ADDENDUM TO EXISTING PRODUCTION SHARING AGREEMENT

BETWEEN

GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA

AND

TANZANIA PETROLEUM DEVELOPMENT CORPORATION

AND

STATOIL TANZANIA AS

AND

EXXONMOBIL EXPLORATION AND PRODUCTION TANZANIA LIMITED

BLOCK 2
This Addendum ("Addendum") is entered into on 22nd February 2012 (the "Effective Date") by the Government of the United Republic of Tanzania acting through the Ministry of Energy and Minerals (the "Government"); Tanzania Petroleum Development Corporation a statutory Corporation established under the laws of the United Republic of Tanzania ("TPDC"); Statoil Tanzania AS ("Statoil") a company formed and existing under the laws of Norway and registered with a branch under the laws of the United Republic of Tanzania; and ExxonMobil Exploration and Production Tanzania Limited ("ExxonMobil") a company existing under the laws of the Bahamas and registered with a branch under the laws of the United Republic of Tanzania, in order to facilitate the commercialization of any Natural Gas discovery in the Contract Area.

Preamble

Whereas, this Addendum shall form part of the Production Sharing Agreement between Government, TPDC and Statoil dated 18 April 2007 (the "PSA") and shall be read together with the PSA. All references to "this Agreement" in the PSA and herein shall mean the PSA as amended by this Addendum.

Whereas, pursuant to the PSA, TPDC applied for and was granted on 15 June 2007 an Exploration License over the Contract Area conferring on TPDC the exclusive right to explore in Block 2 for petroleum and to carry out such operations and execute such works as necessary;

Whereas, on 10 February 2010 by a Farm-Out Agreement between Statoil and ExxonMobil, Statoil agreed to transfer to ExxonMobil a 35% Participating Interest in Block 2 and on 9 March 2010 the Government formally approved the transfer, leaving Statoil with 65% Participating Interest;

Whereas, ExxonMobil is now a party to the PSA by virtue of the Government approval and is known together with Statoil as the "Contractor";

Whereas, in accordance with the provisions of the PSA, the Parties desire to further their respective rights and obligations in respect of the development of a gas commercialization project; and
Whereas, any gas commercialization project shall be structured either through an integrated or segmented gas value chain, at the Contractors' sole discretion. Prior to making its decision, Contractor shall consult with TPDC.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements and obligations set out below and to be performed, the Parties agree as follows:

Article 1: Definitions and Interpretation

1.1 Unless otherwise defined in this PSA Addendum, defined terms shall have the same meaning as that given in the PSA. The provisions of Article 1 of the PSA shall include (or where such terms are defined in Article 1 of the PSA shall be replaced by) the following definitions:

(a) "Adjusted Gas Quantity" means a quantity of Natural Gas produced and saved from the Contract Area less any Natural Gas used for Production Operations.

(b) "Arm's Length" means the relationship that exists between two or more entities, where neither of such entities exerts or is in a position to exert significant influence on any of the other entities having regard to all relevant factors.

(c) "Associated Gas" shall have the same meaning as Casinghead Gas as defined in the PSA.

(d) "Btu" (British thermal unit) means the amount of heat required to raise the temperature of one pound of pure water from fifty-nine degrees Fahrenheit (59°F) to sixty degrees Fahrenheit (60°F) at a constant pressure of fourteen decimal six nine six (14.696) pounds per square inch absolute.

(e) "Cost Gas" shall be as defined in Article 11 of this Addendum.

(f) "Cost Petroleum" means the sum of Cost Oil and Cost Gas.

(g) "Delivery Point" means the point Freight-On-Board of the Tanzania loading facility at which Crude Oil reaches the inlet flange of the lifting tankship's intake pipe or such other point which may be agreed between TPDC and the Contractor, or in the case of Natural Gas means a location or locations within or outside the Contract Area proposed by Contractor and agreed to by TPDC.

(h) "Domestic Supply Obligation" (DSO) for Natural Gas shall be determined in accordance with Article 8.1(i).

(i) "Fair Market Price" means the price at which Crude Oil or Natural Gas of similar quality could be sold on similar terms at similar times and at a similar location by parties under no compulsion to buy or sell and are trading on an Arm's Length basis.
"Gas Plant" means a Compressed Natural Gas Plant, Gas-To-Liquids Plant, Liquefied Natural Gas Plant, Natural Gas Liquids Plant or a plant for any other products derived from the treatment, conditioning, synthesizing, refining, processing, separation or conversion of Natural Gas, which may be part of the facilities for the production of Natural Gas from the Contract Area, whether located within or outside the Contract Area as agreed by the Contractor and TPDC.

"Gas Plant Liquids" means any liquids (including condensates, propane, butane and other liquid petroleum gas fractions) separated at the well head or Gas Plant, and shall be governed by and marketed in accordance with the Crude Oil terms set out in the PSA. For the purposes of this definition, Liquefied Natural Gas and the products resulting from a Gas-to-Liquids process are not considered Gas Plant Liquids.

"MMscf" means a million standard cubic feet of Natural Gas.

"Natural Gas Location" the location where a Natural Gas discovery is made.

"Natural Gas Operations" means Petroleum Operations carried out in respect of Natural Gas.

"Profit Gas" for the purpose of sharing between the Contractor and TPDC, means the Adjusted Gas Quantity less the amount of Natural Gas available for recovery of Recoverable Contract Expenses.

"Processing Plant" means a gas processing facility designed to lower the dew point of the gas, remove impurities, odorize or otherwise prepare the gas for transportation, shipping or liquefaction, which may be part of the facilities for the production of Natural Gas from the Contract Area, whether located within or outside the Contract Area as agreed by the Contractor and TPDC.

"Technical Expert" means a suitably qualified technical expert of international repute agreed to by the Parties who has the skill and competency necessary to assess the sub-surface and engineering as well as the economic aspects of any proposed development and commercialization of an accumulation.

1.2 References to Articles in this Addendum shall (unless otherwise specified) be to articles of the PSA, and references to Annexes and paragraphs shall be to annexes of the PSA and paragraphs of those annexes.
Article 8  Discovery and Development

The provisions of Article 8 (Discovery and Development) of the PSA shall only apply to Crude Oil, and the provisions of Article 8.1 shall apply to Natural Gas. The provisions of Article 8 as applied to Crude Oil shall be amended as follows:

(a) Article 8(f) shall be deleted.
(b) Article 8(i) shall be deleted
(c) Article 8(j) shall be deleted

8.1  Natural Gas

In the case of a Natural Gas discovery, the following provisions shall apply:

(a) In each instance where Natural Gas is discovered in the Contract Area, Contractor will, within thirty (30) days from the date on which evaluated test results relating to the discovery are submitted to TPDC, inform TPDC by notice in writing whether or not the discovery is, in the opinion of Contractor of commercial interest. If the Contractor notifies TPDC that discovery is of commercial interest, the Contractor will at the same time notify TPDC whether the discovery is of eventual commercial interest ("Eventual Interest") or of present commercial interest ("Present Interest"). In making such notification, the Contractor will provide TPDC with all information as would be reasonably required, in accordance with Good Oilfield Practice, to support its submission.

(b) If Contractor informs TPDC that, in its opinion, utilizing Good Oilfield Practice, the discovery is not of commercial interest as a standalone or as part of an aggregated production project within or outside the Contract Area then the Contractor shall, if requested by TPDC, relinquish at the end of the current Exploration Period the said discovery comprising the geological feature (as outlined in the relevant technical data) in which the discovery is located.

(c) From the date that the Contractor informs TPDC under sub-article (b) of this Article that the discovery is not of commercial interest pursuant to sub-article (a) of this Article, the Minister will in respect of the discovery exempt TPDC (as the license holder) for the remainder of the Exploration License from the requirements of Section 32 (2) of the Act.

(d) If Contractor informs TPDC that, in its opinion, utilizing Good Oilfield Practice, the discovery is of Eventual Interest then the Minister shall be advised by TPDC to agree to allow the Contractor to retain each Discovery Block and up to eight
adjoining blocks for the longer of four (4) years or the duration of the Exploration License and any renewal thereof (the "Exploration Period") and the Minister shall act in accordance with that advice provided that:

(i) the determination of Eventual Interest shall be based on relevant economic criteria, including but not limited to, potential Petroleum production rates, Petroleum prices, development costs, sufficiency of the reserves discovered in the Block to date, operating costs as well as any other relevant criteria, as established by the Contractor;

(ii) Contractor shall reassess the commerciality of the discovery prior to the expiry of four (4) years from the date of notification that the discovery is of Eventual Interest based on the same economic criteria as set out in sub-article (d)(i) of this Article and in case of further discoveries that could be tied and developed together as part of an aggregated production project within or outside the Contract Area in order to make economies of scale, the Contractor shall inform TPDC accordingly;

(iii) Contractor shall no later than thirty (30) days prior to the latter of the expiry of the Exploration License or four (4) years from the date of notification that the discovery is of Eventual Interest inform TPDC whether, as a result of a re-assessment, it determines the discovery still to be of (a) Eventual Interest; (b) Present Interest, or (c) no potential commercial interest. TPDC shall inform the Minister of the re-assessment study results;

(iv) If the results of Contractor's re-assessment determine that the discovery is no longer of potential commercial interest, the provisions of sub-article (b) and sub-article (c) of this Article shall apply;

(v) If the results of Contractor's re-assessment determine that the discovery has become of Present Interest, the provisions of sub-article (f) and sub-article (m) of this Article shall apply;

(vi) If the results of Contractor's re-assessment determine that the discovery is still of Eventual Interest, and TPDC, utilizing Good Oilfield Practice, agrees with such determination, the Contractor may retain the discovery for an additional period of eight (8) years for market development, Appraisal and development planning and sub-article (l) of this Article shall apply;
If, upon the expiry of four (4) years from the date of notification that the discovery is of Eventual Interest, the results of Contractor's reassessment determine that the discovery is still of Eventual Interest, and TPDC, utilizing Good Oilfield Practice, does not agree with such determination. TPDC may, at any time prior to the expiry of the Exploration License, dispute the results of the Contractor's reassessment. If TPDC and the Contractor cannot resolve such dispute within sixty (60) days of the date on which TPDC informed the Contractor of its opinion, then the matter shall be referred to the Technical Expert and the Technical Expert shall determine whether the discovery is of (a) Present Interest; or (b) Eventual Interest. The Technical Expert shall notify TPDC and the Contractor of its findings and:

A. where the Technical Expert determines that the discovery is no longer of potential commercial interest the provisions of sub-article (b) and sub-article (c) of this Article shall apply;

B. where the Technical Expert determines that the discovery is of Present Interest and the Contractor agrees with such determination, the provisions of sub-article (f) and sub-article (m) of this Article shall apply:

C. where the Technical Expert determines that the discovery is of Present Interest and the Contractor disagrees with such determination, then the Contractor shall, unless the Contractor refers the matter to arbitration under sub-article (e) of this Article, if requested by TPDC, relinquish said discovery comprising the geological feature (as outlined by the relevant seismic data) in which the discovery is located; or

D. where the Technical Expert determines that the discovery is of Eventual Interest the Contractor may retain the discovery for an additional period of eight (8) years for market development, Appraisal and development planning and the provisions of sub-article (l) of this Article shall apply.

(e) If one of the Parties disagrees with the findings of the Technical Expert in sub-article (d) of this Article, that Party may refer the matter to arbitration in accordance with Article 28 of the PSA.
(f) Where the Contractor has relinquished a discovery pursuant to sub-article (d)(vi)(C) of this Article and TPDC decides to appraise and develop such discovery, the Parties will meet and discuss in good faith the development of said discovery such that it does not interfere with the exploration, appraisal and development of the remainder of the Contract Area.

(g) Where, Contractor pursuant to sub-article (a) of this Article, has informed TPDC that, in its opinion the discovery is of Present Interest, or pursuant to sub-article (d)(vi)(B) of this Article the Contractor agrees with the determination of the Technical Expert that the discovery is of Present Interest, the following shall apply:

(i) As soon as practicable thereafter, the Contractor shall submit to TPDC; for the review of the Advisory Committee, its proposals for an Appraisal programme to meet the requirements of Section 32 (2) of the Act.

(ii) Pending submission of the proposals referred to in sub-article (g)(i) of this Article, the Contractor shall provide to TPDC such information as is available to it from time to time in relation to the chemical composition and physical qualities of the Natural Gas discovered.

(iii) TPDC may within ninety (90) days of receipt of the Contractor's Appraisal programme, make proposals or amendments on the Contractor’s Appraisal programme to the extent that the Appraisal programme does not meet the requirements of Section 32 (2) of the Act.

(iv) Where the Advisory Committee has reviewed an Appraisal programme submitted by Contractor as aforesaid or on a revision thereof, and a Natural Gas Location has been declared, the Minister shall, to the extent necessary, extend the period within which an application may be made by TPDC for a Development License, when TPDC, at the request of the Contractor, applies in that behalf, for a period of eight (8) years in the case of a Natural Gas Location, so as to ensure that the Appraisal programme can be carried out and the results thereof assessed before the said period expires.

(v) During the conduct of the Appraisal programme, the Contractor shall promptly provide TPDC with all information enabling it to make a detailed examination of the data relating to the discovery so as to make an
ongoing assessment in full understanding of the facts as to whether or not
the discovery is likely to be capable of being commercially exploited.

(h) Where Contractor has requested TPDC to make an application for a
Development License, TPDC shall make such application provided that the
proposals accompanying such application pursuant to paragraph (a) of Section
36 of the Act shall:

(i) be drawn up by Contractor after consultation with TPDC;
(ii) be timed and designed to ensure the recovery from the Development
Area of the maximum quantity of Petroleum which the economics of the
development shall justify;
(iii) be in compliance with Good Oilfield Practice; and the Contractor shall
include
A. a copy of the environmental impact assessment certificate, issued
by the ministry responsible for the environment; and
B. the proposed project and financing requirements for Natural Gas
operations.

(i) When an application for a Development License in respect of a Natural Gas
Location is made in accordance with sub-article (g) of this Article and the Act
then, unless the Contractor is in Default at the time of such application, the
Minister shall grant the Development License applied for pursuant to paragraph
(1)(a) of Section 37 of the Act, on such conditions as are necessary to give effect
to the Development License. The Development License so granted shall, in full
satisfaction of the requirements of Section 40(2) of the Act, incorporate by
reference the obligations of the Contractor as set out in Article 16 ("Lifting,
Marketing and Domestic Supply Obligation") of this Addendum.

In circumstances where the Parties determine to undertake a gas export
commercialization project in accordance with the terms and conditions set out in
this Agreement, the Contractor shall prepare a reserve assessment report to
determine the:

(i) proven and certified Natural Gas reserves in the Block ("Proven
Reserves"), and
the minimum amount of Natural Gas required for a gas export commercialization project.

Following TPDC's receipt of such report, the Contractor shall notify the Government and TPDC in writing of the Proven Reserves of Natural Gas that are to be dedicated for supply to the gas export commercialization project from the Block (the "Accessible Proven Reserves"). The maximum amount of Proven Reserves of Natural Gas available for the Domestic Supply Obligation (DSO) shall be determined by the Parties prior to submission of a Development Plan. The Domestic Supply Obligation shall be taken from the proven reserves in excess of the Accessible Proven Reserves. The Domestic Supply Obligation shall not exceed 10% of the Proven Reserves and shall not exceed 10% of the projected production rate unless otherwise mutually agreed by the Parties.

The Contractor shall provide TPDC with at least 60 days prior written notice before dedicating to a third party available capacity in the pipeline or Processing Plant that would have the effect of excluding TPDC's ability to transport or process all or any portion of the Domestic Supply Obligation through the pipeline or Processing Plant.

(i) Where a Location has been declared, the Minister shall not, without the prior agreement of Contractor, give any direction to TPDC pursuant to Section 34(1) of the Act; provided however that if an application is made for a Development License in respect of any Block nothing in this sub-article (k) shall be construed as limiting the scope of any notice which the Minister may give to TPDC pursuant to Section 37(2) of the Act.

(k) Where the Exploration License is due to expire during the period allowed by the Minister for application for a Development License under sub-article (g) (iv) of this Article, then the Minister shall prior to the expiry of the Exploration License grant to TPDC for such period necessary for the granting of a Development License, a new Exploration License on the requisite terms as may be appropriate to enable TPDC to apply, upon request of Contractor, for a Development License as per sub-article (g)(iv) of this Article related to the Blocks forming the Location.
(l) When TPDC, upon request of Contractor, makes an application for a Development License as per sub-article (l) of this Article, in respect of a Block or Blocks forming the Location as per sub-article (g)(iv) of this Article, then the Minister shall grant the Development license, on such conditions as are necessary to give effect to the applied for Development license.

(m) This Addendum amends the provisions of the PSA in relation to Petroleum Operations relating to Natural Gas and related matters as provided in this Addendum. In all other respects the PSA will apply to Natural Gas. For the avoidance of doubt, unless otherwise stated, this Addendum does not amend the PSA in respect of Crude Oil.

(n) Any gas commercialization project shall be structured either through an integrated or segmented gas value chain, at the Contractors’ sole discretion. Prior to making its decision, Contractor shall consult with TPDC.

11 Recovery of Costs and Expenses and Production Sharing

11.1 In respect of Natural Gas and Natural Gas Operations, recovery of costs and expenses and production sharing shall be governed by the following provisions.

(a) Subject to sub-article (c) of this Article 11.1, all Contract Expenses incurred by the Contractor and where Joint Operations have been established by TPDC, shall be recovered for Natural Gas, from a quantity of Natural Gas produced and saved from the Contract Area less any Natural Gas used for Production Operations (the "Adjusted Gas Quantity") (hereinafter referred to as "Cost Gas") and shall in any Calendar Year be equal to the lesser of (i) seventy per cent (70%) of the total Adjusted Gas Quantity produced from the Contract Area and (ii) the quantity of Cost Gas with a value equal to the remaining outstanding Recoverable Contract Expenses. If there is not sufficient Cost Gas available in any Calendar Year equal to seventy per cent (70%) of the total Adjusted Gas Quantity produced from the Contract Area to recover the remaining outstanding Recoverable Contract Expenses, Cost Oil (as the term is defined in sub-article (a) of Article 11.1) may be utilized to recover Recoverable Contract Expenses provided that there is sufficient Cost Oil available from the Contract Area so as
not to exceed seventy per cent (70%) of total Crude Oil production from the Contract Area in the Calendar Year.

(b) Contract Expenses which pursuant to the provision of Annex D of the PSA (as amended herein) may be recovered from Cost Gas and Cost Oil are hereinafter referred to as "Recoverable Contract Expenses". Such expenses may be recovered as from the date they have been incurred. To the extent that in any Calendar Year the Recoverable Contract Expenses exceed the Cost Gas and Cost Oil available under sub-article (a) of this Article, the unrecovered excess shall be carried forward for recovery in the next succeeding Calendar Year and, to the extent not then recovered in the subsequent Calendar Year or Years.

(c) Where, additionally, Joint Operations have been established:

(i) No Contract Expenses incurred by TPDC pursuant to Article 8.1 of this Addendum shall be recovered from the Cost Gas or Cost Oil unless there is production from a Development Area in respect of which there are Joint Operations;

(ii) The available Cost Gas and Cost Oil shall be applied to the Contractor (which for the avoidance of doubt includes TPDC once it has exercised its rights pursuant to Article 9(b)):

A. first to recover Operating Expenses;
B. after recovery of Operating Expenses any excess Cost Gas or Cost Oil available for distribution shall be applied to recover Exploration Expenses;
C. after recovery of Exploration Expenses and Operating Expenses any excess Cost Gas or Cost Oil available for distribution shall be applied to recover Development Expenses any unrecovered Contract Expenses shall be recovered out of the Cost Gas or Cost Oil available in the next succeeding Calendar Year or Years in the same manner as set out herein; and
D. any remaining Cost Gas or Cost Oil once all recoverable Natural Gas costs have been paid will be put into the Profit Gas and Profit Oil pools and distributed to the Contractor (which for the avoidance
of doubt includes TPDC once it has exercised its rights pursuant to Article 9 of the PSA) and TPDC (as the recipient of the Profit Gas and Profit Oil, via the Profit Gas system as described in sub-article (e) and sub-article (f) of this Agreement and the Profit Oil system described in sub-articles (f) and (g) of Article 11 of the PSA.

(d) Subject to the limitations set out in sub-article (a) of this Article, the quantity of Cost Gas which the Contractor and, if Joint Operations have been established, TPDC actually require and shall be entitled to in any Calendar Quarter will be established with respect to Cost Gas on the basis of the Fair Market Price agreed by the Parties for any Gas Commercialization Project.

(f) Profit Gas

(i) For the purpose of sharing Profit Gas between the Contractor and TPDC, the balance of Natural Gas available in any Calendar Quarter shall be divided based on tranches of daily total production rates (MMscf per Day) in all producing fields in the Contract Area. Where there is an aggregated production project within or outside the Contract Area, each tranche of daily total production rates in each of the contract areas shall be calculated on the basis of each of the parties share of total production allocated to the Contract Area.

(ii) The tranches of production referred to in sub-article (f) of this Article shall be specified in terms of average daily production rates. The average daily production rates shall be determined for each Calendar Quarter and shall be calculated by dividing the total Adjusted Gas Quantity produced and saved from the Contract Area during any Quarter by the total number of days during which Natural Gas was produced in such Quarter.

(iii) The quantity of Cost Gas required to satisfy Recoverable Contract Expenses in any Calendar Quarter shall be allocated to each of the applicable tranches of production in the same proportion as the total production in each tranche of production bears to total production from the Contract Area.

(iv) After allocation of Cost Gas for the recovery of Recoverable Contract Expenses in accordance with sub-article (e) of this Article, for any gas commercialization project, the resulting Profit Gas shall be shared
proportionally in accordance with the tranches set out in the table below in accordance with the ratio of the quantity of Natural Gas per MMscf:

<table>
<thead>
<tr>
<th>Tranches of daily total production rates in the Contract Area (MMscf per Day)</th>
<th>TPDC Share of Profit Gas</th>
<th>Contractor Share of Profit Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>299.999</td>
<td>30.0 %</td>
</tr>
<tr>
<td>300</td>
<td>599.999</td>
<td>35.0%</td>
</tr>
<tr>
<td>600</td>
<td>899.999</td>
<td>37.5%</td>
</tr>
<tr>
<td>900</td>
<td>1199.999</td>
<td>40.0%</td>
</tr>
<tr>
<td>1200</td>
<td>1499.999</td>
<td>45.0%</td>
</tr>
<tr>
<td>1500</td>
<td>Above</td>
<td>50.0%</td>
</tr>
</tbody>
</table>

(g) With respect to this Article 11.1, Cost Gas and Profit Gas calculations shall be done for each Calendar Quarter and the Natural Gas provisionally shared accordingly. To the extent that actual quantities, expenses and prices are not known, provisional estimates of such data based on the approved Annual Work Programme, Budget and any other relevant documentation or information shall be used. Within sixty (60) days of the end of each Calendar Year a final calculation of Cost Gas and Profit Gas based on actual Natural Gas quantities, prices and recoverable costs and expenses in respect of that Calendar Quarter shall be prepared and any necessary adjustments to the Natural Gas sharing shall be agreed upon between the Contractor and TPDC and made as soon as is practicable.

(h) Subject to the provisions relating to Domestic Supply Obligation of the Contractor, the Contractor will be free to commercialize any Natural Gas received by the Contractor pursuant to this Article 11.1 and to retain the proceeds of the sale of such Natural Gas outside the United Republic of Tanzania.

(i) All Gas Plant Liquids shall, for the purposes of cost recovery and allocation of profit hydrocarbons be classified as oil and the cost oil and profit oil splits set out in the PSA shall be applicable to such liquids. Such liquids shall not be taken into account when calculating Natural Gas price class threshold.
12. Valuation of Crude Oil and Natural Gas

The provisions of Article 12 (Valuation of Crude Oil) of the PSA shall only apply to Crude Oil and Article 12.1 of this Addendum shall apply to valuation of Natural Gas.

12.1 Valuation of Natural Gas

(a) The Fair Market Price of Natural Gas determined at the Delivery Point shall be the price in United States dollars at which an independent third party paid for such Natural Gas, on an Arm’s Length basis.

(b) For Natural Gas sales transactions that are not at Arm’s Length, the following considerations shall apply in determining the value of Natural Gas:

i) the market destination of the Natural Gas;

ii) the price of the Natural Gas at the final destination;

iii) reflect international pricing;

iv) regasification costs;

v) shipping costs;

vi) liquefaction costs;

vii) pipeline transport costs;

viii) publicly available values outside Tanzania; and

ix) other relevant considerations.

(c) Natural Gas supplied to a domestic market shall be subject to periodic review, no more frequently than every three (3) years, and the following principles shall apply in determining the value of Natural Gas:

i) pricing shall be at parity with the fair market value of alternate fuels at the burner tip after consideration of the differential investment in the gas based application,
differential operating costs, differential thermal efficiency and any environmental credits;

ii) pricing shall assume sound marketing practices; and

iii) pricing shall assume efficient operations.

Subject to the provisions of this Article 12.1, in the event of any dispute between Minister and Contractor concerning the Fair Market Price of Natural Gas, such dispute may be referred by either Party for final determination in accordance with Article 28 of the PSA.

13. Natural Gas

Article 13 shall be deleted and replaced with the following provision:

"Subject to the provisions of the Act, Natural Gas associated with Crude Oil may be commercialized by the Contractor. Produced Natural Gas not commercialized or used in Petroleum Operations shall be treated and disposed in accordance with Contractors HSE standards and Good Oilfield Practices and the costs thereof shall be cost recoverable. TPDC may elect to off take, free of charge, at the outlet flange of the receiving and processing facility and use for domestic requirements such Natural Gas that would otherwise be treated and disposed in accordance with Contractors HSE standards, provided that all costs associated with TPDC's utilization of the Natural Gas shall be borne by TPDC. It is understood that such off take should not be detrimental to the prompt conduct of oil field operations according to Good Oilfield Practices."

14. Taxation and Royalty

Article 14(c) of the PSA shall be deleted replaced with the following provision:

"TPDC shall fulfill its obligation to pay royalty under Section 81 of the Act or any Amendments thereof, in respect of Crude Oil and Natural Gas obtained from the Development Area by delivery of TPDC to the Government of the minimum share of Profit Oil and Profit Gas received by TPDC pursuant to Article 11 of this Agreement, and (in the case of Crude Oil being equivalent at all times to five per cent (5%) of the total production from the Development Area, and in the case of Natural Gas being
equivalent at all times to five per cent (5%) of total Adjusted Gas Quantity, by payment of a cash equivalent of such quantity, based upon the Gas Price) at such location as the Minister may direct, and the Government may require TPDC to dispose of such royalty otherwise to be delivered to the Government in such a manner as the Minister may direct. For the avoidance of doubt Contractor shall have no obligation or liability whatsoever in respect of TPDC’s obligations to pay royalty hereunder."

16. Lifting, Marketing and Domestic Supply Obligation

The provisions of Article 16 of the PSA, shall also apply to Natural Gas, except for the following sub-article (c) and sub-article (d) of Article 16 of the PSA which shall be replaced with the following provisions in the case of Natural Gas:

Article 16(c) shall be replaced with:

"The Contractor shall, if requested by the Minister one hundred and eighty (180) days prior to first lifting of Natural Gas, market abroad all or part of TPDC’s lifting entitlement subject to payment by TPDC of direct costs normally borne by a seller in such transactions as may be agreed by TPDC but excluding any commission or marketing fee in respect of such service. In order to maintain a stable lifting continuity, the Contractor shall have the right to purchase TPDC’s share of Natural Gas at the Delivery Point."

Article 16(d) shall be replaced with:

Subject to sub-article (i) of Article 8.1, if there is a domestic demand in excess of fields currently in production at the time of execution of this Addendum, then the Contractor and TPDC on commencement of production may be required to sell Natural Gas in Tanzania on a pro rata basis with other producers in Tanzania according to the projected annual production rate of Natural Gas of each producer at the time of the Contractor submission of the Development Plan. Contractor and TPDC shall use its current share of Profit Gas in accordance with the tranches set out in sub-article (f) (iv) of Article 11.1 to satisfy the Domestic Supply Obligation and the price shall be determined in accordance with sub-article (c) of Article 12.1. The Natural Gas quantity for the domestic market and Natural Gas for the gas commercialization project shall be lifted at the Delivery Point proportionately, subject to normal operational requirements, it being understood that lifting shall be consistent
with the Natural Gas lifting schedule for the gas commercialization project and shall take into account the delivery obligations of the gas commercialization project."

Article 16(e) shall be replaced with:
"Natural Gas sold pursuant to sub-article (d) of Article 16 of this Addendum shall be paid for in convertible foreign exchange at a price determined in accordance with Article 12.1 of this Addendum. Such payment shall be made within one (1) month after delivery of the Natural Gas. In the event of default in such payment further deliveries of Natural Gas to TPDC shall be suspended until the payment of due amount plus an interest charged at LIBOR plus four percent (4%) from the delivery date of Natural Gas."

19. Title to Assets

The provisions of Article 19 of the PSA relating to title to assets shall also apply to Natural Gas Operations and for the purposes of this Clause all references to "Cost Oil" therein shall be read as including "Cost Gas".

21. Site Cleaning and Abandonment

The provisions in Article 21 of the PSA relating to site cleaning and abandonment of assets and facilities shall also apply to all Natural Gas Operations except that for the purposes of this Clause all reference to "Cost Oil" therein shall be read as "Cost Gas".

Annex D: Accounting Procedure

Annex D of the PSA shall be amended as follows:

(a) For the purposes of this Clause all references in Annex D to "Profit Oil" shall be read as "Profit Gas" and all references to "Cost Oil" therein shall be read as "Cost Petroleum."

(b) The fourth sentence of paragraph 1.5(a) of the Annex D of the PSA shall be amended to read as follows: "Metric units, Barrels and standard cubic feet (scf) shall be employed for measurements required under this Agreement and this Annex D."
(c) The references to "Cost Oil" in paragraph 11.3 of Annex D shall be replaced with "Cost Petroleum".

(d) The references to "Crude Oil" in Section 6 shall be read as including "Natural Gas".

(e) Section 2.2 (d) shall be deleted and replaced with the following:

"(d) the cost of petroleum production, storage and transport facilities such as pipelines, flow lines, production and treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, offshore platforms, platform storage facilities, access roads for production activities and Gas Plants."

(f) Section 2.3 shall be deleted and replaced with the following:

"Operating Expenses are all expenditures incurred in the Petroleum Operations after the start of commercial production which are other than Exploration Expenses, Development Expenses, General and Administrative Costs and Service Costs directly incurred on operating activities and identifiable as such, as well as the balance of general and Administrative Costs and Service Costs. General and Administrative Costs and Service Costs not allocated to Exploration Expenses or Development Expenses shall be allocated to Operating Expenses. The tariff on Gas Plant services and transportation shall be included as Operating Expenses."
IN WITNESS whereof this Agreement has been duly executed by the Parties, the day and year first hereinbefore written.

Signed for and on behalf of the
GOVERNMENT OF THE UNITED REPUBLIC
OF TANZANIA

Witnessed by

Signed for and on behalf of
TANZANIA PETROLEUM DEVELOPMENT
CORPORATION

Witnessed by

Signed for and on behalf of
STATOIL TANZANIA AS

Witnessed by

Signed for and on behalf of
EXXONMOBIL EXPLORATION AND
PRODUCTION TANZANIA LIMITED

Witnessed by

Minister for Energy and Minerals

Managing Director

Corporation Secretary

Managing Director

Director