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PATOS MARINZA CRUDE OIL CONTRACT

- dated -

18 June, 2004

- between -

ARMO Sh. A.

- and -

Saxon International Energy Ltd.



PATOS MARINZA CRUDE OIL CONTRACT

THIS CRUDE OIL CONTRACT (the "**Contract**") is dated this 18 day of June, 2004

BETWEEN:

ARMO, SH. A., a state company organised and existing under the laws of the Republic of Albania (hereinafter referred to as "**Buyer**" or "**ARMO**")

ON THE ONE PART

- and -

Saxon International Energy Ltd., a company organised and existing under the laws of the Cayman Islands with a branch registered in the Republic of Albania (hereinafter referred to as "**Seller**" or "**Saxon**")

ON THE OTHER PART

who agree that the Seller will sell and the Buyer will buy and pay for such quantities of crude oil ("**Crude Oil**") as the Seller makes available for sale onshore Albania on the following terms and conditions:

1. **Seller**

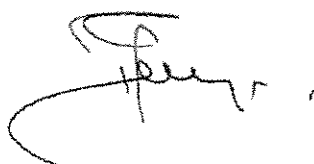
Saxon.

2. **Buyer**

ARMO.

3. **Term and Duration**

This Contract shall be effective for the period (hereafter, the "**Term**") commencing on the Effective Date of the Petroleum Agreement (the "**Petroleum Agreement**") for the Patos Marinza field between Albpetrol Sh. A. of Patos, Albania ("**Albpetrol**") and Saxon and ending on the earlier of (i) 31 December 2010, or (ii) such time as Seller sells all of its Crude Oil for export from onshore Albania; provided however that the terms of this Contract shall survive until such time as the Buyer has paid the Seller in respect of all Crude Oil delivered and sold hereunder and further that this clause and clauses 10 to 14 inclusive shall survive the termination of this Contract. If during the Term of this Contract a part but not all of the Crude Oil can be exported, the Seller may do so, provided the Seller gives the Buyer three (3) months' notice or as mutually agreed. However, the Seller shall deliver to the Buyer and the Buyer will buy and pay for that portion of the Crude Oil that is not exported from onshore Albania.



4. Product Quality

Crude Oil as produced under the Petroleum Agreement during the Term (and which is not exported) and having:

- (a) an API gravity of approximately 12° degrees. For each full 0.10 (One Tenth) degree API below 12° (Twelve Degrees) API, the Price will be reduced by \$0.03 (Three U.S. Cents) per 0.10 (One Tenth) degree per delivered barrel of oil. For each full 0.10 (One Tenth) degree API above 12° (Twelve Degrees) API, the Price will be increased by \$0.03 (Three U.S. Cents) per 0.10 (One Tenth) degree per delivered barrel of oil and
- (b) a maximum Base Sediment and Water (BS&W) content of 2% (Two Percent) by volume, with a maximum sand content of 0.5% (Zero Point Five Percent) by volume. Price will be reduced by \$0.07 (Seven U.S. Cents) per barrel per each 0.1% (Zero Point One Percent) of sand content by volume over 0.2% (Zero Point Two Percent) by volume. If the Seller expects the sand content to be above 0.5% (Zero Point Five Percent), the Seller and Buyer will meet to resolve the sand content issue.

5. Delivery

Crude Oil shall be supplied by the Seller to the Buyer at the Fier Refinery or at the Ballsh Refinery once provisions are in place to accept this Crude Oil. As a temporary or backup provision, Crude Oil may also be supplied by the Seller to the Buyer at Albpetrol's Marinza Treating and Pumping Facility or Zharresa Pumping Station subject to agreed upon pipeline transportation tariffs between Albpetrol and Seller as set out in separate document entitled "Contract for Pipeline Transportation Tariffs" and an agreement between Albpetrol and ARMO for custody transfer.

6. Quantity

One hundred per cent (100%) of the Seller's available Crude Oil entitlement (subject to clause 3) during the Term up to a maximum of Five Thousand (5,000) barrels per day. Quantity delivered will be determined in accordance with measurement, sampling and testing procedures separately agreed and set forth in the documents entitled "Procedures for Sampling, Testing, and Measurement of Crude Oil Delivered to the Fier or Ballsh Refinery and "Procedures for Sampling, Testing, and Measurement of Crude Oil Delivered at Albpetrol's Marinza Treatment and Pumping Facility or Zharresa Pumping Station". All measurements and quantity determinations made in compliance with the above referenced procedures shall be final and binding upon the parties and shall be used by the Seller as the quantity basis for the calculation of Seller's commercial invoice for payment of all Crude Oil quantities delivered hereunder. Measurement of water and sand will be by the ASTM method.

7. Title and Risk

Title to, and risk of loss and liability for, all Crude Oil delivered hereunder shall pass from Seller to the Buyer at the Delivery Point defined as when the Crude Oil passes the



permanent discharge flange of the crude oil storage tank numbers to be defined at either Fier or Ballsh Refineries In the case when the Seller's Crude Oil is delivered to the Marinza Treating and Pumping Facility or Zharresa Pumping Station pipelines, the Delivery Point is defined as when the Crude Oil passes the permanent discharge flange of the isolated crude oil storage tank for the Seller's Crude Oil located at either of these locations.

8. Price

- (a) The price (the "Price") for Crude Oil delivered by Seller to Buyer will be determined in United States Dollars ("US \$").
- (b) The Price payable in US Dollars by the Buyer to the Seller for the Crude Oil delivered to the Buyer shall be calculated as follows:

$$\text{Price} = (\text{Brent Average} / \blacksquare) - \$\blacksquare$$

where:

"Price" means the price for Patos Marinza Crude Oil delivered at either Fier or Ballsh Refinery, expressed in US\$ per barrel ex-tank the delivery point

"Brent Average" means the arithmetic average of the mean of the Brent dated (DTD) quotations on each day in the two calendar months preceding the month in which the delivery of Crude Oil occurs, as published in Platt's - Crude Oil Marketwire under the heading "Spot Crude - Assessments", expressed in US\$ per barrel.

- (c) The Brent Average used in calculating the Price shall be a minimum of US Dollars \blacksquare per US barrel and a maximum of US Dollars \blacksquare per US barrel delivered. This equates to an actual price for the Crude Oil to be payable within the range of US Dollars \blacksquare per US barrel and US Dollars \blacksquare per barrel.
- (d) The final Price payable shall be calculated after making the gravity and sand content adjustments as described in clause 4.
- (e) At the written request of either Party delivered on or before October 1 of any year, the Parties shall meet on or before November 30 to negotiate and seek to agree on a revised Price formula to apply for the following calendar year. The Price formula in effect shall prevail until a revised price formula is agreed.

If the publication used to determine the Brent Average ceases to be published or the Brent Average is otherwise not determinable, the Parties agree to meet and seek to agree on a replacement publication or method of determining the Brent Average. Failing agreement of the parties within 90 days after notice is first delivered of the requirement to determine a new Brent Average, either party may request that the matter be determined by arbitration, which arbitration shall determine a new publication or method of determining the Brent Average which most



closely reflects the Brent Average methodology as at the date of commencement of this Contract. Arbitration shall occur in London by three (3) arbitrators under the rules of the London Court of International Arbitration. Any taxes (including value added tax) as are applicable to the sale of Crude Oil hereunder shall be added to the invoiced price and paid by the Buyer to the Seller.

9. Invoicing/Payment Terms

Payment by Buyer to the Seller shall be as per Seller's commercial invoice and shall be made in U.S. Dollars in immediately available funds to Seller's nominated bank account or accounts as specified in Seller's commercial invoice free of all charges and without offset or counterclaim. Payment shall be made by the Buyer to the Seller as per Seller's commercial invoice for each quantity of Crude Oil delivered on the fifteenth (15th) day following receipt of Seller's invoice.

Payments due on a Saturday shall be made on the preceding Business Day; payments due on a Sunday shall be made on the following Business Day. Payments due on a Bank Holiday shall be made on the preceding Business Day except where a Bank Holiday falls on a Monday, in which case payment shall be made on the following Business Day. Saturdays, Sundays, Business Days and Bank Holidays refer to days in Albania.

In the event payment is not received by the payment due date, interest of LIBOR (being the one month LIBOR rate quoted as the British Bankers Association interest settlement rate for US dollars displayed on the appropriate page of the Telerate screen) plus Two Per Cent (2%) as determined by Seller's Nominated Bank will be assessed against the outstanding receivable balance until full payment is received.

10. Law

The construction, validity and performance of this Contract shall be governed by and construed in accordance with the laws of England under the jurisdiction of the High Court in London.

11. Confidentiality

The parties shall keep all terms and conditions of this Contract confidential.

12. Assignment

No party may assign this Contract without the prior written consent of the other party; such consent not to be unreasonably withheld.

13. Notices

Any notice hereunder shall be in writing, either telex or facsimile format acceptable, and transmitted to the following addresses:



Seller: **Saxon International Energy Ltd.**
Lagjia Kastriot
Rruga Vasil Peçuke
Fier, Albania
Telephone: +355 381 2600
Facsimile: +355 381 2342
Attention: Richard Wadsworth, Project Director

Buyer: **ARMO Sh. A.**
Patos, Albania
Telephone: +355 34 23292
Facsimile: +355 34 23292
Attention: _____

14. Entirety of Contract

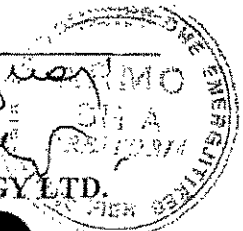

This Contract shall constitute the entire understanding between the Buyer and Seller with respect to the matters dealt with herein and shall supersede and take the place of all other documents in whatever form and all written or oral statements which may have been made by the Buyer or the Seller.

No modification or amendment of this Contract shall be binding unless agreed by Buyer and Seller in writing (telex or telefax format acceptable).

If any one or more of the provisions of this Contract shall be unenforceable or ineffective in any respect against a party to this Contract, the enforceability or effectiveness of this (including such provision) against the other party to this Contract will not be in any way affected or impaired.

Agreed this ____ day of _____ 2004 by:

ARMO, SH. A.

Name: *Peçurim Hejran* 
SAXON INTERNATIONAL ENERGY LTD.
Richard Wadsworth 
Name: *RICHARD WADSWORTH*

Bankers Petroleum Albania Ltd.
Contract Amendment No: PM-LC-036-04-02

Date: 14 December 2006

Prot. No: 431/06

To: Mr. Halim Dariu

General Director, Albanian Refining and Marketing of Oil Sh.a. ('ARMO')

Contract Title:	Patos Marinza Crude Oil Contract ('Crude Oil Contract')
Contract Number:	PM-LC-036-04 (Supersedes Contract Amendment No. PM-LC-036-04-01)
Description of Amendment:	Crude Oil Price Revision

Scope of Contract Amendment:

Based on the Article 14 of the Crude Oil Contract, paragraph 2, the Seller, Bankers Petroleum Albania Ltd. ('Bankers Albania') and the Buyer, ARMO, have agreed to amend this Contract as follows:

Article 4 "Product Quality"

Crude Oil as produced under the Petroleum Agreement during the Term (and which is not exported) and having:

- (a) an API gravity of approximately 11 degrees. **The minimum Crude Oil quality will be 10 degrees API and**

Removed: For each full 0.10(one tenth) degree API below 12 degrees (Twelve Degrees) API, the price will be reduced by \$ 0.03 (Three U.S Cents) per 0.10(one tenth) degree per delivered barrel of oil. For each full 0.10(one tenth) degree API below 12 degrees (Twelve Degrees) API, the price will be reduced by \$ 0.03(Three U.S Cents) per 0.10(one tenth) degree per delivered hurrel of oil and

- (b) a maximum Base Sediment and Water (BS&W) content of 2% (Two Percent) by volume, with a maximum sand content of 0, 5 % (Zero Point Five Percent) by volume.

Removed: Price will be reduced by \$ 0.07 (seven U.S Cents per barrel per each 0.1% (Zero point one percent) of sand content by volume over 0.2% (Zero point two percent) by Volume. If the seller expects the sand content to be above 0, 5 % (Zero point five percent), the Seller and Buyer will meet to resolve the sand content issue.

Article 8 "Price"

- (a) The price (the "Price") for Crude Oil delivered by Seller to Buyer will be determined in **Albanian Lek ("Lek")**.

Contract Amendment

- (b) The Price payable in **Albanian Lek** by the Buyer to the Seller for the Crude Oil delivered to the Buyer shall be **fixed at the following rate:**

Price = [REDACTED] Lek per metric tonne

where:

“Price” means the price for Patos Marinza Crude Oil delivered at either Fier or Ballsh Refinery, expressed in **Lek per tonne** ex-tank the delivery point

“Brent Average” means arithmetic average of the mean Brent dated (DTD) quotations on each day in the two calendar months preceding the month in which the delivery of Crude Oil occurs, as published in Platt’s - Crude Oil Marketwire under the heading” Spot Crude - Assessments”, expressed in **US\$ per barrel**.

- (c) In the event that the Brent Average falls below [REDACTED] United States Dollars (“US\$”) per barrel, the Price will be reviewed at the written request of either Party. The Price provided in clause 8 (b) shall remain in effect until a revised Price is agreed by both Parties.
- (d) In the event that the foreign exchange rate falls outside the range of [REDACTED] to [REDACTED] Lek per US\$, the Price will be reviewed at the written request of either Party. The Price provided in clause 8 (b) shall remain in effect until a revised Price is agreed by both Parties.
- (e) At the written request of either Party delivered on or before October 1 of any year, the Parties shall meet on or before November 30 to negotiate and seek to agree on a revised Price to apply for the following calendar year. The Price in effect shall prevail until a revised price is agreed.

Other parts of Article 8 remain unchanged.

Article 9 “Invoicing/Payment Terms”

Payment by Buyer to Seller shall be as per Seller’s commercial invoice and shall be made in **Albanian Lek** in immediately available funds to Seller’s nominated bank account or as specified in Seller’s commercial invoice free of charge and without offset or counterclaim. Payment shall be made by the Buyer to the Seller as per Seller’s invoice for each quantity of Crude Oil Delivered on the fifteenth (15th) day following receipt of Seller’s invoice.

Other parts of Article 9 remain unchanged.

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The effective date of this amendment is _____, 2006.

All the other terms and conditions of Contract No: PM-LC-036-04 remains unchanged.

For and on behalf of Seller

Suneel Gupta

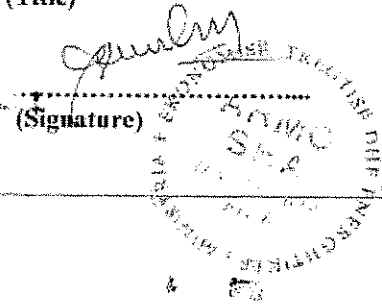
President & General Director



For and on behalf of Buyer

Halim Daria
.....
(Name)

General Director
.....
(Title)



Saxon International Energy Ltd- Albania Branch
Contract Amendment No: PM-LC-036-04-01

Date: 11 January 2006

Prot. No: 5452006

To: Mr. Halim Dariu
General Director
"Armo" Sh.a

Contract Title: Patos Marinza Crude Oil Contract

Contract Number: PM-LC-036-04

Description of Amendment: Crude Oil Price Calculation

Scope of Contract Amendment:

Based on the Article 14 of the Patos Marinza Crude Oil Contract, paragraph 2, Seller and Buyer have agreed to amend this Contract as follows:

Article 8 "Price", paragraph (c) shall be amended as follows (changes are highlighted in bold):

The Brent Average used in calculating the Price shall be a minimum of US Dollars [REDACTED] per US Barrel and a maximum of US Dollars [REDACTED] per US Barrel delivered. This equates to an actual price for the Crude Oil to be payable within the range of US Dollar [REDACTED] per US Barrel and US Dollar [REDACTED] per US Barrel.

The effective date of this amendment is 1st January 2006.

All the other terms and conditions of the Contract No: PM-LC-036-04 remains unchanged.

For and on behalf of Seller

For and on behalf of Buyer

SUNJEE GUPTA
.....
(Name)

Halim DARIU
.....
(Name)

TECHNICAL DIRECTOR
.....
(Title)

General Director
.....
(Title)

[Signature]
.....
(Signature)

[Signature]
.....
(Signature)

