

ARTICLE 32 – EFFECTIVE DATE OF AGREEMENT

- 32.1 This Agreement shall be subject to ratification by the Hellenic Parliament. The date on which the Agreement is published in the Official Government Gazette following its ratification by the State Parliament shall be its Effective Date.
- 32.2 As of the Effective Date, this Agreement shall be governed primarily by the provisions of the ratifying law, which, as of special nature, shall prevail, subject to the provisions of the European Union Law, having direct effect.

IN WITNESS WHEREOF

the Lessor and the Lessee have signed the Agreement through their authorized representatives on the above mentioned date.

For the LESSOR

Yannis Maniatis, Minister of Environment, Energy & Climate Change

For the LESSEE

Energiean Oil & Gas – Aegean Energy Exploration and Production of Hydrocarbons S.A

Matthaios Rigas, President & CEO

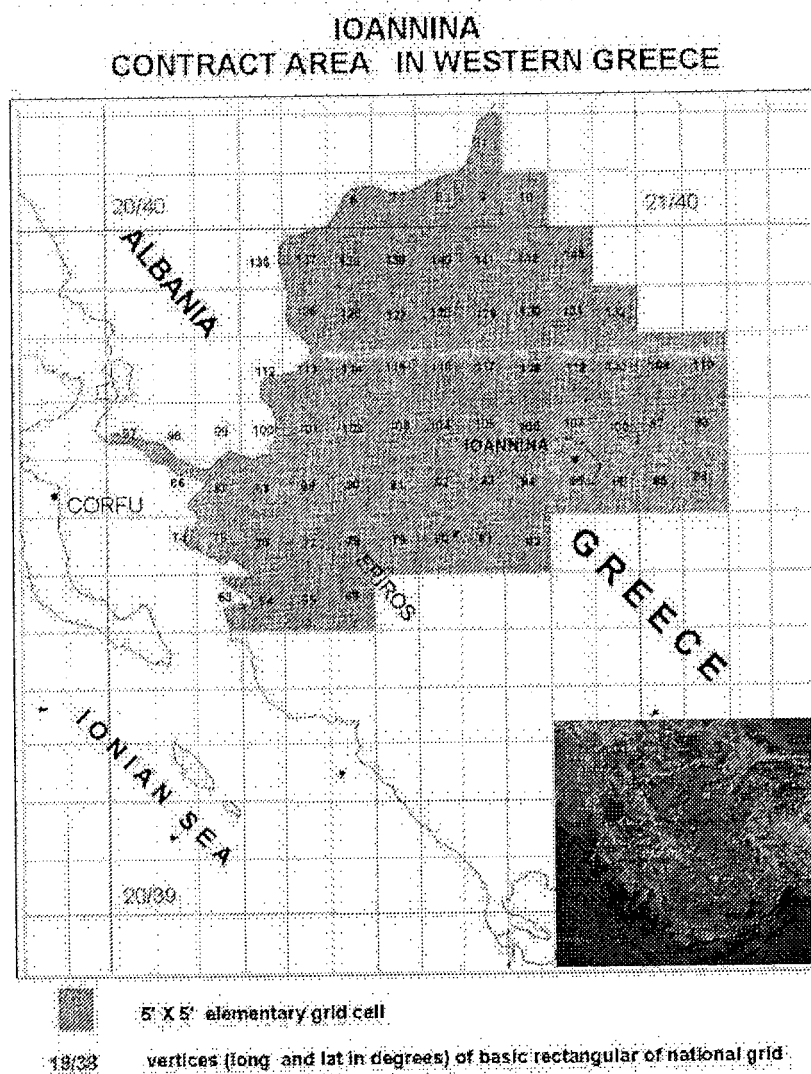
Petra Petroleum Inc.

Robert Lambert, President & CEO

ANNEX A
ELEMENTARY GRID CELLS CONSTITUTING THE CONTRACT AREA

20/39,63L - 20/39,64L - 20/39,65L - 20/39,66L - 20/39,74L - 20/39,75L -
20/39,76L - 20/39,77L - 20/39,78L - 20/39,79L - 20/39,80L - 20/39,81L -
20/39,82L - 20/39,86L - 20/39,87L - 20/39,88L - 20/39,89L - 20/39,90L -
20/39,91L - 20/39,92L - 20/39,93L - 20/39,94L - 20/39,95L - 20/39,96L -
20/39,97L - 20/39,98L - 20/39,99L - 20/39,100L - 20/39,101L - 20/39,102L -
20/39,103L - 20/39,104L - 20/39,105L - 20/39,106L - 20/39,107L - 20/39,108L - 20/39,112L - 20/39,113L -
20/39,114L - 20/39,115L - 20/39,116L - 20/39,117L - 20/39,118L - 20/39,119L - 20/39,120L - 20/39,125L -
20/39,126L - 20/39,127L - 20/39,128L - 20/39,129L - 20/39,130L - 20/39,131L - 20/39,132L -
20/39,137L - 20/39,138L - 20/39,139L - 20/39,140L - 20/39,141L - 20/39,142L - 20/39,143L - 20/40,6L -
20/40,7L - 20/40,8L - 20/40,9L - 20/40,10L - 20/40,21L - 21/39,85L - 21/39,86L - 21/39,97L - 21/39,98L -
21/39,109L - 21/39,110L.

ANNEX B
MAP OF CONTRACT AREA



ANNEX C

ACCOUNTING PROCEDURE

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

SECTION 1

GENERAL PROVISIONS

1.1 Definitions

- (a) For the purposes of this Accounting Procedure, the terms used herein which are defined in the Agreement shall have the same meaning when used in this Accounting Procedure.
- (b) In addition in this Annex:-
 - (i) **"Accrual Accounting"** depicts the effects of transactions and other events and circumstances on a reporting entity's economic resources and claims in the periods in which those effects occur, even if the resulting cash receipts and payments occur in a different period.
 - (ii) **"Contract Costs"** means Exploration Costs, Exploitation Costs, Operating Costs, Service Costs, and General and Administrative Costs, as such costs are respectively defined in Sections 2.1, 2.2, 2.3, 2.4 and 2.5 of this Annex.
 - (iii) **"Material"** means **machinery, equipment and supplies acquired and held for use in the conduct of the Petroleum Operations.**
 - (iv) **"Separation Point"** means the point to be defined between the parties in the Development and Production Programme.
 - (v) **"Year"** means a period of twelve months starting with 1 January and ending with 31 December and **"Quarter"** means a period of three consecutive months starting with the first day of January, April, July or October, or such other periods of twelve and three months, respectively, as the Parties may agree in writing.

1.2 Statements required to be submitted by the Lessee

- (a)
 - (i) Within sixty (60) calendar days of the Effective Date, the Lessee shall submit to and discuss with the Lessor a proposed outline of chart of accounts, operating records and reports, which outline shall be in accordance with generally accepted and recognized accounting systems and consistent with normal practice of the international petroleum industry.

- (ii) Within ninety (90) calendar days of receiving the above submission, the Lessor shall either indicate approval of the proposal or request revisions to the proposal. Within one hundred and eighty (180) calendar days after the Effective Date of the Agreement, the Lessee and the Lessor shall agree on the outline of chart of accounts, operating records and reports which shall describe the basis of the accounting system and procedures to be developed and used under the Agreement. In principle, all books and records must be kept based on Accrual Accounting.
 - (iii) Following such agreement, the Lessee shall expeditiously prepare and provide the Lessor with a written detailed description of the procedure based on the agreed outline, to be adopted by the Lessee related to the accounting, recording functions, and allow the Lessor to examine the Lessee's manuals and to review procedures which are, and shall be, observed under the Agreement.
- (b) The various submissions or statements provided herein shall be delivered by the Operator acting on behalf of the Lessee.
 - (c) Without limitation to the foregoing, the Operator shall submit to the Lessor, the following regular statements relating to the Petroleum Operations, each of which shall be compiled separately by reference to each Exploration Area and Exploitation Area as so designated from time to time pursuant to the Agreement.
 - (i) Exploitation Statement (see Section 5 of this- Annex).
 - (ii) Value of Exploitation Statement (Section 6).
 - (iii) Statement of Income and Expenditures (Section 7).
 - (iv) Final End of Year Statement (Section 8).
 - (v) Budget Statement (Section 9).
 - (d) All reports and statements shall be prepared in accordance with the Agreement, the Law, and following the provisions of paragraph 1.2 (a) (ii) of this Section or where there are no relevant provisions in either of these, in accordance with normal practice of the international petroleum industry.

1.3 Language and Units of Account

- (a) Accounts shall be maintained in Euro. Metric units and barrels shall be employed for measurements required under the Agreement. The language employed shall be Greek and English. While such currency, language and units of measurement shall prevail in the event of conflict or inconsistency, the Lessee shall also maintain accounts and records in other currencies, languages and units of measurement where administratively necessary or desirable.
- (b) It is the intent of this Accounting Procedure that neither the Lessor nor the Lessee should experience an exchange gain or loss at the expense of, or to the

benefit of, the other. However, should there be any realized gain or loss from exchange of currency (i.e. where the rate of exchange used for the conversion of expenses or revenues into Euro, which is the currency in which the statements are maintained differs from the rate used upon payment or receipt of those expenses or revenues respectively), this will be credited or charged to the accounts under the Agreement.

- (c) Debits and credits relating to expenses and revenues in currencies other than the currency in which the books are maintained shall be converted in Euro at the applicable rate of exchange of the foreign currency using the average of the official buying and selling rates as issued by the European Central Bank set on the day the expense or the revenue is incurred. A separate record shall be kept by the Lessee of the exchange rates used in each conversion.

1.4 Payments

- (a) All payments between the Parties shall, unless otherwise agreed, be in Euros and through a bank designated by each receiving Party.
- (b) Subject to the provisions of the Agreement, payments of Income Tax by the Lessee and/or each Co-Lessee shall be made in accordance with appropriate procedures contained in the laws of Greece.
- (c) All sums due by one Party to the other under the Agreement during any Calendar month shall, for each day such sums are overdue during such month, bear interest compounded daily at an annual rate equal to the overdue interest rate as determined at the time by the Bank of Greece.

1.5 Prudent Financial Management

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

1.6 Audit and Inspection Rights of the State

- (a)
 - (i) The Lessor, at its own cost, shall have the right to cause Lessee's accounts and records maintained hereunder with respect to each Year to be audited within two (2) Years from the end of each such Year. Notice of any exception to the Lessee's accounts of any Year must be submitted to the Lessee within three (3) Years from the end of such Year.
 - (ii) For purposes of auditing, the auditors (to be nominated by the Lessor) may examine and verify, at reasonable times all charges and credits relating to the Petroleum Operations such as books of account, accounting entries, material records and inventories, vouchers, payrolls, invoices, contracts and any other documents, correspondence and records necessary to audit and verify the charges and credits.
 - (iii) Furthermore, the auditors shall have the right in connection with such audit to visit and inspect at reasonable times all sites, plants, facilities, warehouses and offices of the Lessee directly or indirectly serving the Petroleum Operations and to visit personnel associated with those operations.
- (b) Without prejudice to the provisions of sub-section 1.6(a), the Lessee shall maintain in Greece and make available for inspection by the Lessor and by the auditor nominated by the Lessor, all documents referred to in that subsection for five (5) Years following their date of issue.

SECTION 2

CLASSIFICATION, DEFINITION AND ALLOCATION OF COSTS AND EXPENDITURES

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

- 2.1 Exploration Costs are direct and allocated indirect expenditures incurred in the search for Hydrocarbons in an area which is or was, at the time when such costs were incurred, the Exploration Area including:
- (a) geophysical, geochemical, paleontological, geological, topographical, environmental and seismic surveys and studies and their interpretation;
 - (b) core hole drilling and water well drilling;
 - (c) labour, materials and services used in drilling wells with the object of finding new Hydrocarbons Reservoirs or for the purpose of appraising the extent of Hydrocarbons Reservoirs already discovered provided such wells are not completed as producing wells;

- (d) facilities used solely in support of these purposes including access roads and purchased geological and geophysical information;
- (e) a portion of all Service Costs allocated to the Exploration Operations on an equitable basis to be agreed to between the Lessor and the Lessee;
- (f) a portion of all General and Administrative Costs allocated to the Exploration Operations based on projected budget expenditures, subject to adjustment on the basis of actual expenditure at the end of the Year concerned; and
- (g) any other expenditures incurred in the search for Hydrocarbons prior to the commencement of commercial exploitation and not covered under sub-section 2.3.

2.2 Exploitation Costs are direct and allocated indirect expenditures incurred in the development of Hydrocarbons production capacity from an Exploitation Area, including:

- (a) drilling wells which are completed as producing wells and drilling wells for purposes of producing a Hydrocarbons Reservoir already discovered, whether such wells are dry or producing;
- (b) completing wells by way of installation of casing or equipment or otherwise after a well has been drilled for the purpose of bringing the well into use as a producing well;
- (c) the costs of field facilities, such as pipelines inside of the Separation Point, flow lines, production and treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, offshore platforms, petroleum storage facilities, export terminals and piers, harbors and related facilities, and access roads for production activities;
- (d) engineering and design studies for field facilities and necessary surveys and studies for the contact of EIS;
- (e) a portion of Service Costs allocated to the Exploitation Operations on an equitable basis in a manner to be agreed between the Lessor and the Lessee;
- (f) a portion of General and Administrative Costs allocated to the Exploitation Operations based on projected budget expenditures subject to adjustment based on actual expenditures at the end of the Year concerned; and
- (g) any other expenditure incurred in the development of Hydrocarbons production capacity prior to the commencement of commercial exploitation and not covered under sub-section 2.3.

2.3 Operating Costs are expenditures incurred after the start of commercial exploitation (except in the case of intangible drilling costs as hereinafter mentioned) in the production of Hydrocarbons and operation of related facilities. Without limitation, Operating Costs include intangible drilling costs such as, but not limited to labour, consumables, material and services having no salvage value, which are incurred in the

drilling operations related to the drilling or deepening of producing wells, whether incurred before or after the commencement of commercial exploitation. The balance of General and Administrative Costs and Service Costs not allocated to Exploration Costs or Exploitation Costs shall be allocated to Operating Costs.

2.4 Service Costs are direct and indirect expenditures in support of the Petroleum Operations including warehouses, piers, marine vessels, vehicles, motorized rolling equipment, aircraft, fire and security stations, workshops, water and sewage plants, power plants, housing, community and recreational facilities and furniture, tools and equipment used in these activities. Service Costs in any Year shall include the total costs incurred in such Year to purchase and/or construct said facilities as well as the annual costs to maintain and operate the same. All Service Costs shall be regularly allocated as specified in sub-sections 2.1 (e), 2.2 (e) and 2.3 to Exploration Costs, Exploitation Costs and Operating Costs.

2.5 General and Administrative Costs are:

- (a) all office, field office, any reasonable Operator's fee and general administrative direct or allocated indirect costs incurred by the Lessee within Greece in respect of Petroleum Operations, including but not limited to supervisory, accounting and employee relations services;
- (b) an overhead charge for services rendered by or on behalf of the Lessee outside Greece for managing the Petroleum Operations and for staff advice and assistance including financial, legal, accounting and employee relations services. Such overhead charge shall be limited to the maximum provided in the Presidential Decree under the Clause headed "Lessee's Overheads Expenses Abroad";
- (c) all General and Administrative Costs shall be regularly allocated as specified in subsections 2.1(f), 2.2(f) and 2.3 to Exploration Costs, Exploitation Costs and Operating Costs; and
- (d) The provisions of this section do not have any effect in the "Cumulative Total Outflows" defined in Article 13 Royalties.

SECTION 3

COSTS, EXPENSES, EXPENDITURES AND CREDITS OF THE LESSEE

3.1 Costs Deductible Without Further Approval of the Lessor

Subject to the provisions of the Agreement, the Lessee shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses shall be classified in relation to the Exploration, and to each Exploitation Area under the headings referred to in Section 3, and are deductible by the Lessee under the

Agreement (for the purposes of royalty calculation) without further approval of the Lessor.

(a) Surface Fees

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

(b) Labour and Associated Labour Costs

- (i) costs relating to salaries and wages including bonuses of the Lessee's employees directly engaged in the Petroleum Operations, irrespective of the location of such employees;
- (ii) the Lessee's costs regarding holiday and vacation, applicable to the salaries and wages chargeable under (i) above;
- (iii) expenses or contributions made pursuant to assessments or obligations imposed under the laws of Greece which are applicable to the Lessee's cost of salaries and wages chargeable under (i) above;
- (iv) reasonable travel expenses of employees of the Lessee, including those made for travel of the expatriate employees assigned to the Lessee, all of which shall be in accordance with the Lessee's normal practice; and
- (v) employee benefits of employees of the Lessee, to the extent directly involved in the Petroleum Operations, for an amount of up to forty per cent (40%) of the salary of each employee.

If the employees of the Lessee are also engaged in activities other than the Petroleum Operations under this Contract, only the portion of the cost which relates to the performance of the Petroleum Operations under the Contract shall be allocated to these Petroleum Operations and will be apportioned on a time-sheet basis.

(c) Transportation and accommodation

The reasonable cost of transportation and accommodation of employees and contractors and the cost of transportation of equipment, materials and supplies that is necessary for the conduct of the Petroleum Operations.

(d) Charges for Services

(i) Third Party Contracts

The actual costs of contracts for technical and other services entered into by the Lessee for the Petroleum Operations, made with third parties other than Affiliate Enterprises, are deductible, provided that the prices paid by the Lessee are not substantially higher than those generally charged by other international or domestic suppliers for comparable work and services, and that the contracts were entered into following procedures

which are in line with the procurement policy of the Lessee, as submitted to the Lessor under paragraph 3.3 of this Section.

(ii) Affiliate Enterprises

In the case of services rendered to the Petroleum Operations by an Affiliate Enterprise, the charges shall be based on actual costs and be competitive. The charges shall be no higher than the most favorable prices charged by the Affiliate Enterprise to third parties for comparable services under similar terms and conditions elsewhere. The Lessee shall, if requested by the Lessor specify the amount of any such charges which represent an allocated proportion of the general material, management, technical and other costs of the Affiliate Enterprise, and the amount which is the direct cost of providing the services concerned. If necessary, evidence regarding the basis of prices charged may be obtained from the auditors of the Affiliate Enterprise. It is expected that the Lessee (and its Affiliate Enterprise) will maintain documentation and evidence, and have followed appropriate methodologies to support the "arm's length principle" of these transactions, as required by the Greek transfer pricing law or the applicable relevant law in force in other jurisdictions.

(e) Material

(i) General

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

(ii) Warranty of Material

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

(iii) Value of Material Charged in the Accounts

(A) Except as otherwise provided in (B) below, material purchased by the Lessee for use in the Petroleum Operations shall be valued to include invoice price less trade and cash discounts (if any), purchase and procurement fees plus freight and forwarding charges between point of supply and point of shipment, freight to port of destination, insurance, taxes, customs duties, consular fees, other items chargeable against imported material and, where practicable, handling and transportation expenses from point of importation to

warehouse or operating site, and its costs should not exceed those currently prevailing in arm's-length transactions on the open market.

- (B) Materials purchased from Affiliate Enterprises shall be charged at the following prices:
- (aa) new Material (Condition "A") shall be valued at the current international price which should not exceed the price prevailing in arms-length transactions on the open market (any evidence should be as required by the Greek transfer pricing law, or the applicable relevant law in other jurisdictions);
 - (bb) used Material (Conditions "B" and "C") which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classified as Condition "B" and priced at seventy five percent (75%) of the current price of new materials defined in (aa) above;
 - (cc) Material which cannot be classified as Condition "B" but which after reconditioning will be further serviceable for original function as good second-hand material Condition B, or is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty percent (50%) of the current price of new material as defined in (aa) above. The cost of reconditioning shall be charged to the reconditioned material, provided that the Condition "C" material value plus the cost of reconditioning does not exceed the value of Condition "B" material;
 - (dd) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use;
 - (ee) Material involving erection costs shall be charged at the applicable condition percentage pursuant to paragraphs (aa) to (dd) above of the current "knocked down" price of new material as defined in (aa) above; and
 - (ff) when the use of material is temporary and its service to the Petroleum Operations does not justify the reduction in price as provided for in (cc) hereof, such material shall be priced on a basis that will result in net charge to the Accounts under the Agreement consistent with the value of the service rendered.

- (C) Whenever Material is not readily obtainable at prices specified at (a) or (b) as a result of an event falling within the definition of "Force Majeure" in Article 26, the Lessee may levy reasonably incurred charges in connection with Petroleum Operations for the required Material at the Lessee's actual cost incurred in procuring such Material and making it suitable for use and moving it to the Area.

(f) Rentals, Duties and Other Assessments.

All rentals, taxes, levies, charges, fees, contributions and any other assessments and charges levied by the Lessor in connection with the Petroleum Operations and paid directly or indirectly by the Lessee other than Income Tax and imposed on the Lessee as specified in Article 14 of the Agreement, as well as any other taxes payable in respect of the income or profits of the Lessee.

(g) Insurance and Losses

Insurance premia and costs incurred for insurance provided that if such insurance is wholly or partly placed with an Affiliate Enterprise, such premia and costs shall be deductible only to the extent generally charged by competitive insurance companies other than an Affiliate Enterprise. If necessary, evidence regarding the basis of prices charged may be obtained from the auditors of the Affiliate Enterprise and the expected available supporting documentation is that prescribed by the Greek transfer pricing law or other applicable relevant law in other jurisdictions, as described in paragraph 3.1.d (ii) of this Section. Costs and losses incurred as a consequence of events which are, and in so far as, not made good by insurance obtained under the Agreement are Deductible under the Agreement unless such costs have resulted solely from an act of willful misconduct or negligence of the Lessee.

(h) Legal Expenses

All costs and expenses of litigation and legal or related services necessary or expedient for the procuring, perfecting, retention and protection of the Contract Area, and in defending or prosecuting lawsuits involving the Contract Area or any third party claim arising out of activities under the Agreement, or sums paid in respect of legal services necessary or expedient for the protection of joint interest of the Lessor and the Lessee are deductible. Where legal services are rendered in such matters by salaried or regularly retained lawyers of the Lessee or an Affiliate Enterprise, such compensation will be included instead under sub-section 3.1(b) or 3.1(d) above, as applicable.

(i) Training Costs

All reasonable costs and expenses incurred by the Lessee in training of personnel as required under Article 25.5 of the Agreement.

(j) General and Administrative Costs

The costs described in subsection 2.5(a) and the charge described in sub-section 2.5(b).

(k) Abandonment and decommissioning costs, including special reserve payments as provided in paragraph 2(i) and paragraph 3 of Article 10 of the Hydrocarbons Law and Article 8.6 of this Agreement.

(l) The costs of taking inventory in accordance with section 4.2 of this Annex C

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

(a) Commission paid to intermediaries by the Lessee.

(b) Donations and contributions.

(c) Expenditure on research into and development, of new equipment, material and techniques for use in searching for, developing and producing Hydrocarbons.

3.3 It is expected that the Lessee maintains a written and internally approved procurement policy and relevant procedures (following sound procurement practice) in the normal course of its business, relating to the purchase of services, materials etc. This procurement policy shall be communicated to the Lessor within thirty (30) calendar days from the Effective Date. For any of the costs mentioned in paragraph 3.1. and 3.2 of this Section, the Lessor can require evidence that the approved procurement policy of the Lessee was followed while awarding these costs.

3.4 Costs not Deductible under the Agreement

(a) costs incurred before the Effective Date;

(b) Hydrocarbons marketing or transportation costs of Hydrocarbons beyond the Separation Point;

(c) the costs of any Bank Guarantee given under this Agreement (and any other amounts spent on indemnities with regard to the non-fulfillment of contractual obligations);

(d) costs of arbitration and the independent expert in respect of any dispute under the Agreement;

(e) bonuses (signature and productions bonuses) and Income Tax as well as any other taxes payable in respect of the income or profits of the Lessee;

(f) fines and penalties payable in accordance with the decision of the responsible Greek authorities;

(g) costs incurred other than in accordance with prudent financial management in accordance with Section 1.5 of this Annex;

(h) costs incurred as a result of willful misconduct or negligence of the Lessee;

- (i) costs incurred without the consent or approval of the Lessor where such consent or approval is required as described in paragraph 3.2 of this Section; and
- (j) costs which are not included either in paragraph 3.1 or 3.2 of this Section, subject to the provisions of paragraph 3.5 of this Section.

3.5 Other Costs and Expenses

Other costs and expenses not covered or dealt with in the provisions of this Section 3 and which are incurred by the Lessee in accordance with the provisions of the Agreement for the necessary and proper conduct of the Petroleum Operations are deductible only with prior approval in writing by the Lessor.

3.6 Credit under the Agreement

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

- (a) any insurance or claim in connection with the Petroleum Operations or any assets charged to the accounts under the Agreement when such operations or assets were insured and the premium charged to the accounts under the Agreement;
- (b) revenue received from outsiders for the use of property or assets charged to the accounts under the Agreement to the extent that the relevant costs were so charged;
- (c) any adjustment received by the Lessee from the suppliers or manufacturers or their agents in connection with a defective material the cost of which was previously charged by the Lessee to the accounts under the Agreement;
- (d) rentals, refunds or other credits received by the Lessee which apply to any charge which has been made to the accounts under the Agreement, but excluding any award granted to the Lessee under arbitration or independent expert proceedings referred to in sub-section 3.4(d) above;
- (e) the prices originally charged to the Accounts under the Agreement for inventory materials subsequently exported from Greece without being used in the Petroleum Operations.

3.7 Duplication of Charges and Credits

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

SECTION 4 RECORD AND VALUATION OF ASSETS

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

SECTION 5 EXPLOITATION STATEMENT

- 5.1 Upon commencement of Commercial Exploitation from the Contract Area, the Lessee shall submit to the Lessor, in accordance with Article 17 of this Agreement, a quarterly exploitation statement (the "**Exploitation Statement**") showing the following information in relation to each Exploitation Area:
 - (a) the quantity of Crude Oil Produced and Saved;
 - (b) the quantity of Natural Gas Produced and Saved;
 - (c) the quantity of By Products Produced and Saved;
 - (d) the quantities of Hydrocarbons used for the purposes of carrying on drilling and production operations and pumping to field storage;
 - (e) the quantities of Natural Gas flared;
 - (f) the size of Hydrocarbon stocks held at the beginning of that Calendar Quarter; and
 - (g) the size of Hydrocarbon stocks held at the end of that Calendar Quarter.
- 5.2. The Exploitation Statement shall be submitted to the Lessor within fourteen (14) calendar days of the end of the First Period and of the end of each subsequent Calendar Quarter, as the case may be, as per Article 13.7 of this Agreement.

SECTION 6 VALUE OF EXPLOITATION STATEMENT

6.1 The Lessee shall for the purposes of Article 13 of the Agreement prepare a statement providing calculations of the value of Hydrocarbons produced and saved during each Quarter in relation to each Exploitation Area. This statement shall contain the following information in relation to each Exploitation Area:

- (a) the quantities and prices realised by the Lessee as a result of sales of Hydrocarbons to third parties made during the Quarter in question;
- (b) the quantities and the prices realised by the Lessee as a result of sales made during the Quarter in question, other than to third parties;
- (c) the quantity of stocks of Hydrocarbons at the end of the preceding Quarter in question;
- (d) the quantity of stocks of Hydrocarbons at the end of the Quarter in question;
- (e) information available to the Lessee, if relevant for the purpose of Article 13 of the Agreement, concerning the prices of Hydrocarbons produced by the main petroleum producing and exporting countries including contract prices, discounts and premia, and prices obtained on the spot markets; and
- (f) the amount and calculation of Royalty payable for the Quarter in accordance with Article 13.

6.2 The Value of Exploitation Statement of each Quarter shall be submitted to the Lessor not later than one (1) Month after the end of such Quarter.

SECTION 7

STATEMENT OF INCOME AND EXPENDITURE

7.1 The Lessee shall prepare with respect to each Quarter a Statement of Income and Expenditure under the Agreement in relation to each Exploitation Area. The Statement will distinguish between Exploration Costs, Exploitation Costs and Operating Costs and will identify major items of expenditures within these categories. The Statement will show the following:

- (a) actual expenditures and receipts for the Quarter in question;
- (b) cumulative expenditure and receipts for the Year in question;
- (c) latest forecast cumulative expenditures at the Year end; and
- (d) variations between budget forecast and latest forecast and explanations thereof.

- 7.2 The Statement of Income and Expenditure of each Quarter shall be submitted to the Lessor no later than one (1) Month after the end of such Quarter.

SECTION 8

FINAL END-OF-YEAR STATEMENT

- 8.1 The Lessee shall prepare a Final End-of-Year Statement in relation to each Exploitation Area. The statement shall contain information as provided in the Exploitation Statement, Value of Exploitation Statement, and Statement of Income and Expenditures but will be based on actual quantities of Hydrocarbons produced and expenses incurred.
- 8.2 Based upon this statement, any adjustments that are necessary will be made to the transactions concerned under the Agreement.
- 8.3 The Final End-of-Year Statement of each Year shall be submitted to the Lessor within three (3) Months of the end of such Year.

SECTION 9

BUDGET STATEMENT

The Lessee shall prepare the Annual Work Program and Budget, as contemplated in Article 5 of this Agreement, in relation to each Exploration Area and Exploitation Area. This shall distinguish between Exploration Costs, Exploitation Costs and Operating Costs and shall show the following:

- (a) forecast expenditures and receipts for such Year under the Agreement;
- (b) a schedule showing the most important individual items of Exploitation Costs for such Year; and
- (c) cumulative expenditures and receipts to the end of the preceding Year.

SECTION 10

REVISION OF ACCOUNTING PROCEDURE

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

ANNEX D

APPLICATION FOR CONSENT TO DRILL

- (1) The Lessee shall, before drilling any Exploration or Appraisal Well, submit to the Lessor-
 - (a) at least three (3) Months before the spudding of an Exploration Well; and
 - (b) at least seven (7) calendar days before the spudding of an Appraisal Well, an application for consent to drill.
- (2) An application for consent to drill shall specify details of -
 - (a) the location of the well, including-
 - (i) the Greenwich latitude and longitude co-ordinates;
 - (ii) the ground level elevation;
 - (iii) in the case of an offshore well, the water depth and an estimate of the Kelly bushing or derrick floor elevation above sea level, lake surface and lake bottom;
 - (iv) in the case of a deviated hole, the planned well trajectory, specifying deviation, measured depth, vertical depth and azimuth of hole location at regular intervals and the acceptable radial distance discrepancy at the bottom of the whole location; and
 - (v) in the case of a vertical hole, the deviation limits at the bottom of the hole location;
 - (b) site preparation, including, without limiting the general effect of the foregoing-
 - (i) the site plan, specifying the location of the rig and its components, fuel tankage, drillwater tankage, bulk mud and cement storage, firewalls, drip trays and explosive magazines;

- (ii) methods to be adopted to combat pollution and environmental damage taking into account water wells, rivers, forests, farmland, fishing activity and buildings in close proximity to the location of the well;
 - (iii) methods to be adopted for the disposal of waste, such as spent mud, cuttings and camp waste, from the location of the well;
 - (iv) safety precautions relevant to site preparation as described in the Institute of Petroleum Code of Safe Practice or any other appropriate code;
 - (v) site surveys indicating possibilities of the presence of shallow gas;
 - (vi) site clean-up plans for after well-abandonment; and
 - (vii) security requirements, especially details of fencing, guard arrangements, firewalls, flare pit and line, warning signs, hazardous areas as specified in the appropriate IP codes of conduct, lights, access limitations, visitor reporting, safety shoes area, smoking areas and hard hat areas;
- (c) blow-out prevention methods, specifying-
- (i) anticipated pressures;
 - (ii) the blow-out preventer assembly;
 - (iii) blow-out preventer tests, checks, and drills;
 - (iv) well head details and tests;
 - (v) casing seat tests;
 - (vi) choke manifold, choke and kill line, and test procedures;
 - (vii) drilling break procedures;
 - (viii) flow check procedures;
 - (ix) gas shows procedures;
 - (x) shut-in procedures;
 - (xi) hang off procedures; and
 - (xii) well kill procedures;
- (d) the well plan;
- (e) a geological, geophysical and engineering prognosis for the well; and
- (f) a formulation evaluation plan.

(A) Under the Lease Agreement entered into by the **Lessor** and the Lessee, the Lessee is required:

- (i) to perform the "**Minimum Work Programme**") within the [First Phase] [Second Phase] [Third Phase] (the "**Phase**") [Exploration Stage Extension] (the "**Exploration Stage Extension**") as defined in Article 3 of the Agreement; and
- (ii) to satisfy the "**Minimum Expenditure Obligations**" as defined in article 3 of the Agreement

[First Phase [_ million euros]

[Second Phase [_ million euros minus the excess amount from the Minimum Expenditure Obligation of the First Phase which is the difference between the Actual Expenditure of the First Phase and the Minimum Expenditure Obligation of the First Phase•]]

[Third Phase [_ million euros minus the excess amount from the sum of the Minimum Expenditure Obligations of the first and the second Phase which is the difference between the Actual Expenditure of the previous Phases and the sum of the Minimum Expenditure Obligation of the First and the Second Phase •]]

[Exploration Stage Extension: [The amount equal to the shortfall, if any, between the amount of the Actual Expenditure of the previous Phases and the amount of the Minimum Expenditure Obligation at the end of the Basic Exploration Stage, as defined in Article 3.9.]

(B) In consideration of the grant of the Agreement and the commencement of the [First Phase] [Second Phase] [Third Phase] [Exploration Stage Extension] by the Lessor to the Lessee, the Bank hereby irrevocably and unconditionally agrees to enter into this Bank Guarantee in favour of the Lessor on the terms and conditions hereinafter set forth.

NOW THE BANK HEREBY GUARANTEES AS FOLLOWS:

1. The Bank hereby guarantees that after receipt from the Lessor of a written demand (hereinafter referred to as a "**Demand**") signed by a duly authorised representative of the Lessor stating:
 - (a) that the Lessee has failed to satisfy the full amount of the relevant Minimum Expenditure Obligation as provided in Article 3 of the Agreement, specifying the relevant period and amounts;
 - (b) the amount of the relevant Actual Expenditure;
 - (c) that consequently, the Lessee has become liable to pay an amount being the difference between the amount of the Minimum Expenditure Obligations referred

- (3) Unless otherwise provided in a unitization agreement, no well shall be spudded closer than 400m from a licence area boundary nor shall it be deviated so that its bottom hole location or any portion of the well bore is closer than 400m from the licence area.
- (4) In this Annex, "**Unitization Agreement**" means an agreement entered into under Article 5 paragraph 15 of the Hydrocarbons Law.

ANNEX E

INSURANCES

The Lessee shall issue and maintain insurance for Petroleum Operations for such amounts and against such risks as are customarily or prudently insured in the international petroleum industry, which shall cover:

- a) any loss or damage to all installations, equipment and other assets for so long as they are used in the Petroleum Operations;
- b) sudden and accidental pollution caused in the course of Petroleum Operations for which the Lessee or the Lessor may be held responsible;
- c) property loss or damage, personal injury or death suffered by any third party in the course of the Petroleum Operations for which the Lessee or the Lessor may be liable, or for which the Lessee may be liable to indemnify the Lessor;
- d) the cost of removing wrecks and cleaning up operations following an accident in the course of Petroleum Operations; and
- e) the Lessee's liability for any injury to its employees engaged in the Petroleum Operations.

ANNEX F

FORM OF BANK GUARANTEE

[place/date of issuance]

This letter of guarantee (the "**Bank Guarantee**") provided by [BANK] (the "**Bank**") to the Ministry of Environment, Energy & Climate Change of the Republic of Greece in relation to the lease agreement dated [●] (the "**Lease Agreement**" or the "**Agreement**") entered into between the Minister of Environment, Energy & Climate Change of the Hellenic Republic in its capacity as lessor (the "**Lessor**") and [●] (collectively the "**Lessee**").

Unless otherwise defined, capitalised terms used but not defined in this Bank Guarantee shall have the meaning ascribed to them in the Lease Agreement.

WHEREAS

to in (a) above and the amount of the relevant actual expenditure as referred to in (b) above; and

- (d) that the Lessee has failed to pay the Lessor an amount equal to the shortfall referred to in 1(c) above,

the Bank shall pay to the Lessor, its successors, transferees or assignees, the amount referred to in paragraph 1(c) above on the terms and conditions hereafter set forth.

2. The Bank will rely upon the Lessor's demand and will not be obliged to verify whether such conditions have been met or whether the facts mentioned by the Lessor are true and accurate. In the event that the Bank is required to make a payment pursuant to a Demand in accordance with the terms and conditions of this Bank Guarantee, the Bank will make such payment within three (3) Athens Business Days from the date of receipt of the Demand, without set-off, withholding or objection, by deposit in a bank account which will be designated by the Lessor in its Demand. The date of receipt of the Demand will be the date of receipt of the registered letter by the Bank as evidenced by the relevant postmark. In this paragraph, "Athens Business Day" means a day, other than a Saturday or Sunday, for which banks are open for general banking business in Athens, Greece.
3. The Bank's liability hereunder shall be limited to paying an amount that shall not exceed the amount stated in paragraph (A) of the Recital above for the [applicable Phase] [Exploration Stage Extension].
4. (a) The amount that the Bank shall be liable to pay under this Bank Guarantee shall be reduced every Calendar Quarter by the amount of Actual Expenditure incurred by the Lessee in such period, of which the Bank shall receive notice from the Lessor. Such reduction shall take effect as from the date of the receipt of such notice by the Bank.

(b) In order to facilitate the reduction in the Bank's liability referred to in (a) above the Bank must receive, together with the notice:
 - (i) Confirmation from the Lessor as the amount of reduction; and
 - (ii) Confirmation from the Lessor as to the revised amount that the Bank may be liable to pay under this Bank Guarantee.
(c) No surrender by the Lessee of its rights over all or any part of the Contract Area shall relieve the Bank of any of its obligations hereunder except that if the amount of the Minimum Expenditure Obligations as defined under A for which the Lessee is or may become liable is satisfied in full prior to surrender pursuant to the terms of Article 6.1(c) of the Agreement, the Bank's liability pursuant to Clause 2 shall be reduced accordingly.
5. This Bank Guarantee, issued on the date shown above, shall come into effect as from the date of the receipt by the Bank of a certificate signed by the Lessor stating that (i) the Agreement has been ratified by the Hellenic Republic (i.e. the Effective Date has been reached) (ii) the first day of the [Second] [Third] Phase according to the

notification of the Lessee provided in Article [2.1.b] [2.1.c] of the Agreement](iii) the Lessor has granted following the Lessee's application for [an Exploration Stage Extension]] under the Agreement.

6. The Bank Guarantee may not be revoked, assigned or transferred to any other person other than the Lessor and the Lessor may not assign or transfer the Bank Guarantee to any other person unless it receives the prior written consent of the Lessee.
7. The Bank's liability under this Bank Guarantee shall not be reduced, discharged or otherwise adversely affected by:
 - (a) any act, omission, matter or thing which would have discharged or affected the liability of the Bank had it been a principal debtor instead of a guarantor or indemnifier; or
 - (b) Anything done or omitted by any person which, but for this provision, might operate or exonerate or discharge the Bank or otherwise reduce or extinguish its liability under this guarantee.
8. This Bank Guarantee shall expire on the date of:
 - (a) the payment by the Bank in full of all of the amounts guaranteed hereunder;
 - (b) the receipt by the Bank of a certificate by the Lessor, whereby the relevant Actual Expenditure shall equal or exceed the amount of the Minimum Expenditure Obligation; or
 - (c) the 120th day after the end of the [First Phase] [Second Phase] [Third Phase] [Exploration Stage Extension], save in regard to any amount that must be paid by the Bank pursuant to a Demand made as hereinbefore provided,
 - (d) the 60th day after the date of issue of the Bank Guarantee, in case of no certificate as per Clause 5 (i) stating that the Agreement has been ratified by the Hellenic Republic has been received by the Bank.

whichever is the earliest date, where after, subject to (c) above, the Bank shall have no liability whatsoever under this Bank Guarantee.
9. Any notice required to be provided by the Lessee and the Lessor in accordance with the terms of this Bank Guarantee must be signed by a duly authorised representative of the Lessee and the Lessor, respectively.
10. Any demand, certificate and notification must be sent to the Bank at the following address:

[•]
11. The Bank hereby expressly and irrevocably waives any rights arising from Articles 852, 853, 855, 856, 857, 862, 863, 864, 866, 867 and 868 of the Greek Civil Code or other right to query a Demand given in accordance with this Bank Guarantee or any right it may have to require the Lessor (or any trustee or agent on its behalf) to proceed

against or enforce any other right or claim for payment against the Lessee, or any Co-Lessee or any other person, before claiming from the Bank under this Bank Guarantee and shall forthwith pay the amount claimed by the Lessor.

12. This Bank Guarantee shall be governed by Greek Law and any dispute arising under this Bank Guarantee shall be resolved by the courts of Athens.