PRODUCTION SHARING CONTRACT
(Contrat de Partage de Production)

AND

APPENDIX

ACCOUNTING PROCEDURE
(Procédure Comptable)

BETWEEN

L'ENTREPRISE TUNISIENNE
D'ACTIVITES PETROLIERES

AND

ATLAS PETROLEUM EXPLORATION
WORLDWIDE, LTD.

AND

EUROGAS INTERNATIONAL INC.

(ENGLISH TRANSLATION OF FINAL SIGNED DOCUMENTS)
PRODUCTION SHARING CONTRACT

BETWEEN THE UNDERSIGNED:

L’ENTREPRISE TUNISIENNE D’ACTIVITÉS PETROLIERES, hereafter called “ETAP”, with its headquarters in Tunisia located at 27 bis, Avenue Khéreddine Pacha, 1002 Tunis - Belvédère, represented for the purpose of this Agreement by its Chief Executive Officer, Mr. Taieb EL KAMEL, ETAP acting as the Permit Holder;

OF THE FIRST PART,

AND

ATLAS PETROLEUM EXPLORATION WORLDWIDE, LTD., hereinafter referred to as “APEX”, a company established and governed according to the laws of the state of Delaware, United States of America, having their head office located at 18000 Groschke Road, Building – A1, Suite 200, Houston, Texas 77084-5642, United States of America, and residing in Tunisia at 10 Rue 7000, 4th Floor, 1002 Tunis-Belvédère, represented by its President and Chief Operating Officer, Mr. O. Duane GAITHER II,

AND

EUROGAS INTERNATIONAL INC., hereinafter referred to as “EUROGAS”, a company established and governed according to the laws of Barbados, having their head office located at Ernst & Young Business Services, PO Box 261, Bay Street, Bridgetown, Barbados, and residing in Tunisia at 10 Rue 7000, 4th Floor, 1002 Tunis - Belvédère, represented by its President, Mr. Jaffar KHAN.

APEX and EUROGAS, collectively referred to hereafter as “the CONTRACTOR”.

OF THE SECOND PART.

IT HAS BEEN ESTABLISHED THAT:

A Protocole d’Accord awarding the Sfax Offshore Prospecting License was signed on 12 July 2003 between the Tunisian State on one hand and ETAP, Gaither Petroleum Corporation (GPC) and Eurogas International Inc. (EUROGAS) on the other hand.

The Sfax Offshore Prospecting Permit is awarded to ETAP as Titleholder, by a Decree from the Minister of Industry and Energy dated 28 November 2003 and published in the Tunisian Official Gazette no. 98 dated 9 December 2003.
By virtue of a Transfer Agreement signed on 3 December 2003 between ETAP on one hand and
GPC, EUROGAS and Atlas Petroleum Exploration Worldwide, Ltd. (APEX) on the other hand,
the latter becoming, jointly with EUROGAS, the Contractor of the Sfax Offshore Prospecting
Permit.

By virtue of the Decree from the Minister of Industry, Energy and Small and Medium
Companies dated 21 February 2005 and published in the Tunisian Official Gazette no. 16 dated
25 February 2005, the surface area of the Sfax Offshore Prospecting Permit was extended of 428
km$^2$; the total surface area of said Permit has become 4104 km$^2$.

In accordance with the provisions of the Hydrocarbon Code promulgated by Law No. 99-93
dated August 17, 1999, as amended and supplemented by Law No. 2002-23 dated February 14,
2002 (Hydrocarbon Code), ETAP is entitled to obtain from the LICENSING AUTHORITY an
exclusive Exploration Permit, covering the entire area specified in Article 2, hereafter called the
“Sfax Offshore Permit” or “Permit”.

In accordance with the provisions of Article 39.2 of the Hydrocarbon Code, ETAP is entitled to
obtain one or more Concessions derived from the Sfax Offshore Permit.

In accordance with Article 97 of the Hydrocarbon Code, ETAP is entitled to enter into a
Production Sharing Contract (“Agreement”) with a contractor having the financial means and the
necessary technical experience.

The CONTRACTOR has the financial means and the necessary technical experience to conduct
the Petroleum Operations.

ETAP and the CONTRACTOR wish to enter into an Agreement regarding the exploration,
exploitation and production of liquid and/or gaseous hydrocarbons in the Permit specified in
Article 2 and the Concessions issued therefrom.

THIS BEING ESTABLISHED, IT HAS BEEN DECIDED AND AGREED AS FOLLOWS:

ARTICLE 1: Definitions

1.1 “Year”: means a period of twelve (12) calendar months according to the Gregorian
calendar.

1.2 “Abandonment” or “Abandonment of a Concession”: means the closure of a well, the
recovery of the production facilities and the restoration of the Exploitation sites.

1.3 “Exploration” or “Exploration Work” or “Exploration Operations”: means, in the sense
of the Hydrocarbon Code, the studies and works particularly geological, geophysical and
drilling operations as well as the production from tests, conducted in order to discover or
identify Hydrocarbon Deposits and to assess the importance of the reserves in place and
recoverable and more generally all connected preceding operations converging towards the same objectives.

1.4 "Appraisal Work" or "Appraisal Operations": are part of the Exploration Operations and include extended well tests, that are conducted prior to the Date of the Economic Discovery as defined herein, as may be prudently required, at the CONTRACTOR's sole discretion, to develop a reasonable estimate of the Oil in place and that may be recoverable from a discovered Deposit.

1.5 "Barrel": equals forty-two (42) U.S. gallons, measured in a liquid state and according to standard conditions as defined by the American Petroleum Institute ("A.P.I.").

1.6 "Hydrocarbon Code" or "Code": means the Hydrocarbon Code promulgated by Law no. 99-93 dated August 17, 1999 as amended and supplemented by Law no. 2002-23 dated February 14, 2002, as well as the subsequent texts adopted for its application.

1.7 "Concession" or "Exploitation Concession": means the title of the Hydrocarbons deriving from the Permit, granted according to the provisions of the Hydrocarbon Code, the Convention and its appendixes.

1.8 "Convention": means the specific Convention relative to the Exploration and the Exploitation of Hydrocarbon Deposits in the Sfax Offshore Exploration Permit or Exploitation Concession, signed in Tunis between the STATE OF TUNISIA, on the first part, and by ETAP and CONTRACTOR on the other part, in conformity with the Hydrocarbon Code.

1.9 "Date of the Economic Discovery": means the date cited in Article 8 paragraph 5 of this Agreement.

1.10 "Effective Date": means the date of publication in the Official Gazette of the Republic of Tunisia ("J.O.R.T.") of the Order establishing the Permit, subject to the approval of the Convention and its appendixes by Decree.

1.11 "Economic Discovery": as provided in Article 41 of the Code, shall mean any discovery or identification of one or more Deposits deemed economically viable by the CONTRACTOR, after consideration of the additional investment that would be required of the CONTRACTOR, to place the discovery on Economic Production following a Plan of Development prepared according to Articles 46 & 47 of the Code (hereinafter referred to as "Development Plan"), and approved by the Joint Management Committee, as provide in Article 6 of this Agreement.

1.12 "Expenditures": means the actual expenditures related to Exploration, Appraisal Development or Economic Production, as the case may be, posted in accordance with the "Accounting Procedure", appended to this Agreement (Appendix "A").
1.13 “Development” or “Development Operations”: means the drilling of wells other than the wells which are the object of exploration and appraisal, building and setting up of equipment, pipe, facilities, plants, networks, etc., inside and outside the Permit, as required to carry out the extraction, processing, transportation, storage and removal of the liquid or gaseous hydrocarbons to the point of export, as well as recycling the Production, or any other project of secondary or tertiary recovery, including the preliminary operations, attempts and other activities relative to any of the aforementioned operations, conducted prior to the starting date of the Economic Production.

1.14 “Gas”: means natural gas both associated and non-associated, and any of its constituting elements, products from any of the wells located within the Permit and any non-hydrocarbon substance found therein including residual gas.

1.15 “Deposit”: means a trap containing a natural and continuous accumulation of Hydrocarbons, as defined in the Hydrocarbon Code.

1.16 “Hydrocarbons”: means the natural liquid and gaseous hydrocarbons, as defined in Article 2.e., f. and g. of the Hydrocarbon Code.

1.17 “Operator”: refers to the Party or any other entity in charge of each and every petroleum operation by virtue of this Agreement.

1.18 “Petroleum Operations”: means all the Exploration, Appraisal, Development, Exploitation and Abandonment operations conducted by virtue of this Agreement.

1.19 “Party or Parties”: means ETAP or CONTRACTOR or both.

1.20 “Period of Validity of the Permit”: means the initial period of validity of the Permit or any other period of renewal as well as any extensions granted in accordance with the provisions of the Hydrocarbon Code and the Specifications attached to the Convention.

1.21 “Oil”: means the liquid hydrocarbons or the mixture of crude oil and liquid natural gas produced from any of the wells located within the Permit or any resulting Concession.

1.22 “Economic Production” or “Operations of Economic Production” or “Exploitation”: means any activity conducted in connection with the Permit and/or the Concessions after the Date of the Economic Discovery for the purpose of extracting, processing, transporting, storage and transportation to the point of Oil export, as well as all the operations and activities connected thereto, including operations to improve recovery such as recycling, recompression, maintain pressure or water injection, but to the exclusion of the restoration work following the Abandonment of the field.

1.23 “Production”: means the extraction of Hydrocarbons and other work or services connected thereto.

1.24 “Affiliated Company”: refers to
a. any company or agency in which a Party holds directly or indirectly more than fifty percent (50%) of its voting rights; or

b. any company, agency or public institution holding, directly or indirectly, more than fifty percent (50%) of the voting rights in the meetings of a Party; or

c. a company or other legal entity of which more than fifty percent (50%) of the voting rights are held directly or indirectly by a Party or several Parties or public institutions affiliated to a Party, as defined in paragraphs (a) and (b) above, together or separately.

1.25 “Quarter”: means a period of three (3) calendar months beginning respectively on January 1st, April 1st, July 1st or October 1st of each Year.

1.26 “Management Committee”: means the Management Committee established in accordance with Article 6.

ARTICLE 2: Purpose

This Agreement concluded within the scope of the Convention, is for the purpose of the Exploration and Exploitation of liquid and gaseous hydrocarbons within the Sfax Offshore Permit as defined in Appendix “A” of the Convention.

ETAP and the CONTRACTOR have filed with the Department of Energy on 18 June 2005, a request for the conversion of the Sfax Offshore Prospecting Permit into a Hydrocarbon Exploration Permit in accordance with the provisions of the Code. This Permit will be granted to ETAP, which has entered into this Production Sharing Contract with the CONTRACTOR; ETAP and the CONTRACTOR will be bound in accordance with the provisions of Article 98 of said Code. The requested Permit is hereinafter referred to as the “Sfax Offshore” Permit or simply “the Permit”.

ETAP undertakes to entrust to the CONTRACTOR the running and execution of the Petroleum Operations in the Permit and/or the Concession(s) derived therefrom, except in the case of express waiver on the part of the CONTRACTOR.

The CONTRACTOR undertakes to finance, at its own risk, all of the Petroleum Operations and will be subject to the provisions of the Convention and its appendixes in the scope of carrying out its work on the Permit and the Concessions issued therefrom.

ARTICLE 3: Effective Date and duration of Agreement

3.1 This Agreement will be in force at the Effective Date, as defined in Article 1.10 above.
3.2 This Agreement is entered into for the entire duration of validity of the Permit, including any renewal and extension of duration, and all the Concession(s) derived therefrom and the fulfillment by each of the Parties of its rights and obligations in accordance with the Code, the Convention and this Agreement.

3.3 Any request made by the Management Committee to ETAP, for the renewal, extension of the area or duration of validity of the Permit must reach ETAP at least one (1) month before the deadline set for filing said request. ETAP shall submit such request to the LICENSING AUTHORITY as soon as possible.

3.4 During the Exploitation phase, the CONTRACTOR may at any time and with a three (3) month notice to ETAP, cease all Exploration Operations, provided it has fulfilled its minimum work obligations thereunder.

3.5 During the Exploitation phase, the CONTRACTOR may at any time and with a three (3) month notice to ETAP, cease its Petroleum Operations in a Concession, provided it has fulfilled its minimum work obligations. In so doing, ETAP and the CONTRACTOR will be free of any obligation of any nature.

3.6 Any termination or transfer of this Agreement must be made in compliance with the provisions of Articles 24 and 29 hereunder respectively.

ARTICLE 4: About the CONTRACTOR

4.1 ETAP entrusts the Petroleum Operations in the Permit and/or the Concessions(s) to the CONTRACTOR, which undertakes to prepare and execute these Operations in accordance with the provisions of the Code, the Convention and this Agreement, and with the programs and budgets approved by the Management Committee specified in Article 6, in accordance with the practices generally used in the international petroleum industry.

4.2 The CONTRACTOR will assume, pay and be entitled to post all of the expenditures incurred within the scope of the Petroleum Operations conducted hereunder, including those of Exploration, Appraisal, Development, Production, Economic Production and Abandonment.

4.3 The CONTRACTOR has the right to recover, under the provisions of the Code and Article 9 of this Agreement, within the limits of the sharing rules defined hereafter, all of the expenditures to which it committed itself within the scope of this Agreement or which were incurred in the conduct of Prospecting Work. The CONTRACTOR will be further compensated by means of an ownership share of Profit Oil and/or Profit Gas produced, to which it is entitled in accordance with the provisions of Article 10 hereafter.

4.4 The CONTRACTOR may, for the preparation and the execution of the Petroleum Operations, call on the personnel, services, material and equipment of the Affiliated Companies of one of its members as well as on any suitable company or subcontractor,
according to the provisions of the Code, the Convention and Articles 20 and 21 of this Agreement.

4.5 Prior to the expiration of each period of validity of the Permit, the CONTRACTOR may request that ETAP file with the LICENSING AUTHORITY an application for an extension or renewal of the Permit. Subject to the sole condition that the CONTRACTOR has fulfilled the obligations as set forth in Article 7.2, ETAP shall fulfill such a request within the timeframe prescribed.

4.6 The CONTRACTOR, under the provisions of Article 98 of the Code and subject to the provisions of Articles 6.2 and 24.3 of this Agreement, will diligently conduct all the Petroleum Operations that are approved by the Management Committee. Such Petroleum Operations shall be performed according to the current standards and practices of the international petroleum industry, in order to obtain an optimal recovery of the natural resources discovered in the Permit. Notwithstanding the forgoing, the CONTRACTOR shall determine the details and procedures to be implemented for the performance of the Petroleum Operations approved by the Management Committee.

4.7 The CONTRACTOR will endeavor to utilize ETAP’s personnel for all exploration and appraisal work and exploitation operations for Economic Production conducted by the CONTRACTOR for the needs of the Permit and/or Concessions.

As required at the time, CONTRACTOR may request, and ETAP may propose to the CONTRACTOR, candidates for appointment to the service of the Operator for the Petroleum Operations contemplated hereunder.

The CONTRACTOR will be the only one entitled to decide on the number of candidates to be retained, the nature and place of the work, and the salaries to be paid to personnel used by the CONTRACTOR for the Petroleum Operations. All expenditures borne by the CONTRACTOR will be considered as recoverable expenses according to the provisions of Article 9 hereafter.

ARTICLE 5: Taxes, duties and fees

The duties, taxes, fees and tariffs owed and payable on account of this Agreement will be paid according to the provisions of the Hydrocarbon Code and Articles 3 and 4 of the Convention.

ARTICLE 6: Management Committee

6.1 Management Committee

6.1.1 ETAP and the CONTRACTOR will form, within thirty (30) days from the Effective Date of this Agreement, a Management Committee, hereafter called “Management Committee”, made up in half by representatives of ETAP and for the other half by
representatives of the CONTRACTOR. Each representative will have one vote. One of the CONTRACTOR’S representatives shall be designated President of the said Management Committee.

6.1.2 The Management Committee shall approve the Petroleum Operations conducted under this Agreement. As such, it is responsible for the consideration and approval of the following:

- the annual work programs and budgets, including their revisions and unforeseen expenditures;

- the list of suppliers proposed by the CONTRACTOR and relating to contracts for an amount exceeding two hundred fifty thousand US Dollars (US$250,000) or the equivalent in Tunisian Dinars (TD);

- the selection of places, date, nature and depth of any wells to be drilled, re-entered (re-entry), deepened or sidetracked under this Agreement, as well as the number of such wells, according to the commitments undertaken by the CONTRACTOR;

- the agreements and transactions proposed by the CONTRACTOR resulting from invitations to tender for contracts exceeding two hundred fifty thousand US Dollars (US$250,000) or its equivalent in Tunisian Dinars (TD). It being understood that in any case granting of a contract exceeding one hundred thousand US Dollars (US$100,000) or its equivalent in Tunisian Dinars (TD) to an affiliate of one of the Parties, the approval of the Management Committee shall be required;

- the selection of areas of extension or reduction to the surface area of the Permit or of its duration;

- the Development of a given Deposit, in view of the economic conditions of the field being considered, on the basis of an initial Development Plan and/or any supplemental or revised Development Plan presented by the CONTRACTOR within the applicable provisions of this Agreement and stipulations set forth by the Code;

- the work program relative to the implementation of secondary or tertiary recovery.

- all insurance plans covering all of the activities and Petroleum Operations within the scope of this Agreement;

- the selection of the production system to be put in place;

- the Abandonment plan of Exploitation sites;

- any study relative to the Petroleum Operations.
The CONTRACTOR will give to the Management Committee within a reasonable time limit, any documents, or information it deems necessary for the Management Committee to render a decision relative to the subjects listed above, provided such documentation or information is in relation to the Petroleum Operations contemplated by this Agreement.

6.1.3 The decisions of the Management Committee must be unanimous on all matters submitted to the Management Committee. However, in the event unanimity cannot be reached, the votes of the CONTRACTOR shall prevail for:

a. decisions relative to Exploration Operations and Appraisal Work;

b. decisions relative to Development or Operations for Economic Production as such matters pertaining to early production or extended well testing; and

c. decisions relative to the relinquishment of surface areas in the event the Permit is renewed or extended.

6.1.4 The Management Committee will meet once every six (6) months, during the Exploration and Appraisal phases, and at least once every quarter during the Development and Exploitation phases, upon notification to attend issued by the President or at the request of one of the two Parties by notification given to the other Party at least twenty (20) days in advance of the date of such meeting.

Should circumstances necessitate an urgent decision, a shorter time for the notification may be given but it shall be of at least three (3) days. Any notification hereunder must specify the proposed date, the place, and an agenda of matters to be discussed at the meeting. The decisions of the Management Committee may be reached without holding a meeting if all the representatives of both Parties give their consent in accordance with the provisions of Article 33 hereafter.

6.1.5 The meetings of the Management Committee will be held in Tunis, or any other place in Tunisia chosen by the Party issuing the notification.

6.1.6 The presence of a numerical majority of members is necessary to validate any proceeding or decision of the Management Committee. Each member may vote by written and signed proxy given to another member of the Management Committee. However, if a member does not cast his vote on a resolution duly submitted to the Management Committee, either directly, or by proxy, the resolution will be deemed as being adopted or rejected, as the case may be, by a vote of the remaining majority.

6.1.7 Each Party will also be able to designate at any time a substitute member or a replacement. This right can be exercised by written notification addressed to the other Party.

6.1.8 Each Party will have the right to be accompanied and assisted by experts or advisors at any meeting of the Management Committee when technical or other discussions are held,
as deemed necessary by the Party, provided however that the costs associated with the presence of such experts or advisors shall be at that Party’s sole expense, unless such costs were previously approved by the Management Committee.

6.1.9 The Operator, after consulting with ETAP, shall prepare the agenda and the working documents of each meeting, and draw the minutes of the meetings and the Management Committee’s decisions. Any document relative to these meetings will be forwarded to ETAP in due time.

6.1.10 The Operator will be authorized to incur expenses which have not been approved by the Management Committee in the following cases:

- emergencies, as defined in Article 7.2 paragraph (d.) of this Agreement;
- over budget expenses, limited to twelve and one half percent (12.5%) of the budgeted amount, with a not-to-exceed amount of two hundred thousand US Dollars (US$200,000) for each budgetary category. This rate and this limit may be revised, if need be, by the Management Committee.

In all cases, the Management Committee will be notified as soon as possible.

6.2 Role of the Operator

6.2.1 Exploration and Appraisal Work

The Operator shall be APEX and will manage all Exploration and Appraisal Operations.

6.2.2 Development Work

The CONTRACTOR or the Operator, as the case may be and according to Article 24.3 hereafter, will manage all Development Operations.

ETAP and the CONTRACTOR will set up a project group within the Operator's organization and under its responsibility, which will participate in the realization of any Development Plan or complementary Development Plan. The composition and the functioning rules of the project group will be decided by mutual agreement between the Parties, in due time. The provisions of this paragraph shall not apply to plans for, or operations related to early production or extended well testing which shall be managed by the Operator once approved by the Management Committee.

6.2.3 Economic Production Work

The CONTRACTOR and ETAP shall create an equal representation Technical Committee which will advise the Management Committee on all aspects related to Economic Production Operations. The Parties shall choose one of the following options regarding the role of the Operator:
a. the CONTRACTOR or the company assuming the responsibilities of the Operator in
the case stipulated in Article 24.3 hereafter shall continue to be the Operator;

b. the Parties shall create a common company, ETAP/CONTRACTOR, working at cost;

c. any other formula.

These options shall be considered in the order set above. In the event that one of the
options described in section (b) or (c) above is chosen by the Parties, such option shall
become effective no later than on January 1st of the year following the start of Economic
Production, being understood that this date may be postponed by mutual agreement if the
transfer of the role of Operator at the set date may disturb the Production Operations.

It being understood that the choice of the Parties shall take into account optimal
technical-economic criteria for the development of the concession in question.

ARTICLE 7: Work program and expenditures

7.1 Exploration and Appraisal work and expenditures

a. The CONTRACTOR commits itself to conduct the Exploration and Appraisal Work
on the Permit at its own expense and sole risk. In particular, the CONTRACTOR
alone is responsible before the LICENSING AUTHORITY for the obligation of
realizing the minimum work program in accordance with the provisions of Articles 3,
5 and 9 of the Specifications attached to the Convention. The CONTRACTOR alone
is liable to the LICENSING AUTHORITY for the payment scheduled in the
Specifications, should the said minimum work program not be accomplished.

b. The CONTRACTOR will start the Exploration Work at the latest six (6) months after
the Effective Date of this Agreement, subject to the approval by decree of the
Convention and its appendices.

c. For the duration of this Agreement, ETAP will provide the CONTRACTOR with all
the data in its possession and relating to the Permit.

d. Within three (3) months following the Effective Date, the CONTRACTOR will
submit to the Management Committee a work program and a detailed budget
regarding the Petroleum Operations. Subsequently, the same procedure will be
applied as long as the Agreement is in effect, the programs and budgets being
submitted to the Management Committee two (2) months prior to the beginning of
the Year. All subsequent modifications will be submitted to the Management
Committee for its approval.
e. Any work program budget submitted to the Management Committee according to the provisions of this Article 7, as well as any amendment or modification related thereto, must comply with the provisions of this Article relative to the work and expenditures associated with the Exploration period involved in such work programs and budgets.

Any existing well deepening or deviation project, technically and economically justified, shall be submitted to the Management Committee for approval before being submitted to the LICENSING AUTHORITY for approval.

f. In case of an emergency, including but not limited to, the risk of loss of life or property or damage to the environment, the CONTRACTOR may make as many additional expenditures outside the budget as deemed necessary in order to prevent or limit such a risk. Said expenditures will be considered as Exploration expenses and will be recovered in accordance with the provisions of Article 9.

g. The CONTRACTOR will be responsible for the preparation and the implementation of the Exploration Work program in accordance with the normal practices applied in the international petroleum industry.

h. The CONTRACTOR will provide ETAP, within sixty (60) days following the end of every Quarter, a progress report on the Exploration Work, including the total expenditures incurred by the CONTRACTOR during the Quarter in question and listed by budgetary item.

7.2 Development and Exploitation work and expenditures

a. The CONTRACTOR commits to realize, at its own expense and at its sole risk, the Development, Exploitation and Abandonment work of any Concession resulting from the Permit.

b. Within three (3) months following the date the Development plan is adopted, the CONTRACTOR will submit to the Management Committee for its consideration, the first work program and the first detailed annual budget related to the Petroleum Operations. Subsequently, the same procedure will be applied as long as the Contract is in effect; however, the programs and budgets will have to be submitted to the Management Committee two (2) months prior to the beginning of the Year. Any subsequent modification will be submitted to the Management Committee for approval.

c. Any work program and budget submitted to the Management Committee as well as any amendment or modification thereto must be in accordance with the provisions of this Agreement and relative to the work and expenditures related to the Development and Exploitation of the Concession concerned by the said work programs and budgets.
d. In case of an emergency, including but not limited to, the risk of loss of life or property or damage to the environment, the CONTRACTOR may make as many additional expenditures outside the budget as deemed necessary in order to prevent or limit such a risk. Said expenditures will be considered as recoverable expenses in accordance with the provisions of Article 9.

e. The CONTRACTOR will be responsible for the preparation and the implementation of the Development and Exploitation work program in accordance with the normal practices applied in the international petroleum industry.

f. The Operator will provide to ETAP, within sixty (60) days following the end of every Quarter, a progress report on the Development and/or Exploitation work, with the total of the expenditures incurred by the CONTRACTOR during the Quarter in question.

7.3 Abandonment work and expenditures

The CONTRACTOR commits to realize, at its own expense and risk, the Abandonment and restoration work of the Exploitation sites of any Concession resulting from the Permit and will constitute, for this purpose, a provision of Abandonment according to the provisions of Article 118 of the Code.

a. Within three (3) months following the date of adoption of the plan of Abandonment by the Management Committee, the CONTRACTOR will open in a bank in Tunisia a special account which will be credited with the amounts calculated according to the provisions of Article 119 of the Code and Articles 4.2 and 4.3 of this Agreement. This account will be handled by persons designated by ETAP and the CONTRACTOR in due time.

b. When the Abandonment operations are completed, the Parties shall divide any credit balance in the special account proportionally, as the case may be, to the Parties' Profit Oil or Profit Gas percentages as provided herein.

Should the amount of the balance be insufficient to cover all of the Abandonment expenditures, the expenses will be borne by the Parties proportionally, as the case may be, to the Parties' Profit Oil or Profit Gas percentages as provided herein.

c. The CONTRACTOR shall be responsible to prepare and perform the Abandonment program and restoration of the Exploitation sites, submitted to the approval of the Management Committee, in accordance with the normal practices of the international petroleum industry.

d. At the end of the Abandonment operations, the Management Committee will resolve any remaining matters and close the accounts.
7.4 The CONTRACTOR will conduct the Petroleum Operations so that the environment is protected.

ARTICLE 8: Economic Discovery

8.1 Each time the CONTRACTOR identifies a potentially exploitable Hydrocarbon Deposit that it wishes to evaluate, it will establish an Appraisal and Expenditures work program to be submitted to the Management Committee.

8.2 The CONTRACTOR will execute, at its own expense and its sole risk, the Appraisal Work program within three (3) years for an Oil discovery and four (4) years for a Gas discovery and at the latest prior to the expiration of the Permit validity, in conformity with the Code.

8.3 The CONTRACTOR will communicate to the Management Committee the results of the completed Appraisal Work program.

8.4 The purpose of the Appraisal Work is to determine whether sufficient reserves exist to allow the discovery to be economically developed, and a request must be submitted for an Exploitation Concession. Should the CONTRACTOR assess that such an Economic Discovery has been made, it will notify the Management Committee for consideration. This notification will comprise, besides the results of the Appraisal Work, a Development Plan for the discovered Deposit(s). The Development Plan will include all items set forth in Article 47 of the Hydrocarbon Code.

8.5 Upon the Management Committee's request, under its responsibility and within the stipulations prescribed by the Code, ETAP will submit to the LICENSING AUTHORITY an application for an Exploitation Concession along with any supporting documentation that may be required under the Code. The date at which this request is granted shall be considered as the Date of the Economic Discovery.

8.6 Any request for a Concession application presented by the Management Committee to ETAP must be made no later than two (2) months prior to the expiration of the period of validity of the Permit.

ARTICLE 9: Recovery of the expenditures

9.1 The CONTRACTOR will have the right, from the beginning of the Production, to recover all expenditures related to the Petroleum Operations by lifting a percentage of the liquid or gaseous hydrocarbons produced and recovered under the Permit and any Concession and not used in the operations mentioned above. This Oil or Gas will hereafter be called "Cost Oil" or "Cost Gas".
The expenditures related to the Prospecting Work, Exploration and Appraisal Operations shall be recoverable from any liquid or/and gaseous hydrocarbon deposit from the Permit.

The expenditures related to the Development, Production, Economic Production and Abandonment are also recoverable in the same manner as described above but will be attributed to the Deposit to which they correspond and recovered from the production of said Deposit.

The quantities of liquid and gaseous hydrocarbons available for cost recovery shall be based upon average monthly production rates as set forth in the following table:

<table>
<thead>
<tr>
<th>Monthly Average Barrels of Oil Per Day</th>
<th>Percentage Available to Contractor as Cost Recovery Oil</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 5000</td>
<td>55%</td>
</tr>
<tr>
<td>5001 - 10000</td>
<td>50%</td>
</tr>
<tr>
<td>&gt; 10000</td>
<td>40%</td>
</tr>
</tbody>
</table>

It is understood that the production will be shared by applying the rate corresponding to the production daily average for the month considered.

**Gas**

Up to 60% of the Gas will be made available to the CONTRACTOR for recovery of expenses.

It is understood that each rate represents an annual ceiling and that the value of the quantity of Oil or Gas levied for one given year shall not exceed the actual amount of recoverable expenses.

9.2 All the expenditures covered by this Article 9 shall be recoverable by the CONTRACTOR in US Dollars.

However, expenditures related to interests on loans granted for the investments needed for the Development of Oil and/or Gas Deposits shall only be recoverable on loans not to exceed seventy percent (70%) of the total Development costs.
9.3 As the payments resulting from the sales of Cost Oil or Cost Gas are received, the CONTRACTOR will attribute its earnings to the accrued expenditures until complete recovery of the expenditures chargeable to a given Concession have been made.

9.4 The CONTRACTOR may benefit from the advantages granted by Article 112.1 of the Hydrocarbon Code subject to the conditions set by said Hydrocarbon Code and by Order from the Ministry of the Industry, dated August 15, 2001, setting the conditions of application of said Article, namely the mark-up rate applicable to areas covered by the Permit. It is understood that the profits from the expenses mark-up will apply to the Cost Oil and/or Cost Gas. ETAP and the CONTRACTOR will submit the terms and conditions of said mark-up to the LICENSING AUTHORITY for approval.

9.5 Within sixty (60) days following the end of each Quarter, the CONTRACTOR will forward to ETAP a statement of the total expenses and income from the Cost Oil or Cost Gas, along with all necessary supporting documents.

For the recovery by the CONTRACTOR of the expenditures related to all Prospecting, Exploration, Appraisal, Development, Production, Economic Production, and Abandonment expenses, the value of the associated Production share as defined above will be calculated in accordance with the provisions of Article 12 of this Agreement.

9.6 For the purpose of this Article 9, it is specified that for the calculation of the rights related to Cost Oil, the US Dollar will be used.

ARTICLE 10: Production Sharing

10.1 The balance of the Oil or Gas produced each Quarter after lifting the quantities set forth in Article 9 will hereafter be called "Profit Oil" or "Profit Gas". It will be deemed to be the property of the CONTRACTOR and ETAP and will be allocated between ETAP and the CONTRACTOR according to the percentages stipulated below:

Oil

<table>
<thead>
<tr>
<th>Monthly Average Barrels of Oil Per Day</th>
<th>Contractor</th>
<th>ETAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 5000</td>
<td>42.5%</td>
<td>57.5%</td>
</tr>
<tr>
<td>5001 - 10000</td>
<td>32.5%</td>
<td>67.5%</td>
</tr>
<tr>
<td>&gt; 10000</td>
<td>25%</td>
<td>75%</td>
</tr>
</tbody>
</table>

It is understood that the production will be shared by applying the rate corresponding to the production daily average for the month considered.

Gas
After recovery of expenses, the remainder of the gas will be shared equally between the CONTRACTOR (50%) and ETAP (50%).

10.2 Within six (6) months prior to placing an Economic Discovery of Oil in production, the Parties will agree on a procedure governing the methods of planning the lifting of Oil for each Party’s account. For that purpose, they will enter into a lifting agreement which will, to the extent consistent with this Agreement, include provisions for:

a. The delivery point, at which title and risk of loss of each Party’s share of Oil shall be transferred to the interested Party;

b. Operator’s regular periodic forecasts to the Parties regarding estimates of production, quantities of Oil and each Party’s share in order for the Parties to plan lifting arrangements. Said forecasts shall also cover the total oil production available and deliveries for the preceding period, inventory, and overlifts and underlifts;

c. Notification by the Parties to the Operator of acceptance or refusal of their shares of total available production. Such notifications shall, in any one period, be valid for each Party’s entire share of available production during that period subject to exploitation margins and agreed minimum economic cargo sizes;

d. The right for an underlifting Party to make up a lifting deficit without adversely affecting the interests of the other Parties;

e. If offshore loading, or an onshore terminal for vessel loading is involved, risks regarding acceptability of tankers, demurrage and (if applicable) availability of berths;

f. Distribution to each Party of its entitlements to the Oil available for lifting;

g. Method of periodic adjustments;

h. Applicable procedures in the event a Party refuses to take delivery of its entitlements;

If a lifting agreement has not been entered into at the date of first delivery of Oil, lifting procedures consistent with the principles set forth in this Article shall apply until a lifting agreement has been entered into.

10.3 Within six (6) months prior to placing an Economic Discovery of Gas in production, the Parties will agree on a procedure governing the methods of planning the lifting of Gas for each Party’s account. The terms and conditions shall take into account the provisions of the Sale contract entered into with a gas purchaser.

If a lifting agreement has not been entered into at the date of first delivery of Gas, lifting procedures consistent with the principles set forth in this Article shall apply until a lifting
agreement has been entered into.

10.4 At least thirty (30) days prior to the beginning of each Quarter following a normal Production, the CONTRACTOR will submit in writing to ETAP a forecast outlining the total amount of Oil or Gas expected to be produced, recovered and transported according to this Agreement during the Quarter in question. This forecast shall include the anticipated production rates and, accordingly, the Profit Oil percentages that shall apply to the sharing of the production. Any discrepancy between the production forecast and the actual production shall be balanced and adjusted between the parties during the next quarter.

10.5 In accordance with Article 12, it is specified that the currency used will be the US Dollar.

ARTICLE 11: Sale on the local market

11.1 According to provisions of the Hydrocarbon Code, the CONTRACTOR is exempt from any obligation to transfer or sell Oil to the LICENSING AUTHORITY. Consequently, the CONTRACTOR is not and will not be obliged to sell any part of the Oil to which it is entitled for the needs of the internal Tunisian consumption; it being understood that this obligation lies exclusively with ETAP, as the Permit Holder.

11.2 Nevertheless, it is understood that the CONTRACTOR will give priority to ETAP for its Oil sales at prices and commercial conditions identical to those the CONTRACTOR may have been given or promised by third parties for arms length transactions.

ARTICLE 12: Fixing the price of Oil and Gas

12.1 The two Parties agree that for the Oil produced from the Permit and the Concessions issued therefrom, the price of the Barrel of Oil sold, yielded by one Party to the other, accounted for or referenced, is determined on the basis of the actual sales price FOB (Tunisian port of export) as defined in the Specifications in accordance with the methods hereafter:

a. The various qualities of the Oil produced from the Concession(s) resulting from the Permit will be grouped by categories based on similarity of physical characteristics, such as density, content in sulfur and metals, point of liquefaction, yield in products, etc.

b. The FOB price for the applicable period will be fixed by the Parties based on the actual prices of the deliveries made by ETAP and the CONTRACTOR to independent third parties during said period.

For the purpose of this subparagraph, the deliveries of Oil to independent third parties will include all the commercial operations except for:
- direct or indirect sales through brokers, from the vendor to an Affiliated Company as defined in this Agreement;

- exchanges of Oil, bartering transactions, or involving restrictions, forced sales, and in general any sale of Oil entirely or partially motivated by considerations other than those normally prevailing in a free sale of Oil;

- sales resulting from agreements between governments or between governments and state companies.

c. As soon as possible after the end of each Quarter, the average price of the Oil having been the object of sale excluded from paragraph (b.) above will be calculated (in US Dollars per Barrel, FOB Tunisia) by the Management Committee and compared to the price per Barrel of a selection of samples of Oil sold on the open market and of comparable quality. The prices retained will be those which will be published on the international markets during the same period and particularly by the “Platt’s Crude Oil Market Wire”.

The reference Crude Oil prices will be adjusted to take into account the differences in quality, quantity, public renown, conditions of production, transportation costs, delivery date, payment terms and other contractual elements.

The prices of the reference Crude Oil will be chosen for this selection of samples by mutual agreement between the Parties and the Tunisian authorities. Preference will be given to Oils which quality is comparable to Tunisian Oil, coming either from Africa or the Middle East, and which are normally sold on the same markets as the Tunisian Oil.

d. For the pricing of the final annual stock as of 31 December of each year, the FOB price will be decided upon by the Parties taking into account the actual FOB prices of the four Quarters of the Year as defined in paragraph (b.) above on the basis of the weighted average of quantities lifted by the Parties during each Quarter.

e. Should a disagreement occur between the Parties regarding the determination of the Oil prices in accordance with the methods stated above, they shall resort to the provisions of paragraph 12.2 below.

12.2 Any dispute or disagreement between the Parties regarding the method of determining the prices or the selection of the Crude Oil used as reference will be resolved by a sole expert nominated jointly by both Parties within one (1) month, according to the provisions of this Article. Should the Parties not agree on such expert, the latter will be selected by the American Petroleum Institute ("A.P.I."). The expert will have to render his verdict within one (1) month from the time of his designation. The expert's decision will be final and will be binding on both Parties.
12.3 If it pertains to Gas, the value of Cost Gas to which the CONTRACTOR is entitled will be determined as follows:

a. For the Gas sold on the local market, the price will be guaranteed by the LICENSING AUTHORITY in accordance with the Convention, and Articles 73.1 and 73.2 of the Code.

b. Where exported Gas is concerned, the price will be determined, “mutatis mutandis” in accordance with the provisions of paragraphs 12.1 and 12.2.

ARTICLE 13: Specific provisions for Gas

13.1 If Gas is produced or is likely to be produced from the Permit, the Management Committee will evaluate all economic alternatives presented by the CONTRACTOR for the use of the Gas, and will recommend the most prudent and economically attractive alternative to ETAP and the CONTRACTOR.

13.2 The Parties agree that any such study will take into consideration the obligation to supply the local Tunisian market. The sales price of any gaseous hydrocarbon supplied to the Tunisian market will be guaranteed by the LICENSING AUTHORITY in accordance with the Convention and with Article 73.1 of the Hydrocarbon Code.

13.3 The CONTRACTOR will be authorized to use, at no cost, the associated or non-associated Gas for its own needs at the extraction site or for the processing units or other such uses it deems necessary for continuation of the Operations of Economic Production or for re-injection into the Deposits belonging to the Permit.

13.4 ETAP will undertake its best effort to obtain all required authorizations from the LICENSING AUTHORITY to enable the CONTRACTOR to burn any quantity of Gas, which will not or cannot be economically marketed by ETAP and/or the CONTRACTOR, other than that used as described above.

ARTICLE 14: Specific provisions for groundwater

The CONTRACTOR will strive to do its best to preserve the quality of the groundwater expanses that it may discover during its Operations. In particular, the programs of casing and Abandonment of Exploration wells will be such that, if need be, they will enable the Tunisian authorities to recover these wells in order to exploit the water bearing strata.

ARTICLE 15: Ownership
15.1 All the fixed assets, movable property, and exhaustively, all the acquisitions inherent to the Petroleum Operations performed in accordance with this Agreement will become the property of ETAP as soon as the CONTRACTOR has recovered the corresponding costs.

15.2 The recovery of the expenditures resulting from the Petroleum Operations will be accomplished in the following order:

1. Exploration including expenses incurred during the validity period of the “Sfax Offshore” Prospecting License
2. Development
3. Production

It is understood that the priority for the recovery will be given to permanent assets in the order of their acquisition.

15.3 For the duration of this Agreement, the CONTRACTOR will have the right to use, without restriction and free of charge, all the property transferred to ETAP, located on or assigned to the Permit and Concessions and for the exclusive use in the Permit and in its Concessions.

15.4 During the validity or following the expiration of this Agreement, the CONTRACTOR will be able to use the assets and property belonging to ETAP on its other Permits and Concessions, in accordance with conditions to be agreed upon between the Parties.

15.5 Assets owned by ETAP are inalienable by the CONTRACTOR and cannot be sold, rented, or disposed of without the explicit agreement of ETAP.

15.6 In order not to compromise the good performance of this Agreement, ETAP formally undertakes not to dispose of, in any manner, any asset mentioned above without the prior and written agreement of the CONTRACTOR, the latter promising, on the other hand, not to refuse to give such agreement without legitimate cause.

ARTICLE 16: Accounting procedure

16.1 The CONTRACTOR must keep the accounting records in Tunisia in accordance with the Accounting Procedure provided for in Appendix “A” and with the accounting practices accepted and generally used in the international petroleum industry, as well as any other books or records necessary to justify the work accomplished and the value of any Hydrocarbon produced and recovered under this Agreement.

16.2 Without prejudice to the provisions of Article 9 paragraph 6 and Article 10 paragraph 5 above, the CONTRACTOR will keep its accounting records in Tunisian Dinars.

16.3 The CONTRACTOR will submit a monthly statement of income and expenses in US Dollars, which will set out the total expenses and the differences by budgetary category.
16.4 The Quarterly statement will be prepared and transmitted on the same basis as the monthly account, which is the object of the preceding paragraph.

ARTICLE 17: Exchange controls

The CONTRACTOR will conform to the regulation of the exchange controls in force in Tunisia as prepared by the Exchange Procedure appended to the Convention (Appendix "B").

ARTICLE 18: Operations records

18.1 The CONTRACTOR has the obligation to prepare and maintain technical, financial and administrative records for all the Petroleum Operations pertaining to the Permit and the Concessions.

18.2 The records relative to the operations the expenditures of which have been recovered by the CONTRACTOR become the property of ETAP.

18.3 At the expiration of this Agreement, all the records will be given back to ETAP.

18.4 During the validity of this Agreement, each of the Parties will have access to and will be able to use the records, taking into consideration the confidentiality obligations.

18.5 The CONTRACTOR will give in advance to ETAP and at any time, any records it cannot or does not wish to keep.

18.6 The CONTRACTOR will communicate to ETAP, in appropriate form, any technical, financial, or administrative information relative to the Petroleum Operations, according to a mutually acceptable agreement between the Parties.

18.7 ETAP will have free access to all data and information technical as well as economic, gathered in the context of the Petroleum Operations relative to this Agreement within a limit of thirty (30) months as of the date of their acquisition and/or of the date when the corresponding costs have been recovered by the CONTRACTOR.

18.8 The CONTRACTOR will be able to keep and use for its own needs, copies of any information, records or reports as well as a range of samples representative of the drilling performed on the Permit area.

ARTICLE 19: Access to work sites for ETAP representatives
19.1 ETAP’s representatives will have access, at any time and at ETAP’s expense, to the work sites on the Permit and the Concessions issued therefrom in order to witness the current Petroleum Operations, according to a mutually acceptable agreement between the Parties.

19.2 Access to the sites by ETAP representatives will never result in civil liability or any other liability on the part of the CONTRACTOR.

19.3 Said representatives will be given assistance by the agents and employees of the CONTRACTOR so that nothing will endanger them or hinder the safety or the efficiency of the Petroleum Operations.

19.4 The CONTRACTOR will give ETAP’s representatives the same advantages it grants its own employees in the operations areas. Among other things, it will grant them, free of charge, the use of a reasonable office space, as well as accommodations with adequate equipment during their stay inside the areas of operations.

19.5 Any information obtained by ETAP or its representatives during their stays on the CONTRACTOR’s sites must be kept confidential and cannot be disclosed during the term of validity of this Agreement without the prior written consent of the CONTRACTOR.

ARTICLE 20: Employment of personnel in Petroleum Operations

The CONTRACTOR will employ local and foreign personnel in accordance with the laws and regulations in effect and Article 54 of the Specifications appended to the Convention.

ARTICLE 21: Purchases and supplies

When purchasing facilities, equipment, and supplies for the Petroleum Operations, the CONTRACTOR will give preference to material, services and goods manufactured locally if such materials, services and goods are supplied at prices, grades, quantities, qualities, delivery schedules and other, equal or more favorable commercial terms than those for materials, services and goods imported from abroad.

ARTICLE 22: Insurance and responsibilities

22.1 The CONTRACTOR shall give proof that it has subscribed to insurance policies covering the risks which are its responsibilities in accordance with the legal regulations in effect and the decisions taken by the Management Committee.

22.2 Neither Party is obligated to pay the other Party for any damages or losses incurred during the operations, unless said damage or loss results from deliberate or gross negligence of one of its managers or staff; it is understood however that the expression
"deliberate or gross negligence" cannot be applied to omissions, errors or mistakes committed in good faith by any member of the staff or management while exercising his duties, powers and allowances given by the CONTRACTOR under the provisions of this Agreement.

22.3 With the exception of the provisions of paragraph 22.2 above or a formal disposition to the contrary contained in this Agreement, all damages, losses, responsibilities and related expenses incurred or borne from the operations covered by this Agreement, including human injury or death, and including the supplied storage and export installations, are borne by the Party(ies) responsible for the error.

ARTICLE 23: Laws and regulations

23.1 The CONTRACTOR will be bound by the provisions of this Agreement as well as by all the laws and regulations duly decreed by the LICENSING AUTHORITY, and which are not incompatible or in contradiction with the Convention and/or this Agreement. It is also understood that no new regulation, modification or interpretation either in contradiction or incompatible with the provisions of this Agreement and/or the Convention will be applicable.

23.2 The rights and obligations of the CONTRACTOR and ETAP under and during the validity of this Agreement are governed by and in accordance with the provisions of Convention and this Agreement, provisions which may only be modified, supplemented or terminated upon the Parties' written mutual agreement.

ARTICLE 24: Assignment

In accordance with the provisions of Article 114.4 of the Hydrocarbon Code and of Article 5 of the Convention, the Parties will apply the following measures should a complete or partial disposal occur, in whatever form it may be (assignment, transfer, etc.), of the rights, obligations and interests held by the CONTRACTOR and ensuing from this Agreement.

24.1 Subject to Articles 15 and 23 above, the CONTRACTOR has the right to sell, assign, transfer, transmit or dispose of, in any way it wishes, all or part of his rights, obligations, interests ensuing from this Agreement, to third parties, in accordance with the terms of the Hydrocarbon Code and the Convention, and shall prove the technical skill and financial ability of the proposed assignee with regard to the obligations under this Agreement. Any assignment shall be subject to ETAP's prior consent, who may not unreasonably withhold its consent.

24.2 The CONTRACTOR will have the right to sell, assign, transfer, transmit or otherwise dispose of, in whatever manner it wishes, all or part of its rights, obligations, interests ensuing from this Agreement to Affiliated Companies. An assignment agreement shall be
entered into among ETAP, the assignee and the assignor and submitted to the LicensiNG AUTHORITY for approval.

24.3 To implement the provisions of Article 58.b of the Hydrocarbon Code, paragraphs 24.1 and 24.2 above, if the CONTRACTOR is made up of a group of companies, one of them will be chosen to assume the responsibilities of Operator without prejudice to the terms of Article 6.2 above.

24.4 When any assignment occurs in accordance with this Article, the CONTRACTOR will provide ETAP an commitment without reservation from the assignee by which the latter promises to assume all the obligations assigned to it by the CONTRACTOR and ensuing from the Convention and its appendixes and from this Agreement.

In counterpart of the preceding, ETAP guarantees the complete preservation of the advantages granted to the CONTRACTOR by this Agreement to the assignee.

24.5 In case of a total assignment of its rights and obligations by the CONTRACTOR under this Article, the representatives of the CONTRACTOR serving on the Management Committee will be replaced by representatives of the assignee and ETAP will keep the same number of seats in said Management Committee.

ARTICLE 25: Confidential data and information

The studies, data and information gathered in the course of the operations conducted under this Agreement are the property of the TITLE HOLDER.

With the exception of ordinary statistical information, neither CONTRACTOR nor ETAP may communicate to a third party any information such as seismic reports, technical data, etc., in connection with the Permit and the Concessions resulting therefrom and relative to the operations conducted within the scope of this Agreement, without having obtained the prior consent of the other. Such consent shall not be unreasonably withheld.

However, it is specified that this measure does not constitute an obstacle to the communication of information to Tunisian authorities, to any third party entitled by law to gather such information, to companies or affiliated organizations as well as to third parties with which the CONTRACTOR conducts financial negotiations in good faith. These third parties are also obliged to keep this information confidential.

Any press release relative to the results of the operations conducted within the scope of this Agreement will be the subject of a prior consultation between the Parties.

ETAP agrees that all information concerning the wells located in areas that have been relinquished, and in particular all the electric logs, neutron logs, sonic logs, dipmeter surveys, density logs and any other recordings and surveys made or information collected, shall only remain confidential for a period of two (2) years after the date of relinquishment of these areas.
However, the following are exempt from the preceding rule:

- overall statistical information, other than that concerning the CONTRACTOR'S commercial contracts, for both imports and exports;
- documents concerning the general geology;
- documents concerning the inventory of water resources.

The latter information may be communicated to third parties or published by the LICENSING AUTHORITY or the water department, on the sole condition that the name of the CONTRACTOR providing the information be indicated.

In the case where the CONTRACTOR relinquishes Permits as mentioned in the Specifications, it shall be obliged to give the LICENSING AUTHORITY all the geophysical data it has collected and the interpretation thereof.

ARTICLE 26: Force Majeure

26.1 Force Majeure means any occurrence that is unforeseeable, un-opposable and independent to the Party which invokes it or bases its claim on said occurrence, such as earthquakes, storms, floods, lightning or any other poor weather conditions, war, embargo, blockade, riots or civil disorders, unforeseeable events, the caprice of princes or acts of God, or any acts of the government.

26.2 Each Party shall momentarily be partially or totally released from its obligations in the event their obligations are affected by a case of Force Majeure. The Party invoking the Force Majeure shall immediately notify the other Party by fax and within three (3) working days following the occurrence of the event, as well as by registered mail with acknowledgement of receipt. All information considered relevant shall be sent together with this notification. The term of this Agreement will be extended by the time period of any Force Majeure situation as defined herein. In the event of Force Majeure, the affected Party shall readily take every action necessary to remedy the situation arising from the Force Majeure. However, ETAP may not invoke as Force Majeure any act of the Government or State of Tunisia.

ARTICLE 27: Arbitration

27.1 Any dispute arising out of or in connection with this Agreement will be conclusively settled according to the Rules of Arbitration of the International Chamber of Commerce, by three arbitrators named in conformity with those Rules. The Law and the applicable procedure will be those of Tunisian legislation. The arbitration will be held in Paris, France and the language used will be French.
27.2 The Parties agree to execute the rendered judgment without delay and waive any appeal of the decision. The ratification of the judgment in order to execute it may be requested from any competent court.

ARTICLE 28: Status of the Parties

28.1 The rights, duties, obligations and responsibilities concerning ETAP and the CONTRACTOR under this Agreement are meant separately and individually not jointly or collectively, it being understood that this Agreement cannot be considered as an association.

28.2 ETAP will make sure that all legal or administrative formalities required by law, regulations or the administration are accomplished in order to safeguard its rights as Holder of the Permit and of the Concessions resulting therefrom, and protect the interests of the CONTRACTOR.

28.3 Notwithstanding Article 22.2, requests and applications presented by the CONTRACTOR to ETAP for submission to the LICENSING AUTHORITY will be considered as obligations towards the CONTRACTOR and in case of abstention or omission, in spite of the reminders by the CONTRACTOR, will be subject to the payment of damages and/or punitive damages as may be assessed by arbitrators in accordance with Article 27.

28.4 This Agreement is entered into within the provisions of the Convention. Except for express requirements of this Agreement, the rights and obligations of the Permit Holder resulting from said Convention will be applicable to the CONTRACTOR.

ARTICLE 29: Termination

29.1 ETAP will be entitled to terminate the Agreement if the CONTRACTOR does not execute one of the material obligations it is responsible for under this Agreement, provided the latter has first received a well founded formal notice regarding the failure of which it is responsible and which it has not remedied within ninety (90) days as of the date of receipt of the formal notice.

29.2 Should this Agreement be terminated, the fixed assets and other current assets and properties will be divided between the Parties according to the recovery of expenditures corresponding to said fixed and current assets. It is understood that the obligations of each of the Parties resulting from the Agreement, the Convention and the Hydrocarbon Code, as well as those resulting from decisions duly taken in the implementation of this Agreement shall continue as needed to close the accounts.

ARTICLE 30: Modification of the Agreement
The provisions of this Agreement can only be modified by an amendment concluded between the Parties and approved by the LICENSING AUTHORITY and in conformity with the provisions of Article 97 of the Hydrocarbon Code.

ARTICLE 31: Registration

This Production Sharing Contract is exempt from excise stamp and will be recorded under the system of fixed duties in accordance with Article 100.a of the Hydrocarbon Code.

ARTICLE 32: Commencement and duration of the Agreement

This Agreement is entered into within the scope of the Convention relative to the Permit; it will take effect on the Effective Date.

This Production Sharing Contract is entered into subject to its approval by the LICENSING AUTHORITY and in accordance with Article 97 of the Hydrocarbon Code.

ARTICLE 33: Miscellaneous provisions

33.1 Any notice, request, application, agreement, approval, consent, instructions, delegation, waiver or any other communication required or which may be given under this Agreement will be prepared in writing and will be considered as having been correctly executed when it is given personally to an authorized representative of the Party to which this notice is addressed or when it is sent by registered mail or is hand delivered with acknowledgement of receipt to a Party at the address below or any other address designated in writing by a Party.

Any notice given by facsimile or email must be confirmed by registered mail or hand delivery with acknowledgement of receipt.

ENTREPRISE TUNISIENNE D'ACTIVITES PETROLIERES
27 bis, Avenue Khéreddine Pacha
1002 Tunis - Belvédère, TUNISIA

Telephone: (+216) 71 782 288
Facsimile: (+216) 71 784 092

ATLAS PETROLEUM EXPLORATION WORLDWIDE, LTD.
18000 Groschke Road
Building - A1, Suite 200
Houston, TX
UNITED STATES OF AMERICA

Telephone: (+1 713) 554 8900
Facsimile: (+1 713) 554 8910

In Tunis: 10 Rue 7000 – 4th Floor
1002 Tunis – Belvédère, TUNISIA

Telephone: (+216) 71 890 551
Facsimile: (+216) 71 782 994

EUROGAS INTERNATIONAL INC.
10 Rue 7000 – 4th Floor
1002 Tunis – Belvédère, TUNISIA

Telephone: (+216) 71 890 551
Facsimile: (+216) 71 782 994

In case of a change of address of one of the Parties, the Party concerned must notify the other Party by registered letter with acknowledgement of receipt.

33.2 The obligations of each Party resulting from the Convention, this Agreement or any decision of the Management Committee must be promptly executed by said Party while taking into consideration the efficient and economic execution of the Petroleum Operations. The Parties will coordinate their efforts to reach that objective.

Executed in Tunis, on 20 July 2005 in five (5) original copies.

For ENTREPRISE TUNISIENNE D'ACTIVITES PETROLIERES

For ATLAS PETROLEUM EXPLORATION WORLDWIDE, LTD.

Taieb EL KAMEL
Chief Executive Officer

O. Duane Gaither II
President and Chief Operating Officer
For EUROGAS INTERNATIONAL INC.

Jaffar KHAN
President
APPENDIX A

ACCOUNTING PROCEDURE
ACCOUNTING PROCEDURE

BETWEEN THE UNDERSIGNED:

L'ENTREPRISE TUNISIENNE D'ACTIVITES PETROLIERES, hereafter called "ETAP", with its headquarters in Tunisia located at 27 b.s, Avenue Khéreddine Pacha, 1002 Tunis - Belvédère, represented for the purpose of this Agreement by its Chief Executive Officer, Mr. Taib EL KAMEL, ETAP acting as the Permit Holder,

OF THE FIRST PART,

AND

ATLAS PETROLEUM EXPLORATION WORLDWIDE, LTD., hereinafter referred to as "APEX", a company established and governed according to the laws of the state of Delaware, United States of America, having their head office located at 18000 Groschke Road, Building - A1, Suite 200, Houston, Texas 77084-5642, United States of America, and residing in Tunisia at 10 Rue 7000, 4th Floor, 1002 Tunis-Belvédère, represented by its President and Chief Operating Officer, Mr. O. Duane GAITHER II,

AND

EUROGAS INTERNATIONAL INC., hereinafter referred to as "EUROGAS", a company established and governed according to the laws of Barbados, having their head office located at Ernst & Young Business Services, PO Box 261, Bay Street, Bridgetown, Barbados, and residing in Tunisia at 10 Rue 7000, 4th Floor, 1002 Tunis - Belvédère, represented by its President, Mr. Jaffar KHAN.

APEX and EUROGAS, collectively referred to hereafter as "the CONTRACTOR".

OF THE SECOND PART.

IT HAS BEEN DECIDED AND AGREED AS FOLLOWS:

ARTICLE 1: Purpose

The purpose of this Accounting Procedure, appended to the Production Sharing Contract for the Petroleum Operations in the Sfax Offshore Permit and the Concessions issued therefrom and of which it forms an integral part, is to define the principles and the methods relative to the detailed accounting, the bookkeeping and financial records relative to the CONTRACTOR's statement to ETAP of the expenditures concerning all the operations of Exploration, Development, Production, Economic Production and Abandonment as well as the statements relative to the Cost and Profit Oil or Gas.

//Initialed//
The Accounting Procedure is subordinate to the Production Sharing Contract, and consequently will be applied in conformity with the provisions of this Agreement.

ARTICLE 2: Definitions

The definitions used in this Accounting Procedure will be those of the Production Sharing Contract; the following additional definitions will also applicable:

2.1 "Material": means the moveable assets, including equipment, materials and supplies acquired and kept for use in the Petroleum Operations.

2.2 "Cost Oil or Cost Gas": means the Oil or Gas produced and recovered from the Permit and/or any Exploitation Concession derived therefrom, not used in the Petroleum Operations and which will be attributed to the CONTRACTOR for the recovery of all its expenditures, in conformity with the Production Sharing Contract within the scope of said Operations.

2.3 "Profit Oil or Profit Gas": means the Oil or Gas produced and recovered from the Permit and/or from any Exploitation Concession derived therefrom, and not used in the Petroleum Operations or recovered by the CONTRACTOR as Cost Oil or Cost Gas. This Profit Oil or Profit Gas will be divided between ETAP and the CONTRACTOR according to the provisions of Article 10 of the Production Sharing Contract.

ARTICLE 3: Effective Date and Duration

The Effective Date and the duration of this Accounting Procedure are those of the Production Sharing Contract of which it forms an integral part.

However, in the eventuality of termination of the Production Sharing Contract or effective cessation of activity occur for any reason other than default, this Accounting Procedure, possibly modified as needed, will remain in effect between the CONTRACTOR and ETAP as long as financial and accounting ties exist between them as a result of the Permit or the Concessions resulting therefrom.

ARTICLE 4: Book keeping

4.1 The CONTRACTOR will keep analytic accounts of the expenditures pertaining to the Permit and any Concession(s) deriving therefrom, in conformity with the budgetary apportionment, that is to say spread over the different accounts according to the different phases of the Petroleum Operations: geology, geophysics, drilling, production installations, Exploitation, etc., according to a plan approved by the Management Committee.
4.2 The CONTRACTOR will keep a record of the financial accounting for the Petroleum Operations on accounts open for that specific purpose, where the expenditures attributed to the Operations will be registered as well as the payments made by the CONTRACTOR and the status of the Cost or Profit Oil or Gas calculated in accordance with Articles 9 and 10 of the Production Sharing Contract.

4.3 The CONTRACTOR will keep, for legal purposes, its accounting books and accounting documents in Tunisian Dinars.

4.4 The currency used for maintaining accounts for calculating the Cost and Profit Oil or Gas will however be the US Dollar (US$). Expenditures in Tunisian Dinars or any foreign currency other than the US Dollar (US$) will be converted into US Dollars at the average interbank exchange rate in the month in which transactions occur, such as is published by the Tunisian Central Bank ("B.C.T.").

4.5 The CONTRACTOR will have the ability to present a monthly status of expenses and income in US Dollars. The said accounting status will bring out the total expenditures by budgetary category.

4.6 The Quarterly statement, object of Article 9.5 of the Production Sharing Contract, will be prepared and communicated on the basis of the same principles as those used for all the monthly statements, object to the previous paragraph.

4.7 To satisfy the provisions of paragraph 4.3 above, the incurred expenditures will be calculated in Tunisian Dinars at the rate of paragraph 4.4 above.

ARTICLE 5: Chargeable costs and expenditures

The expenditures of every nature, belonging to all the Petroleum Operations conducted by the CONTRACTOR to realize the objectives defined by the programs and budgets adopted by the Management Committee, will be distributed among the analytic accounts open for this purpose and in accordance with the provisions of Article 4 above.

5.1 Charges for services rendered by outside enterprises and direct expenditures

These represent the charges of third parties and expenses charged to the actual cost and comprise among others but not limited to the following:

5.1.1 The equipment and consumable assets meant to be used and consumed for the Permit and the Concessions issued therefrom.

The cost will include the purchase price and the other costs relative thereto, effectively incurred such as: packaging, transportation, freight, storage, loading and unloading, insurance, customs duties and taxes and other local taxes.

The regulations applicable to the purchase, the relinquishment and the management of consumable products are defined in Article 6 hereunder.
5.1.2 a. The services rendered by the CONTRACTOR and other external enterprises including specific, technical and other services furnished to the CONTRACTOR by any Affiliated Company.

Said services are rendered at cost.

b. The CONTRACTOR will be able to request that ETAP supply services such as studies, laboratory analysis and evaluation, seismic reprocessing, etc. The conditions and the methods of realization and billing will be decided by joint agreement at the proper time.

c. It is specified that “services” means any outside work and service rendered in the meaning of the Tunisian National Accounting Plan.

5.1.3 The transportation, costs of travel and provision of the personnel required for the execution of the Petroleum Operations, including the travel expenses of the CONTRACTOR representatives outside of Tunisia for technical discussions. When the travel includes other activities as well, the expenditures will be shared equitably among all these activities.

5.1.4 Taxes, duties and fees due for the execution of the work, excluding the taxes on the companies.

5.1.5 Bank charges incurred on any financing and banking transactions inherent to the activity in the Permit and/or the Concession and any exchange loss thereon.

5.1.6 Direct costs concerning the personnel and all charges inherent to them:

The technical personnel charges as well as those related to the personnel which are assumed by the CONTRACTOR (social charges, benefits in kind and others) engaged directly in the Operations, either on a permanent or a temporary basis. It is understood that it may not duplicate those covered by Article 5.2.

The time effectively spent by the technical personnel will be charged directly to the Permit and/or Concession.

5.1.7 Damages and losses

Any costs and expenses necessary for the repair or replacement of assets because of damage or loss resulting from a fire, eruption, storm, theft, accident or any other cause beyond the control of the CONTRACTOR.

The CONTRACTOR will have to notify the Management Committee in writing as soon as possible, in each case, for damages or losses exceeding one hundred thousand U.S. Dollars (U.S.$100,000).
5.1.8 Insurance and settlement of disaster claims

a. The insurance premiums for policies subscribed to by the CONTRACTOR in the scope of the provisions of Article 22 of the Production Sharing Contract in order to cover the risks inherent to the Petroleum Operations and any other expense, according to the practices and customs of the international petroleum industry.

b. The expenses incurred in the settlement of all losses, claims, damages, judgments and any other expenses of the same kind incurred for the Petroleum Operations.

c. The settlements received from the insurance companies to cover all losses will be shared, after eventual deduction of the costs of repairs and/or replacement, between ETAP and the CONTRACTOR prorated by their respective ownership of the damaged goods and according to the stipulations of the Convention and its Appendix "B". It being understood that said costs will not be taken into consideration in the determination of the Cost Oil or Cost Gas.

5.1.9 Legal fees and court costs

Should the need arises, all the costs, expenses and fees relative to the handling, review and the conclusion of disputes or claims resulting from the Petroleum Operations or necessary for the protection or the recovery of assets, including but not limited to the court costs, the filing fees, the search for evidence and the amounts paid to conclude or settle the said disputes or claims.

5.1.10 Office overhead expenses, camps and various installations

The expenses connected with operating and maintaining all offices, camps, storage, housing and other installations used in direct relationship with the Petroleum Operations, as long as they are not duplicating the operating costs covered by Article 5.2.

5.1.11 Any other charges not mentioned in the above paragraphs and that the CONTRACTOR will have deemed necessary for the conduct of the Petroleum Operations, within the limit of the approved budgets.

5.2 Overhead

These expenses represent a participation to the costs pertaining to the CONTRACTOR’s head office and its Affiliated Companies, connected with the administrative, legal, accounting, financial, fiscal, purchasing, personnel relations, data processing to insure the smooth running of the Petroleum Operations and which are not otherwise chargeable to the Permit and/or the Concession in accordance with the provisions of paragraphs 5.1.2 and 5.1.6 above.

The amount of the participation will be figured by means of the rates which will be fixed annually by the Management Committee which at the end of each Year will examine the work program and the corresponding budget for the following Year.
Said rates will vary according to the nature of the Petroleum Operations to be conducted and the expenditures to be planned for the year in question.

The annual rates applicable must never exceed:

- Exploration expenses: five percent (5%) of annual expenses, not to exceed US$300,000 per year
- Development expenses: three percent (3%) of annual expenses, not to exceed US$800,000 per year and for every development project US$2,500,000
- Exploitation expenses: two percent (2%) of annual expenses, not to exceed US$200,000 per year

These service expenses do not duplicate the specific technical service in accordance with Article 5.1.2 of this Accounting Procedure.

The rates and ceilings listed above may be revised upon mutual agreement.

ARTICLE 6: Materials and consumable goods

6.1 Purchase

The materials and consumable goods acquired for the needs of the activity on the Permit and/or the Concession will be chargeable at net cost to the account of the stock of the Permit and/or the Concession. The consumption will be debited in line with the codes of the activities. The net cost will include, besides the purchase price, the costs mentioned in Article 5.1.1, without being limited to them. The stock will be valued at weighted average rate according to the following principles.

6.1.1 Consumable goods

The materials which have not been used but are still in the same condition will be re-stocked at their original value.

The cost of necessary inspections will be charged to the operations in which the materials were involved.

The costs of preventative maintenance and inspection of materials as they are received at the base of operations and as they are stocked are considered as operation costs of said base and shared out proportionately by the activities at the end of the Year.

The returned materials which have been used and can be reconditioned at a reasonable cost will be restocked at their initial value after the reconditioning.

The reconditioning costs will be charged to the operations in which the materials have been used.
The returned materials which have been used but cannot be reconditioned at a reasonable cost will be considered as scrap.

6.1.2 Movable property

The CONTRACTOR will inspect all the movable property returned after having been used in the Petroleum Operations of the Permit or in any Concession arising therefrom.

Should the inspection determine that they can be reused, these movable properties will be restocked for a value taking into consideration an additional depreciation for exceptional usage.

The inspection costs and reconditioning will be charged to the preceding operations from which the movable property in question are recovered.

The movable property which cannot be reused for technical or operational reasons will be accounted for at scrap value.

6.2 The physical and accounting management of these stocks will be handled by the CONTRACTOR. The eventual differences in the inventory, as well as all observations of depreciation which will result in the replacement of the material will be recovered by the CONTRACTOR as Cost Oil or Cost Gas, except in the case of serious error on the part of the CONTRACTOR.

6.3 The CONTRACTOR will be entitled to sell any surplus stock for an amount below two hundred thousand U.S. Dollars (U.S.$ 200,000) per operation without first obtaining the authorization of the Management Committee. In the meaning of this Article, a sale is considered as any relinquishment of material to stocks belonging to other permits or concessions managed by the CONTRACTOR and/or to third parties. It being understood that the proceeds of such sales will be paid to ETAP in whole or in part according to the recovery by the CONTRACTOR of the expenses made by him for their acquisition.

6.4 The guarantee on the material relinquished is in proportion to that given by the vendor or the manufacturer of said material. In case of faulty material, the account of the Permit or the Concession will only be credited to the extent of the value of the materials that the CONTRACTOR will have received from the supplier.

6.5 Inventories

6.5.1 Inventories of all the materials normally subjected to this control in the international petroleum industry will be taken periodically, and at least once a year, by the CONTRACTOR. The CONTRACTOR will notify ETAP of the time when the inventory will be taken. ETAP may choose to be represented at these operations at its own expense.
6.5.2 The inventory will be compared to the account of the Permit or the Concession and a list of possible differences will be established by the CONTRACTOR which will adjust these accounts accordingly after having first obtained the approval of the Management Committee.

ARTICLE 7: Financial provisions

7.1 Periodic statement of expenditures concerning the Recovery of Expenditures ("Cost Oil or Cost Gas") and the Profit Oil or Profit Gas.

The CONTRACTOR will be entitled, from the very beginning of Production, to recover in full all the expenses pertaining to all of the operations of Prospecting, Exploration, Appraisal, Development, Production and Economic Production Work, within the scope of the provisions of Article 9 of the Production Sharing Contract.

7.1.1 Within sixty (60) days following the end of each Quarter, the CONTRACTOR will communicate to ETAP a statement of the expenditures mentioned in Articles 5 and 6 above.

Such statements are meant to show the accumulated expenses within the scope of the annual budgets.

The CONTRACTOR will communicate to ETAP, each Quarter, a statement of the liftings made during the Quarter, no later than two (2) weeks following the Quarter in question.

7.1.2 Concerning Production and within sixty (60) days following the end of each Quarter, the CONTRACTOR will communicate to ETAP (in addition to the statement relating to the above mentioned expenditures):

a. A statement relative to the Oil or Gas produced specifying:

   i. the quantities and values of Oil or Gas used for the ends of recovering expenditures, in agreement with the provisions of Article 9 of the Production Sharing Contract;

   ii. the quantities and values of the Oil or Gas to be taken as Profit Oil or Profit Gas, according to the provisions of Article 10 of the Production Sharing Contract;

   iii. the quantities of Oil or Gas to which ETAP is entitled.

b. A statement valuating the liftings made will however be given to ETAP within twenty (20) days following each Quarter in order to allow it to honor its fiscal obligations.
7.1.3 The quarterly statements comprising also the listing and the nature of the recouped expenditures by the CONTRACTOR under the heading as recovery of expenditures, as well as a list of the property and equipment acquired by ETAP in accordance with the provisions of Article 15 of the Production Sharing Contract. This list will include the details which will allow ETAP to keep adequate accounts.

7.2 The CONTRACTOR will also furnish a list specifying the amounts and the nature of the expenditures as well as the property acquired by the CONTRACTOR for the Concession.

In order to allow ETAP to prepare its tax return for the Concession, the CONTRACTOR undertakes to furnish the detail of the recoverable and chargeable amounts for the Concession. It being understood that this return will be prepared on the basis of a general exploitation account which will be kept in conformity with the current regulations.

7.3 The Permit Holder will annually charge against the Concession exploitation account a fraction of ETAP’s overheads equal to five percent (5%) of the recovered amount for the year in question.

7.4 In order to prepare the statements mentioned in paragraphs 7.1 and 7.2 above, the CONTRACTOR will take into account the various cost prices of the work obtained through its analytical accounting by distinguishing the types of expenditures listed in Article 5 above and by indicating for each cost price the amount and nature of the expenses for which a provision has been made. By expenses for which a provision has been made, it must be understood that it means the amount which has been evaluated for the work done but which has not yet been billed and which will be readjusted when the corresponding bills have been received and accounted for.

The CONTRACTOR will make the effort to render the statement corresponding to the last calendar Quarter within forty-five (45) days after its end.

7.5 At the end of each fiscal year, the CONTRACTOR will submit to ETAP an annual statement summarizing the expenditures and costs in order to enable ETAP to calculate the taxes on the profits realized, to be paid by it in accordance with Article 114.1 of the Code.

At the request of the CONTRACTOR, ETAP will provide the proof of payment of the taxes it disbursed on behalf of the CONTRACTOR, in accordance with Article 114.1 of the Code.

ARTICLE 8: Audits

Audits of the accrued expenditures and costs will be done annually by an independent certified public accounting office as agreed upon by both Parties. If the Parties cannot agree on the independent certified public accounting office, either of the Parties may apply to the
International Chamber of Commerce Center for Technical Expertise, Paris, France, for appointment of an expert in accordance with its Rules.

The fees for these services will be shared by ETAP and the CONTRACTOR at the rate of fifty percent (50%) each and paid by the CONTRACTOR; it being understood that only ETAP’s share will be charged to the account of the Cost Oil or Cost Gas.

However, ETAP may, if it deems it necessary, proceed with direct audits, at its own expense. After the Parties have reached an agreement, the accounting adjustments will be made as required.

Executed in Tunis, on 20 July 2005, in five (5) original copies.

For ENTREPRISE TUNISIENNE D’ACTIVITES PETROLIERES  
For ATLAS PETROLEUM EXPLORATION WORLDWIDE, LTD.

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For EUROGAS INTERNATIONAL INC.

Jaffar KHAN  
President

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