penalty due to be paid according to the first paragraph of this Article VI. If the amount of the Bank Guarantee is not paid to **ONHYM**, the amount of the penalty will be equal to the estimated cost of the Minimum Reconnaissance Work Program set out in Article III.

VII- DELIVERABLES

PETCO assumes the obligation to deliver to **ONHYM**, during the Validity Period or at the expiration thereof, complete reports on the research and evaluation studies and on all operations conducted within the Area of Interest, as well as the seismic records and data, established maps and all field data obtained over the Area of Interest.

Furthermore, **PETCO** is under the obligation to communicate to **ONHYM** all technical results obtained and shall hold periodical technical presentations at any location decided by mutual agreement, at least two (2) months before the end of the Validity Period.

VIII- ONHYM DATA

During the Validity Period of the (Exclusive) Reconnaissance License, **ONHYM** shall promptly make available to **PETCO**, for reproduction, at **PETCO**'s costs, all geological, geophysical, well data and any other relevant data in its possession regarding the Area of Interest and shall assist **PETCO** in every possible way.

It is agreed that all data supplied to **PETCO** by **ONHYM** shall remain the exclusive property of **ONHYM**.

IX- OPTIONS

Not later than thirty (30) days before the end of the Initial Validity Period and the Extension Period if any, **PETCO** shall notify **ONHYM** of its decision concerning one of the following options :

A - to abandon all its rights in the Area of Interest;

or

B - to specifically designate the area which **PETCO** elects to retain for the continuation of the Minimum Reconnaissance Work Program under the Extension Period if applied for, in accordance with paragraph I above;

or

C - to enter with **ONHYM** into a petroleum agreement relating to the Area of Interest.

X- FORCE MAJEURE

Non-performance by one of the Parties of any one of its obligations, (with the exception of non payment of any sums that are due) shall be excused and the execution of one or the obligations it must fulfill shall be suspended to the extent that this non performance is due to an event of Force Majeure.

With respect to this Contract, an event of Force Majeure shall be understood to mean any event which is normally beyond the control of one Party, or that

said Party is not in a position to prevent or overcome by exercising due diligence or by incurring reasonable expenses as measured by oil industry standards.

The Party that considers itself unable to fulfill its obligations due to an event of Force Majeure, shall inform the other Party thereof in writing as soon as possible. The Parties shall consider what steps should be taken to ensure an orderly return to conditions allowing the execution of the provisions of this Reconnaissance Contract.

Any Validity Period that has been interrupted following an event of Force Majeure shall be extended by an equivalent period during which Force Majeure has lasted.

XI- GOVERNING LAW

This Contract shall be governed and interpreted in accordance with the Laws of Morocco.

The Parties' respective successors shall be bound and benefit from this Contract.

XII- ARBITRATION

- A-** If any dispute results from this Contract, the Parties shall make their best endeavors to come to an amicable and equitable settlement. If such settlement cannot be reached, the Parties shall enter into arbitration as defined herebelow ;
- B-** All disputes to which this Contract might give rise shall be finally settled by arbitration in accordance with the prevailing rules for Conciliation and Arbitration of the International Chamber of Commerce by a tribunal composed of three (3) arbitrators appointed in conformity with the said rules ;
- C-** Any arbitral judgment shall be settled in conformity with generally accepted international petroleum practices and shall apply the Moroccan Law ;
- D-** Any arbitration proceeding shall take place in Paris (France) and shall be conducted in the French language. The arbitration judgment will be made in the French language ;
- E-** It is agreed that recourse to arbitration shall be made directly with no need for any administrative or judicial procedure. The Parties expressly

agree that the arbitration judgment shall be final and binding and that it may be recognized and enforced by any competent jurisdiction ;

- F- Each Party shall bear all costs and expenses incurred by it relating to Arbitration. The party prevailing in judgment shall be reimbursed all reasonable expenses related to said arbitration.

XIII- CONFIDENTIALITY

Each one of the Parties shall deal with the terms of this Contract, as well as all information gathered by it as a result of the operations prescribed in this Contract ("Information"), as confidential and shall not divulge them to third parties, except in the following cases when divulging the Information :

- A - is required during any arbitration procedure or legal action prescribed by this Contract, or if required by applicable law ;
- B - is made by one Party to any affiliate, contractor, sub contractor ,expert-in-good faith, or to any other third party in relation to the operations described in this Contract, on the condition that the recipient commits himself to the confidentiality prescribed by this Contract ;
- C - is approved in writing by all of the Parties ;
- D - is divulged to a credit establishment or any other financial institution for financing of a loan or other financial agreement entered into for financing operations prescribed in this Contract, under the condition that the recipient commits to treat the Information as confidential ;
- E - is divulged to a third party who wishes to participate with **PETCO** in an application for the award of an Exploration Permit, provided that such a third party commits to treat the Information as confidential ; or
- F - is divulged by one of the Parties as a public release for the purpose of complying with laws, regulations and requirements of the Moroccan Government or the respective Government of the other Party.

PETCO shall inform ONHYM before sending any press release or answers to any information demanded or requested by any stock exchange regulation relating to this Contract.

XIV- ORIGINALS AND TRANSLATIONS

This Contract has been executed in originals in French language and in conforming translations into the English language. In case of dispute, the French version shall prevail.

IN WITNESS WHEREOF, the Parties have this day signed
this Reconnaissance Contract, in Rabat, Morocco.

**L'OFFICE NATIONAL DES HYDROCARBURES
ET DES MINES**

BY : AMINA BENKHADRA

TITLE: GENERAL DIRECTOR

PETCO

BY :

TITLE :