



**HELLENIC REPUBLIC**



ΥΠΟΥΡΓΕΙΟ  
ΠΕΡΙΒΑΛΛΟΝΤΟΣ  
ΕΝΕΡΓΕΙΑΣ &  
ΚΛΙΜΑΤΙΚΗΣ  
ΑΛΛΑΓΗΣ

MINISTRY OF ENVIRONMENT, ENERGY & CLIMATE CHANGE  
GENERAL SECRETARIAT FOR ENERGY & CLIMATE CHANGE  
GENERAL DIRECTORATE OF ENERGY  
DIRECTORATE OF PETROLEUM POLICY  
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**DRAFT MODEL  
LEASE AGREEMENT**

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This Agreement is entered into in Athens on..... between

The Hellenic Hydrocarbon Resources Management (HHRM) S.A., a company incorporated under the laws of Greece having its registered office at [ • ], ATHENS – GREECE(exercising the rights of [ • ] under Article [ • ] of [ • ]<sup>1</sup>, hereinafter referred to as the "**Lessor**",

and

[ • ] incorporated under the laws of [ • ] with registered office at [ • ]. represented by [ • ] and [ • ], hereinafter referred to as the "**Lessee**".

#### PREAMBLE

WHEREAS the discovery and production of hydrocarbons is of importance to the economic development of Greece, the Lessor desires that the requisite operations should be carried out in accordance with Law 2289/95 (Government Gazette Issue 27/A/8.02.1995), titled "prospecting, exploration and exploitation of Hydrocarbons and other provisions".

As the interests of Greek economy and those of the Lessor require that the Petroleum Operations should be carried out both with dispatch and in accordance with the up-to-date rules and methods of exploring for, and producing petroleum and the Lessee declares that it possesses the technical and financial and administrative ability to conduct successfully and with dispatch the operations described in the Agreement, and desires to cooperate with the Lessor with a view to assisting it to promote the production of petroleum in Greece and thus to contribute towards the general economic development of the country.

#### NOW THEREFORE

in the light of the foregoing, the Parties mutually covenant and agree as follows:

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<sup>1</sup> HHRM is currently under formation.

## DEFINITIONS

Unless the context otherwise requires, the following words and phrases have the meanings hereinafter assigned to them:-

**"Affiliate Enterprise"** means in relation to the Lessee or in relation to any other company which alone or with others constitutes the Lessee, a company or any other legal entity, or a natural person which is, directly or indirectly, Controlled by the Lessee or such other company; and any company or another legal entity or person which Controls or is Controlled, directly or indirectly, by a company or a legal entity or a natural person which Controls the Lessee or such other company or is Controlled by it..

**"Agreement"** means this lease agreement including the Annexes.

**"Annual Work Programme and Budget"** has the meaning assigned to it in Article 5.1.

**"Appraisal Programme"** means a programme, following a Discovery of Hydrocarbons in the Contract Area, to delineate the Hydrocarbons Reservoir to which that Discovery relates in terms of thickness and lateral extent and to estimate the quantity of recoverable Hydrocarbons therein. Such a programme may include a seismic survey or Appraisal Wells drilled to a depth sufficient to penetrate the reservoir being appraised, or both.

**"Appraisal Well"** means a well drilled in the course of carrying out an Appraisal Programme.

**"Associated Natural Gas"** means Natural Gas which exists in a Hydrocarbons Reservoir in solution with Crude Oil, or as commonly known gas-cap gas which overlies or is in contact with Crude Oil.

**"Bank Guarantee"** means a payment guarantee by a first class bank lawfully operating in Greece with a branch in Athens, Greece acceptable to the Lessor, substantially in the form set out in Annex G.

**"Business Day"** means a day (other than a Saturday and a Sunday) on which banks generally are open for business in Athens, Greece.

**"Calendar Quarter"** means a period of three (3) consecutive Months commencing on 1 January, 1 April, 1 July and 1 October in any Calendar Year [and includes the period from the Effective Date to the commencement of the next Calendar Quarter] and "Quarterly" shall be construed accordingly.

**"By-Products"** has the meaning assigned to it in paragraph 2 of article 1 the Hydrocarbons Law.

**"Calendar Year"** means a period of twelve (12) months beginning on the first (1st) day of January and ending on the thirty-first (31st) day of the following December.

**"Contract Area"** means on the Effective Date the area described in Annex A and shown on the map in Annex B and thereafter that area as it may have been reduced from time to time by relinquishment or surrender.

**“Control”** means, in relation to a body corporate, the ability of a person to ensure that the activities and business of that body corporate are conducted in accordance with the wishes of that person, and a person shall be deemed to have Control of a body corporate if:

(a) that person possesses or is entitled to acquire:

(i) shares carrying in the aggregate at least thirty percent (30%) of the votes exercisable at a general meeting or the voting rights in that body corporate;

(ii) or the right to receive at least thirty percent (30%) of the income of that body corporate on any distribution by it of all of its income or the majority of its assets on a winding up; or

(b) has the right to appoint or dismiss at least thirty percent (30%) of the board of directors of that body corporate,

and **“Controlled”** shall be construed accordingly.

**“Crude Oil”** means crude mineral oil, asphalt, ozokerite and all kinds of hydrocarbons and bitumens in solid and liquid form, whether in their natural state or obtained from Natural Gas by condensation or extraction.

**“Development and Production Programme”** means a programme prepared by the Lessee and submitted to the Lessor pursuant to the Presidential Decree and Article 7.5.

**“Discovery”** means the first Hydrocarbons encountered by drilling a structure where the Hydrocarbons are recoverable at the surface in a flow measurable by conventional Petroleum industry testing methods.

**“Dollars”** and **“\$”** denote the lawful currency of the United States of America.

**“EEA”** means the European Economic Area created by the Agreement on the European Economic Area signed in Porto on 2 May 1992, adjusted by the Protocol signed in Brussels on 17 March 1993.

**“Effective Date”** means the date fixed by Article 32.

**“EIS”** means the environmental impact study as provided for in the Environmental Laws.

**“Elementary Block”** shall have the meaning assigned to it under Ministerial Resolution ΔΙΦ6/12657/June 30, 1995 (Government Gazette Volume B 615/13 July 1995).

**“Environmental Laws”** means the applicable legislation in Greece regarding environmental matters.

**“Euro”, “EUR”** and **“€”** means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25th March, 1957), as amended by the Treaty on European Union (signed in Maastricht on 7th February, 1992).

"**Exploitation Area**" means an area constituting or forming part of the Contract Area delineated, following a commercially exploitable Discovery under the provisions of paragraph (a) of Article 7.6.

"**Exploitation Operations**" means operations pursuant to a Development and Production Programme to develop a Discovery and to carry on Hydrocarbon Exploitation. .

"**Exploitation Stage**" means the period described in Article 8.1.

"**Exploration Area**" means the Contract Area held at any time by the Lessee during the Exploration Stage but does not include any part of the Contract Area which constitutes an Exploitation Area.

"**Exploration Operations**" means operations conducted for the purpose of Hydrocarbon Exploration and includes operations conducted for the purpose of carrying out an Appraisal Programme.

"**Exploration Stage**" means the period described in Article 2.

"**First Phase**" means the first phase of the Basic Exploration Stage described in Article 2.1(a).

"**Good Oilfield Practices**" means all those things that are generally accepted and the international petroleum industry as good, safe, economical and efficient in exploring for and producing Hydrocarbons.

"**Hydrocarbons**" has the meaning assigned to it in paragraph 1 of article 1 of the Hydrocarbons Law,

"**Hydrocarbon Exploitation**" has the meaning assigned to it in paragraph 5 of article 1 of the Hydrocarbons Law.

"**Hydrocarbon Exploration**" has the meaning assigned to it in paragraph 4 of article 1 of the Hydrocarbons Law.

"**Hydrocarbons Law**" means Law No. 2289/95 "Prospecting, Exploration and Exploitation of Hydrocarbons.

"**Hydrocarbons Reservoir**" means a discrete accumulation of Hydrocarbons.

"**Independent Third Party**" has the meaning assigned to it in paragraph 10 of article 1 the Hydrocarbons Law.

"**Joint Operating Agreement**" means an agreement between joint venture participants holding undivided participating interests in this Agreement about the manner in which joint operations are to be conducted and paid for.

"**Minimum Expenditure Obligation**" means the amounts set out at the end of, respectively the First Phase, the Second Phase and the Third Phase in Article 3.

"**MINISTRY**" means the Ministry of Environment, Energy and Climate Change of the Hellenic Republic.

**“Month”** means a calendar month.

**“Natural Gas”** means Hydrocarbons in gaseous form including, but not limited to, wet mineral gas, dry mineral gas, casinghead gas and residue gas remaining after the extraction or separation of liquid and Hydrocarbons from wet gas and other valuable non Hydrocarbon gas.

**“Notices”** means a notice given by a contracting party under any of the following Articles: 2.1(b), 2.1(c), 6.1(a), 7.1, 7.2, 7.4, 8.2, 17.4, 19.2, 22.1, 22.2, 23.1, 27.4, 27.6, 28.6, 28.11, 28.12 and 28.13.

**“Parent Company Guarantee”** means a performance guarantee by [ • ] pursuant to which [ • ] guarantees the performance by the Lessee of its obligations under this Agreement (and any replacement guarantee provided pursuant to Article 18.2), in the form set out in Annex F.

**“Party”** means either the Lessor or the Lessee and **“Parties”** means the Lessor and the Lessee unless in either case this Agreement provides otherwise.

**“Petroleum Operations”** means Exploration Operations or Exploitation Operations.

**“Presidential Decree”** means the Presidential Decree No.127/96 “Lease terms of the right for exploration and exploitation of hydrocarbons”.

**“Proceedings”** means any suit, action or proceedings arising out of, or in connection with this Agreement;

**“Produced and Saved”** means produced in an Exploitation Area but does not include Hydrocarbons used in the course of production or lost, other than Hydrocarbons lost by reason of the negligence of the Lessee or the Lessee's failure to observe Good Oilfield Practices.

**“Second Phase”** means the second phase of the Basic Exploration Stage described in Article 2.1(a).

**“Service Document”** means a writ, application, claim, summons, petition, order, award, judgment or other document relating to any Proceedings;

**“Sole Expert”** means an independent petroleum institute of a member state of the European Union or the American Petroleum Institute or such adviser as the relevant institute may decide, appointed under the provisions of Article 24 or otherwise as provided in this Agreement.

**“Sole Risk Area”** means an area forming part of the Contract Area where Sole Risk Operations are being conducted.

**“Sole Risk Operations”** means Petroleum Operations undertaken pursuant to a Sole Risk clause in a Joint Operating Agreement by some but not 'all of the participants in a Joint Venture.

**“State”** means the Hellenic Republic

**“Tax Law”** means all relevant provisions of the Greek legislation regarding taxation matters.

**“Third Phase”** means the third phase of the Basic Exploration Stage described in Article 2.1(a).

## INTERPRETATION

In this Agreement, subject to any express contrary indication:

- (a) any reference to an Article shall be construed as a reference to an article of this Agreement and any reference to an Annex shall be to an annexure to this Agreement.
- (b) any reference to a person shall be construed as including:
  - (i) any person, firm, company, corporation, society, trust, foundation, government, state or agency of a state or any association or partnership (in each case whether or not having separate legal personality) of two or more of these;
  - (ii) a reference to the successors, permitted transferees and permitted assignees of any of the persons referred to in sub-paragraph (i) above;
- (c) any reference to this Agreement or any other agreement or document shall be construed as a reference to that agreement or document as it may have been, or may from time to time be, amended, varied, novated, replaced or supplemented;
- (e) any reference to a Law, statute, Decree or enactment shall be construed as a reference to it as it may have been, or may from time to time be (with or without modification) amended or re-enacted and any subordinate legislation made, or thing done, or may from time to time be done, including Ministerial Resolutions, under the Law, statute, Decree or enactment;

## Article 1

### Scope of the Agreement

- 1.1 This Agreement is a lease agreement under which pursuant to paragraph 10 of article 2 of the Hydrocarbons Law the State acting through the Lessor grants to the Lessee in accordance with the terms and conditions hereof, exclusive rights to carry on Petroleum Operations in the Contract Area.
- 1.2 The Lessee undertakes in accordance with the terms and conditions set out herein to carry on Petroleum Operations in the Contract Area always in accordance with Greek law.
- 1.3 The cost and risk of carrying on Petroleum Operations shall be borne exclusively by the Lessee and the Lessee will have no right to recover such costs, or any part thereof, except as hereinafter provided in this Agreement and in articles 8 and 9 of the Hydrocarbons Law.
- 1.4 In the event that more than one person is the Lessee every person constituting the Lessee shall be jointly and severally liable in respect of the obligations arising under this Agreement

## Article 2

### Exploration Duration of the Exploration Stage

The Exploration Stage shall commence on the Effective Date and, unless this Agreement is sooner terminated in accordance with its terms, shall subsist for the periods described in this Article 2.

#### 2.1 For a Basic Exploration Stage

- (a) Subject as hereinafter provided the basic exploration stage (the “**Basic Exploration Stage**”) shall subsist for [ • ] years<sup>2</sup>. For the purposes of this Article and for the Article 3, Exploration Stage is divided into consecutive Exploration Phases defined for each Contract Area as follows:

First Phase: [ • ] years

Second Phase: [ • ] years<sup>3</sup>

Third Phase: [ • ] years

- (b) Where the Lessee has, during the First Phase of the Basic Exploration Stage, fulfilled its work and expenditure obligations in accordance with Article 3 it may, by giving notice to the Lessor, continue its Exploration Operations during the Second Phase and shall thereupon assume and during the Second Phase discharge the work and expenditure obligations relating to that phase set out in Article 3;
- (c) Where the Lessee has, during the Second Phase of the basic exploration stage, fulfilled its work and expenditure obligations relating to that phase in accordance with Article 3 it may, by giving notice to the Lessor, continue its Exploration Operations during the Third Phase and shall thereupon assume and during the Third Phase discharge the work and expenditure obligations relating to that phase set out in Article 3;
- (d) In the event that before the end of the First Phase of the Basic Exploration Stage or, as the case may be before the end of the Second Phase of the Basic Exploration Stage the Lessee has not given to the Lessor notice pursuant to Article 2.1(b) or as the case may be Article 2.1(c) the rights and obligations of the Lessee in respect of the Contract Area shall cease and subject always to the obligation of the Lessee in respect of liabilities which have accrued due this agreement shall deemed to have been terminated.

#### 2.2 For an Exploration Stage Extension

- (a) The Lessee may, in accordance with the provisions of paragraph 3 of article 5 of the Hydrocarbons Law apply for an exploration stage extension (an “**Exploration Stage Extension**”).

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<sup>2</sup> Under the Hydrocarbons Law a maximum of seven (7) years for onshore areas and a maximum of eight (8) years for offshore areas is prescribed.

<sup>3</sup> KATAKOLON CONTRACT AREA: - shorter Exploration Stage period as this area includes an oil discovery.

- (b) It is understood and agreed between the Parties that a requirement for additional time to complete an Appraisal Programme, or where additional reserves must be located before a commercial deposit can be established, to undertake further exploration drilling, or to establish a market for Natural Gas, is a requirement falling within the scope of subparagraph (b) of paragraph 3 of article 5 of the Hydrocarbons Law.
- (c) If an Exploration Stage Extension is granted pursuant to paragraph 3 of article 5 of the Hydrocarbons Law the Lessee shall provide the Lessor with a Bank Guarantee on the first day of the Exploration Stage Extension for the full amount, if any, of any shortfall, being the difference between the Minimum Expenditure Obligation at the end of the Basic Exploration Stage and the actual amount expended by the Lessee during that stage in respect of the Minimum Work Obligations. Such bank guarantee will replace the then current bank guarantee in existence.

### 2.3 For a Special Exploration Stage Extension

- (a) Pursuant to paragraph 4 of article 5 of the Hydrocarbons Law a Special Exploration Stage Extension, not exceeding seven (7) years, or in the case of offshore areas eight (8) years, may on the Lessee's application be granted to the Lessee by resolution of the Council of Ministers on the recommendation of the MINISTRY. Additional terms and conditions may be imposed in the resolution of the Council of Ministers, notwithstanding the provisions of this Agreement, and this Agreement shall be amended accordingly.
- (b) In a case where the Lessee has made:-
- (c) a discovery in the Contract Area of non-associated gas or a discovery of a Hydrocarbon reservoir which cannot be exploited commercially without the exploitation of Associated Natural Gas, or
- (d) a discovery of a hydrocarbon reservoir in deep waters the Lessor will support an application by the Lessee under article 5 paragraph 4 of the Hydrocarbons Law for a Special Exploration Stage Extension sufficient to enable the Lessee, before making a declaration of commerciality, to consider the construction and financing of the necessary infrastructure for the disposal of natural gas or, as the case may be, to consider the physical and financial problems associated with the development of a deposit located in deep water.

### Article 3

#### Lessee's Exploration Work Commitments

3.1 In discharge of its obligation to carry out Petroleum Operations in the Contract Area the Lessee shall commence Exploration Operations not later than six (6) months from the Effective Date and shall carry out the work and spend not less than the sums specified in Article 3.2.

3.2 For the purpose of this Article the work to be performed, and Minimum Expenditure Obligations of the Lessee in each phase of the Basic Exploration Stage, as described in Article 2, shall be as follows:

First Phase: **Ioannina: [ • ] years, Gulf of Patraikos: [ • ] years, Katakolo: [ • ] years**

Work Category	Description	Minimum Expenditure
Seismic	----	----
Well Drilling		
Other Work	----	----
Total Minimum Expenditure		----

Second Phase: **Ioannina: [ • ] years, Gulf of Patraikos: [ • ] years, Katakolo: [ • ] years**

Work Category	Description	Minimum Expenditure
Seismic	----	----
Well Drilling		
Other Work	----	----
Total Minimum Expenditure		----

Third Phase: **Ioannina : [ • ] years, Gulf of Patraikos: [ • ] years, Katakolo\*: -**

Work Category	Description	Minimum Expenditure
Seismic	----	----
Well Drilling		
Other Work	----	----
Total Minimum Expenditure		----

\* for Katakolo there is no Third Phase

3.3 Subject to Article 3.4 the Minimum Expenditure Obligations set forth in Article 3.2 shall not, in respect of any phase referred to therein, be satisfied unless during that phase the total Adjusted Expenditure attributable to the work for that phase described in Article 3.2 equals or exceeds the amount of the minimum expenditure obligation; provided, however, that if in any phase, the Lessee has to the reasonable satisfaction of the Lessor carried out the minimum work programme for that phase the Minimum Expenditure Obligation, notwithstanding any shortfall, shall be deemed for that phase to have been satisfied.

3.4 Where the Adjusted Expenditure incurred by the Lessee during any phase referred to in Article 3.2 exceeds the Minimum Expenditure Obligation for that phase, the amount of such excess may be carried forward and credited against the Minimum Expenditure Obligation in the next succeeding phase; provided, however that nothing in this provision shall be construed as extinguishing, postponing or modifying any obligation of the Lessee to drill an Exploration Well pursuant to this Article.

3.5 An Exploration Well drilled by the Lessee in accordance with Good Oilfield Practice shall be treated as discharging the obligation of the Lessee to drill an Exploration Well under this Article if:-

- (a) it has been drilled to a depth of [ • ] metres or to such geological horizon as may have been mutually agreed between the Lessee and the Lessor whichever is the deeper, or
- (b) before reaching such depth the basement is encountered in the said well below which the geological structure does not have the properties necessary for accumulation of Petroleum in commercial quantities, or
- (c) insurmountable technical problems not caused or aggravated by the Lessee are encountered at a lesser depth in the said well which make further drilling impractical, or
- (d) the well encounters significantly productive horizons.

3.6 No Appraisal Well and no seismic survey carried out pursuant to an Appraisal Programme, and no-expenditure incurred in carrying out such Appraisal Programme shall be treated as discharging or contributing to the discharge of the work and Minimum Expenditure Obligations set forth in Article 3.2.

- (a) The Lessee shall on the Effective Date, and when the Lessee has given notices to the Lessor under Article 2.1(b), or Article 2.1(c), on the first day of the Second Phase, or the first day of the Third Phase, provide, a Bank Guarantee in respect of the Minimum Expenditure Obligation for each of the Phases into which the Basic Exploration Stage is divided. The amount of the Bank Guarantee given pursuant to this Article shall be reduced at the end of every Calendar Quarter by an amount equal to the Adjusted Expenditure incurred by the Lessee during that quarter in discharge of its obligations hereunder.
- (c) If at the end of any phase, the Lessor determines that the Adjusted Expenditure incurred by the Lessee during that phase (taking account of any amount carried forward pursuant to Article 3.4) does not equal or exceed the minimum expenditure obligation for that phase, the Bank Guarantee shall provide for the payment thereunder to the Lessor of the full amount of the shortfall.

3.7 For the purpose of this Article:-

- (a) "Adjusted Expenditure" means the Attributable Expenditure multiplied by the factor A/B where:

A is the World Consumer Price Index (WCPI) as reported for the first time in the monthly publication "International Financial Statistics" of the International Monetary Fund (IMF) for the Month of the Effective Date.

B is the WCPI as reported in the said publication for the Month in which the Attributable Expenditure took place,

- (b) "Attributable Expenditure" means expenditure incurred by the Lessee during a particular phase of the Basic Exploration Stage, being expenditure attributable to the work obligation for that phase described in Article 3.2.

3.8 The Lessee shall, within six (6) Months from the date of termination of any phase of the Exploration Stage, remove the installations used, plug and abandon all wells and

restore the environment to its original condition in respect of that area relinquished or surrendered under Article 6.

## Article 4

### Technical Advisory Committee

- 4.1 The Lessor and the Lessee shall within five (5) days of the date on which this Agreement is signed establish a Committee to be known as the Technical Advisory Committee which shall consist of -
- (a) a chairperson and two other persons appointed by the Lessor; and
  - (b) three other persons appointed by the Lessee.
- 4.2 The Lessor and the Lessee may appoint by notice in writing any person respectively appointed by them to act in the place of any member of the Technical Advisory Committee during his absence or incapacity to act as a member of the Committee.
- 4.3 When an alternate member acts in the place of any member, he shall have the powers and perform the duties of such member.
- 4.4 Without prejudice to the rights and obligations of the Lessee in relation to the management of its operation, the functions of the Technical Advisory Committee shall be:-
- (a) to oversee the conduct of the Petroleum Operations by the Lessee;
  - (b) save where a proposed Annual Work Programme and Budget is deemed to have been approved by the Lessor pursuant to the Presidential Decree and Article 5, to review the Work Programme and Budget submitted by the Lessee and consider proposals for the revision of specific features thereof submitted by the Lessor;
  - (c) to review any Appraisal Programme submitted by the Lessee to the Lessor and to monitor the implementation of the Appraisal conducted thereunder;
  - (d) to review any Development and Production Programme submitted by the Lessee to the Lessor in connection with a discovery of commercially exploitable Hydrocarbons;
  - (e) to review the Estimated Production Schedule submitted with each Work Programme and Budget relating to Exploitation Operations;
  - (f) to review the accounting of expenditure and the maintenance of operating records and reports kept in connection with the Petroleum Operations for compliance with this Agreement; and
  - (g) generally, to assist the Lessor in the exercise of its functions under this Agreement.
- 4.5 All meetings of the Technical Advisory Committee shall be held at such places, whether within or, with the prior approval in writing of the Lessor, outside Greece, and at such times, but not less than one meeting during each quarter, as may be determined unanimously by its members.
- 4.6 In addition to the scheduled meetings of the Technical Advisory Committee, either the Lessor or the Lessee shall have the right to convene a meeting of the Technical

Advisory Committee within Greece in the event of an emergency or extraordinary situation by giving not less than three (3) days written notice to each of the members of the Technical Advisory Committee.

- 4.7 Five members of the Technical Advisory Committee shall form a quorum for a meeting of the Committee.
- 4.8 The Lessor and the Lessee shall have the right to call any expert to any meeting, of the Technical Advisory Committee to advise the Committee on any matter of a technical nature requiring expert advice.
- 4.9 All decisions of the Technical advisory Committee shall be by unanimous vote of the member present at a meeting thereof and together forming a quorum.
- 4.10 If the Technical Committee is unable to reach agreement on the revision of a work programme and budget considered by the Committee under Article 4.4(b) the matters in issue shall be referred, within sixty (60) days as from the date of the meeting scheduled to consider the same, to a Sole Expert for final determination in accordance with Article 24; provided, however, that in the case of a work programme and budget submitted by the Lessee prior to the discovery by the Lessee of a commercially exploitable deposit the proposals of the Lessee, set out in the Annual Work Programme and Budget, shall be deemed to have been accepted by the Committee so long as those proposals are consistent with work and expenditure obligations under Article 3.

## Article 5

### Annual Work Programme and Budget

- 5.1 Three (3) months before each Calendar Year, or at such time as may be mutually agreed with the Lessor, the Lessee shall prepare and submit to the Lessor for approval a programme setting forth all works and operations, provided for under the Agreement (studies, exploration, procurement, equipment, installations, etc) with the budgeted cost for each item (the "**Annual Work Programme and Budget**") which it proposes to carry out during the ensuing twelve (12) month period (provided that if the Effective Date is different to the date of commencement of a Calendar Year, within thirty (30) days of the Effective Date the Lessee shall submit a programme for the remainder of the then current Calendar Year)..
- 5.2 Within one (1) month of its submission, the Lessor may ask for clarification of the Programme and Budget and put forward proposals for consideration by the Technical Advisory Committee for the revision of specific features thereof relating to the kind and cost of the works and operations. In the absence of such proposals the Annual Work Programme and Budget shall be deemed to have been approved by the Lessor.
- 5.3 Each Annual Programme and Budget and any revision or amendment thereof shall be consistent with the requirements for minimum work and expenditure for the relevant phase of the exploration stage set out in Article 3.
- 5.4 If the Lessee and Lessor fail to reach agreement on proposed revisions to the Annual Work Programme and Budget the matters in issue between them shall in accordance with the Presidential Decree and subject to limitations set forth in Article 4.10 be referred to a Sole Expert for determination.
- 5.5 The Lessor shall have the right to monitor the performance of the Annual Work Programme and Budget.
- 5.6 In the event of altogether extraordinary circumstances not provided in the Programme and requiring immediate action, the Lessee may take all proper steps for the achievement of the objectives of the Agreement. Any resulting costs shall be included in the expenses referred to in section 4.1 of Annex C. The Lessor shall be forthwith notified of all modifications referred to above.

## Article 6

### Surrender during the Exploration Period Relinquishment

#### 6.1 Surrender

- (a) Subject to the provisions of this Article, before the end of the Exploration Stage, the Lessee may, by written notice which becomes effective thirty (30) days after it has been served on the Lessor, surrender its exploration rights over the entire Contract Area or a part thereof consisting of one or more contiguous Elementary Blocks.
- (b) In the event that the Lessee desires to surrender its rights to conduct Petroleum Operations in all of the Contract Area without having fulfilled all of its work and Minimum Expenditure Obligations under Article 3.2 (or such work and expenditure obligations as may be agreed between the Lessee and the Lessor for any Exploration Stage Extension or Special Exploration Stage Extension) (“**Additional Expenditure Obligations**”). The Lessee shall pay to the Lessor, prior to the date of any surrender, a sum equal to the amount by which the combined Minimum Expenditure Obligation for all three phases and any Additional Expenditure Obligations exceeds the actual expenditure attributable to all work agreed in those phases and additional work agreed in any Exploration Stage Extension or Special Exploration Stage Extension. The Lessor shall, in procuring satisfaction of such payment, be entitled to invoke any amount outstanding under any bank guarantee or Parent Company Guarantee.
- (c) The Lessee may surrender its right, free of all obligations at the end of any phase of the Basic Exploration Stage if it has fulfilled all its contractual obligations under this Agreement (including its work and Minimum Expenditure Obligations) up to the end of that phase.
- (d) Without prejudice to its other liabilities and obligations under this agreement, the Lessee's surrender shall not give rise to any claim by it against the Lessor in costs or damages.

#### 6.2 Relinquishment

- (a) Where the Lessee has before the end of the First Phase given to the Lessor notice under Article 2.1(a) the Lessee shall before the commencement of the Second Phase relinquish a portion or portions of the Contract Area (providing they comprise a number of contiguous Elementary Blocks) so that the Contract Area retained is not more than [ • ]% of the Contract Area on the Effective Date.
- (b) Where the Lessee has before the end of the Second Phase of the Basic Exploration Stage given to the Lessor notice under Article 2.1(c) the Lessee shall before commencement of the Third Phase<sup>4</sup> relinquish a portion or portions of the Contract Area (providing they comprise a number of contiguous Elementary Blocks) so that the Contract Area retained is not more than [ • ]% of the Contract Area on the Effective Date.

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<sup>4</sup> Does not apply to Katakolo.

- (c) When the Exploration Stage comes to an end in accordance with Article 2, the Lessee shall relinquish the entire Contract Area held by him save for any area which pursuant to Article 7 has become an Exploitation Area.
- (d) When pursuant to this Article the Lessee surrenders or relinquishes part of the Contract Area the remaining area or areas shall be rectangular in shape and constitute not more than two discrete areas.

### 6.3 Clean-up

Prior to surrender or relinquishment of any Contract Area, the Lessee shall:

- (a) perform all necessary clean-up activities to restore such area as nearly as possible to the condition in which it existed on the Effective Date, including removal of such facilities, equipment or installation as the Lessor may instruct;
- (b) fulfill its obligations under Articles 9.1 and 9.2; and
- (c) take action necessary to prevent hazards to environment, human life or property.

## Article 7

### Discovery: Exploitation Stage

- 7.1 Where the Lessee makes a Discovery of Hydrocarbons in the Contract Area it shall inform the Lessor immediately by notice in writing and forthwith cause tests to be made in connection with the Discovery in order to determine the extent to which the Discovery is potentially of commercial interest. The results from those tests together with a technical evaluation thereof shall be submitted to the Lessor as soon as the tests and technical evaluation have been completed.
- 7.2 Where the Lessee makes a discovery of any mineral in the Contract Area which is not a Hydrocarbon, it shall inform the Lessor immediately by notice in writing.
- 7.3 Save in a case where the Lessee informs the Lessor when test results are submitted that the Discovery does not merit appraisal, or does not merit appraisal until further exploration drilling has taken place in the Contract Area, the Lessee shall when the tests referred to in Article 7.1 are completed prepare and submit to the Technical Advisory Committee for approval an Appraisal Programme relating to the Discovery. In the event that the Technical Advisory Committee is unable to agree on the Appraisal Programme submitted, or on revision or amendment thereof, the matter or matters in dispute shall be referred to a Sole Expert for determination in accordance with Article 24.
- 7.4 When an Appraisal Programme has been completed the Lessee will inform the Lessor by a notice in writing whether the Discovery is commercially exploitable and the determination of the Lessee in that regard shall be conclusive.
- 7.5 A notice in writing under Article 7.4 shall be accompanied by a Report on the Discovery containing particulars of:-
- (a) The chemical composition, physical and thermodynamic properties and quality of Hydrocarbons discovered;
  - (b) The thickness and extent of the production strata;
  - (c) Petrophysical properties of the Hydrocarbon Reservoir formations;
  - (d) The Hydrocarbon Reservoir's productivity indices for the wells tested at various rates of flow;
  - (e) Permeability and porosity of the Hydrocarbon Reservoir formation;
  - (f) Estimate of the production capacity of the Hydrocarbon Reservoir;
  - (g) Feasibility studies and technical and economic evaluations carried out by or for the Lessee in relation to the Discovery;
  - (h) Evaluation of the Petroleum Reservoir and adjoining areas;
  - (i) Additional geological data and other relevant information relating to the Discovery.
- 7.6 Where the Lessee by notice in writing under Article 7.4, has informed the Lessor that the Discovery is commercially exploitable:-

- (a) as soon as possible thereafter the Lessor and the Lessee will meet and, subject to the limitations set out in paragraph 9 of article 5 of the Hydrocarbons Law, will delimit by agreement the Exploitation Area in respect of the Discovery so as to include in a single area, so far as the boundaries of the Contract Area permit, the Petroleum Reservoir in respect of which the notice was given under Article 7.4, together with a reasonable margin surrounding the periphery of that area. In the event that the Lessor and the Lessee are unable within sixty (60) days from the date of the notice under Article 7.4 to agree on the boundaries of the Exploitation Area the Lessor or the Lessee may refer the matter for determination by a Sole Expert in accordance with Article 24.
- (b) the Lessee will prepare and submit to the Lessor not later than 6 months from the date of the notice given under Article 7.4 a Development and Production Programme in respect of the Discovery. The Development and Production Programme shall be consistent with the requirements of the Presidential Decree, be prepared on sound engineering and economic principles in accordance with accepted standards prevailing in the international petroleum industry and be designed to ensure:-
  - (i) the maximum economic recovery of Petroleum by the efficient, beneficial and timely use of the petroleum resources of the Exploitation Area;
  - (ii) adequate measures for the protection of the environment in conformity with established international standards and taking account of the particular characteristics of the Contract Area.
- (c) Without prejudice to the generality of the requirements set out in Article 7.6(b) the Development and Production Programme will contain the following particulars:-
  - (i) Feasible alternatives for the development and production of the Discovery, including the method for disposition of Associated Gas;
  - (ii) Proposals relating to the spacing, drilling and completion of production and injection wells, the production and storage installations and transport and delivery facilities required for the production, storage and transport of Hydrocarbons. The proposals will include the following information:-
    - (d) estimated number of production and injection wells;
    - (e) particulars of production equipment and storage facilities;
    - (f) particulars of feasible alternatives for transportation of the Hydrocarbons including pipelines;
    - (g) particulars of installations and other technical equipment required or the operations;
      - (i) The Production Profiles for Crude Oil and Natural Gas from the Hydrocarbon Reservoirs;

- (ii) Specific steps which the Lessee proposes to take during production to prevent pollution and to restore the environment when the Exploitation Stage terminates;
- (iii) Cost estimates of capital and recurrent expenditures;
- (iv) Economic feasibility studies carried out by or for the Lessee in respect of the Discovery taking into account the location, the water depth (where applicable), meteorological conditions, cost estimates, the price of Hydrocarbons and any other relevant data; and evaluations thereof;
- (v) Proposals (if any) relating to the establishment of processing facilities and processing of Hydrocarbons in Greece;
- (vi) Safety measures to be adopted in the course of the Exploitation Operations including measures to deal with emergencies;
- (vii) Estimate of the time required to complete each phase of the Development and Production Programme; and
- (viii) The delivery point for the delivery of the Lessor's In-Kind Royalty.

7.7 At or before the time the Development and Production Programme is submitted to the Lessor the Lessee will, if so requested by the Lessor and in addition to the EIS prepared in accordance with Article 12, will make available to the Lessor an environmental impact study prepared by a third party (approved by the Lessor) with expertise in the field of international environmental studies, for the purpose of assessing the effects of the proposed development on the environment, including its effect on human beings, wild life and marine life in and around the Contract Area. This environmental impact study shall, as a minimum address the matters referred to in Article 12.5.

7.8 Within two (2) months from the date on which the Development and Production Programme was submitted to the Lessor the Lessor will approve the Programme unless the Lessor after review of the Programme by the Technical Advisory Committee determines that the Programme does not satisfy the requirements of Article 7.6(b). In that event, if the Lessor and the Lessee are unable to agree appropriate changes to the Development and Production Programme, the matter or matters in dispute will be referred to a Sole Expert in accordance with Article 24.

7.9 The opinion of the Sole Expert shall be binding on the parties with the effect that:-

- (a) if the Sole Expert is of the opinion that the Development and Production Programme as submitted by the Lessee meets the requirement of Article 7.6 (b), the Development and Production Programme shall be deemed to have been approved by the Lessor;
- (b) if the Sole Expert is of the opinion that the Development and Production Programme does not meet the requirements of Article 7.6(b), the Lessee shall, not later than sixty (60) days from the date on which the expert has given his opinion, either re-submit the Development and Production Programme amended to take account of the opinion of the Sole Expert or surrender the Exploitation Area;

- (c) where the Lessee has re-submitted the Development and Production Programme, amended as aforesaid, the Development and Production Programme, as so amended, shall be deemed to have been approved by the Lessor within one week after receipt by the Lessor.

## Article 8

### Duration and Expiration of the Exploitation Period

- 8.1 Subject to the possibility of an extension pursuant to paragraph 13 of article 5 of the Hydrocarbons Law the duration of the Exploitation Stage for each Exploitation Area shall be twenty five (25) years from the date on which a notice was given by the Lessee to the Lessor under Article 7.4 (twenty five (25) plus two (2) extensions of five (5) years each).
- 8.2 The Lessee may at any time unconditionally surrender 100%, its exploitation rights over any one (1) or more or over all of the Exploitation Areas created under the terms of Article 7.6, by serving notice upon the Lessor (90) days in advance. Such surrender shall give the Lessee no claim whatsoever against the Lessor in respect of costs or damages. Surrender by the Lessee of less than 100% of its exploitation rights in one (1) or more or in all of the above Areas or surrender with conditions shall not be permitted, but where the Lessee is more than one person nothing in this paragraph shall be read or construed as prohibiting a joint venture participant from withdrawing from the joint venture provided that pursuant to the Operating Agreement its rights and obligations under this Agreement are assumed by the remaining parties to the satisfaction of the Lessor.
- 8.3 Upon the expiration of the Exploitation Stage in any Exploitation Area the same shall revert, free and clear, to the State.
- (a) The use of real property, which has been acquired pursuant to the provision of paragraphs 1 to 4, inclusive, of article 6 of the Hydrocarbons Law and paragraphs 1 to 5, inclusive, of article 11 of the same Law, and the ownership of moveable property, the value of which has been depreciated, shall be turned over to the Lessor ipso jure without the payment of any consideration.
  - (b) Real property which has not been acquired pursuant to the provision of paragraphs 1 to 4, inclusive, of article 6 of the Hydrocarbons Law and paragraphs 1 to 5, inclusive of article 11 of the same Law and movable property, the value of which has not been depreciated shall be transferred to the Lessor at a fair market value taking account of the condition of the assets and making allowance for depreciation already recovered hereunder. In the event that agreement cannot be reached on a fair market value the matter shall be referred for determination to an Sole Expert under Article 24.
  - (c) In respect of the assets acquired by the Lessor under this Article the Lessor shall bear no responsibility whatsoever to the lenders of the Lessee for any of the Lessee's debts and the Lessee hereby indemnifies and holds harmless the Lessor against any claims by lenders. In the event that security has been granted in favour of any such lender the Lessee is obliged to release the security before the property reverts to the State.
- 8.4 Unless the Lessor states otherwise not later than [ • ] Months prior to the expiration of the Exploitation Stage the Lessee shall be obliged to:
- (a) plug all producing wells and known water zones;
  - (b) remove all installations;

- (c) restore the environment in accordance with the proposals set out in the Development and Production Programme, the EIS and any further environmental impact study prepared pursuant to Article 12, and in accordance with Environmental Laws.
- 8.5 A committee shall be formed in accordance with the provisions of paragraph 1 of Article 8 of the Presidential Decree for the monitoring and coordination of work to ensure the fulfillment of the Lessee's obligations under paragraphs (b) and (c) of Article 8.4 ("The Committee for the Removal and Disposal of the Installations"). This Committee shall comprise three (3) members. One member shall be appointed by the Lessor, one by the Lessee and the third member, who shall be the President of the Committee, shall be appointed by agreement of the two already appointed members. This third member shall be selected from persons who are independent of the Lessor and the Lessee and have experience on matters of good international practice in the petroleum industry. If the two members fail to appoint the third member of the Committee within thirty (30) days of their appointment, the Lessor or the Lessee shall be entitled to request the selection and the appointment of the third member by an independent Petroleum Institute incorporated under the laws of any of the member-states of the European Union or by the American Petroleum Institute.
- (a) The time when the Committee for the Removal and Disposal of the Installations shall be empowered to act shall be determined by the mutual agreement of the Lessor and the Lessee which shall be reached upon the commencement of the Exploitation Stage.
  - (b) The Committee shall examine all technical, legal, environmental and fiscal matters related to the removal of the installations and may, at its discretion, request the assistance of specialists on such subjects.
  - (c) The Committee shall decide in accordance with the opinion of the majority and its decisions shall be binding upon the Lessor and the Lessee. The Committee's decision is subject to the approval of the MINISTRY.
  - (d) The Committee's expenses shall be paid by the Lessee and shall be debited to the Lessee's Income and Expenditure Account.
- 8.6 The Lessee, in order to cover the expenses which are required for the operations referred to in the preceding Article 8.7, shall open a special account in a bank or banks legally operating in Greece in accordance with the provisions of Article 8.2 of the Presidential Decree. Into such account it shall periodically deposit amounts so as this fund, plus interest, is developed to be the Lessee's special reserve for the fulfillment of its obligations to remove the installations. The procedure and all relevant details for these periodic deposits shall be mutually agreed upon the commencement of the production. If no agreement is reached, the matters in issue shall be referred to the Sole Expert for final determination.
- (a) The time when the special reserve shall be used as well as the necessary amounts and the time when the Lessee shall deposit them, shall be determined by decision of the Committee for the Removal and Disposal of the Installations.
  - (b) The accumulated reserve, without the relevant interest, shall be debited to the Lessee's Income and Expenditure Account.

- 8.7 The obligations to remove installations may be suspended following the consent of the MINISTRY for whatever period of time the existence of such installations is considered necessary for the performance of the Lessee's operations in the same or in another Contract Area, in accordance with the provisions and the procedure laid down in paragraph 4 of Article 10 of the Hydrocarbons Law.
- 8.8 The provisions of Article 8.4 shall apply mutatis mutandis where the Lessee is declared to have forfeited pursuant to paragraphs 8 to 11 (inclusive) of Article 10 of the Hydrocarbons Law or where the Lessee surrenders its exploitation rights pursuant to paragraph 14 of Article 5 the same Law and Article 8.2. The provisions of Articles 8.5, 8.6 and 8.7 shall also apply, mutatis mutandis, if the Committee for the Removal and Disposition of Installations has been established.

## Article 9

### Conduct of Petroleum Operations in the Contract Area Obligations of the Lessee

- 9.1 The Lessee will carry out Petroleum Operations in the Contract area:-
- (a) in accordance with
    - (i) the Hydrocarbons Law and other applicable provisions of Greek Law, including but not limited to regulations made under paragraph 1 of article 12A of the Hydrocarbons Law
    - (ii) the Presidential Decree which in accordance with paragraph 29 of article 2 of the Hydrocarbons Law is applicable to this Lease Agreement
  - (b) diligently, in accordance with Good Oilfield Practices, and in a safe workmanlike manner and, in respect of Petroleum Operations in any Exploitation Area, in compliance with the Development and Production Programme for that area.
- 9.2 Without Prejudice to the generality of the foregoing the Lessee, in accordance with such regulations as may be prescribed from time to time, will:-
- (a) take all reasonable measures to control the flow and to prevent loss in any form or waste of Hydrocarbons above or under the ground during drilling, producing, gathering, distributing or storage operations;
  - (b) take whatever practical measures are necessary to prevent any injurious ingress of water or damage of any kind to any Hydrocarbon-bearing formation which may be encountered while drilling operations are in progress, or upon abandonment of any well and shall carefully locate and preserve any fresh water sources discovered in the course of such operations;
  - (c) take all precautions against fire and any unwarranted wasting of Crude Oil, gas or water;
  - (d) upon completion of the drilling of a well, inform the Lessor when the well will be tested and the production rate ascertained;
  - (e) except in instances where multiple producing formations in the same well can be produced economically only through a single tubing string, refrain from producing Hydrocarbon from multiple oil carrying zones through one string of tubing at the same time, except with the prior written approval of the Lessor.
  - (f) if the Lessor, acting reasonably, has determined that works or installations erected by the Lessee may endanger the physical safety of third parties or their property or cause pollution or other environmental damage harmful to people, animals or vegetation, take, as may be required by the Lessor, remedial measures and repair damage to the environment;
  - (g) effect and maintain for Petroleum Operations insurance coverage of the type, and in such amount as is customary in the international petroleum industry in accordance with Good Oilfield Practices, and, on request, furnish to the

Lessor certificates evidencing that such coverage is in effect when such future surrender takes place. The said insurance shall, without prejudice to the generality of the foregoing cover those matters described in Annex E:

- (h) require its contractors and sub-contractors to carry insurance of the type and in such amount as is customary in the international Petroleum industry in accordance with Good Oilfield Practice;
  - (i) indemnify, defend and hold the Lessor harmless against claims, losses and damages of any nature whatsoever, including, without limitation, claims for loss or damage to property or injury or death to persons caused by or resulting from any Petroleum Operations conducted by or on behalf of the Lessee, provided that the Lessee shall not be held responsible to the Lessor under this provision for any loss, claim, damage or injury caused by or resulting from any negligent action of personnel employed by the Lessor or from action done at the direction of the Lessor.
- 9.3 The Lessee shall promptly notify the Lessor of any serious events within the Contract, Area or of any serious damage to the installations capable of impeding the performance of the Annual Programme. If acts or omissions on the part of the Lessee its agents or servants, involve liability of the Lessor towards third parties, it shall indemnify and hold harmless the Lessor in respect of all such liability.
- 9.4 The Lessee shall, before drilling any exploration or appraisal well :
- (a) notify the MINISTRY and also in the case of an offshore area, to the Ministers of National Defence and of the Citizen Protection
    - (i) at least three (3) months before the spudding of an exploration well: and
    - (ii) at least one (1) week before the spudding of an appraisal well, an application for consent to drill; and
  - (b) submit to the Lessor an application for consent to drill as set forth in Annex D)
- 9.5 Where the Lessee has for the purpose of implementing a Development and Production Programme relating to one or more Exploitation Areas constructed a pipeline or pipelines, the Lessee shall on the application of the Lessor and subject to available capacity, in respect of which the Lessee shall have priority, make its pipeline available to transport the Hydrocarbons of the Lessor or of Independent Third Parties. The Hydrocarbons aforesaid shall be transported by the Lessee on reasonable terms and conditions and where agreement on such terms cannot be reached by the Lessee and the Lessor, or as the case may be, the Lessee and an Independent Third Party within one hundred and twenty (120) days of the commencement of discussions, the issue or issues in dispute shall be referred to an Sole Expert for determination under Article 24.
- 9.6 Three (3) months before the beginning of each Calendar Year, the Lessee shall submit to the Lessor a statement showing the anticipated production of Hydrocarbons and By Product(s) for the following Calendar Year and their expected values. Three (3) months prior to the anticipated commencement of first regular production of the Hydrocarbons and By-Products, the Lessee shall submit a similar statement covering the period to the end of the then current Calendar Year.

- 9.7 Before marketing them abroad, the Lessee shall transport all Hydrocarbons produced by it under the Agreement from areas outside territorial waters to processing plants or storage facilities within the country.

## Article 10

### Conduct of Petroleum Operations in the Contract Area Rights of the Lessee

- 10.1 The Lessee shall have the exclusive right to carry out Exploration and Exploitation Operations in the Contract Area and, subject to Article 4, the management and control of such operations.
- 10.2 Subject to the provisions relating to the safety of installations, representatives of the Lessee, its personnel, and the personnel of its contractors and of their sub-contractors may enter the Contract Area and have free access to all installations of the Lessee.
- 10.3 Subject to the provisions relating to joint title where royalties are taken in kind as set out in Article 13, and Hydrocarbons produced pursuant to a test as provided for in Article 7.1 the Lessee shall have unencumbered title at the wellhead to all Hydrocarbons produced and saved in the Contract Area.
- 10.4 The Lessee, as well as the Lessees, its contractors and their sub-contractors employed by the Lessee, are entitled to freely re-export the items they have imported into the country.
- 10.5 The Lessee shall be entitled to sell, within or outside the country, equipment, as well as materials resulting from the dismantling of installations no longer in use by notifying the Lessor within [ • ] months of the objects to be sold and the prices thereof.

## Article 11

### Unitization

- 11.1 If a Hydrocarbon Reservoir extends beyond the limits of the Contract Area of the Lessee into the contract area of another lessee, upon the invitation of the MINISTRY the Lessee shall (jointly with the lessee of the adjoining contract area) prepare and submit to the MINISTRY within the time specified by the MINISTRY a unitization programme of exploration and exploitation of the reservoir.
- 11.2 If a Hydrocarbon Reservoir extends beyond the limits of the Contract Area of the Lessee into an area where the MINISTRY has the exclusive rights of exploration and exploitation, upon invitation by the MINISTRY, the Lessee shall prepare a joint development plan for the exploration and exploitation of the reservoir.
- 11.3 As from the date when the MINISTRY invites the Lessee to prepare a unitization program in accordance with Article 11.1 or joint development plan in accordance with Article 11.2 and, pending the formulation of a final program hereunder, the time limits set for the fulfillment by the Lessee of its contractual obligations shall be suspended.

## Article 12

### Environmental Protection

#### 12.1 The Lessee shall:

- (a) conduct all Petroleum Operations in a manner which will assure the conservation of the natural resources of the State and the protection of the environment;
- (b) employ the most modern and appropriate techniques, for the prevention of environmental damage which the Petroleum Operations might cause, and for the minimization of the effect of Petroleum Operations within the Contract Area and an adjoining or neighboring or more distant lands or seas;
- (c) implement the proposals contained in its Development and Production Programme regarding the prevention of pollution, the treatment of waste, the safeguarding of natural resources and the reclamation and rehabilitation of lands disturbed by Petroleum Operations.
- (d) carry out Petroleum Operations in an environmentally safe and acceptable manner consistent with the Environmental Laws, the EIS and any further environmental impact study prepared pursuant to this Article and Good Oilfield Practices and ensure that such operations are properly monitored;
- (e) ensure that any Greek EU or international regulation regarding the safety of Hydrocarbons exploration and production activities that may be published during the period of Petroleum Operations, will be properly and timely implemented;
- (f) procure that environmental impact studies and associated documents are made available to its employees and to its contractors and their subcontractors to develop adequate and proper awareness of the measures and methods of environmental protection to be used in conducting Petroleum Operations; and
- (g) ensure that any agreement between the Lessee and its contractors and their sub-contractors relating to the Petroleum Operations shall include the terms set out in this Agreement and any established measures and methods for the implementation of the Lessee's obligations in relation to the environment under this Agreement.

#### 12.2 The Lessee undertakes for the purposes of this Agreement to take all necessary and adequate steps:

- (a) to fully and timely fulfill all requirements of national and European legislation regarding environmental impact assessment;
- (b) to ensure adequate compensation for injury to persons or damage to property caused by the effect of the Petroleum Operations;
- (c) to avoid environmental damage to the Contract Area and neighboring or more distant lands or seas.

- 12.3 If the Lessor has on reasonable grounds reason to believe that any works or installations erected by the Lessee or any operations carried out by the Lessee are endangering or may endanger persons or any property of any other person or are causing pollution or are harming wildlife or the environment to a degree which the Lessor deems unacceptable, the Lessor may take remedial measures within such period as may be determined by the Lessor and may repair any damage to the environment, the costs of such remedial action to be borne by the Lessee. If the Lessor deems it necessary, it may require the Lessee to discontinue Petroleum Operations (without any liability on the part or the Lessor) in whole or in part until the Lessee or the Lessor has taken such remedial measures or has repaired any damage.
- 12.4 The measures and methods to be used by the Lessee for purposes of complying with the terms of Article 12 shall be determined in timely consultation and agreed with the Lessor prior to the commencement of Petroleum Operations and whenever there is a significant change in the scope or method of carrying out Petroleum Operations, and the Lessee shall take into account international standards applicable in similar circumstances, as well as the relevant environmental impact study carried out in accordance with Article 12.
- 12.5 The Lessee shall appoint, and the Lessor shall approve, a third party with expertise in the field of international environmental studies, to carry out on its behalf prior to the commencement of any Petroleum Operations, an environmental impact study ("EIS") which shall as a minimum:
- (a) Fully correspond to the minimum requirements of Annex II of Law 4014/2011;
  - (b) determine the existent situation relating to the environment, human beings, terrestrial wildlife, marine life and ecosystems in the Contract Area and in the adjoining or neighboring areas at the time of the studies;
  - (c) estimate and evaluate what the effect will be on the environment, human beings, terrestrial wildlife, marine life and ecosystems in the Contract Area in consequence of the Hydrocarbon Operations to be conducted under this Agreement; and
  - (d) propose measures and methods contemplated in Article 11.5 for preventing, minimizing and mitigating environmental impacts and/or carrying out site restoration in the Contract Area.
  - (e) contain a discrete chapter containing detailed proposals for the pertinent environmental guidelines in accordance with Greek and EU legislation, to be followed in order to avoid environmental damage, degradation and/or accidents that could affect the environment. These proposals shall include, but not be limited to, protection of wildlife, marine life and their habitats and ecosystems, selection of drilling sites taking into account environmental issues and advanced drilling techniques, blowout prevention plan, liquid and solid waste management, flaring during completion and testing of gas and oil wells, fuel storage and handling, use of explosives, minimization of access cutting, terrain stabilization, noise control, protection of cultural and archaeological sites, protection of freshwater horizons, well abandonment, rig dismantling and site completion, and reclamation for abandonment. A detailed monitoring plan shall also be integrated with the above proposals.]

- 12.6 In addition to the EIS, the Lessee shall include in each Annual Work Programme and Budget to be submitted to the Technical Advisory Committee, an environmental impact statement relating to the work to be undertaken as provided in that document and reporting on work undertaken in accordance with the preceding Annual Work Programme and Budget.
- 12.7 The Lessee shall, before carrying out any drilling, prepare and submit for review by the Lessor an oil spill and fire contingency plan designed to achieve rapid and effective emergency response in the event of an oil spill or fire.
- 12.8 In the event of any emergency or accident arising from Hydrocarbon Operations affecting the environment, the Lessee shall notify the Lessor at its earliest opportunity, giving details of the same and in the case of fire or an oil spill, the Lessee shall immediately implement the relevant contingency plan. In dealing with any emergency or accident affecting the environment, the Lessee shall at all times take such action as is prudent and necessary in accordance with the Environmental Laws and Good Oilfield Practices in the circumstances.

## Article 13

### Royalties

- 13.1 In accordance with the Presidential Decree, the Lessee shall pay to the Lessor a Royalty on all Hydrocarbons and By-Products Produced and Saved in the Contract Area. The Royalty shall be calculated and payable in accordance with the provisions of this Article 13.

For the purposes of this Article 13:

- “Actual In-Kind Royalty”** means, in respect of the First Period or any subsequent Calendar Quarter, the In-Kind Royalty determined in accordance with Article 13.5.(b);
- “Actual Production”** means, in respect of the First Period or any subsequent Calendar Quarter, the total quantity of Hydrocarbons and By-Product’s Produced and Saved from the Contract Area during that First Period or that Calendar Quarter, as the case may be, as set out in a statement prepared by the Lessee in accordance with Article 13.7;
- “Cash Royalty”** means any Royalty the Lessor elects to take in cash in accordance with Article 13.3;
- “Cash Royalty Calculation Date”** means each of the following dates: (i) in respect of the First Period, and in respect of each subsequent Calendar Quarter, that date which is fifteen (15) days after the commencement of the next Calendar Quarter; and (ii) the date of termination of this Agreement;
- “Cash Royalty Payment Date”** means each of the following dates: (i) in respect of the First Period, and in respect of each subsequent Calendar Quarter, that date which is thirty (30) days after the commencement of the next Calendar Quarter, and (ii) the date of termination of this Agreement;
- “Cumulative Gross Inflows”** means, in respect of the First Period or any subsequent Calendar Quarter, the cumulative gross value of:
- (i) Hydrocarbons and By-Products Produced and Saved (a determined under the provisions of Article 16) from the Contract Area;
  - (ii) sales of assets acquired for use in connection or associated with Petroleum Operations; and

- (iii) any other income derived from any item which may be included in the calculation of Cumulative Total Outflows for all years from the date of first commercial production up to and including the last day of that First Period or subsequent Calendar Quarter, as the case may be For the purposes of this definition gross value means the value prior to the deduction of any Royalty, taxes, duties or other fiscal impositions, transportation, handling, agency or any other costs or expenses of any nature whatsoever;

**“Cumulative Total Outflows”**

means, in respect of the First Period or any subsequent Calendar Quarter, the cumulative sum of all Exploration, Exploitation, Operating Costs and other deductible costs referred to in Section 4 of Annex C for all years from the Effective Date up to and including the last day of that First Period or subsequent Calendar Quarter, as the case may be;

**“Estimated In-Kind Royalty”**

means, in respect of the First Period or any subsequent Calendar Quarter, the estimate of the In-Kind Royalty for such period, as determined in accordance with Article 13.5.(a);

**“Estimated In-Kind Royalty Calculation Date”**

means each of the following dates: (i) in respect of the First Period, such date (as agreed between the Parties) which is at least two (2) Months prior to the estimated date of first commercial production; and (ii) in respect of each subsequent Calendar Quarter, such date (as agreed between the Parties) which is at least two (2) Months prior to the first day of that Calendar Quarter;

**“Estimated Production”**

means in respect of the First Period and each subsequent Calendar Quarter, the Lessee’s estimate of the total quantity of the Hydrocarbons and By-products to be Produced and Saved from the Contract Area during such period;

**“Estimated R Factor”**

means, in respect of: (i) the First Period and the next Calendar Quarter, the Lessee’s estimate of what the R Factor will be for each such period; (ii) the second Calendar Quarter after the First Period, the R Factor for the First Period; and (iii) each subsequent Calendar Quarter, the R Factor for that Calendar Quarter which immediately preceded the immediately preceding Calendar Quarter;

<b>“Estimated Royalty Percentage”</b>	means, in respect of the First Period and in respect of each subsequent Calendar Quarter, the Royalty Percentage for such period calculated by reference to the Estimated R Factor for that period;
<b>“First Period”</b>	means, that period from the date of the notice sent by the Lessee to the Lessor in accordance with Article 7.4 informing the Lessor that Discovery is commercially exploitable up to the commencement of that Calendar Quarter which immediately succeeds the date of first commercial production;
<b>“In – Kind Royalty”</b>	means any Royalty the Lessor is deemed to elect to take in – kind in accordance with Article 13.3;
<b>“In–Kind Royalty Calculation Date”</b>	means each of the following dates: (i) in respect of the First Period and each subsequent Calendar Quarter that date which is fifteen (15) days after the commencement of the next Calendar Quarter; and (ii) the date of termination of this Agreement;
<b>“Royalty Percentage”</b>	<p>means, in respect of the First Period and in respect of each subsequent Calendar Quarter, that percentage, calculated by reference to the R Factor, such that, if the R Factor in respect of such period is:</p> <ul style="list-style-type: none"> <li>(a) lower than or equal to 0.5, the Royalty Percentage shall be 2%;</li> <li>(b) higher than [ • ], but lower than or equal to [ • ], the Royalty Percentage shall be [ • ]%</li> <li>(c) higher than [ • ], but lower than or equal to [ • ], the Royalty Percentage shall be [ • ]%</li> </ul> <p style="padding-left: 40px;">etc</p> <ul style="list-style-type: none"> <li>(..) higher than [ • ] the Royalty Percentage shall be 20%;</li> </ul>
<b>“R Factor”</b>	means, in respect of the First Period and in respect of each subsequent Calendar Quarter, the product of: (i) Cumulative Gross Inflows for the First Period or that Calendar Quarter, as the case may be, divided by (ii) Cumulative Total Outflows for the First Period or that Calendar Quarter, as the case may be.

- 13.2 The Royalty to be paid by the Lessee to the Lessor shall be calculated as a percentage of the Hydrocarbons and By-Products Produced and Saved from the Contract Area in respect of the First Period and each subsequent Calendar Quarter in accordance with the following provisions of this Article 13.
- 13.3 The Lessor may elect, in its absolute discretion, to take its Royalty in-kind ("**In-Kind Royalty**"), or in cash ("**Cash Royalty**") or in a combination of both in respect of any Calendar Year. If the Lessor wishes to take all or part of the Royalty as a Cash Royalty the Lessor shall advise the Lessee of its intention in writing not less than ninety (90) days before the commencement of each Calendar Year (or for the first Calendar Year in which Hydrocarbons are produced, at least two (2) Months prior to the estimated date of first commercial production). The Lessor shall also specify the percentage of Royalty entitlement it intends to take as a Cash Royalty during that year (or in respect of the first Calendar Year in which Hydrocarbons are produced, during the remaining part of that Calendar Year). If the Lessor does not elect to take all or part of the Royalty as a Cash Royalty, in respect of any Calendar Year the Lessor shall take all of the Royalty as an In-Kind Royalty in respect of that Calendar Year. That proportion of the Royalty the Lessor is to take as a Cash Royalty shall be calculated and paid in accordance with Article 13.4, That proportion of the Royalty the Lessor is to take as an In-Kind Royalty shall be calculated and delivered in accordance with Article 13.5.
- 13.4 If, in respect of any Calendar Year, the Lessor elects to take any part of its Royalty as a Cash Royalty, the following provisions shall apply:
- (a) The Cash Royalty (if any) in respect of the First Period and each subsequent Calendar Quarter shall be calculated on the Cash Royalty Calculation Date in respect of the First Period or that subsequent Calendar Quarter, as the case may be, and shall be paid by the Lessee to the Lessor on the Cash Royalty Payment Date in respect of the First Period or that subsequent Calendar Quarter, as the case may be.
  - (b) On the Cash Royalty Calculation Date in respect of the First Period and on the Cash Royalty Calculation Date in respect of each subsequent Calendar Quarter, the Lessee shall determine the amount of the Cash Royalty for such period by:
    - (i) determining the R Factor and then the Royalty Percentage in respect of the First Period or that subsequent Calendar Quarter, as the case may be;
    - (ii) multiplying the Royalty Percentage determined in accordance with Article 13.4. b(i) above by the Actual Production for the First Period or that Calendar Quarter, as the case may be;
    - (iii) multiplying the amount determined in accordance with Article 13.4.(b) (ii) by a percentage which is equal to the percentage of the Royalty for that Calendar Year for which the Lessor has elected to take Cash Royalty in accordance with Article 13.3; and
    - (iv) calculating the cash value of the amount determined in accordance with Article 13.4.(b) in accordance with Article 15.
- 13.5 If, in respect of any Calendar Year, the Lessor is deemed to elect to take any part of its Royalty as an In-Kind Royalty, the following provisions shall apply:

- (a) On the Estimated In-Kind Royalty Calculation Date in respect of the First Period and each subsequent Calendar Quarter, the Lessee shall:
  - (i) determine the amount of the Estimated In-Kind Royalty by:
    - (1) determining the Estimated R Factor and then the Estimated Royalty Percentage for the First Period or that Calendar Quarter, as the case may be;
    - (2) multiplying the Estimated Royalty Percentage determined in accordance with Article 13.5.(a)(i)(1) by the Estimated Production for the First Period or that Calendar Quarter, as the case may be; and
    - (3) multiplying the amount determined in accordance with Article 13.5.(a)(i)(2) above by a percentage which is equal to the percentage of the Royalty for that Calendar Year which the Lessor is deemed to have elected to take in-kind in accordance with Article 13.3; and
  - (ii) with the Lessor, prepare a programme pursuant to which the Lessor shall take delivery of such Estimated In-Kind Royalty during such period, and the Lessee shall be obliged to deliver the Estimated In-Kind Royalty in accordance with the agreed programme at the delivery point agreed between the Parties in the Development and Production Programme.
- (b) On the In-Kind Royalty Calculation Date in respect of the First Period and each subsequent Calendar Quarter the Lessee shall determine the amount of the In-Kind Royalty by:
  - (i) determining the R Factor and then the Royalty Percentage for the First Period or that Calendar Quarter, as the case may be;
  - (ii) multiplying the Royalty Percentage determined in accordance with Article 13.5.(b)(i) above by the Actual Production for the First Period or that Calendar Quarter, as the case may be; and
  - (iii) multiplying the amount determined in accordance with Article 13.5.(b)(ii) by a percentage which is equal to the percentage of the Royalty for that Calendar Year which the Lessor is deemed to have elected to take in kind in accordance with Article 13.3.
- (c) If the Estimated In-Kind Royalty for the First Period or any subsequent Calendar Quarter is less than or greater than the Actual In-Kind Royalty for the same period, then an appropriate adjustment shall be made to future In-Kind Royalties or Cash Royalties to be delivered or paid by the Lessee to the Lessor in order to correct any such difference according to the provisions of article 2.3(b) of the Presidential Decree.

13.6 If a Cash Royalty shall become due to the Lessor, the Lessee shall acquire ownership of the extracted Hydrocarbons by acquiring possession thereof at the wellhead. If an In-kind Royalty shall become due to the Lessor, the Lessor and the Lessee shall become, as from the time of the extraction of the Hydrocarbons until delivery of the Royalty to the Lessor is made, joint owners thereof in proportions by which the Lessor's Royalty entitlement and the Lessee's entitlement (after deduction of the Lessor's Royalty entitlement) for the First Period or that Calendar Quarter, as

the case may be, bear to the total volume of Hydrocarbons and By-Products Produced and Saved in the First Period or that Calendar Quarter, as the case may be.

- 13.7 Within ten (10) days of the end of the First Period and the end of each subsequent Calendar Quarter the Lessee shall submit to the Lessor a statement showing the Actual Production for the First Period or that Calendar Quarter, as the case may be.
- 13.8 The Lessee shall bear all risks, costs and expenses associated with the Lessor's In-Kind Royalty up to the delivery point agreed between the Parties in the Development and Production Programme and the Lessor shall bear all risks, costs and expenses beyond that delivery point.
- 13.9 Subject to the provisions of this Article concerning the Lessor's right to take an In-Kind Royalty, the Lessee shall be entitled to export freely the Hydrocarbons and By-Products produced by it.
- 13.10 Without prejudice to the provisions of Article 1.4 and notwithstanding anything to the contrary in this Agreement, where a payment is due from the Lessee to the Lessor under this Article 13, such payment may be made by each entity constituting the Lessee.

## Article 14

### Taxation

- 14.1 The Lessee shall be subject to the provisions of the Hydrocarbons Law concerning the imposition of taxes within the State and shall have the benefit of all exemptions thereunder.

## Article 15

### Fees and Bonuses

15.1 The Lessee shall pay the following surface fees:

- (a) Ten (10) Euros per square kilometer of the Contract Area annually during the the Exploration Stage (First Phase);]
- (b) Fifteen (15) Euros per square kilometer of the Contract Area annually during the the Exploration Stage (Second Phase);
- (c) Twenty (20) Euros per square kilometer of the Contract Area annually during the Exploration Stage (Third Phase) and any extension thereof as provided for in Article 2.3;
- (d) in addition to fees paid in respect of paragraphs (a), (b) and (c) above, two hundred (200) Euros per square kilometer of the Exploitation Area annually during the Exploitation Stage.

For the Calendar Year in which this Agreement is executed, the surface fee set forth in paragraph (a) above shall be prorated from the Effective Date through December 31<sup>st</sup> of said Calendar Year, and shall be paid within thirty (30) days after the Effective Date.

For succeeding Calendar Years the surface fees set forth in paragraphs (a), (b) and (c) above shall be paid in advance, thirty (30) days before the beginning of each Calendar Year.

For the Calendar Year in which the Exploitation Period commences with regard to the Contract Area, the surface fee set forth in paragraph (d) above shall be prorated from the date the Exploitation Period commences through December 31<sup>st</sup> of said Calendar Year.

For succeeding Calendar Years the surface fees set forth in paragraph (d) above shall be paid in advance, thirty (30) days before the beginning of each Calendar Year.

Surface rentals shall be calculated based on the surface of the Contract Area and, where applicable, of the Exploitation Areas, kept by the Contractor on the date of payment of said surface rentals. In the event of surface relinquishment during a Calendar Year or in the event of Force Majeure, the Lessee shall have no right to be reimbursed for any surface fees already paid.

15.2 The Lessee shall pay the following amounts as bonus:

- (a) [ • ] ([ • ]) Euros as signature bonus within thirty (30) days after the Effective Date;
- (b) [ • ] ([ • ]) Euros after daily production from Contract Area averages [ • ] ([ • ]) barrels per day for a period of sixty (60) consecutive days;

Such payments shall be made within thirty (30) days following the last day of the respective sixty (60) days' period.

The surface fees and bonuses required under this Article shall not be included in the Cumulative Total Outflows for the purposes of calculating the Royalty under Article 13.

- 15.3 The Lessee shall also contribute to the training and improving of the professional skills of the local staff in accordance with the provisions of the Hydrocarbon Law and a plan established in agreement with the MINISTRY at the end of each Calendar Year. For that purpose:
- (a) during the Exploration Stage, the Lessee shall spend on said plan or, at the MINISTRY'S election, place at the disposal of the MINISTRY for implementing said plan, a minimum amount of [ • ] ([ • ]) Euros per year.
  - (b) from the date that the Lessee declares a Discovery to be commercially exploitable under Article 7.4, said amount shall be increased to [ • ]([ • ]) Euros per year.
- 15.4 All payments from the Lessee to the Lessor under this Agreement shall be made free of any deduction including, without limitation, any deduction by way of claim, counterclaim or set off.

## Article 16

### Valuation of Hydrocarbons

Taking into account the provisions of the Presidential Decree the value of Hydrocarbons and By-Products shall be determined as follows:

#### 16.1 For Crude Oil

- (a) In the case of Arms Length Sales of Crude Oil by the Lessee to Independent Third Parties: the price shall be the price free on board at the place of loading, (“**FOB Greece Point of Delivery**”) actually realised by the Lessee provided that it is true and reasonable. A price shall be considered reasonable if it does not unduly differ from official selling price, fixed from time to time by the major crude oil exporting countries for Crude Oil closest in quality to that produced and sold by the Lessee, after adjustment of such price to allow for variations in specific gravity, sulphur content, transportation costs and terms of sale (the “**Official Price**”). In the event of CIF sales appropriate deductions shall be made for applicable insurance and freight charges to calculate the FOB Greece Point of Delivery price.
- (b)
  - (i) In the case of sales by the Lessee to Affiliate Enterprises and in the case of quantities retained by the Lessee for its own refining or use, and of, Crude Oil received in kind by the Lessor: the average weighted price, free on board at the place of loading, in each Calendar Quarter, as established by arms length sales of similar kinds of Crude Oil effected during such quarter from the production of the Contract Area by the Lessee to Independent Third Parties and by the Lessor to third parties
  - (ii) If, during any Calendar Quarter, no Arms Length Sales of any kind of Crude Oil have been made by the Lessee to Independent Third Parties, nor by the Lessor to third parties, other than states and legal entities, directly or indirectly controlled by the State or other states price shall be the Official Price.
- (c) In the event that, for the purposes of paragraphs (a) and (c) of this Article 16.1 the Parties cannot ascertain the Official Price of the Crude Oil produced and sold then the price shall be as determined in accordance with paragraph (e) of this Article 16.1 for Crude Oil which, at the time of calculation, is being freely and actively traded in the international market and has similar characteristics (such as, by way of example only, specific gravity and sulphur content) to the Crude Oil in respect of which the price is being determined (the “**Marker Crude**”). The FOB selling price for the Marker Crude shall be ascertained from Platts Crude Oil Market Wire daily publication (“**Platts**”).
- (d) In the event the Parties fail to agree upon the identity of the Marker Crude Article 16.3 shall apply.
- (e) The price, for the purposes of paragraphs (a) and (c) of this Article 16.1 shall be the arithmetic average price per barrel of the Marker Crude during the

preceding five consecutive days high and low FOB prices for each day as published by Platts of the Marker Crude after adjustment of such prices to allow for variations in quality, transportation costs, delivery time, payment terms, the market area in which the Crude Oil is being sold, the prices available within the domestic market, product yield, seasonal variation in price and demand, market trends, other contract terms to the extent known and other relevant factors. Where the calculation for the average price includes a weekend or a day upon which Platts is not published, then the last published price shall be applied for the day or days upon which Platts is not available.

- (f) The FOB prices referred to in paragraph (e) of this Article 16.1 shall not include official sales prices set by governmental authorities or other prices established in government transactions, exchanged, barter, spot sales, restricted or distress transactions, any other transactions which are associated with special financial or commercial considerations or other dispositions not consistent with prevailing market prices for similar Crude Oil.
- (g) In the event that Platts ceases to be published for a period of 30 consecutive days, the Parties shall agree on an alternative daily publication of similar nature and stature used in the international petroleum industry. If the Parties cannot agree on the identity of an alternative daily publication as aforesaid, Article 16.3 shall apply.
- (h) For the purposes of this Article, the expression "Arms Length Sales" means sales entered into between a willing seller and a willing purchaser on commercial terms reflecting current open market conditions and excludes exchanges, barter, restricted or distress transactions or any other transaction which is associated with special financial or commercial considerations

#### 16.2 Natural Gas, natural gasoline and other Hydrocarbons and By-Products.

- (a) In the case of Hydrocarbons and By-Products, other than Crude Oil, sold by the Lessee, the price shall be the actual selling price realised by the Lessee provided that it is true and reasonable. A price shall be considered reasonable if it takes account of prices current from time to time on the international market, the particular characteristics of the product, and the price of alternative fuels in the place to which the gas is delivered.
- (b) In the case of Hydrocarbons and By-Products, other than Crude Oil, retained by the Lessee for its own use or received in kind by the Lessor, the price shall be agreed by both the Lessor and the Lessee, account being taken of the price referred to in the preceding paragraph (a).

#### 16.3 Final Determination

In the event of any difference, dispute or failure to agree between the Lessor and the Lessee about the value or price of any Hydrocarbons or the manner in which such value or price is to be determined, in accordance with the provisions of this Article, the matter or matters in issue shall be subject to final determination by the Sole Expert in accordance with Article 24.

## Article 17

### Measurement of Hydrocarbons and By-Products

- 17.1 The Lessee, using international standard measurement methods, shall measure all Hydrocarbons extracted at their place of extraction and shall also measure all Hydrocarbons and By-Products produced and saved pursuant to Article 17.2,
- 17.2 Representatives of the Lessor shall have the right to be present at and observe such measurement and to examine and test whatever appliances are used. If upon such examination or testing any appliance shall be found to be out of order or defective in any way the Lessor may require that the same be put in order or replaced by the Lessee, and if any such request is not complied with in a reasonable time specified by the Lessor, the Lessor may cause the said appliance to be put in order or replaced and may recover from the Lessee the cost of so doing.
- 17.3 If upon examination by the Lessor, as aforesaid, any error or defect is discovered in an appliance, such error or defect shall be deemed to have existed for three months prior to its discovery or from the date of the last examination and testing, which ever last occurred and quantities shall be adjusted accordingly.
- 17.4 If the Lessee desires to effect modifications to the measuring instruments, it shall give reasonable advance notice to the Lessor to enable the latter's representatives to attend the modifications.

## Article 18

### Parent Company Guarantee

- 18.1 In addition to the Bank Guarantees, the Lessee shall, on the Effective Date, provide to the Lessor a Parent Company Guarantee.
- 18.2 If an Event of Default occurs in relation to the company (the “**Parent Company**”) providing a Parent Company Guarantee, then the Lessee shall on demand procure the issue to the Lessor of a replacement guarantee in the same form as the Parent Company Guarantee (which guarantee shall be regarded as a Parent Company Guarantee for the purposes of this Agreement) or such other form of security acceptable to the Lessor.

For these purposes, an event of Default will occur in relation to a Parent Company if:

- (a) the Parent Company suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business; or
- (b) the Parent Company stops or suspends payment of any of its debts or is unable to, or admits its inability to, pay its debts as they fall due; or
- (c) the Parent Company commences negotiations, or enters into any composition, compromise, assignment or arrangement, with one or more of its creditors with a view to rescheduling any of its Indebtedness (because of actual or anticipated financial difficulties); or
- (d) a moratorium is declared in respect of any Indebtedness of the Parent Company; or
- (e) any action, proceedings, procedure or step is taken in relation to:
  - (i) the suspension of payments, a moratorium of any Indebtedness, winding up, dissolution, administration or reorganisation (using a voluntary arrangement, scheme of arrangement or otherwise) of the Parent Company; or
  - (ii) the composition, compromise, assignment or arrangement with any creditor of the Parent Company; or
  - (iii) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the Parent Company or any of its assets; or
- (f) the value of the Parent Company 's assets is less than its liabilities (taking into account contingent and prospective liabilities); or
- (g) there is (in the reasonable opinion of the Lessor) a serious deterioration in the financial standing of the Parent Company that may adversely affect the ability of that Parent Company to perform its obligations under the Parent Company Guarantee.

## Article 19

### Satisfaction of domestic requirements

- 19.1 Pursuant to paragraph 1 of article 7 of the Hydrocarbons Law, in case of war, danger of war or any other state of emergency, the Lessee shall, upon request by the State, sell to the latter all or a specified portion of its share of the production of Hydrocarbons and By-Products from the Exploitation Area.
- 19.2 In circumstances other than those described in Article 19.1 the Lessee if so required by the State, shall pro rata with other producers in Greece sell to the State, its share of the production of Hydrocarbons and By-Products from the Exploitation Area, up to a quantity sufficient to meet domestic consumption requirements. To this end, the State shall give to the Lessee, at least ninety (90) days before each three (3) year period, written notice of the quantity required to satisfy domestic consumption requirements for such (3) year period. Such written notice shall be given to Lessee at least ninety (90) days prior to the commencement day of production as fixed by the Lessee in its Development and Production Programme as per Article 7; the first (3) year period shall start on the effective commencement day of production and each of the following three (3) year periods shall start respectively on the fourth (4<sup>th</sup>), seventh (7<sup>th</sup>) etc. anniversary at said effective commencement day of production.

It is understood that such right of the State shall only be exercised to the extent that such domestic consumption requirements are not covered by devoting, on a priority basis, the quantities received by the State, if any, as well as Lessor's share of production entitlement (by way of royalties pursuant to Article 13, (if any)) to meet such requirements.

If production is available from several Exploitation Areas in the same or other Contract Areas in Greece, the obligations under this Article shall be pro rata apportioned among the Lessees of the respective areas. If the State does not call for the production of an Exploitation Area, the obligation of the Lessees of the remaining areas shall not correspondingly be increased.

- 19.3 The price charged for the quantities of Hydrocarbons and By-Products sold to the State pursuant to Articles 19.1 and 19.2, shall be the price fixed for the Hydrocarbons and By- Products received in kind by the Lessor, in accordance with Article 16.

If, in the case of Crude Oil, the price taken is the average weighted priced under Article 16.1(b) pending the determination of such price, payment for the quantities sold to the State during each Calendar Quarter shall be provisionally based on the corresponding average weighted price of the preceding quarter, any resulting differences being adjusted after determination of the definitive average weighted price.

## Article 20

### Records, Reports, Data Inspections and Bookkeeping

- 20.1 The Lessee shall, as specified in the present Article:
- (a) keep current complete and accurate records in the State of all Petroleum Operations and its activities in the Contract Area;
  - (b) permit the Lessor's representatives to inspect the Petroleum Operations and the records kept as above, and
  - (c) submit to the Lessor all scientific data, with supporting material, compiled in the course of its operations.
- 20.2 The Lessor shall have a right of access to all original data obtained in the Lessee's Petroleum Operations, including but not limited to geological, geophysical, petrophysical, drilling and initial production reports and to receive, on request, all and information in the form of accurate copies of maps, sections, reports, etc, relating to the Petroleum Operations.
- 20.3 The following reports and data shall be supplied to the Lessor immediately upon being drawn up or obtained:
- (a) copies of geological surveys with supporting material, accompanied by the relevant maps;
  - (b) copies of geophysical surveys with supporting material, as well as copies of recorded seismic magnetic tapes; and interpretation reports
  - (c) in the case of drilling, daily reports while drilling is in progress and copies of records containing full particulars of:
    - (i) the drilling, operations, deepening, testing, plugging and abandonment of wells.
    - (ii) the strata and subsoil through which wells are drilled.
    - (iii) the casing inserted in wells and any alteration in such casing.
    - (iv) any Petroleum water, other economic minerals, or dangerous substances encountered;
  - (d) copies of records on production tests carried out, as also any survey relating to the initial production of each well;
  - (e) copies of all analysis reports of core samples and sampling procedure followed
  - (f) copies of any other technical reports which may be drawn up regarding the Petroleum Operations.
  - (g) daily production reports and all relevant information related to production.
- 20.4 The Lessee shall, immediately after their execution, submit to the Lessor copies of all contracts entered into by it with suppliers, contractors and sub contractors and

others. The Lessor may ask for clarification of the terms and prices of these contracts.

- 20.5 The Lessee shall submit to the Lessor detailed quarterly and annual financial and technical reports of its activities under the Agreement. Quarterly reports shall be submitted within (1) month of the expiration of each quarter the annual report within (2) months of the end of each year.
- 20.6 Within (3) months of the end of the Calendar Year in question - unless a shorter period is provided for lodging the tax return under paragraph 5 of article 8 of the Hydrocarbons Law, in which case this shorter period shall also apply - the Lessee shall submit to the Lessor copies of Income and Expenditure Accounts and of Balance Sheets drawn up in accordance with Annex C.
- 20.7 The Lessee shall submit representative samples of drilling cores and cuttings taken from each well, as also samples of production fluids. At the expiration of the Agreement, samples of drilling cores and cuttings remaining in the possession of the Lessee shall be delivered up to the Lessor.
- 20.8 The Lessee shall duly submit all data for statistical purposes called for by Greek law.
- 20.9 The Lessee shall promptly report to the Lessor every discovery of fossil and mineral substances.
- 20.10 To the end of the Exploration Stage, or until surrender or relinquishment by the Lessee pursuant to Article 6, the Lessor shall treat information, reports and materials submitted to it by the Lessee as confidential. It may, however, communicate them under the seal of confidentiality to independent scientific institutions or consultants, acting as the Lessor's adviser on the Petroleum Operations. It may also use the said data in the conduct of an arbitration or in litigation between the contracting parties.

The Lessee shall not unreasonably withhold its consent to requests of the Lessor to publish or communicate to third parties for publication, or for other purposes, specific parts of the information supplied to it by the Lessee earlier than laid down in the preceding section, if this can be done without detriment to its interests.

- 20.11 The Lessee shall keep books and records in accordance with the provisions of Tax Laws and, subject thereto, in accordance with the provisions of Annex C.
- 20.12 The Lessor and its representatives:
  - (a) shall have a right of access to the Contract Area at all reasonable times, at their own risk (save where injury or damage results from the negligence or willful misconduct of the Lessee) and expense, with a right to observe Petroleum Operations and shall have the right to inspect all assets, records and data owned or maintained by the Lessee relating to Petroleum Operations. In doing so, the Lessor and its representatives shall not unreasonably interfere with the Petroleum Operations; and
  - (b) may make a reasonable number of surveys, drawings, tests and copies for the purpose of monitoring the Lessee's compliance with the terms of this Agreement. In so doing, the Lessor and its representatives shall be entitled to make reasonable use of the equipment or instruments of the Lessee provided that no damage to the equipment or instruments or unreasonable interference with the Petroleum Operations hereunder shall result from such use. The

Lessor and its representatives shall be given reasonable assistance by the Lessee for such functions, and the Lessee shall afford to the Lessor and its representatives all facilities and privileges afforded to its own personnel in the field, including the use of available office space and housing free of charge.

20.13 Except as provided in Articles 20.14 to 20.16 (inclusive), all data shall be kept confidential and not reproduced or disclosed to third parties by either Party to this Agreement without the consent of the other party for the term of this Agreement.

20.14 The provisions of Article 20.13 shall not prevent disclosure by:

- (a) The Lessee to the government of the place of its incorporation or any , department, agency or instrumentality thereof if required by the law in that jurisdiction or to recognised stock exchanges on which shares of the Lessee or its Affiliated Enterprises are traded if required by law or rules thereof;
- (b) the Lessee to an Affiliated Enterprise or to its contractors or their subcontractors or to their professional advisors if necessary for the purposes of Petroleum Operations;
- (c) the Lessee to bona fide prospective assignees of a participating interest in this Agreement (including a corporation with which Lessee is conducting bona fide negotiations directed towards a merger or consolidation), upon fifteen (15) days prior written notice to the Lessor, identifying the parties to which disclosure will be made; provided, however, that the Lessor may veto any such disclosure where a party to which such disclosure is proposed is in bona fide discussions with the Lessor regarding rights to conduct petroleum operations in the State or for reasons of national security;
- (d) the Lessee to any party with whom the Lessee is directed by the Lessor to enter into a unitisation programme in accordance with Article 11;
- (e) the Lessor to any governmental agency, financial institution or person acting as a consultant or professional adviser to the State;
- (f) the Lessor and the Lessee to arbitrators and Sole Experts appointed pursuant to this Agreement.

20.15 All data disclosed to third parties under paragraphs (b) to (f) of Article 20.14 shall be disclosed on terms which to the extent possible ensure that the same are treated as confidential by the recipient for so long as such data remain subject to the confidentiality undertakings specified herein.

20.16 Neither the Lessee nor the Lessor shall be bound by the confidentiality undertakings as set forth herein with respect to any data which is in or becomes part of the public domain through no fault of the disclosing Party or which was already known by such Party before the Effective Date or which became known to such Party other than by reason of a breach of the undertakings herein.

20.17 Nothing in this Article 20 shall require the Lessee, its Affiliate Enterprises, contractors or their sub-contractors to disclose their own proprietary technology unless such disclosure is necessary to the evaluation and undertaking of any Data resulting therefrom, provided always that any proprietary technology so disclosed to the

Lessor shall be kept confidential by the Lessor until such time as the technology involved ceases to be proprietary to the disclosing Party.

20.18 Without prejudice to the provisions of Article 1.4, the provisions of Article 20.14 shall be construed so as to also apply to any entity constituting the Lessee.

## Article 21

### Transfer and assignment of rights and obligations

21.1 Subject to the provisions of paragraph 2 of article 4 of the Hydrocarbons Law and in accordance with the provisions and the procedure laid down in paragraph 4 of article 7 of the same Law:

- (a) The Lessee may transfer all (but not some only) its contractual rights and obligations to an Independent Third Party solely upon written consent of Lessor. The Lessor may refuse consent, provided that the grounds of paragraph 2 of article 4 of the Hydrocarbons Law apply, as well as provided that the independent third party does not meet the criteria referred to in paragraph 18 of article 2 of the Hydrocarbons Law. In giving such consent, the Lessor may set any conditions on the Lessee to safeguard its own interests.

The consent of the Lessor described above shall also be required whenever any interest in an Affiliate Enterprise which controls, directly or indirectly, the Lessee is to be transferred such as to cause a change in control of the Lessee, and the Lessee when seeking such consent, shall provide adequate information concerning corporate structure, capital ownership control and management.

- (b) Subject the provisions of paragraph 2 of article 4 of the Hydrocarbons Law, and in accordance with the provisions and the procedure laid down in paragraph 5 of article 7 of the same Law, the Lessee shall be entitled upon obtaining a permit from the MINISTRY to transfer, in whole or in part, its rights and obligations under the Agreement to an Affiliate Enterprise, provided that the Lessee shall continue to be, vis-a-vis the Lessor jointly and severally responsible with the transferee Affiliate Enterprise, for the performance of all obligations under the Agreement. The grant of the this permit may be refused on the grounds of paragraph 2 of article 4 of the Hydrocarbons Law as well as provided that affiliate does not meet the criteria referred to in paragraph 18 of article 2 of the Hydrocarbon Law.

21.2 Any transfers of rights and obligations by the Lessee under this Agreement shall only become effective with regard to the Lessor as of the date of service upon it of certified copies of the transfer documents together with a Bank Guarantee and a Parent Company Guarantee (guaranteeing the performance obligations of the assignee under this Agreement).

21.3 If a transfer of the rights and obligations under the Agreement, in whole or in part, is to an Affiliate Enterprise. the, the assignor shall remain jointly and severally liable to the Lessor with the assignee for the performance of its obligations under this Agreement.

21.4 No transfer of the operatorship under a Joint Operating Agreement or similar document shall be permitted without the prior written consent of the Lessor which consent shall not be withheld except for reasons of the financial and technical capabilities of the proposed operator.

21.5 Without prejudice to the provisions of Article 1.4, the provisions of this Article 21.1 shall be construed so as to also apply to any entity constituting the Lessee.

## Article 22

### Violations, Lessee's Forfeiture

- 22.1 If the Lessor considers that the Lessee is in default of any of its obligations under the Agreement, it shall give written notice of default to the other party within a time limit of six (6) months from the date on which it has taken cognizance of such default and it shall invite the Lessee to remedy it and to keep the Lessor harmless from any loss or damage caused thereby. If the Lessee fails to comply, or if no amicable settlement is reached between the Parties within the following ninety (90) days from the date of service of such notice, the Lessor may terminate this Agreement by further notice to the Lessee.
- 22.2 The Lessor covenants that the right to declare that the Lessee has forfeited its rights under this Agreement conferred on the Lessor by the Hydrocarbons Law in the circumstances set out in paragraphs 8 and 9 of article 10 of the Hydrocarbons Law will not be exercised by the Lessor unless:-
- (a) the Lessor has, by written notice to the Lessee, given not less than ninety (90) days notice of its intention to forfeit those rights and stating in detail the reasons for the intended forfeiture;
  - (b) the Lessor has, in the notice, specified a date not less than thirty (30) days after the notice before which the Lessee may submit any matter which it wishes the Lessor to consider;
  - (c) the Lessor has, in the notice, specified a period of not less than sixty (60) days to remedy and remove such ground;
  - (d) the Lessor has taken into account:-
    - (i) any matter submitted to them by the Lessee pursuant to Article 22.2(b).
    - (ii) any action taken by the Lessee to remedy and remove that ground.
- 22.3 Following the execution of this Agreement, the Lessee may not be placed under the direct or indirect Control of a foreign state which is not a member state of the European Union, or under the direct or indirect Control of a citizen of such State without the prior approval of the Council of Ministers in accordance with the provision and the procedure laid down in paragraph 3 of article 4 of the Hydrocarbons Law. Notwithstanding any of the provisions in this Article 22, breach of this Article 22.3 shall result in the Lessee forfeiting all of its rights under the Agreement following a resolution of the Council of Ministers to this effect.
- 22.4 Any dispute between the Lessor and the Lessee as to whether any event has occurred which subject to Article 22.2, would entitle the Lessor to declare that the Lessee has forfeited its rights pursuant to paragraph 8 or, as the case may be, paragraph 9 of article 10 of the Hydrocarbons Law shall be settled by arbitration pursuant to Article 24.
- 22.5 If the Lessor terminates or forfeits this Agreement, each Party's further rights and obligations cease immediately on termination except that:

- (a) the provisions of Articles 1.4, 6.3, 8.3 to 8.8 (inclusive), 9.1, 9.2, 12.1, 15.4, 20.13 to 20.18 (inclusive), 21.3, 24.2 to 24.8 (inclusive), 28, 30 and 31 shall survive termination; and
- (b) termination does not affect the Lessor's accrued rights at the date of termination.

## Article 23

### Insolvency of the Lessee

- 23.1 If at any time during the term of this Agreement an order is made or a resolution is passed by a court of competent jurisdiction dissolving, liquidating or winding up the affairs of the Lessee by reason of the Lessee's insolvency or the inability of the Lessee to meet its obligations as they arise in the ordinary course of business, or if the Lessee makes an assignment for the benefit of its creditors of any substantial part of its assets or a receiver or manager of the Lessee is appointed under a debenture or other like security the Lessor may by thirty (30) days notice in writing to the Lessee declare that the rights of the Lessee under this agreement are forfeited and this agreement is terminated..
- 23.2 If the Lessee is more than one person, and in respect of one or more but not all the persons who constitute the Lessee an event occurs of the kind described in paragraph 1 the rights of the Lessee under this Agreement shall not be liable to forfeiture but any person in respect of whom any such event has occurred shall if so required by the Lessor, promptly and without consideration assign its undivided participating share in the Agreement to the remaining participants, pro rata to their participating shares and the remaining participants shall enjoy the benefit of the share so assigned and be liable jointly and severally for the corresponding obligations.

## Article 24

### Sole Expert Determination and Settlement of Disputes

24.1

24.2 Where it is stipulated in this Agreement that any difference between the Parties or any inability or failure by the Parties to agree on any matter (a **"Dispute"**) shall be referred for determination to a Sole Expert, unless the Parties agree otherwise the following shall apply:

- (a) The Sole Expert shall be selected by the Lessor in accordance with articles 2.1 and 2.2 of the Presidential Decree within fifteen (15) days (the **"Election Period"**) from submission of a written notification by a Party (the **"Initiating Party"**) to the other (the **"Receiving Party"**) of its intention to refer a Dispute for determination to a Sole Expert and nominating the Sole Expert.
- (b) Upon a Sole Expert being selected under the foregoing provisions of this Article, the Lessor shall forthwith notify this Sole Expert of its selection and shall request it to state within 5 days (the **"Acceptance Period"**) whether or not it is willing and able to accept the appointment. If such Sole Expert shall be either unwilling or unable to accept such appointment, or shall not have accepted (the **"Disqualified Expert"**) within the Acceptance Period then the Lessor shall select an alternative a Sole Expert in accordance with articles 2.1 and 2.2 of the Presidential Decree within 5 days following the end of the Acceptance Period.
- (c) For the purposes of determination by the Sole Expert of the Dispute, each Party shall submit to the Sole Expert within ten (10) days (the **"Submissions Period"**) following the Sole Expert's acceptance of appointment to both Parties:
  - (i) a description of the Dispute;
  - (ii) a statement of its position;
  - (iii) any records supporting its position.

The Sole Expert shall consider, in its absolute discretion, any additional information submitted by either Party and any other procedural matters not specifically addressed herein.

- (d) The terms of reference upon which the Sole Expert shall seek to resolve a Dispute shall be agreed between the Parties. The parameters within which the Sole Expert shall make its determination shall be strictly within the terms of reference, provided that if the Parties fail to agree terms of reference, the Sole Expert shall consider the terms of reference proposed by both Parties and decide upon its own (to which the Parties shall be bound). The Sole Expert shall make its determination in writing and notify the Parties of such determination.
- (e) The Sole Expert's determination shall be conclusive and binding on the Parties and shall be delivered within fifteen (15) days following the end of the Submissions Period. The decision of the Sole Expert may be referred to arbitration by way of appeal on point of law, but not on point of fact.

- (f) If the Sole Expert dies or becomes unwilling or incapable of acting, or does not deliver the determination within the time required by this clause then:
    - (i) the Lessor shall promptly select a replacement Sole Expert; and
    - (ii) this Article shall apply to the new Sole Expert as if he were the first Sole Expert appointed.
  - (g) The language to be used for the purposes of Sole Expert determination shall be English.
  - (h) The costs of engaging the Sole Expert shall be borne equally by the Lessor, on the one hand, and the Lessee, on the other. Each Party shall bear its own costs in preparing materials for and making presentations to, the Sole Expert.
  - (i) Each Party shall act reasonably and co-operate to give effect to the provisions of this clause and otherwise do nothing to hinder or prevent the Sole Expert from reaching his determination.
  - (j) The Sole Expert shall be the person referred to in articles 2.1 and 2.2 of the Presidential Decree.
  - (k) If the Lessor fails to appoint a Sole Expert (or, as the case may be a replacement Sole Expert) within the time limits prescribed by this Article, then the Lessee shall be entitled to refer the relevant dispute, controversy or claim to arbitration in accordance with the following provisions of this Article.
- 24.3 Any dispute, controversy or claim arising out of or relating to the Agreement, or breach, termination or invalidity hereof, between the Lessor and the Lessee which:
- (a) is not to be referred for determination by a Sole Expert under Article 24.1; or
  - (b) has been referred to the Sole Expert whose decision is appealed on a point of law; or
  - (c) if the Lessor has not appointed a Sole Expert (or, as the case may be a replacement Sole Expert) within the time limits prescribed by this Article,
- shall be finally settled by arbitration.
- 24.4 The place of arbitration shall be Athens, Greece.
- 24.5 The number of arbitrators shall be three and they shall be appointed in accordance with the provisions of paragraph 13 of article 10 of the Hydrocarbons Law.
- 24.6 The arbitration shall be conducted in accordance with the Rules of Arbitration of the International Chamber of Commerce (in force from time to time) to the extent that there is no conflict between any of those Rules and the provisions of this Agreement and Greek Law. In the event of any such conflict, the provisions of this Agreement and Greek Law shall prevail.
- 24.7 The language to be used in the arbitral proceedings shall be Greek unless the Parties agree otherwise.

- 24.8 A decision of the majority of the arbitrators shall be final and binding upon the Parties and the award rendered shall be final and conclusive. Judgment on the award rendered may be entered in any court for a juridical acceptance and for enforcement, as the case may be.
- 24.9 During the period of any arbitration the time limits set for the fulfilment by either Party or those contractual obligations under this Agreement which are the subject of such arbitration shall be suspended for a time equivalent to the period of such arbitration.

## Article 25

### Performance of the Agreement – Time

- 25.1 The Lessee shall do everything necessary so as to accomplish the objectives of the Agreement.
- 25.2 The Parties agree to cooperate harmoniously and in a spirit of good faith with a view to the achievement, as promptly and as efficiently as possible, of the objectives of the Agreement, in strict conformity with all its provisions.
- 25.3 Time is of essence in this Agreement.

## Article 26

### Contractors, Sub-contractors, Personnel and Training

- 26.1 Subject to the following provisions of this Article, the Lessee shall be entitled to employ contractors and the latter shall be entitled to employ sub-contractors for the performance of the Agreement. The Lessee is obliged to submit to the Lessor a copy of any contracts entered into with contractors (including with Affiliate Enterprises) and of any contracts they have entered into with the sub-contractors immediately after their execution. Article 4 of the Hydrocarbons Law shall apply mutatis mutandis to contractors and their sub-contractors.
- 26.2 The Lessee shall obtain the Lessor's prior written consent before entering contracts for goods and services for Petroleum Operations except where:
- (a) in the Exploration Stage, the contract (or related series of contracts) is expected to involve expenditure of less than [•] million Dollars (\$[•],000,000); or
  - (b) in then Exploitation stage, the contract (or related series of contracts) is expected to involve expenditure of less than [•] million Dollars (\$[•],000,000).

The foregoing provisions of this Article 26.2 do not apply to the extent they would hinder the Lessee from taking all necessary and proper measures for the protection of life, health, the environment and property if there is an emergency (including a significant fire, explosion, Petroleum release or sabotage; incident involving loss of life, serious injury to an employee, contractor or third party, or serious property damage; strikes and riots; or evacuation of personnel)

- 26.3 The Lessee, its contractors, sub-contractors employed by the Lessee, shall be entitled to employ foreign personnel in Greece for Petroleum Operations. The Lessee shall (and shall procure that its subcontractors shall) give due and proper consideration to preferring Greek and EEA sourced services, materials, equipment, consumables and other goods whose quality and time of delivery are comparable to those available internationally.
- 26.4 Subject to the conditions and requirements of paragraph 9 of article 6 of the Hydrocarbons Law, the Lessor will support all applications by the Lessee to the competent authorities for permits for entry, residence, movement and work in Greece for all foreign personnel referred to in the preceding paragraph and to the members of their family, unless there exist reasons pertaining to national or public security and order.
- 26.5 The Lessee shall be obliged each year to train at its installations local technical and scientific personnel in such numbers and for such periods of time as shall be stipulated by resolution of the MINISTRY in accordance with the provisions of paragraph 10 of article 6 of the Hydrocarbons Law.

## Article 27

### Force Majeure

- 27.1 Failure or delay to perform any of their contractual obligations by either the Lessor or Lessee, shall not be regarded as a breach of the Agreement and shall not give rise to any right or claim by either Party against the other State if such failure or delay is due to Force Majeure or to consequences arising therefrom.
- 27.2 “**Force Majeure**” means any event beyond the reasonable control of the Party claiming to be affected by it and not caused or contributed to by such Party and shall include, but shall not be limited to, acts of God, epidemics, earthquakes, fires, floods, explosions, strikes, lockouts, wars and state of war, revolutions, civil commotions, insurrections, mutinies and acts of the State or of any foreign government. Force Majeure shall not excuse the failure to pay any sum when due hereunder and a lack of funds shall not constitute Force Majeure.
- 27.3 If, as a result of an event of Force Majeure either the Lessor or the Lessee is prevented from performing its obligations or exercising its rights under this Agreement, the performance of any obligation or the exercise of any right under the Agreement shall be suspended to the extent to which the relevant Party is affected by the said act of Force Majeure and during such time as it lasts and for such reasonable additional time thereafter as might be required for normal resumption of the Petroleum Operations and other contractual obligations.
- 27.4 In the event of Force Majeure, the Party prevented from performing its obligations or exercising its rights under the Agreement shall immediately give to the other Party notice of the nature of the Force Majeure and its probable duration.
- 27.5 If as a result of an event of Force Majeure Petroleum Operations and other contractual rights and obligations hereunder are suspended for more than twelve (12) Months, the Parties shall meet to discuss in good faith the continuance or termination of this Agreement. If no agreement can be reached by the Parties within twelve (12) Months from the date of the expiry of the aforementioned twelve (12) Month period, the Lessor or the Lessee may give to the other notice of termination of this Agreement which notice shall become effective six (6) Months following the date of service of such notice.

## Article 28

### Notifications. Agent for Service

28.1

28.2 Unless otherwise provided in this Agreement, all Notices given under this Agreement shall be:

- (a) in writing;
- (b) in English or Greek; and
- (c) delivered personally or by pre-paid recorded delivery (or international courier if overseas) or by fax addressed as follows

**If to the Lessor:**

[ • ]  
Attention: [ • ]  
Fax: [ • ]  
With a copy to: [ • ]

**If to the Lessee:**

[ • ]  
Attention: [ • ]  
Fax: [ • ]  
With a copy to: [ • ]

28.3 In the absence of evidence of earlier receipt, and subject to Article 28.3 and 28.4, a Notice shall be deemed given and received:

- (a) if delivered personally, when left at the address referred to above;
- (b) [if sent by pre-paid recorded delivery (except air mail), two (2) Business Days after posting it;
- (c) if sent by airmail, five (5) Business Days after posting it;
- (d) if sent by international courier, five (5) Business Days after it is collected by such courier from the sender; and
- (e) if sent by facsimile, at the time of transmission (as per a transmission report from the machine from which the facsimile was sent).

28.4 If receipt or deemed receipt of a Notice occurs before 9am (in the country of receipt) on a Business Day, the Notice shall be deemed to have been received at 9am (in the

country of receipt) on that day, and if deemed receipt occurs after 5pm (in the country of receipt) on a Business Day, or on a day which is not a Business Day, the Notice shall be deemed to have been received at 9am (in the country of receipt) on the next Business Day.

28.5 The deemed service provisions in Article 28.2 shall not apply to a Notice served by fax, if, before the time at which the Notice would otherwise be deemed to have been served, the recipient informs the sender that the Notice has been received in a form which is unclear in any material respect and, if it informs the sender by telephone or email, it also despatches a confirmatory facsimile within two hours.

28.6 In proving service, it shall be sufficient to prove that:

- (a) the envelope containing the Notice was addressed to the address of the relevant contracting party set out in Article 28.1 (or as otherwise notified by that contracting party pursuant to paragraph 6) and delivered either to that address or into the custody of the postal authorities as a pre-paid recorded delivery, registered post letter or letter sent by international courier; or
- (b) notice was transmitted in full by facsimile to the facsimile number of the relevant contracting party set out in Article 28.1 (or as otherwise notified by that contracting party pursuant to Article 28.6) (as evidenced by a machine generated confirmation of full receipt).

28.7 A contracting party may by Notice of at least five (5) Business Days to the other contracting party change the address or facsimile number to which Notices to it are to be delivered.

28.8 No Notice given under this Agreement shall be validly served if sent by e-mail.

28.9 All communications between the contracting parties (other than Notices) shall, unless the Agreement provides otherwise, be:

- (a) in writing; and
- (b) in English or Greek,
- (c) and may be made by email.

28.10 Articles 28.1 to 28.8 (inclusive) do not apply to the service of any Service Documents.

28.11 [The] [Each] Lessee irrevocably agrees with the Lessor that any Service Document may be sufficiently and effectively served on it in connection with any Proceedings by service on its process agent. For the purposes of this paragraph:

- (a) [ • ] appoints as its process agent in connection with Proceedings:

[ • ]  
Greece

Attention: [ • ]

(b) <sup>5</sup>[ • ] appoints as its process agent in connection with Proceedings:

[ • ]

Greece

Attention:

[ • ]

28.12 [The] [Each] Lessee agrees with the Lessor to maintain the appointment of its process agent (and any replacement process agent appointed pursuant to Article 28.12) and it shall not withdraw the appointment of any such process agent until its replacement shall have been validly appointed and it shall have given the Lessor Notice of the name and address of the replacement process agent.

28.13 If the process agent referred to in Article 28.0 (or any replacement process agent appointed pursuant to this Article 28.12) at any time ceases for any reason to act as such, his appointor shall appoint a replacement process agent with an address for service in Greece, and shall give the Lessor Notice of the name and address of the replacement process agent. If [the] [a] Lessee fails to appoint a replacement process agent or give the Lessor Notice of the name and address of a replacement process agent as required by this Article 28.12, the Lessor shall be entitled by Notice to the defaulting Lessee to appoint such a replacement process agent to act on the defaulting Lessee's behalf. The defaulting Lessee shall bear all the costs and expenses of replacement process agent appointed by the Lessor in these circumstances.

28.14 [The] [Each] Lessee may, by Notice of at least [five] (5) Business Days to the Lessor, change the address of its process agent (or any replacement process agent appointed pursuant to Article 28.12) to another address in Greece.

28.15 Any Service Document served pursuant to this Article shall be marked for the attention of the relevant process agent and addressed to the address set out in Article 28.9 or to the address notified pursuant to Articles 28.11, 28.12 or 28.13 (as the case may be).

28.16 Any Service Document marked for the attention of the relevant process agent and addressed to the address set out in Article 28.9 or to the address notified pursuant to Articles 28.11, 28.12 or 28.13 (as the case may be) pursuant to Article 28.14 shall be deemed to have been duly served if:

(a) left at such address, when it is left; or

(b) sent by first class pre-recorded delivery or registered post to such address, two (2) Business Days after the date of posting.

28.17 [The] [Each] Lessee shall send by post to the Lessor a copy of any Service Document served by it (or on its behalf) on a process agent pursuant to this Article (to the address set out in Article 28.1 or 28.6 (as the case may be), but no failure or delay in doing so shall prejudice the effectiveness of service of the Service Document in accordance with Article 28.14.

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<sup>5</sup> If more than one Lessee is a party to the Lease.

- 28.18 [The] [Each] Lessee agrees that failure by any process agent to give notice of any process to it, or to give a copy of any Service Document served on it, shall not impair the validity of such service or of any Proceedings based on that process.
- 28.19 Nothing contained in Articles 28.10 to 28.17 affects the right to serve a Service Document in another manner permitted by law.

## Article 29

### Modifications of the Agreement

- 29.1 The terms of this Agreement, may only be modified by written agreement between the Parties and shall be effective upon approval by the MINISTRY.
- 29.2 Upon application by the Lessee, time limits for the fulfilment of Lessee's obligations may be extended with the written consent of the Lessor, except for time limits the extensions of which are specifically regulated by the Hydrocarbons Law and by this Agreement and except for the time limits set for the submission of the Annual Work Programme and Budget of the Development and Production Programme and for notification that a Discovery is commercially exploitable.

## Article 30

### Applicable Law and Validity of Texts

- 30.1 This Agreement has been executed in Greek and in English. In case of discrepancies between the texts, the Greek text shall prevail.
- 30.2 This Agreement shall be governed by, and construed in accordance with, Greek Law.

## Article 31

### Miscellaneous

- 31.1 This Agreement represents and contains the entire understanding and arrangement of the Parties in relation to the matters dealt with herein and, unless otherwise specified herein, supersedes and replaces from the Effective Date any other understandings and arrangements between the Parties or any of them relating to such matters.
- 31.2 In the event of any conflict or inconsistency arising between the main body of this Agreement and any of the Annexes, the provision contained in the main body of this Agreement shall prevail.
- 31.3 Except where this Agreement expressly provides to the contrary, the rights and remedies contained in this Agreement are cumulative and not exclusive of rights and remedies provided by law.

## Article 32

### Effective Date of Agreement

This Agreement shall be subject to the approval of the MINISTRY. The date on which the Agreement shall be so approved shall be its Effective Date.

**IN WITNESS WHEREOF**

the Lessor and the Lessee have signed the Agreement through their authorized representative (s) on the above mentioned date.

For the LESSOR:

HHRM] S.A.

.....

*[Insert name/title]*

For the LESSEE:

[ • ]

.....

*[Insert name/title]*

ANNEX A  
CO-ORDINATES OF CONTRACT AREA

ANNEX B  
MAP OF CONTRACT AREA

## ANNEX C

### ACCOUNTING PROCEDURE

This Annex is attached to and made part of this Lease Agreement between the Lessor and Lessee.

#### SECTION I

##### GENERAL PROVISIONS

- A. 1.1 Definitions
- (a) For the purposes of this Accounting Procedure, the terms used herein which are defined in the Agreement shall have the same meaning when used in this Accounting Procedure.
  - (b) In addition in this Annex:-
    - (i) "Contract Costs" means Exploration Costs, Exploitation Costs, Operating Costs, Service Costs, and General and Administrative Costs, as such costs are respectively defined in Sections 3.1, 3.2, 3.3, 3.4 and 3.5 of this Annex:
    - (ii) "Separation Point" means the pipeline inlet flange at or adjacent to the boundary of the Contract Area at which Crude Oil or Natural Gas enters a pipeline for transportation by the Pipeline Company to an ocean terminal or such other point as the Parties may agree in writing;
    - (iii) "Year" means a period of twelve months starting with 1 January and ending with 31 December and "Quarter" means a period of three consecutive months starting with the first day of January, April, July or October, or such other periods of twelve and three months, respectively, as the Parties may agree in writing.
- 1.2 Statements Required to be Submitted by the Lessee
- (a)
    - (i) Within thirty (30) days of the Effective Date, the Lessee shall submit to and discuss with the Lessor a proposed outline of chart of accounts, operating records and reports, which outline shall be in accordance with generally accepted and recognized accounting systems and consistent with normal practice of the international petroleum industry.
    - (ii) Within ninety (60) days of receiving the above submission, the Lessor shall either indicate approval of the proposal or request revisions to the proposal. Within one hundred and eighty (120) day's after the Effective Date of the Agreement, the Lessee and the Lessor shall agree on the outline of chart of accounts, operating records and reports which shall describe the basis of the accounting system and procedures to be developed and used under the Agreement.

- (iii) Following such agreement, the Lessee shall expeditiously prepare and provide the Lessor with a formal and detailed description of the procedure based on the agreed outline, to be adopted by the Lessee related to the accounting, recording functions, and allow the Lessor to examine the Lessee's manuals and to review procedures which are, and shall be, observed under the Agreement.
- (b) Without limitation to the foregoing, the Lessee shall submit to the Lessor, the following regular statements relating to the Petroleum Operations, each of which shall be compiled separately by reference to each Exploration, Exploitation and Sole Risk area as so designated from time to time pursuant to the Agreement.
  - (i) Exploitation Statement (see Section 6 of this- Annex)
  - (ii) Value of Exploitation Statement (Section 7)
  - (iii) Statement of Income and Expenditures (Section 8)
  - (iv) Final End of Year Statement (Section 9)
  - (v) Budget Statement (Section 10).
- (c) All reports and statements shall be prepared in accordance with the Agreement, the laws of Greece and, where there are no relevant provisions in either of these, in accordance with normal practice of the international petroleum industry.

### 1.3 Language and Units of Account

- (a) Accounts shall be maintained in Euro. Metric units and Barrels shall be employed for measurements required under the Agreement. The language employed shall be Greek. While such currency, units of measurement and language shall prevail in the event of conflict or inconsistency, the Lessee shall also maintain accounts and records in English and in other currencies, units of measurement and/or languages where administratively necessary or desirable.
- (b) It is the intent of this Accounting Procedure that neither the Lessor nor the Lessee should experience an exchange gain or loss at the expense of, or to the benefit of, the other. However, should there be any gain or loss from exchange of currency, it will be credited or charged to the accounts under the Agreement.
- (c) Debits and credits in currencies other than the currency in which the books are kept shall be in the amount entered being the amount in. resulting from the conversion of the foreign currency at the average of the official buying and selling rates on the day when they arise. Receipts and payments shall be entered at the official buying and selling rates, as the case may be, of the day and at the place on which they occurred.

### 1.4 Payments

- (a) All payments between the Parties shall, unless otherwise agreed be in United States dollars and through a bank designated by each receiving Party.

- (b) Subject to the provisions of the Agreement, payments of Income Tax by the Lessee shall be made in accordance with appropriate procedures contained in the laws of Greece.
- (c) All sums due by one Party to the other under the Agreement during any Calendar month shall, for each day such sums are overdue during such month, bear interest compounded daily at an annual rate equal to the average London interbank offered rate for six (6) months as quoted at 11.00 a.m. London time on the first business day of such month by the London Office of Bank of America, plus ( ) percentage points.

#### 1.5 Prudent Financial Management

- (a) The Lessee shall at all times maintain strict financial and budgetary control over all Costs incurred by it pursuant to the Agreement.
- (b) Without limitation to the foregoing, the Lessee shall ensure that all costs incurred by it pursuant in the Agreement shall be
  - (i) necessary for and incidental to the purposes of the Agreement;
  - (ii) incurred on competitive terms in accordance with sound procurement practice;
  - (iii) disbursed to the persons to whom due in accordance with the sound disbursement practice.
- (c) No costs or expenditure incurred by the Lessee other than in accordance with paragraphs (a) and (b) hereof shall be deductible or allowable for the purposes of Income Tax, Royalty or other fiscal impost under the Agreement.

#### 1.6 Audit and Inspection Rights of the Republic

- (a)
  - (i) The Lessor shall have the right to cause to be audited, at its own cost, Lessee's accounts and records maintained hereunder with respect to each Year within two (2) Years from the end of each such Year. Notice of any exception to the Lessee's accounts of any Year must be submitted to the Lessee within three (3) Years from the end of such Year.
  - (ii) For purposes of auditing, the auditors may examine and verify, at reasonable times all charges and credits relating to the Petroleum Operations such as books of account, accounting entries, material records and inventories, vouchers, payrolls, invoices and any other documents, correspondence and records necessary to audit and verify the charges and credits.
  - (iii) Furthermore, the auditors shall have the right in connection with such audit to visit and inspect at reasonable times all sites, plants, facilities, warehouses and offices of the Lessee directly or indirectly serving the Petroleum Operations and to visit personnel associated with those operations.

- (b) Without prejudice to the provisions of sub-section 1.6(a), the Lessee shall maintain in Greece and make available for inspection by the Lessor all documents referred to in that subsection for five (5) Years following their date of issue.

## SECTION 2

### SEPARATE EXPLORATION, EXPLOITATION AND SOLE RISK AREA ACCOUNTS AND TAXATION

- 2.1 In accordance with the provisions of articles 8 and 9 of the Hydrocarbons Law relating to Income Tax, the liability thereto of the Lessee shall be individually calculated and determined by reference to Petroleum Operations conducted by the Lessee in the Exploration, Exploitation Area and in each separate and Sole Risk Area.
- 2.2 For such purpose, the Lessee shall open and maintain separate sets of balance sheets, statements of income and expenditure and of cash flow, and other financial statements and books of account, setting out:
- 2.2.1 in respect of the Exploration Area, all Contract Costs incurred in respect of such Area (hereinafter called "Exploration Area Accounts"),
- 2.2.2 in respect of each Exploitation Area as so designated, all Contract Costs incurred in respect of such Area (hereinafter called "Exploitation Area Accounts"), and
- 2.2.3 in respect of each Sole Risk Area as so designated, all Contract Costs incurred in respect of such Area (hereinafter called "Sole Risk Area Account").
- 2.3 Pursuant to article 8 (3) and article 9 (1) and (2) of the Hydrocarbons Law, to the Clause entitled "Allocation of Income and Expenditures" in the Presidential Decree and, subject thereto, to the provisions of this Annex, all Contract Costs shall be allocated as between such Accounts as follows:
- 2.3.1 Pending the designation of an Exploitation Area or of any Sole Risk Area, all Contract Costs shall be allocated to a single set of Exploration Area Accounts for the whole Contract Area,
- 2.3.2 As from the designation of an Exploitation Area or a Sole Risk Area, all Contract Costs exclusively attributable to each such Area shall be allocated to the Accounts therefor, and
- 2.3.3 Contract Costs which relate to two or more Areas shall be allocated as between the Accounts for such Areas according to the criteria set forth in the Clause entitled "Allocation of Income and Expenditures" in the Presidential Decree and, subject thereto, in accordance with generally accepted accounting principles used in the international petroleum industry.
- 2.3.4 As from the opening of each Account for a newly designated Exploitation Area, the Lessee shall allocate thereto all Contract Costs attributable thereto, and shall for such purpose reallocate any such Contract Costs previously allocated to the Exploration Area Accounts.
- 2.4 Each set of Accounts for Exploration, Exploitation and Sole Risk Areas hereunder shall classify income and expenditure attributable to each such Area into separate

categories including without limitation, Exploration Costs, Exploitation Costs, Operating Costs, Service Costs and General and Administrative Costs as hereinafter more particularly defined.

- 2.5 As from the date of commencement of Exploitation Operations under the Agreement, the Lessee shall pursuant to article 8 (4) of the Hydrocarbons Law open a further account (entitled "Other Contract Area Exploration Expenditures Account") setting forth the amount of petroleum exploration expenditures incurred by the Lessee in areas outside of the Contract Area and the percentage thereof, not exceeding 50%, eligible in accordance with that Article for inclusion with Contract Costs in the computation of the Lessee's taxation liability.

## SECTION 3

### CLASSIFICATION, DEFINITION AND ALLOCATION OF COSTS AND EXPENDITURES

All expenditures relating to the Petroleum Operations which are incurred in accordance with the provisions of the Agreement shall be classified, defined and allocated in relation to the Exploration Area and to each Exploitation or Sole Risk Area as follows:

- 3.1 Exploration Costs are direct and allocated indirect expenditures incurred in the search for Petroleum in an area which is or was, at the time when such costs were incurred, the Exploration Area including:
- (a) Aerial geophysical, geochemical, paleontological, geological, topographical and seismic surveys and studies and their interpretation,
  - (b) Core hole drilling and water well drilling,
  - (c) Labour, materials and services used in drilling wells with the object of finding new petroleum reservoirs or for the purpose of appraising the extent of Petroleum reservoirs already discovered provided such wells are not completed as producing wells.
  - (d) Facilities used solely in support of these purposes including access roads and purchased geological and geophysical information.
  - (e) A portion of all Service Costs allocated to the Exploration Operations on an equitable basis to be agreed to between the Lessor and the Lessee.
  - (f) A portion of all General and Administrative Costs allocated to the Exploration Operations based on projected budget expenditures, subject to adjustment on the basis of actual expenditure at the end of the Year concerned.
  - (g) Any other expenditures incurred in the search for Petroleum prior to the commencement of Commercial Exploitation and not covered under sub-section 3.3.
- 3.2 Exploitation Costs are expenditures incurred in the development of Petroleum production capacity from an Exploitation Area, including:
- (a) Drilling wells which are completed as producing wells and drilling wells for purposes of producing a petroleum reservoir already discovered, whether these wells are dry or producing.
  - (b) Completing wells by way of installation of casing or equipment or otherwise after a well has been drilled for the purpose of bringing the well into use as a producing well.
  - (c) The costs of field facilities, such as pipelines inside of the Separation Point, flow lines, production and treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, offshore platforms, petroleum storage facilities, export terminals and piers, harbours and related facilities, and access roads for production activities.
  - (d) Engineering and design studies for field facilities.

- (e) A portion of Service Costs allocated to the Exploitation Operations on an equitable basis in a manner to be agreed between the Lessor and the Lessee.
  - (f) A portion of General and Administrative Costs allocated to the Exploitation Operations based on projected budget expenditures subject to adjustment based on actual expenditures at the end of the Year concerned,
  - (g) Any other expenditures incurred in the development of Petroleum production capacity prior to the commencement of Commercial Exploitation and not covered under sub-section 3.3.
- 3.3 Operating Costs are expenditures incurred after the start of Commercial Exploitation (except in the case of intangible drilling costs as hereinafter mentioned) in the production of Petroleum and operation of related facilities. Without limitation, Operating Costs include intangible drilling costs such as, but not limited to labour, consumables, material and services having no salvage value, which are incurred in the drilling operations related to the drilling or deepening of producing wells, whether incurred before or after the commencement of Commercial Exploitation. The balance of General and Administrative Costs and Service Costs not allocated to Exploration Costs or Exploitation Costs shall be allocated to Operating Costs.
- 3.4 Service Costs are direct and indirect expenditures in support of the Petroleum Operations including warehouses, piers, marine vessels, vehicles, motorised rolling equipment, aircraft, fire and security stations, workshops, water and sewage plants, power plants, housing, community and recreational facilities and furniture, tools and equipment used in these activities. Service Costs in any Year shall include the total costs incurred in such Year to purchase and/or construct said facilities as well as the annual costs to maintain and operate the same. All Service Costs shall be regularly allocated as specified in sub-sections 3.1 (e), 3.2 (f) and 3.3 to Exploration Costs, Exploitation Costs and Operating Costs.
- 3.5 General and Administrative Costs are:
- (a) All office, field office and general administrative costs incurred by the Lessee within Greece in respect of Petroleum Operations, including but not limited to supervisory, accounting and employee relations services.
  - (b) An overhead charge for services rendered by or on behalf of the Lessee outside Greece for managing the Petroleum Operations and for staff advice and assistance including financial, legal, accounting and employee relations services. Such overhead charge shall be limited to the maximum provided in the Presidential Decree under the Clause headed "Lessee's Overheads Expenses Abroad".
  - (c) All General and Administrative Expenses shall be regularly allocated as specified in subsections 3.1(f), 3.2(f) and 3.3 to Exploration Costs, Exploitation Costs and Operating Costs.

## SECTION 4

### COSTS, EXPENSES, EXPENDITURES AND CREDITS OF THE LESSEE

#### 4.1 Costs Deductible Without Further Approval of the Lessor.

Subject to the provisions of the Agreement, the Lessee shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses shall be classified in relation to the Exploration, and to each Exploitation and Sole Risk Area under the headings referred to in Section 4, and are deductible by the Lessee under the Agreement.

(a) Surface Rights

This covers all direct costs attributable to the acquisition, renewal or relinquishment of surface rights acquired and maintained in force for the Contract Area.

(b) Labour and Associated Labour Costs

(i) Gross salaries and wages including bonuses of the Lessee's employees directly engaged in the Petroleum Operations, irrespective of the location of such employees.

(ii) The Lessee's costs regarding holiday and vacation, applicable to the salaries and wages chargeable under (i) above.

(iii) Expenses or contributions made pursuant to assessments or obligations imposed under the laws of Greece which are applicable to the Lessee's cost of salaries and wages chargeable under (i) above

(iv) Reasonable travel expenses of employees of the Lessee, including those made for travel of the expatriate employees assigned to the Lessor, all of which shall be in accordance with the Lessee's normal practice.

(v) Any personal income taxes assessed under the laws of Greece on employees of the Lessee and paid or reimbursed by the Lessee.

(c) Transportation

The cost of transportation of employees, equipment, materials and supplies necessary for the conduct of the Petroleum Operations.

(d) Charges for Services

(i) Third Party Contracts

The actual costs of contracts for technical and other services entered into by the Lessee for the Petroleum Operations, made with third parties other than Affiliated Enterprise of the Lessee, are deductible, provided that the prices paid by the Lessee are no higher than those generally charged by other international or domestic suppliers for comparable work and services.

(ii) Affiliated Enterprises of Lessee

Without prejudice to the maximum charges to be made in accordance with subsection 3.5, in the case of services rendered to the Petroleum Operations by an Affiliated Enterprise of the Lessee, the charges will be based on actual costs without profits and will be competitive. The charges shall be no higher than the most favourable prices charged by the Affiliated Enterprise to third parties for comparable services under similar terms and conditions elsewhere. The Lessee shall, if requested by the Lessor specify the amount of the charges which contribute an allocated proportion of the general material, management, technical and other costs of the Affiliated Enterprise, and the amount which is the direct cost of providing the services concerned. If necessary, certified evidence regarding the basis of prices charged may be obtained from the auditors of the Affiliated Enterprise.

(e) Material

(i) General

So far as is practicable and consistent with efficient and economical operation, only such material shall be purchased or furnished by the Lessee for use in the Petroleum Operations as may be required for use in the reasonably foreseeable future and the accumulation of surplus stocks will be avoided.

(ii) Warranty of Material

The Lessee does not warrant material beyond the supplier's or manufacturer's guarantee and, in case of defective material or equipment, any adjustment received by the Lessee from the suppliers, manufacturers or their agents will be credited to the accounts under the Agreement.

(iii) Value of Material Charged in the Accounts

(A) Except as otherwise provided in (B) below, material purchased by the Lessee for use in the Petroleum Operations shall be valued to include invoice price less trade and cash discounts (if any), purchase and procurement fees plus freight and forwarding charges between point of supply and point of shipment, freight to port of destination, insurance, taxes, customs duties, consular fees, other items chargeable against imported material and, where practicable, handling and transportation expenses from point of importation to warehouse or operating site, and its costs should not exceed those currently prevailing in normal arms-length transactions on the open market.

(B) Materials purchased from Affiliated Enterprises of the Lessee shall be charged at the following prices:

(aa) New Material (Condition "A") shall be valued at the current international price which should not exceed the

price prevailing in normal arms-length transactions on the open market.

- (bb) Used Material (Conditions "B" and "C") which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classified as Condition "B" and priced at seventy five percent (75%) of the current price of new materials defined in (aa) above
  - (cc) Material which cannot be classified as Condition "B" but which after reconditioning will be further serviceable for original function as good secondhand material Condition B, or is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty percent (50%) of the current price of new material as defined in (aa) above. The cost of reconditioning shall be charged to the reconditioned material, provided that the Condition "C" material value plus the cost of reconditioning does not exceed the value of Condition "B" material
  - (dd) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.
  - (ee) Material involving erection costs shall be charged at the applicable condition percentage of the current knocked" down price of new material as defined in (aa). above.
  - (ff) When the use of material is temporary and its service to the Petroleum Operations does not justify the reduction in price as provided for in (cc) hereof, such material shall be priced on a basis that will result in net charge to the Accounts under the Agreement consistent with-the value of the service rendered.
- (f) Rentals, Duties and Other Assessments.

All rentals, taxes, levies, charges, fees, contributions and any other assessments and charges levied by the Lessor in connection with the Petroleum Operations and paid directly or indirectly by the Lessee other than Income Tax and imposed on the Lessee as specified in Article 13 of the Agreement, as well as any other taxes payable in respect of the income or profits of the Lessee.

- (g) Insurance and Losses

Insurance premia and costs incurred for insurance provided that if such insurance is wholly or partly placed with an Affiliated Company of the Lessee, such premia and costs shall be Deductible only to the extent generally charged by competitive insurance companies other than an Affiliated Enterprise of the Lessee. Costs and losses incurred as a consequence of events which are, and in so far as, not made good by insurance obtained

under the Agreement are Deductible under the Agreement unless such costs have resulted solely from an act of wilful misconduct or negligence of the Lessee.

(h) Legal Expenses

All costs and expenses of litigation and legal or related services necessary or expedient for the procuring, perfecting, retention and protection of the Contract Area, and in defending or prosecuting lawsuits involving the Contract Area or any third party claim arising out of activities under the Agreement, or sums paid in respect of legal services necessary or expedient for the protection of joint interest of the Lessor and the Lessee are deductible. Where legal services are rendered in such matters by salaried or regularly retained lawyers of the Lessee or an Affiliated Enterprise of the Lessee, such compensation will be included instead under sub-section 4.1(b) or 4.1(d) above, as applicable.

(i) Training Costs

All costs and expenses incurred by the Lessee in training of its Greek employees engaged in the Petroleum Operations and such other training as required under Article - of the Agreement.

(j) General and Administrative Costs

The costs described in subsection 3.5(a) and the charge described in subsection 3.5(b)

4.2 Costs Deductible only with Prior Approval in Writing of the Lessor

- (a) Commission paid to intermediaries by the Lessee.
- (b) Donations and contributions.
- (c) Expenditure on research into and development, of new equipment, material and techniques for use in searching for, developing and producing petroleum.

4.3 Costs not Deductible under the Agreement

- (a) Costs incurred before the Effective Date.
- (b) Petroleum marketing or transportation costs of Petroleum beyond the Separation Point.
- (c) The costs of any Bank Guarantee given under this Agreement (and any other amounts spent on indemnities with regard to the non-fulfilment of contractual obligations).
- (d) Costs of arbitration and the independent expert in respect of any dispute under the Agreement.
- (e) Bonuses and Income Tax as well as any other taxes payable in respect of the income or profits of the Lessee.

- (f) Fines and penalties payable in accordance with the decision of the responsible Greek authorities.
- (g) Costs incurred other than in accordance with prudent financial management in accordance with Section 1.5 of this Annexe.
- (h) Costs incurred as a result of wilful misconduct or negligence of the Lessee.

#### 4.4 Other Costs and Expenses

Other costs and expenses not covered or dealt with in the provisions of this Section 4 and which are incurred by the Lessee in accordance with the provisions of the Agreement for the necessary and proper conduct of the Petroleum Operations are deductible.

#### 4.5 Credit under the Agreement

The net proceeds of the following transactions shall be credited to the accounts under the Agreement:

- (a) The net proceeds of any insurance or claim in connection with the Petroleum Operations or any assets charged to the accounts under the Agreement when such operations or assets were insured and the premium charged to the accounts under the Agreement.
- (b) Revenue received from outsiders for the use of property or assets charged to the accounts under the Agreement.
- (c) Any adjustment received by the Lessee from the suppliers or manufacturers or their agents in connection with a defective material the cost of which was previously charged by the Lessee to the accounts under the Agreement.
- (d) Rentals, refunds or other credits received by the Lessee which apply to any charge which has been made to the accounts under the Agreement, but excluding any award granted to the Lessee under arbitration or independent expert proceedings referred to in subsection 4.3(d) above.
- (e) The prices originally charged to the Accounts under the Agreement for inventory materials subsequently exported from Greece without being used in the Petroleum Operations.

#### 4.6 Duplication of Charges and Credits

Notwithstanding any provision to the contrary in this Accounting Procedure, it is the intention that shall be no duplication of charges or credits to the Account under Agreement.

## SECTION 5

### RECORD AND VALUATION OF ASSETS

- 5.1 The Lessee shall maintain detailed records in relation to each Exploitation Area of property in use for the Petroleum Operations in accordance with normal practice in exploration and production activities of the international petroleum industry.
- 5.2 At reasonable intervals but at least once a Year with respect to movable assets and once every five (5) Years with respect to immovable assets, inventories of the property under the Agreement shall be taken by the Lessee. The Lessee shall give the Lessor at least thirty (30) days written notice of its intention to take such inventory and the Lessor shall have the right to be represented when such inventory is taken. The Lessee will clearly state the principles upon which valuation of the inventory has been based.
- 5.3 When an assignment of rights under the Agreement takes place, a special inventory may be taken by the Lessee at the request of the assignee provided that the costs of such inventory are borne by the assignee.

## SECTION 6

### EXPLOITATION STATEMENT

- 6.1 Upon commencement of Commercial Exploitation from the Contract Area, the Lessee shall submit a monthly Exploitation statement to the Lessor showing the following information in relation to each Exploitation Area:
- (a) The quantity of Crude Oil produced and saved.
  - (b) The quantity of Natural Gas produced and saved.
  - (c) The quantities of Hydrocarbons used for the purposes of carrying on drilling and production operations and pumping to field storage.
  - (d) The quantities of Natural Gas flared.
  - (e) The size of Hydrocarbon stocks held at the beginning of the Month
- The size of Hydrocarbon stocks held at the end of the Month.
- 6.2 The Exploitation Statement of each Month shall be submitted to the Lessor no later than seven (7) days after the end of such Month.

## SECTION 7

### VALUE OF EXPLOITATION STATEMENT

- 7.1 The Lessee shall for the purposes of Article 12 of the Agreement prepare a statement providing calculations of the value of Petroleum produced and saved during each Quarter in relation to each Exploitation Area. This Statement shall contain the following information in relation to each Exploitation Area:
- (a) The quantities and prices realised therefor by the Lessee as a result of sales of Petroleum to third parties made during the Quarter in question.
  - (b) The quantities and the prices realised therefor by the Lessee as a result of such sales made during the Quarter in question, other than to third parties.
  - (c) The quantity of stocks of Petroleum at the end of the preceding Quarter in question.
  - (d) The quantity of stocks of Petroleum at the end of the Quarter in question.
  - (e) Information available to the Lessee, if relevant for the purpose of Article 14 of the Agreement, concerning the prices of Petroleum produced by the main petroleum producing and exporting countries including contract prices, discounts and premia, and prices obtained on the spot markets.
  - (f) The amount and calculation of Royalty payable for the Quarter in accordance with Article 12.
- 7.2 The Value of Exploitation Statement of each Quarter shall be submitted to the Lessor not later than twenty (20) days after the end of such Quarter.

## SECTION 8

### STATEMENT OF INCOME AND EXPENDITURE

- 8.1 The Lessee shall prepare with respect to each Quarter a Statement of Income and Expenditure under the Agreement in relation to each Exploitation Area. The Statement will distinguish between Exploration Costs, Exploitation Costs and Operating Costs and will identify major items of expenditures within these categories. The Statement will show the following:
- (a) Actual expenditures and receipts for the Quarter in question.
  - (b) Cumulative expenditure and receipts for the Year in question.
  - (c) Latest forecast cumulative expenditures at the Year end.
  - (d) Variations between budget forecast and latest forecast and explanations thereof.
- 8.2 The Statement of Income and Expenditure of each Quarter shall be submitted to the Lessor no later than fifteen (15) days after the end of such Quarter.

## SECTION 9

### FINAL END-OF-YEAR STATEMENT

- 9.1. The Lessee shall prepare a Final End-of-Year Statement in relation to each Exploitation Area. The Statement shall contain information as provided in the Exploitation Statement, Value of Exploitation Statement, and Statement of Income and Expenditures but will be based on actual quantities of Petroleum produced and expenses incurred.
- 9.2. Based upon this Statement, any adjustments that are necessary will be made to the transactions concerned under the Agreement.
- 9.3. The Final End-of-Year Statement of each Year shall be submitted to the Lessor within sixty (60) days of the end of such Year.

## SECTION 10

### BUDGET STATEMENT

- 10.1 The Lessee shall prepare an Annual Budget Statement for each Year in relation to each Exploitation Area. This shall distinguish between Exploration Costs, Exploitation Costs and Operating Costs and shall show the following:
- (a) Forecast Expenditures and Receipts for such Year under the Agreement.
  - (b) A schedule showing the most important individual items of Exploitation Costs for such Year.
  - (c) Cumulative Expenditures and Receipts to the end of the preceding Year.
- 10.2 The Budget Statement shall be submitted to the Lessor with respect to each Year no less than ninety (90) days before the start of that Year. If the Effective Date falls on a date less than ninety (90) days before the start-of the Year next following, the Budget Statement for such Year shall be submitted within sixty (60) days of the Effective Date and shall cover the period from the date of its submission to the end of that Year.

## SECTION 11

### REVISION OF ACCOUNTING PROCEDURE

The provisions of this Accounting Procedure may be amended by agreement between the Lessee and the Lessor. The amendments shall be made in writing and shall state the date on which the amendments shall become effective.

## ANNEX D

### APPLICATION FOR CONSENT TO DRILL

- (1) The Lessor shall, before drilling any exploration or appraisal well, submit to the Lessee -
  - (a) at least three months before the spudding of an exploration well; and
  - (b) at least one week before the spudding of an appraisal well, an application for consent to drill.
- (2) An application for consent to drill shall specify details of -
  - (a) the location of the well, including -
    - (i) the Greenwich latitude and longitude co-ordinates;
    - (ii) the ground level elevation;
    - (iii) in the case of an offshore well, the water depth and an estimate of the Kelly bushing or derrick floor elevation above sea level, lake surface and lake bottom;
    - (iv) in the case of a deviated hole, the well trajectory, specifying deviation, measured depth, vertical depth and azimuth of hole location at regular intervals;
    - (v) in the case of a vertical hole, the deviation limits at the bottom of the hole location;
  - (b) site preparation, including, without limiting the general effect of the foregoing-
    - (i) the site plan, specifying the location of the rig and its components, fuel tankage, drillwater tankage, bulk mud and cement storage, firewalls, drip trays and explosive magazines;
    - (ii) methods to be adopted to combat pollution and environmental damage taking into account water wells, rivers, forests, farmland, fishing activity and buildings in close proximity to the location of the well;
    - (iii) methods to be adopted for the disposal of waste, such as spent mud, cuttings and camp waste, from the location of the well;
    - (iv) safety precautions relevant to site preparation as described in the Institute of Petroleum Code of Safe Practice or any other appropriate code;
    - (v) site surveys indicating possibilities of the presence of shallow gas;
    - (vi) site clean-up plans for after well-abandonment;
    - (vii) security requirements, especially details of fencing, guard arrangements, firewalls, flare pit and line, warning signs, hazardous areas as specified in the appropriate IP codes of conduct, lights,

access limitations, visitor reporting, safety shoes area, smoking areas and hard hat areas;

- (c) blow-out prevention methods, specifying -
    - (i) anticipated pressures;
    - (ii) the blow-out preventer assembly;
    - (iii) blow-out preventer tests, checks, and drills;
    - (iv) well head details and tests;
    - (v) casing seat tests;
    - (vi) choke manifold, choke and kill line, and test procedures;
    - (vii) drilling break procedures;
    - (viii) flow check procedures;
    - (ix) gas shows procedures;
    - (x) shut-in procedures;
    - (xi) hang of procedures; and
    - (xii) well kill procedures;
  - (d) the well plan;
  - (e) a geological, geophysical and engineering prognosis for the well; and
  - (f) a formulation evaluation plan.
- (3) Unless otherwise provided in a unitization agreement, no well shall be spudded closer than 400m from a licence area boundary nor shall it be deviated so that its bottom hole location or any portion of the well bore is closer than 400m from the licence area.
- (4) In this Annex, unitization agreement means an agreement entered into under Article 5 paragraph 15 of the Hydrocarbon Law

ANNEX E  
INSURANCES

ANNEX F

FORM OF PARENT COMPANY GUARANTEE

ANNEX G  
FORM OF BANK GUARANTEE

ANNEX H  
DEPRECIATION

This Annex is attached to and made part of the Lease Agreement between the Lessor and the Lessee.

To determine the Lessee' s annual taxable income, the maximum amount to be depreciated of the actual expenditures for the Exploration Operations and the production facilities and other fixed assets, including expenses incurred before the commencement of the production of Hydrocarbons and expenses of the first established operations which are debited in the Income and Expenditure Account, in accordance with Annex C, shall be [●] per cent ([●]%) of the annually Produced and Saved Hydrocarbons and by Products.

The value of the annually Produced and Saved Hydrocarbons and By-Products from the Exploitation Area shall be determined in accordance with Article 16.