

CONFORMED COPY

LOAN NUMBER 4558 CD

Loan Agreement

(Petroleum Development and Pipeline Project)

between

REPUBLIC OF CHAD

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated March 29, 2001

LOAN NUMBER 4558 CD

LOAN AGREEMENT

AGREEMENT, dated March 29, 2001, between REPUBLIC OF CHAD (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of Parts B and C of the Project;

(B) the Bank has received a letter, dated July 7, 1999, from the Borrower, describing a program of actions, objectives and policies designed to implement the Borrower's program for the management of its economy (hereinafter called the Strategy) and declaring the Borrower's commitment to the execution of the Strategy;

(C) by agreement of even date herewith (the Cameroon Loan Agreement), the Bank has agreed to make a loan (the Cameroon Loan) to the Republic of Cameroon (Cameroon) in an aggregate principal amount of fifty-three million four hundred thousand dollars (\$53,400,000) to assist in financing Part C of the Project on the terms and conditions set forth in the Cameroon Loan Agreement;

(D) CAMEROON OIL TRANSPORTATION COMPANY S.A. (COTCO) and TCHAD OIL TRANSPORTATION COMPANY S.A. (TOTCO) intend to secure financing from various other lenders referred to in Section 1.02 (xx) of this Agreement (the Senior Lenders, as hereinafter defined) in an aggregate amount up to six hundred million dollars (\$600,000,000) to assist in financing Parts B and C of the Project;

(E) the Borrower intends to contract from the European Investment Bank (EIB) a loan (the Chad EIB Loan) in an amount of twenty million two hundred twenty thousand Euros (€20,220,000) to assist in financing Parts B and C of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and EIB (the Chad EIB Finance Contract);

(F) Part B of the Project will be carried out by TOTCO and Part C of the Project will be carried out by COTCO, all with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the loan provided for in Article II of this Agreement (the Chad Loan) available to TOTCO and COTCO, as provided in this Agreement;

(G) by agreement dated July 7, 2000 (the Chad Petroleum Sector Management Capacity-Building Project Development Credit Agreement), the International Development Association has agreed to make a credit to the Borrower in an aggregate principal amount equivalent to seventeen million four hundred thousand Special Drawing Rights (SDR 17,400,000) to assist in financing a petroleum sector management capacity-building project;

(H) by agreement dated March 20, 2000 (the Chad Management of the Petroleum Economy Project Development Credit Agreement), the International Development Association has agreed to make a credit to the Borrower in an aggregate principal amount equivalent to twelve million six hundred thousand Special Drawing Rights (SDR 12,600,000) to assist in financing a petroleum economy management project;

(I) by agreement dated July 14, 2000 (the Cameroon Petroleum Environment Capacity Enhancement (CAPECE) Project Development Credit Agreement), the International Development Association has agreed to make a credit to Cameroon in an aggregate principal amount equivalent to four million three hundred thousand Special Drawing Rights (SDR 4,300,000) to assist in financing a petroleum environment capacity enhancement project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend a loan (the Chad Loan) to the Borrower upon the terms and conditions set forth in this Agreement and in the agreements of even date herewith between the Bank and, respectively, TOTCO (the TOTCO Project Agreement), COTCO (the COTCO Project Agreement), Chevron Petroleum Chad Company Limited (CHEVRON CHAD) (the CHEVRON CHAD Project Agreement), Esso Exploration and Production Chad Inc. (ESSO CHAD) (the ESSO CHAD Project Agreement), and Petronas Carigali (Chad EP) Inc. (PETRONAS CHAD) (the PETRONAS CHAD Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through December 2, 1997), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, is modified to read:

"Euro", '€' and 'EUR' each means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union."

(b) A new paragraph (d) is added to Section 3.04 to read:

“If the Bank shall at any time receive less than the full amount then due and payable to it under the Loan Agreement, the Bank shall have the right to allocate and apply the amount so received in any manner and for such purposes under the Loan Agreement as the Bank shall in its sole discretion determine.”

(c) Section 11.01 is modified by replacing, in the second sentence, the word “radiogram” with the word “facsimile” and adding a new sentence at the end of the said Section to read:

“Deliveries made by facsimile transmission shall also be confirmed by mail.”

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Affiliate” of a person means any other person controlled by, controlling or under the same control as the said person and for the purposes of this definition, control shall mean direct or indirect ownership of 50% or more of the controlled person;

(b) “ATP” means the Authorization for Transportation by Pipeline to be issued by Cameroon to COTCO under Cameroon Law No. 96/14 of August 5, 1996, governing the transportation by pipeline of hydrocarbons;

(c) “Bank Project Debt” means all principal, interest, fees, charges, premium and other sums falling due and payable under this Agreement and the Cameroon Loan Agreement, including those falling due on or following any acceleration, for the account of the Bank;

(d) “Bank Project Documents” means this Agreement, the Cameroon Loan Agreement, the TOTCO Project Agreement, the COTCO Project Agreement, the CHEVRON CHAD Project Agreement, the ESSO CHAD Project Agreement, the PETRONAS CHAD Project Agreement, the Escrow Agreement, the Pre-completion Guarantee Agreements and supporting security documentation, and the Lock-in Covenant Agreements and supporting security documentation;

(e) “Bilateral Treaty” means the treaty dated February 8, 1996 between the Borrower and Cameroon relating to the construction and operation of a system for the transportation of hydrocarbons by pipeline, setting forth the respective rights and obligations of the parties with respect to the construction and operation of the Transportation System;

(f) “Chad Operating Agreement” means the agreement dated April 7, 2000, as amended to the date of this Agreement, between the members of the Upstream Consortium defining the respective rights and obligations of the members of the Upstream Consortium with respect to their operations under the Upstream Convention;

(g) “CHEVRON CHAD Project Agreement” means the agreement between the Bank and CHEVRON CHAD of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the CHEVRON CHAD Project Agreement;

(h) “COFACE” means Compagnie Française d’Assurance pour le Commerce Extérieur, the French export credit agency;

(i) “COFACE Agent” means the agent under the COFACE-guaranteed Loan Agreement which shall initially be Crédit Agricole Indosuez, a company established and operating under the laws of the French Republic;

(j) “COFACE-guaranteed Loan Agreement” means the agreement to be entered into by COTCO, TOTCO, the COFACE Agent and ABN AMRO Bank N.V., a company established and operating under the laws of the Netherlands (or an Affiliate thereof), and Crédit Agricole Indosuez, as the two insured lenders, in respect of advances to be made to COTCO and TOTCO for the Project;

(k) “Co-operation Agreement” means the co-operation agreement between TOTCO and COTCO dated July 10, 1998, pursuant to which TOTCO and COTCO will operate their respective portions of the Transportation System as an integrated transportation system;

(l) “Core Documents” means the ATP, the DAP, the Three Fields Production Concessions, the Land Decrees, the Upstream Convention, the COTCO Convention, the TOTCO Convention, the COTCO Transportation Contract, the TOTCO Transportation Contract, the Bilateral Treaty, the Chad Operating Agreement, the Three Fields Offtake Contracts, the COTCO Governmental Funding Agreements, the COTCO Shareholder Funding Agreement, the COTCO Private Shareholder Advance Agreements, the TOTCO Governmental Funding Agreement, the TOTCO Shareholder Funding Agreement, the TOTCO Private Shareholder Advance Agreements, the Chad EIB Finance Contract, the Direct Agreements with the Republics and the Senior Loan Agreements;

(m) “Core Project Documents” means the Core Documents except for the Direct Agreements with the Republics and the Senior Loan Agreements;

(n) “COTCO Convention” means the Convention of Establishment of COTCO dated March 20, 1998, as amended to the date of this Agreement, entered into between

COTCO and Cameroon, defining the rights and obligations of the parties hereto concerning the operations relating to the construction, operation and maintenance of the portion of the Transportation System located in Cameroon;

(o) “COTCO Governmental Funding Agreements” means the agreements entered into or to be entered into between COTCO and Cameroon and the Borrower, respectively, under the model form provided in Exhibit 2 to the COTCO Shareholder Funding Agreement, pursuant to Section 3.01 (b) of this Agreement and the Cameroon Loan Agreement, as the same may be amended from time to time; and such term includes all schedules to the COTCO Governmental Funding Agreements;

(p) “COTCO Private Shareholder Advance Agreements” means the agreements entered into or to be entered into between COTCO and Esso Pipeline Investments Limited, a company established and operating under the laws of the Bahamas, Doba Pipeline Investment Inc., a company established and operating under the laws of Cayman Islands, and Chevron Overseas Petroleum (Cameroon) Limited, a company established and operating under the laws of Bermuda, respectively, for the financing of COTCO, under the model form provided in Exhibit 1 to the COTCO Shareholder Funding Agreement;

(q) “COTCO Project Agreement” means the agreement between the Bank and COTCO of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the COTCO Project Agreement;

(r) “COTCO Services Contract” means the services contract dated September 1, 1998 entered into between COTCO and Esso Pipeline Services Inc., a company established and operating under the laws of the State of Delaware, United States of America, pursuant to which Esso Pipeline Services Inc. provides personnel, material, equipment and other services to COTCO in connection with the operation and maintenance of the Transportation System;

(s) “COTCO Shareholder Funding Agreement” means the agreement dated June 29, 2000, entered into between Esso Pipeline Investments Limited, Doba Pipeline Investment Inc., Chevron Overseas Petroleum (Cameroon) Limited, Cameroon and the Borrower for the financing of COTCO; and such term includes all schedules to the COTCO Shareholder Funding Agreement;

(t) “COTCO Statutes” means the by-laws of COTCO dated August 19, 1997, as amended to the date of this Agreement;

(u) “COTCO Transportation Contract” means the transportation contract dated June 29, 2000, entered into between the Borrower, the Upstream Consortium and COTCO for the transportation of crude oil through the section of the Transportation System located in Cameroon;

(v) “DAP” means the Project Approval Decree to be issued by the Borrower to TOTCO under the Borrower’s Order No. 7/PC-TP-MH dated February 3, 1962;

(w) “Definitive Final Investment Decision (DFID)” means the definitive decision of the Upstream Consortium pursuant to the COTCO Shareholder Funding Agreement and the TOTCO Shareholder Funding Agreement to finance the Project;

(x) “Direct Agreements with the Republics” means the agreements to be entered into between the Borrower, Cameroon, COTCO, TOTCO, the Upstream Consortium, IFC, Eximbank, the intercreditor agent which shall initially be ABN AMRO Bank N.V., London, the common security trustee (the “Security Trustee”) to be appointed as the holder of the security granted or intended to be granted for the benefit of the parties referred to in the Senior Loan Agreements, and the other parties referred to in the Senior Loan Agreements;

(y) “Doba Basin Oil Fields” means the Kome, Bolobo and Miandoum oil fields in the southern part of the territory of the Borrower;

(z) “EA” means the environmental assessment documentation for the Project, consisting of all the documents referred to in Schedule 6 to this Agreement, as such may be amended or supplemented from time to time in accordance with its provisions and the provisions of this Agreement;

(aa) “EMP” means the Environmental Management Plan which is that part of the EA consisting of: (i) the Environmental Assessment Executive Summary and Update; (ii) the Environmental Management Plan-Chad Portion; (iii) the Environmental Management Plan-Cameroon Portion; (iv) the Project Description and Decommissioning Portions of the Supporting Documents (Volume 1); Supporting Documents (Volumes 2, 3, 4, 5 and 6); and (v) the General Oil Spill Response Plan, which together describe the measures and actions that will be implemented by the Borrower, Cameroon and ESSO CHAD (on behalf of the Upstream Consortium) during the design, construction and operation of the Project to eliminate, mitigate, reduce or address identified biophysical, socio-economic, socio-cultural, health and other similar issues and their impact, to acceptable levels defined in the EA and to monitor the same, as such may be amended or supplemented from time to time in accordance with its provisions and the provisions of this Agreement and provided that, where there is any inconsistency between the terms of the EMP and the terms of this Agreement, the terms of this Agreement shall prevail;

(bb) “EMP Compliance Monitoring Consultant” means such internationally recognized advisor to be jointly contracted by the Bank and the Senior Lenders, referred to in Section 4.01 (h) of this Agreement;

(cc) “Escrow Accounts” means: (i) the transit account, as defined in and to be established under the Escrow Agreement, for the receipt by the Borrower of all moneys either directly from the offtakers parties to the Three Fields Offtake Contracts, or from any of the project accounts of the Upstream Consortium, COTCO or TOTCO securing the Senior Lenders;

and (ii) the Bank debt service and debt service reserve accounts and the EIB debt service account, as defined in and to be established under the Escrow Agreement;

(dd) “Escrow Agreement” means the agreement to be entered into among the Borrower, the Bank, EIB and other parties, governing the receipt by the Borrower of all revenues from the operations of the Project and the agreed subsequent administration (including but not limited to the timing and priority of distribution) of such revenues represented by royalties, dividends and taxes;

(ee) “ESSO CHAD Project Agreement” means the agreement between the Bank and ESSO CHAD of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the ESSO CHAD Project Agreement;

(ff) “Eximbank” means the Export-Import Bank of the United States of America, the U.S. export credit agency;

(gg) “Eximbank-guaranteed Loan Agreement” means the agreement entered into or to be entered into by COTCO, TOTCO, Eximbank and ABN AMRO Bank N.V., or an Affiliate thereof, as agent for the guaranteed lenders referred to therein, in respect of advances to be made to COTCO and TOTCO for the Project;

(hh) “IFC” means International Finance Corporation;

(ii) “IFC Investment Agreement (COTCO)” means the loan agreement entered into or to be entered into between IFC and COTCO;

(jj) “IFC Investment Agreement (TOTCO)” means the loan agreement entered into or to be entered into between IFC and TOTCO;

(kk) “Land Decrees” means: (i) in relation to COTCO, the decrees to be issued pursuant to Section 29 (b) of Cameroon Law No. 96/14 dated August 5, 1996, governing the transportation of hydrocarbons originating from other countries and pursuant to Article 27 of the COTCO Convention; and (ii) in relation to TOTCO, the decrees to be issued by the Borrower pursuant to Article 23.11 of the TOTCO Convention, in each case which are required for the purpose of conferring on COTCO and TOTCO, respectively, the right to occupy or have access to land in Cameroon or in the territory of the Borrower (as applicable), in connection with any of the design, construction, maintenance and operation of the Transportation System;

(ll) “Level of Protection Afforded by the EMP” means by reference to any particular biophysical, socio-economic, socio-cultural or health issue referred to in the EMP: (i) the extent of the elimination, mitigation or reduction of, or the impact of, such issue, by

reference to the acceptable levels where stipulated and to the applicable biophysical, socio-economic, socio-cultural or health objectives and standards contained in the EMP; or (ii) the monitoring provided for in the EMP or in Schedule 7 to this Agreement; or (iii) any consultation process or information disclosure related thereto provided for in the EMP;

(mm) “Lock-in Covenant Agreements” means the separate irrevocable agreements to be entered into by Exxon Equity Holding Company, a company established and operating under the laws of the State of Delaware, United States of America, Petronas Carigali Sdn Bhd, a company established and operating under the laws of Malaysia, and Chevron Overseas Capital Corporation, a company established and operating under the laws of the State of Delaware, United States of America (the “Covenantors”), pursuant to which each Covenantor shall undertake to the Bank and EIB to repay, in the event that the Covenantor makes payment to the Security Trustee pursuant to the lock-in covenant agreements to be entered into by the Covenantors with the Senior Lenders, a proportion of the amount due by the Borrower under this Agreement and under the Chad EIB Finance Contract;

(nn) “Material Adverse Effect” means, with respect to any event or circumstance (or any effect or consequence thereof), that it has had or could reasonably be expected to have a material and adverse effect on: (i) the ability of any party to any of the Core Documents or any of the Bank Project Documents, to observe or perform any of its payment or other material obligations under any of these documents to which it is a party in accordance with its terms; (ii) the financial interest of the Bank as lender under this Agreement or the Cameroon Loan Agreement; (iii) the legality, validity, binding nature or enforceability of any of the Core Documents and any of the Bank Project Documents; or (iv) the achievement of the Objectives of the Project;

(oo) “Objectives of the Project” means the objectives of the Project as set forth in the first paragraph of Schedule 2 to this Agreement and to the Cameroon Loan Agreement;

(pp) “Oilfield Development” means: (i) the development and financing of, and the construction, operation, maintenance, insurance and ownership of the production facilities at, the Doba Basin Oil Fields; and (ii) any activity conducted in connection with any activity described in paragraph (i) of this definition that can reasonably be regarded as incidental or ancillary to any activity described in paragraph (i) of this definition;

(qq) “PCG Direct Agreement” means the agreement to be entered into by Exxon Equity Holding Company, Petronas Carigali Sdn Bhd and Chevron Overseas Capital Corporation, the Borrower and Cameroon in relation to subrogation rights and the rights of the Borrower and Cameroon in the event of non payment of any amount which the Guarantors are obligated to pay pursuant to the Pre-completion Guarantee Agreements;

(rr) “Petroleum Revenue Management Program” means the petroleum revenue management program of the Borrower referred to in Section 4.06 of this Agreement;

(ss) "PETRONAS CHAD Project Agreement" means the agreement between the Bank and PETRONAS CHAD of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the PETRONAS CHAD Project Agreement;

(tt) "Pre-completion Guarantee Agreements" means the separate irrevocable guarantee agreements to be entered into by Exxon Equity Holding Company, Petronas Carigali Sdn Bhd and Chevron Overseas Capital Corporation (the "Guarantors"), pursuant to which each Guarantor shall undertake to the Bank and EIB to repay, as primary obligor, under certain circumstances before the completion of the Project, a proportion of the amount due by the Borrower under this Agreement and under the Chad EIB Finance Contract;

(uu) "Project Management Contract" means the Project management contract, dated July 10, 1998, among COTCO, TOTCO and ESSO CHAD, the company which is to provide construction project management services to TOTCO and COTCO in relation to the Project;

(vv) "Project Year" means the twelve-month period beginning from the Effective Date and ending twelve months thereafter (the First Project Year), and any twelve-month period beginning at the end of the First Project Year, or the end of subsequent Project Years;

(ww) "Relevant Guidelines and Policies" means each of the following guidelines and policies:

- (i) the applicable World Bank Group Environmental Guidelines which are as follows: Oil and Gas Development (Onshore), Thermal Power, Guidelines for New Plants, all as contained in the Pollution Prevention and Abatement Handbook, 1998; and
- (ii) the applicable World Bank Group Policies which are as follows:
 - ?? World Bank Operational Directive 4.01, Environmental Assessment (October 1991)
 - ?? World Bank Operational Policy 4.04, Natural Habitats (September 1995)
 - ?? World Bank Operational Policy 4.09, Pest Management (July 1996)
 - ?? World Bank Operational Policy 4.36, Forestry (September 1993)

- ?? World Bank Operational Directive 4.20, Indigenous Peoples (September 1991)
- ?? World Bank Operational Directive 4.30, Involuntary Resettlement (June 1990)
- ?? World Bank Operational Policy 7.50, International Waterways (October 1994)
- ?? World Bank Operational Policy Note 11.03, Protection of Cultural Property (September 1986)
- ?? World Bank Procedure BP 17.50 on Disclosure of Operational Information (December 1993) and Operational Memorandum on the Implementation of the Bank's Disclosure Policy (October 15, 1997)
- ?? IFC Policy Statement on Child and Forced Labor (March 1998)

in each case as and to the extent interpreted, in relation to the facts and circumstances contained in the EA, by the World Bank Group on June 25, 1999;

(xx) "Senior Lenders" means the financial institutions and export credit agencies providing financing to COTCO and TOTCO under, or export credit guarantees or insurance policies in respect of, any of the Senior Loan Agreements;

(yy) "Senior Loan Agreements" means the COFACE-guaranteed Loan Agreement, the Eximbank-guaranteed Loan Agreement, the IFC Investment Agreement (COTCO) and the IFC Investment Agreement (TOTCO);

(zz) "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement;

(aaa) "Technical Project Implementation Documents" means the Project Management Contract, the COTCO Services Contract, the TOTCO Services Contract and the Co-operation Agreement;

(bbb) "Three Fields Offtake Contracts" means the offtake agreements relating to crude oil produced from the Doba Basin Oil Fields entered into or to be entered into between any member of the Upstream Consortium and their respective offtakers (consisting of

Chevron USA Inc., a company established and operating under the laws of the State of Pennsylvania, United States of America, Petronas Chad Marketing Inc., a company established and operating under the laws of Cayman Islands, and Esso Africa Crude Marketing Inc., a company established and operating under the laws of the State of Delaware, United States of America);

(ccc) “Three Fields Production Concessions” means the concessions to be granted by the Borrower to the Upstream Consortium under the Upstream Convention, in respect of the Doba Basin Oil Fields;

(ddd) “TOTCO Convention” means the Convention of Establishment of TOTCO dated July 10, 1998, as amended to the date of this Agreement, entered between the Borrower and TOTCO, defining the rights and obligations of the parties thereto concerning the operations of construction, operation and maintenance of the portion of the Transportation System located in the territory of the Borrower;

(eee) “TOTCO Governmental Funding Agreement” means the agreement entered into or to be entered into between TOTCO and the Borrower, under the model form provided in Schedule 2 to the TOTCO Shareholder Funding Agreement, pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time; and such term includes all schedules to the TOTCO Governmental Funding Agreement;

(fff) “TOTCO Private Shareholder Advance Agreements” means the agreements entered into or to be entered into between TOTCO and Esso Pipeline Investments Limited, Doba Pipeline Investment Inc. and Chevron Overseas Petroleum (Chad) Limited, a company established and operating under the laws of Bermuda, respectively, for the financing of TOTCO, under the model form provided in Schedule 1 to the TOTCO Shareholder Funding Agreement;

(ggg) “TOTCO Project Agreement” means the agreement between the Bank and TOTCO of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the TOTCO Project Agreement;

(hhh) “TOTCO Services Contract” means the services agreement dated July 10, 1998, entered into between TOTCO and Esso Exploration and Production Chad, Inc., a company established and operating under the laws of the State of Delaware, United States of America, pursuant to which Esso Exploration and Production Chad, Inc. provides personnel, material, equipment and other services to TOTCO in connection with the operation and maintenance of the Transportation System;

(iii) “TOTCO Shareholder Funding Agreement” means the agreement dated June 21, 2000, entered into between Esso Pipeline Investments Limited, Doba Pipeline Investment

Inc., Chevron Overseas Petroleum (Chad) Limited, and the Borrower for the financing of TOTCO; and such term includes all schedules to the TOTCO Shareholder Funding Agreement;

(jjj) “TOTCO Statutes” means the by-laws of TOTCO dated July 10, 1998, as amended to the date of this Agreement;

(kkk) “TOTCO Transportation Contract” means the transportation contract dated June 21, 2000, entered into between the Borrower, the Upstream Consortium and TOTCO for the transportation of crude oil through the section of the Transportation System located in the territory of the Borrower;

(lll) “Transportation System” means the pipeline system linking the Doba Basin Oil Fields to the facilities located offshore of the Atlantic coast in Cameroon territorial waters for the storage, treatment and loading of crude;

(mmm) “Unforeseen Event” means:

- (i) an event or circumstance which is, or the effects of which are, unforeseen by, or not contemplated in, the EA, and which could reasonably be expected to lead to demonstrated and observable biophysical, socio-economic, socio-cultural or health damage to environmental, ecological, social or cultural resources or any persons, for which specific mitigation or remedial measures have not been provided in the EMP; or
- (ii) demonstrated and observable biophysical, socio-economic, socio-cultural or health damage which occurs to environmental, ecological, social or cultural resources or any persons, notwithstanding mitigation and remedial measures provided for in the EMP and implemented by responsible parties;

in either case excluding damage: (A) caused primarily by parties other than COTCO, TOTCO and any member of the Upstream Consortium and their construction contractors and services providers (or any such construction contractor’s or services provider’s personnel) including ESSO CHAD, as the Project management company and the services providers parties to the COTCO Services Contract and the TOTCO Services Contract, whose relevant compliance with the EMP is referred to herein unless COTCO, TOTCO and any member of the Upstream Consortium could reasonably be expected to prevent or mitigate such damage; or (B) which would have occurred even had the construction, operation and maintenance of the Project and the Oilfield Development not been taking place, and provided that the references above to mitigation and remedial measures shall not be construed so as to include activities or measures which can further reduce the impact, or improve the performance, of an already accepted mitigation or remedial measure in the EMP;

(nnn) "Upstream Consortium" means Chevron Petroleum Chad Company Limited (CHEVRON CHAD), a company established and operating under the laws of Bermuda, Esso Exploration and Production Chad Inc. (ESSO CHAD), a company established and operating under the laws of the State of Delaware, United States of America, and Petronas Carigali (Chad EP) Inc. (PETRONAS CHAD), a company established and operating under the laws of Cayman Islands;

(ooo) "Upstream Convention" means the agreement dated December 19, 1988, as amended to the date of this Agreement, between the Borrower and the Upstream Consortium for the exploration, exploitation and transportation of hydrocarbons in Chad; and

(ppp) "Upstream System" means all the works and construction, including, inter alia, drilling of development wells and the construction of water reinjection wells, an electric generation plant and a warehouse, to be carried out under Part A of the Project.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to TOTCO, COTCO, CHEVRON CHAD, ESSO CHAD or PETRONAS CHAD, as the case may be.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to thirty-nine million five hundred thousand dollars (\$39,500,000).

Section 2.02. (a) The amount of the Chad Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Chad Loan and in respect of interest and other charges on the Chad Loan.

(b) On each of the semiannual interest payment dates specified in Section 2.07 of this Agreement, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay, on such date, interest and other charges on the Chad Loan accrued and payable on or before the date set forth, and up to the amount allocated, in Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank.

Section 2.03. The Closing Date shall be June 30, 2005 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Chad Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Chad Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Chad Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) “Interest Period” means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.
- (iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six-month deposits in dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-quarters of one percent ($3/4$ of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Chad Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Chad Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Chad Loan upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Chad Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on June 15 and December 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Chad Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.09. An irrevocable payment made to and received by the Bank (whether in respect of interest, charges or principal) pursuant to the Pre-completion Guarantee Agreements, the Lock-in Covenant Agreements or Section 2.10 of this Agreement, shall be applied by the Bank to the interest then outstanding and to next payment of principal then due, the balance to be applied to the outstanding amounts of principal due in inverse order of maturity.

Section 2.10. In the event that the Borrower recovers any amount (otherwise than in reimbursement of amounts previously paid to the Bank under this Agreement or to EIB under the Chad EIB Finance Contract) by virtue of its rights under the PCG Direct Agreement, the Borrower shall use such recovered amount to pay or prepay an equivalent amount of outstanding obligations under the Chad Loan pursuant to the terms of this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the Objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall take all reasonable action within its power to cause TOTCO and COTCO to perform in accordance with the provisions of, respectively, the TOTCO Project Agreement and the COTCO Project Agreement, all the obligations of, respectively, TOTCO and COTCO therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable TOTCO and COTCO to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Chad Loan available to TOTCO and COTCO under funding agreements to be entered into between, respectively, TOTCO and the Borrower and COTCO, Cameroon and the Borrower, under terms and conditions which shall have been approved by the Bank.

(c) The Borrower shall exercise its rights under the TOTCO Shareholder Funding Agreement, the TOTCO Governmental Funding Agreement, the COTCO Shareholder Funding Agreement and the COTCO Governmental Funding Agreement to which the Borrower is party, in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Chad Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive (except as set forth in the Direct Agreements with the Republics and other loan and security documents entered into with the Senior Lenders (or a trustee or agent on their behalf) pursuant to which a party: (i) may be required not to exercise or may be required to cease to exercise remedies against a counterparty during a certain period of time in order for such counterparty to cure or contest the event or circumstance giving rise to such remedy or for the Senior Lenders (or their representatives) to exercise their security or substitution rights, or (ii) consents to the assignment of the Core Project Documents to the Senior Lenders) the TOTCO Shareholder Funding Agreement, the TOTCO Governmental Funding Agreement, the COTCO Shareholder Funding Agreement and the COTCO Governmental Funding Agreement to which the Borrower is a party or any provision thereof.

(d) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall assist TOTCO and COTCO in carrying out Parts B and C of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the works required for Parts B and C of the Project and to be financed out of the proceeds of the Chad Loan shall be governed by the provisions of, respectively, Schedule 1 to the TOTCO Project Agreement and Schedule 1 to the COTCO Project Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall take steps to:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for its future actions to support the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Bank and the Borrower hereby agree that the obligations set forth in: (i) Sections 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use

of goods and services, plans and schedules, records and reports and maintenance, respectively) in respect of Part B and Part C of the Project shall be carried out, respectively, by TOTCO pursuant to Section 2.03 of the TOTCO Project Agreement and by COTCO pursuant to Section 2.03 of the COTCO Project Agreement; and (ii) Section 9.09 of the General Conditions (relating to land acquisition) in respect of Part B and Part C of the Project shall be carried out, respectively, by the Borrower, COTCO and TOTCO, in accordance with their respective obligations under the relevant provisions of the TOTCO Convention and the COTCO Convention.

ARTICLE IV

Other Covenants

Section 4.01. The Borrower shall:

(a) carry out in a timely manner any action required to be performed by it under the EMP in accordance with the terms thereof including taking all necessary action to enable TOTCO to carry out the resettlement and compensation plan as described in the EMP;

(b) take all action and take all measures required to enable TOTCO, CHEVRON CHAD, ESSO CHAD, PETRONAS CHAD and COTCO to perform all their respective obligations under the EMP;

(c) use all means available to it by law or contract not to permit construction to start on any segment of Part A of the Project (represented by an Alignment Sheet, as defined in Volume 6 of the Chad Portion of the EMP) until such time as all compensation payments specified for individuals in the Compensation & Resettlement Plan set forth in Volume 3 of the Chad Portion of the EMP shall have been paid as regards to that segment and all claims (except for claims for compensation in excess of amounts specified in the Compensation & Resettlement Plan) in relation to such segment have been settled in accordance with the provisions of the Compensation & Resettlement Plan;

(d) comply with the compensation procedures specified for communities in accordance with the schedule set forth in Chapter 7 of Volume 3 of the Chad Portion of the EMP;

(e) subject to (f) and (g) below, manage and address all changed circumstances in accordance with the Change Management System procedures contained in Chapter 3 of Volume 1 of the Chad Portion of the EMP (the Change Management System Procedures) and in a manner consistent with the applicable biophysical, socio-economic, socio-cultural, health or similar objectives and standards of the Project expressly stated in the EMP;

(f) if an Unforeseen Event arises, address such event in a manner consistent with the applicable biophysical, socio-economic, socio-cultural, health or similar objectives and

standards of the Project expressly stated in the EMP, unless there are no such applicable objectives and standards or any applicable objectives and standards do not adequately address the event, in which cases address such event in a manner consistent with the Relevant Guidelines and Policies;

(g) if any Unforeseen Event cannot be adequately managed and addressed as aforesaid without amending the EMP, promptly notify and consult with the Bank, with a view to determining an appropriate amendment to the EMP and, when agreed, promptly effect and implement such amendment, to the extent so required, and in any event in a manner consistent with the Relevant Guidelines and Policies;

(h) on each occasion on which the Change Management System Procedures are applied and/or an amendment is made to the EMP, record the details thereof, and the details of the changed circumstances and/or Unforeseen Events giving rise to the same, in the change log established for such purpose and in accordance with the provisions of the EMP and maintained at the premises of ESSO CHAD, as Project management company, and make such log and all associated documentation (including the documentation effecting the amendment) available for inspection by the EMP Compliance Monitoring Consultant and designated representatives of the Bank at such premises at all reasonable times; and

(i) except as provided above, not otherwise amend the EMP without the consent of the Bank.

Section 4.02. (a) The Borrower shall not fail to perform any of its obligations under the Core Project Documents to which it is a party so as to have, or to reasonably be expected to have, a Material Adverse Effect.

(b) Except as the Bank shall otherwise agree, the Borrower shall not take or concur in any action, including amending, suspending, abrogating, repealing, assigning or waiving (except as set forth in the Direct Agreements with the Republics and other loan and security documents entered into with the Senior Lenders (or a trustee or agent on their behalf) pursuant to which a party: (i) may be required not to exercise or may be required to cease to exercise remedies against a counterparty during a certain period of time in order for such counterparty to cure or contest the event or circumstance giving rise to such remedy or for the Senior Lenders (or their representatives) to exercise their security or substitution rights, or (ii) consents to the assignment of the Core Project Documents to the Senior Lenders) any provision of the Core Documents to which it is party, which shall have, or could reasonably be expected to have, a Material Adverse Effect.

Section 4.03. The Borrower shall provide to the Bank copies of any reports, notices or any other information which the Borrower shall be required to furnish to the Senior Lenders, the Upstream Consortium and any Affiliate of the Upstream Consortium, under any agreements entered or to be entered into with the Senior Lenders, the Upstream Consortium and any Affiliate of the Upstream Consortium, in relation to the Project. Such reports, notices

and information shall be provided to the Bank contemporaneously with their submission to the Senior Lenders, the Upstream Consortium and any Affiliate of the Upstream Consortium.

Section 4.04. (a) Other than pursuant to the security interest of the Senior Lenders (or a trustee or agent on their behalf) with respect to the Senior Loan Agreements, the Borrower shall not enter into any agreement which has the effect of giving priority to any party, whether through offset or any other mechanism, in any receipt of the Borrower's revenues generated under the Project.

(b) Without limitation to the provisions of Section 9.03 of the General Conditions, the Borrower shall not enter into any agreement with any party, with the exception of EIB, which has the effect of giving such party a pari passu access to, or priority to, any of the accounts established under the Escrow Agreement.

Section 4.05. The Borrower shall only exercise its right to receive royalties on the Crude Oil (as defined in the Upstream Convention) in kind under Article 22.2 of the Upstream Convention with the prior written approval of the Bank.

Section 4.06. The Borrower shall perform all of its obligations under the Petroleum Revenue Management Program in accordance with the provisions of Schedule 5 to this Agreement.

Section 4.07. The Borrower shall perform all of its obligations under the Escrow Agreement.

Section 4.08. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Strategy and the Petroleum Revenue Management Program.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Strategy and the Petroleum Revenue Management Program, in such detail as the Bank shall reasonably request.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Bank on any proposed action to be taken after the disbursement of the Loan which would have the effect of materially reversing the objectives of the Strategy and the Petroleum Revenue Management Program.

Section 4.09. The Borrower shall:

(a) prepare and provide to the Bank quarterly reports, in form and substance satisfactory to the Bank, regarding the implementation of the Resettlement & Compensation

Plan and the Regional Development Plan as described in the EMP and such other reporting requirements as specified in the EMP; and

(b) implement a consultation plan with persons residing in the Borrower's territory and populations affected by the Project, in the manner specified in the EMP.

Section 4.10. The Borrower shall ensure that any oil developed outside the Doba Basin Oil Fields which is proposed to be transported through any part of the Transportation System in Chad is developed in accordance with the principles set forth in the EMP with respect to environmental analysis and protection, consultation, information disclosure, resettlement and compensation and with the equivalent legal and administrative approval processes and information disclosure as applied with respect to the oil developed in the Doba Basin Oil Fields.

Section 4.11. The Borrower shall notify the Bank of: (a) Level I non-compliance events (as defined in the EMP) on a quarterly basis in the report referred to in Section 4.09 (a) above (together with all other non-compliance events occurring in the preceding quarter); (b) Level II non-compliance events (as defined in the EMP) on a monthly basis; and (c) Level III non-compliance events (as defined in the EMP) promptly on becoming aware of the same.

Section 4.12. The Borrower shall not approve any new member of the Upstream Consortium, where the approval of the Borrower is required, except after prior consultation with the Bank. The provisions of the preceding sentence shall not apply in the case of the transfer of any interest of any member of the Upstream Consortium in the Oilfield Development: (a) to or by any of the Senior Lenders (or a trustee or agent on their behalf) pursuant to the security interests or substitution rights created by or set forth in the loan and security documents with the Senior Lenders; or (b) as otherwise permitted under the Senior Loan Agreements.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) A situation has arisen which shall make it improbable that the Strategy, or a significant part thereof, will be carried out.

(b) EIB shall have suspended disbursements under the Chad EIB Loan, and such suspension shall be continuing.

(c) EIB shall have cancelled the Chad EIB Loan or declared due and payable the principal, interest and other charges on the Chad EIB Loan.

(d) The Borrower's Law No. 001/PR/99 dated January 11, 1999, governing the petroleum revenue management shall have been amended, suspended, abrogated, replaced or waived as to materially and adversely affect the implementation of the Petroleum Revenue Management Program.

(e) The Borrower's Order No.7/PC-TP-MH dated February 3, 1962, governing the exploration into, exploitation and transportation by pipeline of hydrocarbons and the tax system governing such activities within the territory of the Borrower and the Borrower's Decree dated May 10, 1967, implementing Order No.7/PC-TP-MH shall have been amended, suspended, abrogated, repealed or waived as to materially and adversely affect the implementation of the Project.

(f) The Borrower's Law No. 015/PR/98 dated August 17, 1998, approving the Convention of Establishment between the Borrower and TOTCO shall have been amended, suspended, abrogated, repealed or waived as to materially and adversely affect the implementation of the Project.

(g) Any action or measures (whether through legal proceedings or through other means) shall have been taken by any party to lay claim to, attach, garnish, sequester, block or otherwise access any funds held in any of the accounts established under the Escrow Agreement, the effect of which shall be to prevent those funds being immediately available for transfer to the Bank in satisfaction of the Borrower's obligations pursuant to the Escrow Agreement and this Agreement.

(h) Notwithstanding the provisions of Section 6.03 of the TOTCO Project Agreement, TOTCO shall have failed to perform any of its obligations under the TOTCO Project Agreement (other than obligations referred to in Section 5.01 (z) of this Agreement), and such default shall not have been remedied within 30 days of notice given to TOTCO by the Bank or waived by the Bank.

(i) As a result of events which have occurred after the date of this Agreement, and notwithstanding the provisions of Section 6.03 of the TOTCO Project Agreement, an extraordinary situation shall have arisen which shall make it improbable that TOTCO will be able to perform its obligations under the TOTCO Project Agreement.

(j) The TOTCO Statutes shall have been amended, suspended or waived so as to affect materially and adversely the ability of TOTCO to perform any of its obligations under the TOTCO Project Agreement.

(k) Notwithstanding the provisions of Section 6.03 of the COTCO Project Agreement, COTCO shall have failed to perform any of its obligations under the COTCO Project Agreement (other than obligations referred to in Section 5.01 (z) of this Agreement), and such default shall not have been remedied within 30 days of notice given to COTCO by the Bank or waived by the Bank.

(l) As a result of events which have occurred after the date of the Cameroon Loan Agreement, and notwithstanding the provisions of Section 6.03 of the COTCO Project Agreement, an extraordinary situation shall have arisen which shall make it improbable that COTCO will be able to perform its obligations under the COTCO Project Agreement.

(m) The COTCO Statutes shall have been amended, suspended or waived so as to affect materially and adversely the ability of COTCO to perform any of its obligations under the COTCO Project Agreement.

(n) The Senior Loan Agreements shall have failed to become effective by June 30, 2001, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower, COTCO, TOTCO and the Upstream Consortium establish to the satisfaction of the Bank that adequate funds for the Project are available to COTCO and TOTCO from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(o) Any of the Senior Lenders (or a trustee or agent on their behalf) shall have suspended drawdowns of any of the Senior Loan Agreements, and such suspension shall be continuing.

(p) Any of the Senior Lenders (or a trustee or agent on their behalf) shall have declared due and payable, prior to the scheduled due date thereof, all the principal, interest and other charges under any of the Senior Loan Agreements.

(q) Any of the Core Project Documents shall have been amended, suspended, abrogated, repealed or waived (except for the provisions of the Direct Agreements with the Republics and other loan and security documents entered into with the Senior Lenders (or a trustee or agent on their behalf) pursuant to which the Borrower or other counterparty may be required not to exercise or may be required to cease to exercise remedies against a counterparty during a certain period of time in order for such counterparty to cure or contest the event or circumstance giving rise to such remedy or for the Senior Lenders (or their representatives) to exercise their security or substitution rights), as the case may be, so as to affect materially and adversely the ability of the Borrower, TOTCO and COTCO to perform any of their obligations under this Agreement, the TOTCO Project Agreement, or the COTCO Project Agreement, respectively.

(r) Any party to the Core Project Documents shall have failed to perform any of its obligations under any of the Core Project Documents (other than the Chad EIB Finance Contract) and such default shall have had a Material Adverse Effect.

(s) Notwithstanding the provisions of Section 6.03 of the CHEVRON CHAD Project Agreement, the ESSO CHAD Project Agreement and the PETRONAS CHAD Project Agreement, CHEVRON CHAD, ESSO CHAD or PETRONAS CHAD or any Affiliate shall have failed to perform any of its obligations under the CHEVRON CHAD Project Agreement, the ESSO CHAD Project Agreement, the PETRONAS CHAD Project Agreement, the Pre-completion Guarantee Agreements or the Lock-in Covenant Agreements, respectively, (other than obligations referred to in Section 5.01 (z) of this Agreement), and such default shall not have been remedied or waived by the Bank within 30 days notice given by the Bank to CHEVRON CHAD, ESSO CHAD, PETRONAS CHAD or any Affiliate, as the case may be.

(t) CHEVRON CHAD, ESSO CHAD or PETRONAS CHAD or any Affiliate shall have failed to perform any of its obligations under any agreements to be entered by any of them in relation to the Project, including any of the Core Project Documents, so as to materially and adversely affect the ability of any party to the Bank Project Documents to perform any of its obligations thereunder.

(u) The DAP shall have been amended, suspended, abrogated, repealed or waived (except for the provisions of the Direct Agreements with the Republics and other loan and security documents entered into with the Senior Lenders (or a trustee or agent on their behalf) pursuant to which the Borrower may be required not to exercise or may be required to cease to exercise remedies against a counterparty during a certain period of time in order for such counterparty to cure or contest the event or circumstance giving rise to such remedy or for the Senior Lenders (or their representatives) to exercise their security or substitution rights), so as to materially and adversely affect the implementation of the Project.

(v) The right of Cameroon to make withdrawals under the Cameroon Loan shall have been suspended in whole or in part by the Bank on the basis of an event or events which affect materially and adversely the implementation of the Project and such suspension shall be continuing.

(w) The Bank shall have declared due and payable, prior to the scheduled due date thereof, all the principal, interest and other charges on the Cameroon Loan.

(x) Cameroon Law No. 96/14 dated August 5, 1996, governing the transportation by pipeline of hydrocarbons originating from other countries and Cameroon Decree No. 97/116 dated July 7, 1997, implementing Law No. 96/14 shall have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the implementation of the Project.

(y) Cameroon Law No. 97/016 dated August 7, 1997, approving the draft convention of Establishment between Cameroon and COTCO shall have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the implementation of the Project.

(z) The Borrower, Cameroon, COTCO, TOTCO or any member of the Upstream Consortium shall have failed to comply with any of their respective obligations as set forth in the EMP, or any of their respective environmental obligations as set forth in this Agreement, the Cameroon Loan Agreement, the COTCO Project Agreement, the TOTCO Project Agreement, the CHEVRON CHAD Project Agreement, the ESSO CHAD Project Agreement and the PETRONAS CHAD Project Agreement, and: (i) the Bank notifies the Borrower, Cameroon, COTCO, TOTCO and the Upstream Consortium that it considers such non-compliance to have had a material and adverse effect on the Level of Protection Afforded by the EMP; or (ii) in the case of any other non-compliance which, where capable of remedy, it continues unremedied for a period of forty-five (45) days from the date on which the Bank notifies the Borrower, Cameroon, COTCO, TOTCO and the Upstream Consortium of the non-compliance.

(aa) The Technical Project Implementation Documents shall have been amended, suspended, abrogated, repealed or waived (except for the provisions of the Direct Agreements with the Republics and other loan and security documents entered into with the Senior Lenders (or a trustee or agent on their behalf) pursuant to which the Borrower or other counterparty may be required not to exercise or may be required to cease to exercise remedies against a counterparty during a certain period of time in order for such counterparty to cure or contest the event or circumstance giving rise to such remedy or for the Senior Lenders (or their representatives) to exercise their security or substitution rights), so as to materially and adversely affect the implementation of the Project unless arrangements have been made in substitution thereof to ensure a sound and effective implementation of the Project in accordance with the Core Documents and the Bank Project Documents and the Bank shall have been provided with evidence to that effect satisfactory to it.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional events are specified:

(a) Any events specified in paragraphs (d), (e), (f), (g), (h), (k), (n), (q), (r), (s), (t), (u), (x), (y) and (aa) of Section 5.01 of this Agreement shall occur and shall continue for a period of 90 days after notice thereof shall have been given by the Bank to the Borrower.

(b) Any events specified in paragraphs (c), (j), (m), (p) and (w) of Section 5.01 of this Agreement shall occur.

(c) (i) Any event specified in paragraph (z) (i) of Section 5.01 of this Agreement shall occur and, continues unremedied for a period of sixty (60) days from the date on which the Bank serves the notice on the Borrower referred to in Section 5.01 (z) (i); and (ii) any event

specified in paragraph (z) (ii) of Section 5.01 of this Agreement shall occur and shall continue for a further period of ninety (90) days following the expiry of the forty-five (45) day remedy period referred to in Section 5.01 (z) (ii).

(d) The Borrower shall have failed to comply with the provisions of Section 4.06 of this Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Chad EIB Finance Contract has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to request disbursements thereunder, except only the effectiveness of this Agreement, have been fulfilled;

(b) the Chad Petroleum Sector Management Capacity-Building Project Development Credit Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of this Agreement, have been fulfilled;

(c) the Chad Management of the Petroleum Economy Project Development Credit Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of this Agreement, have been fulfilled;

(d) the Borrower has issued the Permit H referred to in Chapter II of Title I of Decree dated May 10, 1967, in favor of the Upstream Consortium;

(e) all actions of the Borrower, Cameroon, TOTCO, COTCO and ESSO CHAD specified in the EMP to be taken after the date of this Agreement have been taken in accordance with the terms thereof;

(f) all the agreements with respect to the loans provided for respectively under the Senior Loan Agreements have been executed and delivered and all conditions precedent to their effectiveness or to the right of COTCO and TOTCO to make withdrawals thereunder, except only the effectiveness of this Agreement, the Cameroon Loan Agreement and the Chad EIB Finance Contract, have been fulfilled or waived by or on behalf of the Senior Lenders;

(g) the COTCO Transportation Contract and the TOTCO Transportation Contract, in form and substance satisfactory to the Bank, have been executed on behalf of COTCO, TOTCO and shippers, respectively;

(h) TOTCO has established an internal accounting and financial system acceptable to the Bank for the implementation of Part B of the Project;

(i) TOTCO has: (i) appointed the independent auditors referred to in Section 4.01 (b) of the TOTCO Project Agreement; (ii) authorized such independent auditors to communicate directly with the Bank at any time regarding each of TOTCO's accounts and its operations; and (iii) furnished to the Bank a copy of such authorization;

(j) evidence satisfactory to the Bank has been furnished by any of the respective parties thereto, showing that the Core Documents and the Technical Project Implementation Documents, in form and substance satisfactory to the Bank, have been issued or executed and are all in full force and effect;

(k) the Upstream Consortium shall have provided evidence satisfactory to the Bank that the DFID has been made;

(l) the Escrow Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Bank and EIB to receive payments thereunder, except only the effectiveness of this Agreement and the Chad EIB Finance Contract, have been fulfilled;

(m) the Pre-completion Guarantee Agreements and supporting security documentation, satisfactory to the Bank, have been executed on behalf of Exxon Equity Holding Company, Petronas Carigali Sdn Bhd, Chevron Overseas Capital Corporation and the Bank and EIB, respectively, and all conditions precedent to their effectiveness have been fulfilled;

(n) evidence satisfactory to the Bank has been furnished regarding the arrangements for: (i) payment by the offtakers under the Three Fields Offtake Contracts of amounts equal to at least the provisional royalties payable under Article 22.4 of the Upstream Convention; (ii) payment by obligors of taxes referred to in Article 24 A of the Upstream Convention into the transit account established pursuant to the Escrow Agreement; (iii) payment by the offtakers under the Three Fields Offtake Contracts of the amounts referred to in (i) above into the transit account established pursuant to the Escrow Agreement; and (iv) payment into the transit account established pursuant to the Escrow Agreement of all amounts representing royalties, income taxes and dividends due to the Borrower in respect of the Project and payable by the members of the Upstream Consortium, TOTCO and COTCO;

(o) the Cameroon Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of Cameroon to make withdrawals thereunder, except only the effectiveness of this Agreement, have been fulfilled;

(p) the Cameroon Petroleum Environment Capacity Enhancement (CAPECE) Project Development Credit Agreement has been executed and delivered and all conditions precedent to its effectiveness or the right of Cameroon to make withdrawals thereunder, except only the effectiveness of this Agreement, have been fulfilled;

(q) the scope and the form of the reports to be provided to the Bank by the Borrower, COTCO, TOTCO, CHEVRON CHAD, ESSO CHAD and PETRONAS CHAD under this Agreement, the COTCO Project Agreement, the TOTCO Project Agreement, the CHEVRON CHAD Project Agreement, the ESSO CHAD Project Agreement and the PETRONAS CHAD Project Agreement, respectively, are satisfactory to the Bank;

(r) the PCG Direct Agreement and supporting security documentation, satisfactory to the Bank, have been executed on behalf of the Borrower, Cameroon, Exxon Equity Holding Company, Petronas Carigali Sdn Bhd and Chevron Overseas Capital Corporation, and all conditions precedent to their effectiveness have been fulfilled;

(s) the EMP Compliance Monitoring Consultant shall have been appointed; and

(t) the Lock-in Covenant Agreements and supporting security documentation, satisfactory to the Bank, have been executed on behalf of Exxon Equity Holding Company, Petronas Carigali Sdn Bhd, Chevron Overseas Capital Corporation and the Bank and EIB, respectively, and all conditions precedent to their effectiveness have been fulfilled.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Pre-completion Guarantee Agreements and supporting security documentation for the benefit of the Bank have been duly authorized or ratified by Exxon Equity Holding Company, Petronas Carigali Sdn Bhd and Chevron Overseas Capital Corporation, respectively, and are legally binding upon Exxon Equity Holding Company, Petronas Carigali Sdn Bhd and Chevron Overseas Capital Corporation, respectively, in accordance with their respective terms;

(b) that the TOTCO Project Agreement has been duly authorized or ratified by TOTCO, and is legally binding upon TOTCO in accordance with its terms;

(c) that the COTCO Project Agreement has been duly authorized or ratified by COTCO, and is legally binding upon COTCO in accordance with its terms;

(d) that the CHEVRON CHAD Project Agreement has been duly authorized or ratified by CHEVRON CHAD, and is legally binding upon CHEVRON CHAD in accordance with its terms;

(e) that the ESSO CHAD Project Agreement has been duly authorized or ratified by ESSO CHAD, and is legally binding upon ESSO CHAD in accordance with its terms;

(f) that the PETRONAS CHAD Project Agreement has been duly authorized or ratified by PETRONAS CHAD, and is legally binding upon PETRONAS CHAD in accordance with its terms;

(g) that the TOTCO Governmental Funding Agreement has been duly authorized or ratified by the Borrower and TOTCO, and is legally binding upon the Borrower and TOTCO in accordance with its terms;

(h) that the TOTCO Shareholder Funding Agreement has been duly authorized or ratified by each party thereto, including the Borrower, and is legally binding upon each party thereto, including the Borrower, in accordance with its terms;

(i) that the TOTCO Private Shareholder Advance Agreements have been duly authorized or ratified by each party thereto, and are legally binding upon each party thereto in accordance with their terms;

(j) that the COTCO Governmental Funding Agreements have been duly authorized or ratified by the Borrower and COTCO, and Cameroon and COTCO, respectively, and are legally binding upon the Borrower and COTCO, and Cameroon and COTCO, respectively, in accordance with their terms;

(k) that the COTCO Shareholder Funding Agreement has been duly authorized or ratified by each party thereto, including the Borrower and Cameroon, and is legally binding upon each party thereto, including the Borrower and Cameroon, in accordance with its terms;

(l) that the COTCO Private Shareholder Advance Agreements have been duly authorized or ratified by each party thereto, and are legally binding upon each party thereto in accordance with their terms;

(m) that the TOTCO Transportation Contract has been duly authorized or ratified by TOTCO, and is legally binding upon TOTCO in accordance with its terms;

(n) that the COTCO Transportation Contract has been duly authorized or ratified by COTCO, and is legally binding upon COTCO in accordance with its terms;

(o) that the Core Documents to which the Borrower is a party have been duly authorized or ratified by each party thereto (other than EIB and the Senior Lenders or any trustee or agent on their behalf), and are legally binding upon each party thereto in accordance with their terms;

(p) that the Core Documents to which Cameroon is a party have been duly authorized or ratified by each party thereto (other than EIB and the Senior Lenders or any trustee or agent on their behalf), and are legally binding upon each party thereto in accordance with their terms;

(q) that the Lock-in Covenant Agreements and supporting security documentation for the benefit of the Bank have been duly authorized or ratified by Exxon Equity Holding Company, Petronas Carigali Sdn Bhd and Chevron Overseas Capital Corporation, respectively, and are legally binding upon Exxon Equity Holding Company, Petronas Carigali Sdn Bhd and Chevron Overseas Capital Corporation, respectively, in accordance with their respective terms; and

(r) that the Escrow Agreement has been duly authorized or ratified by each party thereto (other than EIB and the Bank), and is legally binding upon each party thereto (other than EIB and the Bank) in accordance with its terms.

Section 6.03. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower at the time responsible for economic promotion, development and cooperation is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economic Promotion,
Development and Cooperation
B.P. 286
N'Djamena
Republic of Chad

Telex:
5329KD

Facsimile:
(235) 51 51 85

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:
INTBAFRAD
Washington, D.C.

Telex:
248423 (MCI) or
64145 (MCI)

Facsimile:
(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF CHAD

By /s/ Ahmat Soubiane Hassaballah
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Praful C. Patel
Acting Regional Vice President

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Chad Loan, the allocation of the amounts of the Chad Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works (on land pipeline installations) under Parts B and C of the Project	Up to 15,000,000 in the aggregate by December 31, 2002, and up to 32,500,000 in the aggregate thereafter	100 % of foreign expenditures and 90% of local expenditures
(2) Front End Fee	395,000	Amounts due pursuant to Section 2.04 of this Agreement
(3) Capitalized Interest	3,070,000	Amounts due pursuant to Section 2.02 (b) of this Agreement
(4) Unallocated	3,535,000	
	<hr/>	
TOTAL	39,500,000	
	<hr/> <hr/> <hr/>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be “foreign expenditures”.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist in the development and export through Cameroon of the petroleum reserves of the Doba Basin Oil Fields in an environmentally and socially sound manner and thereby, inter alia, increase the Borrower's resources and expenditures for poverty alleviation.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objective:

Part A: Construction of the Field System

Development of the Doba Basin Oil Fields for the export and sale of the Doba basin oil at Kribi through: (a) the drilling of development wells; (b) the drilling of water reinjection wells; (c) the construction of a central treating facility and the installation of connecting pipelines; (d) the construction of an electric power generation plant to operate the various wellhead pumps and all the field facilities; (e) the construction of a warehouse, a maintenance operations training center, an airfield, and office and housing facilities; (f) the construction of separation and storage tanks for filtering and storing the oil prior to transferring it to the export system; and (g) the sale of oil from the offloading facility at Kribi.

Part B: Construction of the Export System in Chad

Transport of the Doba basin oil through the construction of about 170 km buried pipeline and 1 pumping station and other ancillary facilities and infrastructure in the territory of the Borrower.

Part C: Construction of the Export System in Cameroon

Transport of the Doba basin oil through the construction of about 880 km buried pipeline, 2 pumping stations, other ancillary facilities and infrastructure and the off-shore floating storage and offloading facility at Kribi and associated main pipeline and related facilities, in the territory of Cameroon.

* * *

Part A of the Project is expected to be completed by December 31, 2008. Parts B and C of the Project are expected to be completed by December 31, 2004.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in Dollars)*</u>
On each June 15 and December 15 beginning December 15, 2005 through December 15, 2012	2,470,000
On June 15, 2013	2,450,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Implementation Program

Part A: Selected Provisions of the TOTCO Governmental Funding Agreement

The TOTCO Governmental Funding Agreement shall include, but without being limited to, provisions to the following effect:

- (a) the obligation for the Borrower to fund TOTCO with a portion of the amount of the Chad Loan in the form of loans convertible into TOTCO shares; and
- (b) the obligation of TOTCO to perform all of its obligations under the TOTCO Project Agreement.

Part B: Selected Provisions of the COTCO Governmental Funding Agreement

The COTCO Governmental Funding Agreement, to which the Borrower is a party, shall include, but without being limited to, provisions to the following effect:

- (a) the obligation for the Borrower to fund COTCO with a portion of the amount of the Chad Loan in the form of loans convertible into COTCO shares; and
- (b) the obligation of COTCO to perform all of its obligations under the COTCO Project Agreement.

Part C: Overall Project Implementation

1. Parts A and B of the Project

- (a) The Borrower shall:
 - (i) monitor the implementation of Parts A and B of the Project in accordance with the monitoring programs set out in the EMP;
 - (ii) not later than the end of the First Project Year, and not later than the end of each Project Year thereafter, undertake, in conjunction with the Bank, EIB, CHEVRON CHAD, ESSO CHAD, PETRONAS CHAD and TOTCO, a joint annual review on all matters relating to the progress of Parts A and B of the Project and, in particular the progress

achieved by the Borrower, CHEVRON CHAD, ESSO CHAD, PETRONAS CHAD and TOTCO during the current fiscal year, having regard to the performance indicators referred to in paragraph (a) of Schedule 2 to the TOTCO Project Agreement;

- (iii) not later than two months prior to each annual review, furnish to the Bank, for its comments, a report prepared by ESSO CHAD in such detail as the Bank shall reasonably request, on the progress of Part A of the Project, and a report prepared by TOTCO in such detail as the Bank shall reasonably request, on the progress of Part B of the Project; and
- (iv) following each annual review, if the Borrower, the Bank, EIB, ESSO CHAD and TOTCO shall so agree, act promptly and diligently in order to take, or assist ESSO CHAD and TOTCO in taking, any corrective action deemed necessary to remedy any shortcoming identified in the implementation of Parts A and B of the Project, or to implement, or assist ESSO CHAD and TOTCO in implementing, such measures as may have been agreed upon between such parties in furtherance of the Objectives of the Project.

(b) Midterm Review

- (i) On or about twenty-four months after the Effective Date, the Borrower shall carry out jointly with the Bank, EIB, CHEVRON CHAD, ESSO CHAD, PETRONAS CHAD, COTCO and TOTCO a midterm review of the progress made in carrying out Parts A and B of the Project (hereinafter referred to as the Midterm Review).

The Midterm Review shall cover, amongst other things:

- (A) progress made in meeting the Project's objectives; and
 - (B) overall Project performance against Project performance indicators.
- (ii) The Borrower shall, at least eight weeks prior to the Midterm Review, furnish to the Bank a separate report prepared by TOTCO describing the status of implementation of each component of Part B of the Project and a summary report of Project implementation generally.
 - (iii) The Borrower shall, not later than four weeks after the Midterm Review, prepare an action program, taking into account the agreement

reached by the parties referred to in Part C, paragraph 1 (b) (i) of this Schedule 4, for the further implementation of Part B of the Project and, on approval thereof by the Bank, EIB, ESSO CHAD, COTCO and TOTCO, shall thereafter, implement such action program.

2. Part C of the Project

(a) The Borrower shall:

- (i) monitor the implementation of Part C of the Project in accordance with the monitoring programs set out in the EMP;
- (ii) not later than the end of the First Project Year, and not later than the end of each Project Year thereafter, undertake, in conjunction with the Bank, EIB, Cameroon, CHEVRON CHAD, ESSO CHAD, PETRONAS CHAD and COTCO, a joint annual review on all matters relating to the progress of Part C of the Project and, in particular the progress achieved by the Borrower, Cameroon and COTCO during the current fiscal year, having regard to the performance indicators referred to in paragraph (a) of Schedule 2 to the COTCO Project Agreement;
- (iii) not later than two months prior to each annual review, furnish to the Bank, for its comments, a report prepared by COTCO in such detail as the Bank shall reasonably request, on the progress of Part C of the Project; and
- (iv) following each annual review, if the Borrower, the Bank, EIB, Cameroon, ESSO CHAD and COTCO shall so agree, act promptly and diligently in order to take, or assist COTCO in taking, any corrective action deemed necessary to remedy any shortcoming identified in the implementation of Part C of the Project, or to implement, or assist COTCO in implementing, such measures as may have been agreed upon between such parties in furtherance of the Objectives of the Project.

(b) Midterm Review

- (i) On or about twenty-four months after the Effective Date, the Borrower shall carry out jointly with the Bank, EIB, Cameroon, CHEVRON CHAD, ESSO CHAD, PETRONAS CHAD and COTCO a midterm review of the progress made in carrying out Part C of the Project (hereinafter referred to as the Midterm Review).

The Midterm Review shall cover, amongst other things:

- (A) progress made in meeting the Project's objectives; and
 - (B) overall Project performance against Project performance indicators.
- (ii) The Borrower shall, at least eight weeks prior to the Midterm Review, furnish to the Bank a separate report prepared by COTCO describing the status of implementation of each component of Part C of the Project and a summary report of Project implementation generally.
- (iii) The Borrower shall, not later than four weeks after the Midterm Review, prepare an action program, taking into account the agreement reached by the parties referred in paragraph 2 (b) (i) of Part C above, for the further implementation of Part C of the Project and, on approval thereof by the Bank, EIB, Cameroon, ESSO CHAD and COTCO, shall thereafter, implement such action program.

SCHEDULE 5

Petroleum Revenue Management Program

1. General Objective. The objective of the Petroleum Revenue Management Program (the Program) is to assist in reducing poverty in the territory of the Borrower. To that end, it contemplates the set aside of the petroleum revenues received by the Borrower under the Project and to target their use to priority poverty sectors in the context of the Borrower's overall sectoral programs and global government expenditure patterns, and in a manner consistent with sound macro-economic management. For the purposes of this Schedule, the term "Petroleum Revenues" shall consist of amounts (net of the amounts due by the Borrower to the Bank and EIB under this Agreement and the EIB Finance Contract, respectively) to be received by the Borrower under the Project as follows:

- (a) royalties (the Royalties) due to the Borrower under the Upstream Convention;
- (b) dividends (the Dividends) received by the Borrower as shareholder, respectively, of COTCO and TOTCO; and
- (c) taxes (the Taxes) levied on TOTCO, CHEVRON CHAD, ESSO CHAD and PETRONAS CHAD income.

2. Petroleum Revenue Management Law. As part of the Program, the Borrower agrees that Law No. 0001/PR/99 dated January 11, 1999, governing the management of the petroleum revenues (the Petroleum Revenue Management Law) shall not be amended or waived so as to materially and adversely affect the implementation of the Program.

3. Flow of Funds. The Borrower shall cause the Petroleum Revenues to be paid by any entity which has payment obligations to the Borrower in relation to the Project (the Obligors) into the Escrow Accounts. The Borrower shall, subject to its obligations under Article II of this Agreement and its financial obligations under the EIB Finance Contract, cause the proceeds of the Escrow Accounts to be distributed as follows:

- (a) 10 percent of the Royalties and Dividends shall promptly be deposited and invested in long-term investment instruments with a financial institution, satisfactory to the Bank (the Future Generations Fund);
- (b) 90 percent of the Royalties and Dividends shall be deposited in special accounts in one or more private commercial banks in Chad, satisfactory to the Bank (the Special Petroleum Revenue Accounts), in the name of the Borrower's Treasury; and

(c) the Taxes shall be paid directly from the Escrow Accounts to the Borrower's Treasury.

4. Use of Funds

(a) Moneys deposited in the Future Generations Fund shall be invested, under prudential rules and investment arrangements satisfactory to the Bank, in long-term investment instruments. Upon their liquidation, the proceeds of such investments shall be used to benefit poverty reduction objectives. The Borrower shall adopt not later than December 31, 2001, such prudential rules and investment arrangements satisfactory to the Bank, as amended from time to time in substance satisfactory to the Bank.

(b) Moneys deposited in the Special Petroleum Revenue Accounts shall be allocated as follows:

- (i) 80 percent of Royalties and 85% of the Dividends shall be allocated to expenditures, acceptable to the Bank, for the following priority poverty reduction sectors in support of the Borrower's objective of regional balance: health and social affairs, education, infrastructure, rural development (agriculture and livestock) and environment and water resources.
- (ii) Expenditures to be financed with the Royalties and Dividends referred to in paragraph 4 (b) (i) above in these priority poverty reduction sectors shall be incremental to expenditures reflected in the Borrower's budget for fiscal year 2002 in respect of these sectors.
- (iii) 5 percent of Royalties shall be allocated to decentralized authorities in the petroleum producing region (as defined below), as a supplement to the allocation referred to in paragraph 4 (b) (i) above, to finance expenditures, acceptable to the Bank, to reduce poverty. For purposes of this paragraph, "petroleum producing region" means the area within the boundaries delineated in the map attached to this Schedule 5.
- (iv) Up to and including December 31, 2007, 15 percent of Royalties and Dividends can be used to finance general recurrent expenditures for the non "Sovereign" sectors. After December 31, 2007, this portion shall be used to finance expenditures in priority poverty reduction sectors referred to in paragraph 4 (b) (i) above in accordance with the same terms and conditions applicable to expenditures under such paragraph (including those set out in paragraphs (5), (6) and (7) below).

(c) The Taxes shall be used to finance increased development expenditures generally.

5. Modalities

(a) The following modalities shall apply in respect of expenditures under paragraph 4 (b) (i) above:

- (i) By not later than September 15 each year, the Borrower shall prepare a plan satisfactory to the Bank containing the detailed allocation of resources under paragraph 4 (b) (i) from the Special Petroleum Revenue Accounts to the priority poverty reduction sectors referred to in such paragraph; such annual expenditure program shall be reflected in the draft Borrower's budget to be submitted annually for approval to the Borrower's Parliament.
- (ii) In accordance with Article 18 of the Petroleum Revenue Management Law, the independent "Collège de Contrôle et de Surveillance des Ressources Pétrolières" (CCSRP) shall authorize and verify the disbursements from the Special Petroleum Revenue Accounts.
- (iii) Amounts under paragraph 4 (b) (i) above which cannot be used for the agreed objectives, or the use of which would jeopardize the Borrower's macroeconomic stability, shall be held in the Special Petroleum Revenue Accounts, under arrangements to be agreed upon by the Bank, for their subsequent use in financing priority poverty reduction sectors referred to in paragraph 4 (b) (i) above.

(b) The Borrower shall develop, not later than January 31, 2003, record keeping, auditing and distribution mechanisms acceptable to the Bank regarding the distribution and application of funds pursuant to paragraph 4 (b) (iii), including by the decentralized authorities.

6. Public expenditure reviews

The Borrower shall conduct with the Bank, under terms of reference acceptable to the Bank, annual public expenditure reviews (with a particular focus on the use of Petroleum Revenues).

7. Record-keeping, Reporting and Audits

(a) The Borrower shall require the financial institution referred to in paragraph 3 (a) above and the commercial banks referred to in paragraph 3 (b) above, to maintain records and accounts adequate to reflect, in accordance with sound accounting practices, the operations and financial condition of the Special Petroleum Revenue Accounts and the Future Generations Fund, respectively.

- (b) The Borrower shall:
- (i) require the financial institution and the commercial banks referred to in the preceding paragraph to have the records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for the Special Petroleum Revenue Accounts and the Future Generations Fund, respectively, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank, under terms of reference satisfactory to the Bank;
 - (ii) furnish to the Bank as soon as available, but in any case not later than three (3) months after the end of each such year: (A) certified copies of the financial statements for such year as so audited; and (B) the report of such audits by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and
 - (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audits thereof, as the Bank shall from time to time reasonably request.

(c) The Borrower shall require such financial institution and commercial banks to issue, under terms of reference satisfactory to the Bank, quarterly reports regarding the management of the Future Generations Fund and the Special Petroleum Revenue Accounts, respectively, which the Borrower shall furnish to the Bank as soon as available.

(d) The Borrower shall furnish to the Bank as soon as available certified copies of any reports issued by "Commission Bancaire de l'Afrique Centrale" (COBAC) regarding the private commercial banks referred to in paragraph 3 (b) above.

(e) The Borrower shall require CCSRP to issue, under terms of reference satisfactory to the Bank, quarterly reports regarding its activities, which the Borrower shall furnish to the Bank as soon as available.

(f) The Borrower shall furnish to the Bank as soon as available certified copies of the audit report of the General Auditor's Office regarding the execution of the Borrower's annual budgets.

(g) The Borrower shall, in accordance with Article 22 of the Petroleum Revenue Management Law, publish the reports and audits referred to in paragraphs 7 (b) (i), 7 (c), 7 (e) and 7 (f) above.

8. The Borrower shall issue by not later than December 31, 2001, all the necessary implementation decrees, satisfactory to the Bank, relating to the Petroleum Revenue Management Law including the decree regarding CCSRP, referred to in Article 19 of the Petroleum Revenue Management Law.

SCHEDULE 6

A. Environmental Assessment Executive Summary and Update (dated May 1999)

B. Environmental Management Plan-Chad Portion (dated May 1999)

Volume 1

- ?? Base Document
- ?? Management Plan for Cultural Properties
- ?? Handbook for Site-Specific Environmental Mitigation Actions
- ?? Environmental Monitoring Plan

Volume 2

- ?? Biophysical/Socioeconomic/Health technical Requirements and Specifications

Volume 3

- ?? Compensation & Resettlement Plan

Volume 4

- ?? Regional Development Plan: Near Term Measures
- ?? Revenue Management Plan
- ?? Institutional Capacity Building

Volume 5

- ?? Waste Management Plan

Volume 6

- ?? Environmental Line List
- ?? Environmental Alignment Sheets

C. Environmental Management Plan-Cameroon Portion (dated May 1999)

Volume 1

- ?? Base Document
- ?? Induced Access Management Plan

- ?? Management Plan for Cultural Properties
- ?? Handbook for Site-Specific Environmental Mitigation Actions
- ?? Environmental Monitoring Plan

Volume 2

- ?? Biophysical/Socioeconomic/Health Technical Requirements and Specifications

Volume 3

- ?? Compensation Plan

Volume 4

- ?? Environmental Foundation Plan
- ?? Offsite Environmental Enhancement Plan
- ?? Indigenous Peoples Plan

Volume 5

- ?? Waste Management Plan

Volume 6

- ?? Environmental Line List
- ?? Environmental Alignment Sheets

D. Supporting Documents (dated May 1999)

Volume 1

- ?? Project Description
- ?? Decommissioning
- ?? Lists of Studies/Reports
- ?? Lists of Consultant/Experts

Volume 2

- ?? Alternatives Analysis

Volume 3

- ?? Consultation and Public Review Program

Volume 4

?? Oil Spill Response: Preliminary Approach

Volume 5

?? Chad Biological Studies

?? Cameroon Biological Studies

Volume 6

?? Chad Public Health

?? Cameroon Public Health

E. General Oil Spill Response Plan (dated September 1999)

SCHEDULE 7

Environmental Guidelines

Section 1.0 Ambient Air quality - Limits for Onshore Project Facilities

Maximum concentrations of contaminants, measured outside the property boundary of Project facilities as defined for the land easement (NO_x to be measured in the Project airshed as defined in the air quality model set forth in the “Dames and Moore, 1999b, Air Quality Technical Analysis, 1999 Update, Chad Export Project, May 1999”, included by reference in the EMP, Supporting Documents, Volume 1, Lists of Studies/Reports (the “Air Quality Study”)), inclusive of background ambient air quality levels, are as follows:

<u>Contaminant</u>	<u>Ambient Air Quality</u>
Particulate Matter (< 10 µm)	
Annual Arithmetic Mean	50 µg/m ³
Maximum 24-hour Average	150 µg/m ³
Sulphur Dioxide	
Annual Arithmetic Mean	80 µg/m ³
Maximum 24-hour Average	150 µg/m ³
Nitrogen Oxides, as NO ₂	
Annual Arithmetic Mean	100 µg/m ³
Maximum 24-hour Average	150 µg/m ³

Notes for Section 1.0:

µm refers to microns.

µg/m³ refers to micrograms per cubic meter at ambient conditions.

NO₂ refers to nitrogen dioxide.

A measured exceedance of the above limits caused by: (i) natural sources; or (ii) to the extent unrelated to the Project and/or the Oilfield Development, industrial development or the burning of materials outside Project property limits by third parties (excluding, for the avoidance of doubt, any contractors or service providers of COTCO, TOTCO and/or any member of the Upstream Consortium), in each case where such emissions have not already been taken into account in determining the background ambient air quality levels referred to above, shall not be considered a non-compliance with those limits, provided that COTCO, TOTCO and/or any member of the Upstream Consortium (as applicable) shall have provided evidence satisfactory to the Bank (acting reasonably) that the contaminants causing the relevant exceedance were caused as aforesaid. The exception to this is the measured exceedance for NO_x for the Oilfield Development portion of the Project. Any measured exceedance of the NO_x limits, irrespective of the source, shall be considered a non-compliance with those limits.

Section 2.0 Air Quality - Stack Emission Limits for Onshore Project Facilities

The following stack emission limits apply to permanent major individual onshore Project facility sources under normal, steady state operating conditions, exclusive of startup/shutdown and emergency/upset conditions. Concentrations of contaminants should not be diluted. A major source is defined as a continuously operating, onshore single unit of the following types: combustion turbine, reciprocating engine, fired heater, boiler, or waste incinerator. Specifically excluded are intermittent sources such as engines driving emergency generators and fire pumps.

Section 2.1

Maximum concentrations of contaminants from fired heaters, boilers and waste incinerators located in the oil field facilities area, the pump stations or the pressure reducing station are as follows:

<u>Contaminant</u>	<u>Emission Limit</u>
Particulate Matter	100 mg/Nm ³
Nitrogen Oxides, as NO ₂	460 mg/Nm ³ for liquid fossil fuel 320 mg/Nm ³ for gaseous fossil fuel
Sulphur Dioxide	1,000 mg/Nm ³
Volatile Organic Compounds	20 mg/Nm ³
Odor	Not offensive at the receptor end (H ₂ S at the property boundary should be less than 5 ?g/m ³)
Hydrogen Sulfide	30 mg/m ³

*Note: mg/Nm³ refers to milligrams per cubic meter at 0? C (20 ? C for Particulate Matter only) and pressure of 1013 millibars under dry conditions (at 3% oxygen for fired heaters and boilers only).
NO₂ refers to nitrogen dioxide.*

Section 2. 2

Maximum concentrations of contaminants from the power plant combustion turbines in Chad are as follows. Concentrations should not be diluted:

<u>Contaminant</u>	<u>Emission Limit</u>
Particulate Matter	50 mg/Nm ³
Sulphur Dioxide	0.20 metric tons per day per megawatt of electricity, and 2,000 mg/Nm ³

Note: mg/Nm³ refers to milligrams per cubic meter at 0? C and pressure of 1013 millibars under dry conditions at 15% oxygen.

Section 2.3

Maximum concentrations of contaminants from combustion turbines (other than the power plant combustion turbines in Chad) and reciprocating engines, both with an equivalent electricity output of smaller than 50 MW are as follows. Concentrations should not be diluted:

<u>Contaminant</u>	<u>Emission Limit</u>
Particulate Matter	100 mg/Nm ³
Nitrogen Oxides, as NO ₂ For Combustion Turbines For Reciprocating Engines	250 mg/Nm ³ 2,300 mg/Nm ³
Sulphur Dioxide	2,000 mg/Nm ³

Note: mg/Nm³ refers to milligrams per cubic meter at 0°C and pressure of 1013 millibars under dry conditions at 15% oxygen.

NO₂ refers to nitrogen dioxide.

NO₂ limit of 250 mg/Nm³ for combustion turbines is based on application of low NOx burner technology.

Section 2.4

The particulate matter emission limit of 100 mg/Nm³ in Section 2.3 of this Schedule for combustion turbines (other than the power plant combustion turbines in Chad) and reciprocating engines, with a heat input less than or equal to 10 million British thermal units per hour, may be increased to 150 mg/Nm³ provided the Bank will have received evidence from COTCO and TOTCO justifying the increase. COTCO and TOTCO will provide this evidence in a report that shall be reviewed by the Bank, which agreement to such increases shall not be unreasonably withheld.

Section 3.0 Water Quality

Section 3.1

Liquid effluents directly discharged from onshore Project facilities to surface waters will comply with the following discharge limits:

<u>Parameter</u>	<u>Liquid Effluent Limit</u>
PH	6 to 9
Biological Oxygen Demand (BOD ₅)	50 mg/L
Chemical Oxygen Demand (COD)	250 mg/L
Oil and Grease	20 mg/L
Heavy Metals, Total	5 mg/L
Phenol	1 mg/L

Phenolic Compounds	100 mg/L
Sulfide	1 mg/L
Total Suspended Solids	50 mg/L
Cadmium	0.7 mg/L
Mercury	0.1 mg/L
Coliforms	Less than 400 MPN/100 mL (MPN - Most Probable Number)
Total Residual Chlorine	0.5 mg/L
Temperature - at the edge of a designated mixing zone	Maximum 5 °C above ambient temperature of receiving waters - maximum 3 °C if receiving waters > 28 °C

Note: mg/L refers to milligrams per liter.

mL refers to milliliters.

Heavy Metals, Total consists of antimony, arsenic, beryllium, cadmium, chromium, copper, lead, mercury, nickel, selenium, silver, thallium, vanadium, and zinc.

Section 3.2

Liquid effluents directly discharged from the FSO (Floating Storage and Offloading vessel) to surface waters will comply with applicable MARPOL 73/78 (International Convention for the Prevention of Pollution from Ships) Regulations or the following discharge limits, whichever is more restrictive:

Parameter	Liquid Effluent Limit
PH	6 to 9
Oil and Grease	20 mg/l
Heavy Metals, Total	5 mg/L
Phenolic Compounds Maximum total concentration	100 mg/L
Cadmium	0.7 mg/L
Mercury	0.1 mg/L
Maximum Sanitary Waste Residual Chlorine	0.5 mg/L

Note: mg/L refers to milligrams per liter.

Heavy Metals, Total consists of antimony, arsenic, beryllium, cadmium, chromium, copper, lead, mercury, nickel, selenium, silver, thallium, vanadium, and zinc.

Section 4.0 Use of Chromate in Power Plant Water Treatment Process

Formulations containing chromates will not be used in water treatment processes associated with turbines and reciprocating engines.

Section 5.0 Ambient Noise for Onshore Project Facilities

The steady state ambient noise design criteria for onshore Project facilities during the operations phase is 70 dBA (A-weighted decibels) measured at the property boundary of Project facilities as defined for the land easement.

Section 6.0 Emissions Monitoring for Onshore Project Facilities

Section 6.1

(i) Before the Project Physical Completion Date, as defined in the Senior Loan Agreements, COTCO, TOTCO and ESSO CHAD as operator of the Upstream System will perform one physical stack emissions testing of nitrogen oxides (NO_x), sulphur dioxides (SO₂), and particulate matter (PM) emissions from fired heaters, boilers, waste incinerators, combustion turbines and reciprocating engines, as defined in Section 2.0 of this Schedule.

(ii) Subject to subparagraph (vi) below, COTCO, TOTCO and ESSO CHAD as operator of the Upstream System will perform physical stack emissions testing for NO_x and PM for the equipment referred to in subparagraph (i) above once every third year (i.e. years 3, 6, 9,12) following the initial physical stack emissions testing conducted prior to the Project Physical Completion Date, as defined in the Senior Loan Agreements, in accordance with subparagraph (i) above, until the Bank Project Debt has been paid in full.

(iii) ESSO CHAD, as operator of the Upstream System, will measure ambient air quality at the operations center for the Oilfield Development at least quarterly (and continuously for NO_x) from the Project Physical Completion Date, as defined in the Senior Loan Agreements, until the Bank Project Debt has been paid in full. Continuous monitoring for NO_x will be at the locations of predicted maximum concentrations determined by the Air Quality Study. COTCO and TOTCO will measure ambient air quality at each intermediate pump station and waste incinerator site of the Project at least quarterly from the Project Physical Completion Date, as defined in the Senior Loan Agreements, until the Bank Project Debt has been paid in full.

(iv) At least once per year from the Project Physical Completion Date, as defined in the Senior Loan Agreements, until the Bank Project Debt has been paid in full, COTCO, TOTCO and ESSO CHAD as operator of the Upstream System will rerun the model set forth in the Air Quality Study, using the most recent stack emissions and ambient air quality measurements obtained in accordance with subparagraphs (i), (ii) and (iii) above (and/or, if applicable, subparagraph (vi) below), and provide the results of the same to the EMP Compliance Monitoring Consultant. Continuous monitoring locations for NO_x may need to be adjusted to account for changes indicated by these reruns of the Air Quality Study model.

(v) In each year following the Project Physical Completion Date, as defined in the Senior Loan Agreements, COTCO, TOTCO and ESSO CHAD as operator of the Upstream System shall conduct assessments of the sulphur content of fuels in order to demonstrate compliance of the equipment referred to in subparagraph (i) above with the SO₂ limits set forth

in Section 2.0 of this Schedule. The use of liquid fuels with a sulphur content of < 0.5% meets the SO₂ emissions limits. The use of solid fuels with a sulphur content of < 0.8% and a heat content of 7,000 kilocalories per kilogram (kcal/kg) meets the SO₂ emissions limits. The use of solid fuels combusted in underfired feed stoker units meets the SO₂ emissions limits if the sulphur content of the solid fuel is < 1.0%. COTCO, TOTCO and ESSO CHAD as operator of the Upstream System will maintain records of such fuel analyses.

(vi) Without prejudice to any rights and remedies the Bank may have for any such non-compliance, in the event that:

- (a) any physical stack emissions test referred to in subparagraph (i) or (ii) above; or
- (b) any ambient air quality measurement referred to in subparagraph (iii) above; or
- (c) any assessment referred to in subparagraph (v) above,

demonstrates that any of the equipment referred to in subparagraph (i) above is not in compliance with the limits set forth in Section 1.0 or Section 2.0 (as applicable) of this Schedule, COTCO, TOTCO and/or ESSO CHAD as operator of the Upstream System (as applicable) will perform annual physical stack emissions testing for NO_x, the SO₂ and/or PM (as applicable) until such time as compliance with such limits is shown, following which (in the case of NO_x and PM) subparagraph (ii) above shall apply and (in the case of SO₂) no further stack emissions testing shall be required unless this subparagraph (vi) again becomes applicable. The first annual physical stack emissions testing required under this subparagraph (vi) shall be conducted: (x) in the case of subparagraph (a) above, in the year following the year in which the test referred to in such subparagraph (a) was conducted and (y) in the case of subparagraphs (b) and (c) above, in the year in which the measurement referred to in subparagraph (b) above or the assessment referred to in subparagraph (c) above, as applicable, was conducted.

Section 6.2

(i) COTCO, TOTCO and ESSO CHAD, as operator of the Upstream System, will jointly prepare a detailed plan for monitoring emissions and ambient air quality (detailing, *inter alia*, sampling methods, monitoring frequencies, equipment requirements and data quality controls), as an Annex to both the Chad and Cameroon Portions of the EMP, to monitor (as set forth in Section 6.1 of this Schedule) compliance of the Project and the Oilfield Development with the ambient air quality guideline limits listed in Section 1.0 of this Schedule and the stack emission limits listed in Section 2.0 of this Schedule. Such monitoring plan will be consistent with the monitoring principles stated in the EA and in the World Bank Group "Pollution Prevention and Abatement Handbook 1998" section titled "Monitoring Environmental Quality". The monitoring plan will be delivered to the Bank not less than six months prior to the Project Physical Completion Date, as defined in the Senior Loan Agreements.

(ii) COTCO, TOTCO and ESSO CHAD, as operator of the Upstream System, will implement the monitoring plan referred to in (i) above in accordance with periods specified in Section 6.1 of this Schedule prior to the Project Physical Completion Date, as defined in the Senior Loan Agreements. Unless regional government ambient air quality monitoring stations become available to monitor Project and Oilfield Development ambient air quality, COTCO, TOTCO and ESSO CHAD, as operator of the Upstream System, will maintain one monitoring station in Chad to monitor the Oilfield Development area, and one mobile monitoring station in Cameroon to monitor the two pump stations and waste incinerator sites, except for periods of maintenance, relocation or the occurrence of emergency conditions in the operating area.

(iii) Alternative methods to monitor compliance with the stack emissions or ambient air requirements set forth in this Schedule may be used if agreed to by the Bank, COTCO, TOTCO and ESSO CHAD as operator of the Upstream System.

Section 7.0 Transportation System Easement Maintenance During The Operations Phase

The information in this section provides clarification to the Chad Portion and Cameroon Portion, Volume 1, Chapter 2, of the EMP and the Project Description (Supporting Documents, Volume 1).

The permanently maintained system easement for the pipeline will be 10 to 15 meters wide. The land within the easement will be returned to its former agricultural or other use provided such use is compatible with the operations and maintenance requirements of the Transportation System. For example, locating structures or the planting of trees will not be allowed within the confines of the system easement. Hand or mechanical cutting will be used as necessary to control vegetation that limits aerial observation of the easement (e.g., overhanging tree branches, brush over 1 to 2 meters high). Shrubs and tree saplings that take root on the easement will also be cut. The use of herbicides to control vegetation within the pipeline system easement is not planned. However, should it be necessary to utilize herbicides for vegetation management at certain locations along the system easement, any herbicide that would be used would be thoroughly evaluated before its use, would meet local regulations, and be in line with international guidelines.

The Transportation System easement will be inspected at least once per month by aerial patrol for signs of leakage or inappropriate activities such as the construction of structures, inappropriate agricultural practices, or unauthorized encroachment. Items that require additional attention such as soil erosion, watercourse changes, weathered pipeline markers, road and stream crossings, and growth of brush and trees will also be identified during the aerial patrols. Line walking will be used as necessary to supplement the aerial patrols and to further investigate potential problems identified during the aerial inspections. Vehicular use on the system easement for inspection purposes would be confined to specific locations such as at mainline valve stations and telecommunication sites - these facilities are typically near existing roads or trails. As is mentioned in the EMP-Cameroon Portion (Volume 1), natural barriers will be reinstated along the easement during construction to inhibit vehicular movement.

Regarding pedestrian and cattle access to the Transportation System easement, the primary mitigation measures are described in the Induced Access Management Plan contained in the EMP-Cameroon Portion (Volume 1, Appendix D) and the EMP-Chad Portion and Cameroon Portion, Volume 1, Chapter 2, Socio-economic Topic No. 8 (Semi-Sedentary and Transhumant Cattle Movements). The Induced Access Management Plan lists measures designed to reduce or preclude vehicular access to the pipeline easement, and consequently the implementation of these measures will also serve to inhibit increased pedestrian movements in locations where induced access was determined to be important. Based on analyses undertaken by environmental and socioeconomic consultants, it is not practicable to prevent pedestrians and cattle from using the easement.

Section 8.0 Chad Oil Field Area Groundwater Baseline Information

The information in this section provides clarification to the Chad Environmental Management Plan (EMP-Chad Portion, Volume 1, Chapter 2, Biophysical Topic No. 4) which specifies the institution of a regional groundwater monitoring program in the immediate vicinities of the three oil fields. This monitoring program will include water quality and level parameters from Project drilled wells and/or existing village wells. The program will be designed during the detail design phase of the Project and implemented prior to starting major civil work in the field.