

PARTICIPATION AGREEMENT

THIS AGREEMENT made effective as of the ____ day of _____, _____.

BETWEEN:

PARTY1
[address]

OF THE FIRST PART

- and -

PARTY2
[address]

OF THE SECOND PART

WHEREAS:

- A. PARTY1 and PARTY2 are entitled to earn certain interests as more particularly set out in _____ (hereinafter referred to as the "Governing Agreements").
- B. PARTY2 has agreed to participate with PARTY1 in the work commitments pursuant to the terms and conditions set forth in the Governing Agreements. In addition to participation in the foregoing, PARTY2 shall also have the right to participate with PARTY1 in any additional exploration and development programs with _____.
- C. The Parties hereto desire to provide for the manner in which participation and operations will be conducted pursuant to the Governing Agreements from the Effective Date.

NOW THEREFORE in consideration of the mutual covenants and agreements herein contained and subject to the conditions hereinafter set forth, the parties hereto agree as follows.

1. DEFINITIONS

In this Agreement, including the recitals and the Schedules, unless the context otherwise requires, or unless otherwise defined and contained in the Operating Agreement, the following terms and expressions shall have the following meanings:

- (a) "Operating Agreement" means the _____ International Operating Agreement under which PARTY1 shall be named as initial operator;
- (b) "Effective Date" means _____;
- (c) "Party" means a person, firm or corporation which is bound by this Agreement;
- (d) "Participating Interests" means the interests of the parties hereto, as more particularly described and set forth in clause 3 herein; and
- (e) "Exploration Blocks" means Blocks _____ in _____.

2. EFFECTIVE DATE

It is intended that this Agreement and the Governing Agreements govern the participation by PARTY2 and PARTY1 in the work commitment participation which may result from the Governing Agreements from the Effective Date forward, together with any and all operations and subsequent operations on the Exploration Blocks. This Agreement shall terminate, replace and supersede and be entered in substitution for the Participation Agreement entered between the parties effective as of _____, and this Agreement and PARTY2's rights and interests hereunder shall be Assets for the purposes of the Option Agreement between the Parties dated _____.

3. PARTICIPATION

The work commitments as set forth in the Governing Agreements shall be fulfilled and completed by PARTY2 as to one hundred percent (100%) of all costs involved therein. If PARTY2 performs 100% of the said work commitments in a timely manner and is not otherwise in default of any obligations hereunder or under the Governing Agreements, PARTY1 shall hold in trust for PARTY2 an undivided 50% of all rights and obligations and benefits in and to the Exploration Blocks, such that PARTY2 shall be responsible for and be entitled to the following obligations and interests:

- (a) PARTY2 shall pay 100% of the costs of the work commitments as set forth in the Governing Agreements, and if PARTY2 performs the said work commitments in a timely manner and is not otherwise in default as aforesaid, it shall earn an undivided fifty percent (50%) Participating Interest in the interests to be earned by PARTY1 consistent with the terms of the Governing Agreements;
- (b) upon PARTY2 having earned the said undivided 50% interest it is entitled to under this Agreement and the Governing Agreements, all subsequent operations on the Lands shall be governed by the Operating Agreement;
- (c) PARTY1 shall be designated as Operator for the purposes of the Operating Agreement and the Governing Agreements; and
- (d) until PARTY2 has performed all of the said commitments and obligations, or in the event PARTY2 should default in any manner pursuant to this Agreement or the Governing Agreements, PARTY2 shall not be entitled to and shall not earn any interest in the Exploration Blocks or the Governing Agreements or any of them and shall not have any claim whatsoever to relief against forfeiture or any other legal or equitable rights or remedies.

4. TAXES, RENTALS AND ROYALTIES

Each party shall be responsible for payment of all taxes, rentals, royalties and other charges levied or assessed against its Participating Interests in the lands, Title Documents and the petroleum substances produced therefrom.

THIS IS A 3-PAGE FORM.