

Annex "D"

MARKETING PROCEDURES FOR GAS Production Sharing Contract dated _____, 200_

The purpose of the provisions described in this Annex "D" is to give to the Government full rights to market Government Natural Gas to domestic or export markets, or to sell it on the same terms as Contractor.

ARTICLE I Definitions

In addition to the terms defined in the Contract, the following definitions shall apply to this Annex D:

1.1 "Arm's Length Agreement" means any gas sales agreement with a purchaser which is not an Affiliate of the selling Party or any gas sales agreement with an Affiliate of the selling Party 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 third parties which are not Affiliates at the same time for natural gas of comparable quality and quantity.

1.2 "Balancing Area" means the Production Area where the Government has elected to take in kind Government Natural Gas pursuant to Sections 2.1(b), 2.1(e) or 2.1(f).

1.3 "Full Share of Current Production" means the respective shares of Contractor and Government in the Natural Gas actually produced from the Balancing Area during each month, as ultimately determined by the Parties pursuant to the terms of the Contract. Where the Government has elected the Joint Facilities Option under Section 2.1(b), the Government's Full Share of Current Production in a month is equal to the total quantity of Government Natural Gas produced in that month. Where the Government has elected the Percentage Delivery Option under Section 2.1(e), the Government's Full Share of Current Production in a month is the selected percentage of the Maximum Monthly Availability for that month. Where the Government has elected the Fixed Volume Delivery Option under Section 2.1(f), the Government's Full Share of Current Production in a month is the selected volume for that month.

1.4 "Gas" means all hydrocarbons produced or producible from the Balancing Area which are or may be made available for sale or separate disposition by the Parties, excluding crude oil, condensate and other liquid hydrocarbons. "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.

1.5 "Makeup Gas" means any Gas taken by an Underproduced Party from the Balancing Area in excess of its Full Share of Current Production, whether pursuant to Section 4.3 or Section 5.1 hereof.

1.6 "Marketing Plan" has the meaning given in Section 2.1.

1.7 "Maximum Monthly Availability" means the maximum average monthly rate of production at which Gas can be delivered from the Balancing Area, as determined by Contractor, considering the maximum efficient well rate for each well within the Balancing Area, the production facility capabilities and pipeline pressures.

1.8 "Mcf" means one thousand (1,000) cubic feet. A cubic foot of Gas shall mean the volume of gas contained in one cubic foot of space at a standard pressure base and at a standard temperature base.

1.9 "MMBTU" means one million (1,000,000) 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.

1.10 "Option Date" is the date on which the Minister takes a decision with respect to the dedication of the Government Natural Gas pursuant to Article 13.3 (e) of the Contract.

1.11 "Overproduced Party" means any Party having taken a greater quantity of Gas from the Balancing Area than the Producing Interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.

1.12 "Overproduction" means the cumulative quantity of Gas taken by a Party in excess of its Producing Interest in the cumulative quantity of all Gas produced from the Balancing Area.

1.13 "Producing Interest" means the interest of Contractor or the Government in Gas produced from the Balancing Area pursuant to the Contract covering the Balancing Area, expressed as a volume (where the Government has elected a Fixed Volume Delivery Option) or a percentage (where the Government has elected a Percentage Delivery Option). The Producing Interest shall be fixed throughout a Contract Year.

1.14 "Underproduced Party" means any Party having taken a lesser quantity of Gas from the Balancing Area than the Producing Interest of such Party in the cumulative quantity of all Gas produced from the Balancing Area.

1.15 "Underproduction" means the deficiency between the cumulative quantity of Gas taken by a Party and its Producing Interest in the cumulative quantity of all Gas produced from the Balancing Area.

ARTICLE II

Options for Marketing of Government Natural Gas

2.1 On the Option Date the Minister shall advise the Contractor whether it wishes to:

- (a) participate as a joint participant with Contractor in the Marketing Plan, with the Government selling all Government Natural Gas in accordance with the same arrangements as Contractor (the "Joint Marketing Option");
- (b) participate as a joint participant with Contractor in any facilities to be constructed in Trinidad & Tobago as part of the Marketing Plan, but take in kind all Government Natural Gas at the outlet of such facilities (the "Joint Facilities Option");
- (c) receive payment from the Contractor for the production and marketing of all Government Natural Gas by Contractor pursuant to the Marketing Plan (the "Cash Payment Option");
- (d) sell all Government Natural Gas to Contractor at an agreed price (the "Agreed Price Option");
- (e) take in kind as Government Natural Gas a quantity up to the Maximum Monthly Availability, or a fixed percentage of the Maximum Monthly Availability, for the duration of the Marketing Plan or a shorter duration specified by the Government (the "Percentage Delivery Option"); or
- (f) take in kind a fixed daily or annual volume of Government Natural Gas, for the duration of the Marketing Plan or a shorter duration specified by the Government (the "Fixed Volume Delivery Option").

If the Government does not deliver a notice electing one of the options above, it shall be deemed to have elected option 2.1(c). The Government's election pursuant to this Section 2.1 shall apply for the duration of production from the Commercial Discovery(s) which is the subject of Contractor's notice, or for the duration of the Marketing Plan, whichever is less.

2.2 If the Marketing Plan included in the Development Plan submitted by Contractor differs from the Marketing Plan provided under Section 2.1, or if Contractor later revises its Marketing Plan or markets Gas from the Commercial Discovery under arrangements that are different than those proposed under a Marketing Plan, the Government shall have the right to make a new election on the same terms as in Section 2.1.

2.3 If Contractor submits a Development Plan more than [three years] following the delivery of its Marketing Plan, the Contractor shall be required to re-submit a Marketing Plan to the Government, and the Government shall have the right to make a new election on the same terms as in Section 2.1.

2.4 If the term of a Marketing Plan is less than the term of the Contract, then a new Marketing Plan shall be delivered by Contractor to the Government not less than 180 days prior to the termination of the current Marketing Plan, and the Government shall have the right to make a new election on the same terms as in Section 2.1.

2.5 The Government make revoke its election under Sections 2.1(b), 2.1(e) or 2.1(f) to take in kind Government Natural Gas in respect of any Development Plan upon eighteen months' notice to Contractor. If the Government does so, Contractor shall pay for Government Natural Gas utilizing the Cash Payment Option under Section 2.1(c).

ARTICLE III Implementation of Marketing Options

3.1 If the Government elects the Joint Marketing Option under Section 2.1(a), Contractor and the Government shall jointly execute any gas purchase and sale contracts for the sale of Gas as contemplated by the Marketing Plan, and shall participate as co-owners in all facilities required in Trinidad & Tobago in order to deliver Gas under such contracts. Contractor and the Government will enter into any agreements required to give effect to the Joint Marketing Option.

3.2 If the Government elects the Joint Facilities Option under Section 2.1(b), Contractor and the Government shall participate as co-owners in all facilities required in Trinidad & Tobago to render such gas in a marketable state (including LNG facilities, where the Marketing Plan proposes that Gas be sold in liquified form). The Government shall have the right and obligation to take all Government Natural Gas at the outlet of such facilities for sale by the Government to buyers of its choice. The provisions of Section 5.1 shall apply when the Government elects the Joint Facilities Option under Section 2.1(b). Contractor and the Government will enter into any agreements required to give effect to the Joint Facilities Option.

3.3 If the Government elects the Cash Payment Option under Section 2.1(c), or if the Cash Payment Option applies as a result of the Government's failure to make an election, or as a result of an election by the Government under Section 2.5, Contractor shall sell all Government Natural Gas under the terms of the Marketing Plan and remit to the Government the proceeds of such sales, calculated at the Deemed Fair Market Value.

3.4 If the Government elects the Agreed Price Option under Section 2.1(d), and Contractor and the Government have executed a contract for the sale of Government Natural Gas, then Contractor shall buy all Government Natural Gas and remit to the Government the proceeds of such sales at the agreed price.

3.5 If the Government elects the Percentage Delivery Option under Section 2.1(e), the Government shall have the right to take as Government Natural Gas the selected percentage of the Maximum Monthly Availability at the Delivery Point for transport and sale by the Government to buyer(s) of its choice. In any year, the selected percentage of Gas to be taken by the Government pursuant to the Percentage Delivery Option may not exceed Contractor's reasonable estimate of the total annual quantity of Government Natural Gas that is to be produced during such year, except where the Government is taking Makeup Gas. If the Government's election is to take less than 100% of Government Natural Gas, Contractor shall sell all remaining Government Natural Gas under the terms of the Marketing Plan and remit to the Government the proceeds of such sales, calculated at the Deemed Fair Market Value. The provisions of Section 5.1 shall apply when the Government elects the Percentage Delivery Option under Section 2.1(e).

3.6 If the Government elects the Fixed Volume Delivery Option under Section 2.1(f), the Government shall have the right to take the selected volume of Government Natural Gas at the Delivery Point for transport and sale by the Government to buyer(s) of its choice. In any year, the selected volume of Gas to be taken by the Government pursuant to the Fixed Volume Delivery Option may not exceed Contractor's reasonable estimate of the total annual quantity of Government Natural Gas that is to be produced during such year, except where the Government is taking Makeup Gas. the product of the If the fixed volume of Gas that the Government elected to take in kind is less than the Government's Full Share of Current Production, Contractor shall sell all remaining Government Natural Gas under the terms of the Marketing Plan and remit to the Government the proceeds of such sales, calculated at the Deemed Fair Market Value. The provisions of Section 5.1 shall apply when the Government elects the Fixed Volume Delivery Option under Section 2.1(f).

ARTICLE IV
Contractor Annual Forecast

4.1 Contractor Annual Forecasts

Not less than six (6) Months before the date on which Contractor expects the first production of Natural Gas to occur and thereafter on the first (1st) Day of September of each subsequent Contract Year, Contractor shall furnish to the Government an annual forecast that sets out:

- (a) A projection of the average daily quantity of Natural Gas that Contractor anticipates it would be able to produce during each Month of the Contract Year immediately following the date of the annual forecast.
- (b) A projection of the average daily quantity of Natural Gas that Contractor anticipates it would be able to produce during each Quarter of the [second and third] Contract Year(s) following the date of the annual forecast.
- (c) A projection of the Producing Interest of Contractor and the Government that Contractor anticipates for the Contract Year, and the resulting portion of Natural Gas that Contractor anticipates will be Government Natural Gas during each Month of the Contract Year immediately following the date of the annual forecast, on the assumption that Government Natural Gas will be produced equally during each Month of the Contract Year.
- (d) Contractor's planned programs and operations that would affect Contractor's ability to make Gas available in accordance with this Contract during each Month of the Contract Year immediately after the date of the annual forecast.
- (e) a reserve report, prepared by an independent petroleum engineering firm acceptable to the Minister, that sets out such consultant's estimate of the Economically Recoverable Reserves remaining at the time of the annual forecast, together with copies of the reserve data upon which the reserve report was based; provided that Contractor shall bear the cost of providing such reserve report.

4.2 Variance of Forecasts

- (a) If the Government has elected the Percentage Delivery Option under Section 2.1(e) or the Fixed Volume Delivery Option under Section 2.1(f), and the reserve report delivered pursuant to Section 4.1(e) demonstrates that the quantity of Economically Recoverable Reserves exceeds materially from the reserve report existing at the time that the Government made its election under Section 2.1, then the Government may, within 60 days following receipt of the new reserve report, vary the percentage of Gas under the Percentage Delivery Option or the quantity of gas under the Fixed Volume Delivery Option, so long as the new percentage or quantity meets the requirements of Sections 3.5 and 3.6.
- (b) If the Government has elected the Percentage Delivery Option under Section 2.1(e) or the Fixed Volume Delivery Option under Section 2.1(f), and the reserve report delivered pursuant to Section 4.1(e) demonstrates that the quantity of Economically Recoverable Reserves has declined materially from the reserve report existing at the time that the Government made its election under Section 2.1, so that the percentage of Gas under the Percentage Delivery Option or the quantity of gas under the Fixed Volume Delivery Option exceeds the expected remaining quantity of Government Natural Gas, then the Government shall, within 60 days following receipt of the new reserve report, vary the percentage of Gas under the Percentage Delivery Option or the quantity of gas under the Fixed Volume Delivery Option, so that the new percentage or quantity does not exceed of Sections 3.5 and 3.6.

ARTICLE V
Basis of Balancing

5.1 The provisions of Articles 5, 6, 7, 8 and 9 shall apply where the Government has made an election under Sections 2.1(b), 2.1(e) or 2.1(f), and where the Government takes more or less than its Producing Share of Government Natural Gas.

5.2 Right to Take in Kind

- (a) Each Party has the right to take in kind its Producing Interest in Gas produced in the Balancing Area.
- (b) If this Annex D covers more than one Balancing Area, it shall be applied as if each Balancing Area were covered by separate but identical agreements, unless the Parties otherwise agree.
- (c) All balancing hereunder shall be on the basis of Gas taken from the Balancing Area measured in Mcf.

5.3 The Minister will notify Contractor, or cause Contractor to be notified, of the volumes nominated, the name of the transporting pipeline and meter station relating to such delivery, sufficiently in advance for Contractor, acting with reasonable diligence, to meet all nominations and other requirements. Contractor is authorized to deliver the volumes so nominated to the transporting pipeline in accordance with the terms of this Contract.

5.4 When either the Government or Contractor (a "non-taking 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 Party shall be entitled, but not obligated, to take any Gas which such non-taking Party fails to take.

5.5 All Gas taken by a Party in accordance with the provisions of this Contract, 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.

5.6 Notwithstanding the provisions of Section 4.3 hereof, no Overproduced Party shall be entitled in any month to take any Gas in excess of three hundred percent (300%) of its Producing 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 protect the producing capacity of a well or reservoir or to maintain crude oil production.

ARTICLE VI
IN-KIND BALANCING

6.1 Effective the first day of any calendar month following at least 60 days' prior written notice to Contractor and the Government, an Underproduced Party may begin taking, in addition to its Full Share of Current Production and any Makeup Gas taken pursuant to Section 4.3 of this Contract, a share of current production determined by multiplying thirty percent (30%) of the Full Shares of Current Production of the Overproduced Party. In no event will an Overproduced Party be required to provide more than thirty percent (30%) of its Full Share of Current Production for Makeup Gas. Contractor will promptly notify all Overproduced Parties of the election of an Underproduced Party to begin taking Makeup Gas.

6.2 Notwithstanding any other provision of this Contract, at such time and for so long as Contractor, or (insofar as concerns production by Contractor) any Underproduced Party, determines in good faith that an Overproduced Party has produced all of its share of the ultimately recoverable reserves in the Balancing Area, such Overproduced Party may be required to make available for Makeup Gas, upon the demand of any Underproduced Party, all of such Overproduced Party's Full Share of Current Production.

**ARTICLE VII
STATEMENT OF GAS BALANCES**

7.1 Contractor will maintain appropriate accounting on a monthly and cumulative basis of the volumes (in Mcfs and MMBTUs) of Gas that each Party is entitled to receive and the volumes (in Mcfs and MMBTUs) of Gas actually taken or sold for each Party's account. Within forty-five (45) days after the month of production, Contractor will furnish a statement for such month showing (1) each Party's Full Share of Current Production (based on the current estimate of the Producing Interest for that Contract Year), (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) any other data relating to production of Gas as provided for in the Contract or agreed by Contractor and the other Parties. The Government will promptly provide to Contractor any data required by Contractor relating to sales of Government Natural Gas for preparation of the statements required hereunder.

7.2 If any Party fails to provide the data required herein for four (4) consecutive production months, Contractor, or where Contractor 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.

**ARTICLE VIII
CASH SETTLEMENTS**

8.1 Upon:

- (a) the earlier of the plugging and abandonment of the last producing interval in the Balancing Area,
- (b) the termination of the Contract, or
- (c) 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.

8.2 On the second anniversary of the Contract, and on each anniversary thereafter, the Government 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.

8.3 Within sixty (60) days after the notice calling for cash settlement under Section 8.1 or 8.2, Contractor will distribute to each Party a 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 8.5.

8.4 Within thirty (30) days after receipt of the 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 Contractor of the Gas imbalance settled by the Overproduced Party's payment.

8.5 The amount of the cash settlement will be based on the Deemed Fair Market Value 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 (namely a first-in / first-out basis).

8.6 The values used for calculating the cash settlement under Section 8.5 will include all proceeds received for the sale of the Gas by the Overproduced Party calculated at the Balancing Area, after deducting any reasonable transportation costs incurred directly in connection with the sale of the Overproduction.

8.7 Interest, as provided in the Contract will accrue for all amounts due under Sections 8.1 or 8.2, beginning the first day following the date payment is due pursuant to Section 8.4. Such interest shall be borne by Contractor or any Overproduced Party in the proportion that their respective delays beyond the deadlines set out in Sections 8.3 and 8.4 contributed to the accrual of the interest.

8.8 In lieu of the cash settlement required by Section 8.4, 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 8.4. The making of an in-kind settlement offer under this Section 8.8 will not delay the accrual of interest on the cash settlement should the Parties fail to reach agreement on an in-kind settlement.

8.9 At any time during the term of this Contract, any Overproduced Party may, in its sole discretion, make cash settlement(s) with the Underproduced Party covering all or part of its outstanding Gas imbalance. Such settlements will be calculated in the same manner provided above for cash settlements under Sections 8.1 or 8.2. The Overproduced Party will provide Contractor a detailed accounting of any such cash settlement within thirty (30) days after the settlement is made.

ARTICLE IX ASSIGNMENT AND RIGHTS UPON ASSIGNMENT

9.1 Subject to the provisions of Sections 9.2 and **Error! Reference source not found.** (if elected) hereof, and notwithstanding anything in this Contract or in the Contract to the contrary, if Contractor assigns (including any sale, exchange or other transfer) any of its Producing Interest in the Balancing Area when it 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.

9.2 The provisions of this Article IX shall not be applicable in the event any Party mortgages, hypothecates or otherwise encumbers its interest or disposes of its interest by merger, reorganization, consolidation or sale of substantially all of its assets to an Affiliate.

9.3 Notwithstanding anything in this Contract (including but not limited to the provisions of Section 9.1 hereof) or in the Contract to the contrary, and subject to the provisions of Section 9.2 hereof, in the event an Overproduced Party intends to directly or indirectly (through the sale of stock or otherwise) sell, assign, exchange or otherwise transfer any of its interest in a Balancing Area, such Overproduced Party shall notify in writing the other Parties hereto in such Balancing Area at least forty-five (45) days prior to completing the proposed transaction. Any Underproduced Party may demand from such Overproduced Party by notice in writing to all Parties in the balancing Area within fifteen (15) days after receipt of the Overproduced Party's notice, a cash settlement of its Underproduction from the Balancing Area. Contractor shall be notified of any such demand and of any cash settlement pursuant to this Article IX, and the Overproduction and Underproduction of each Party shall be adjusted accordingly. Any cash settlement pursuant to this Article IX shall be paid by the Overproduced Party on or before the earlier to occur (i) of thirty (30) days after receipt of the Underproduced Party's demand or (ii) at the completion 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 8.3 through 8.6 hereof, and shall bear interest at the rate set forth in Section 8.7 hereof. 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 9.1 hereof.

**ARTICLE X
LIQUID HYDROCARBONS**

The Parties shall share all liquid hydrocarbons recovered with Gas from the Balancing Area in accordance with the Agreement.

**ARTICLE XI
MISCELLANEOUS**

11.1 If there is any conflict between the provisions of this Annex and the provisions of the Contract, the provisions of the Contract shall govern.

11.2 This Annex shall remain in full force and effect for as long as the Contract shall remain in force and effect as to the Balancing Area, and the Contract term shall be extended if necessary until the Gas accounts between the Parties are settled in full.

11.3 Information relating to this Annex D shall be subject to the audit rights as set forth in the Contract.