

CONFORMED COPY

LOAN NUMBER 3317 UNI

(Oso Condensate Field Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

NIGERIAN NATIONAL PETROLEUM CORPORATION

Dated April 24, 1991

LOAN NUMBER 3317 UNI

LOAN AGREEMENT

AGREEMENT, dated April 24, 1991 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and the NIGERIAN NATIONAL PETROLEUM CORPORATION (the Borrower), a statutory corporation established and operating under the laws of the Federal Republic of Nigeria.

WHEREAS (A) the Federal Republic of Nigeria (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

(B) the Project will be jointly carried out by the Borrower and Mobil Producing Nigeria (MPN);

(C) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of

the Loan and to undertake such other obligations as set forth in the Guarantee Agreement;

(D) the Borrower intends to obtain from the European Investment Bank (EIB) a loan (the EIB Loan) in an amount equivalent to sixty-five million dollars (\$65,000,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the EIB Loan Agreement) to be entered into between the Borrower and EIB;

(E) the Borrower intends to obtain from the Export-Import Bank of Japan (Japan Exim) a loan (the Japan Exim Loan) in an amount equivalent to forty-seven million dollars (\$47,000,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the Japan Exim Loan Agreement) to be entered into between the Borrower and Japan Exim; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this 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" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, wherever used in this Agreement, 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) "Special Account" means the account referred to in Section 2.02. (b) of this Agreement;

(b) "Basic Agreements" means the following:

- (i) the Oil Mining Leases (67,68 and 70) granted to MPN in 1968 and subject to the Petroleum Act, 1969 (No. 51) of the Guarantor;
- (ii) the Participation Agreement dated July 1, 1983 between the Borrower and MPN under which the Borrower inter alia acquired a 60% participating interest in (A) the Oil Mining Leases referred to in (i) above, and (B) the assets and working capital relating thereto;
- (iii) Memorandum of Understanding on Incentives For Enhancing Crude Oil Exports And Encouraging Investments In Exploration and Development Activities dated January 23, 1986 between the Guarantor and MPN;
- (iv) Heads of Agreement Governing Offtake/Scheduling and Lifting dated July 1, 1983 between the Borrower and MPN;
- (v) the Oso Field Development Project Agreement dated May 12, 1988 between the Borrower and MPN (as amended to the date of this Agreement) which inter alia provides for the joint development by the Borrower and MPN of the Oso Field and together with the Joint Operating Agreement referred to in (vi) below governs the mutual rights and obligations of the parties thereto; and

(vi) the Joint Operating Agreement dated June 28, 1990, between the Borrower and MPN (including the side-letter supplemental thereto of same date between the Borrower and MPN) which inter alia (A) defines the organization and management structure for operations to be carried out in the areas of the Oil Mining Leases referred to in (i) above, and (B) together with the Oso Field Development Project Agreement referred to in (v) above governs the mutual rights and obligations of the parties thereto;

(c) "Oso Field" means the Oso condensate field located about 12 miles off the coast of Akwa Ibom State of Nigeria;

(d) "MPN" means Mobil Producing Nigeria, a company established and operating under the laws of the Guarantor;

(e) "NNPC Act" means the Nigerian National Petroleum Corporation Act, 1977 (Act No. 33) of the Guarantor as amended to the date of this Agreement;

(f) "Oso Condensate Project Decree" means the Oso Condensate Project Decree 1990 of the Guarantor as amended to the date of this Agreement; and

(g) "Joint Operating Agreement" means the Joint Operating Agreement (including the side-letter supplemental thereto) referred to in (b) (vi) above.

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 Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of two hundred eighteen million dollars (\$218,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the 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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan and in respect of interest and other charges on the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) On each of the semiannual interest payment dates specified in Section 2.06 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 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 Bank and the Borrower.

Section 2.03. The Closing Date shall be June 30, 1994 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower and the Guarantor of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower and the Guarantor of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall with MPN, under the Joint Operating Agreement, carry out the Project with due diligence and efficiency and in conformity with appropriate engineering, administrative, financial and petroleum production and development practices in common usage in the international petroleum industry, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and works required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. The Borrower shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and engineering practices in common usage in the international petroleum industry under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 4.02. The Borrower shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices in common usage in the international petroleum industry.

Section 4.03. The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice in common usage in international petroleum industry.

Section 4.04. (a) The Borrower shall at all times maintain the Oso Field production at levels necessary to produce for the Borrower net revenues adequate to service in full the estimated maximum debt service requirements of the Borrower on all debt incurred by the Borrower for the Project.

(b) For the purposes of this Section:

- (i) the term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred;
- (ii) debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into;
- (iii) the term "net revenues" means the difference between:
 - (A) the sum of revenues from all sources related to operations in the Oso Field adjusted to take account of the Borrower's prices in effect at the time of the incurrence of debt even though they were not in effect during the

twelve-month period to which such revenues relate and net non-operating income, and

- (B) the sum of all expenses related to operations in the Oso Field including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt;
- (iv) the term "net non-operating income" means the difference between:
 - (A) revenues from all sources derived from the Oso Field other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above;
- (v) the term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt; and
- (vi) whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 4.05. The Borrower shall furnish to the Bank for its review and comments a pricing formula for calculating margins, taxes and royalties relating to the Oso Field condensate, as determined pursuant to the Oso Field Development Project Agreement defined in Section 1.02 (b) (v) of this Agreement.

Section 4.06. The Borrower shall no later than June 30, 1994 prepare and furnish to the Bank for its review and comments detailed arrangements for adequately training staff of the Borrower in the marketing of the Borrower's equity share of the Oso Field condensate.

Section 4.07. The Borrower shall pay to the Guarantor a guarantee fee equivalent to 10% of the interest payable by the Borrower under Section 2.05 of this Agreement, such fee to accrue from the respective dates on which amounts of the Loan shall be withdrawn from the Loan Account.

Section 4.08. The Borrower shall annually: (i) with the assistance of consultants update its estimates of the available Oso Field reserves; and (ii) furnish to the Bank the updated estimates as soon as available.

ARTICLE V

Financial Covenants

Section 5.01. (a) The Borrower shall with respect to the Project maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall:

- (i) have its records, accounts and financial statements (balance sheets, if any, statements of income and

expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

- (ii) with respect to the records and accounts mentioned in Section 5.01 (a) above, furnish to the Bank within one month after the end of each quarter its interim financial statements;
- (iii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each fiscal year: (A) certified copies of its financial statements for the Project for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iv) with respect to the Project furnish to the Bank such other information concerning the records, accounts and financial statements of the Borrower as well as the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE VI

Remedies of the Bank

Section 6.01. (a) Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

- (i) a change shall have been made in the NNPC Act or in the Oso Condensate Project Decree which would materially and adversely affect the operations of the Borrower or the carrying out of the Project;
- (ii) a change shall have been made in any of the Basic Agreements which would materially and adversely affect the operations of the Borrower or the carrying out of the Project;
- (iii) a default shall occur in the performance of any obligations of the Borrower or MPN under the Joint Operating Agreement; and

(iv) subject to paragraph (b) of this Section:

- (A) the right of the Borrower or MPN to withdraw the proceeds of any loan, credit or grant made to the Borrower or to MPN for the financing of the Project, including the EIB Loan, the Japan Exim Loan and the loan from the International Finance Corporation (IFC) to MPN, shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
- (B) any such loan or credit shall have become due and payable prior to the agreed maturity thereof.

(b) Paragraph (a) (iv) of this Section shall not apply if the Borrower establishes to the satisfaction of the Bank or, as the case may be, MPN establishes to the satisfaction of IFC that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower or, as the case may be, MPN to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower or, as the case may be, MPN from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement or those of MPN under its agreement with IFC.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in Section 6.01 (a)(i) of this Agreement shall occur;

(b) any event specified in Section 6.01 (a) (ii) or (a) (iii) of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor or, as the case may be, by IFC to MPN; and

(c) the event specified in Section 6.01 (a) (iv) of this Agreement shall occur, subject to the proviso of paragraph (b) of that Section.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) all conditions precedent to the effectiveness of the Japan Exim Loan Agreement have been fulfilled, other than the effectiveness of this Agreement;

(b) purchase agreements satisfactory to the Bank have been signed for the sale of the production of the Borrower's equity share of the Oso Field condensate;

(c) finalization of the financing plan for the Project; and

(d) finalization of any loans made to MPN for the Project.

Section 7.02. The date (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The Group Managing Director of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

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:

197688 (TRT)
248423 (RCA) or
64145 (WUI)
82987 (FTCC)

For the Borrower:

Nigerian National Petroleum Corporation
Falomo Office Complex
P.M.B. 12701
Lagos, Nigeria

Cable address:

NAPETCOR
Lagos

Telex:

21610
21661
21643

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Callisto E. Madavo
Acting Regional Vice President
Africa

NIGERIAN NATIONAL PETROLEUM CORPORATION

By /s/ Jibril Aminu
Authorized Representative

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 Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Offshore and Onshore Facilities	139,000,000	100% of foreign expenditures
(2) Drilling	56,000,000	100% of foreign expenditures
(3) Interest and other charges on the Loan accrued on or before April 14, 1994	23,000,000	Amounts due pur- suant to Section 2.02 (c) of this Agreement

TOTAL	218,000,000	

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$54,500,000, may be made in respect of Categories (1) and (2) on account of payments made before that date but after June 30, 1990;

SCHEDULE 2

Description of the Project

The main objective of the Project is to assist in the commercial development of the Oso Condensate Field located offshore in the Akwa Ibom State of Nigeria (the Oso Field) for an initial peak production of 100 thousand barrels of condensate per day.

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

Part A: Offshore Surface Facilities

Offshore surface facilities consisting of:

(a) four wellhead production platforms, each equipped with a 9-well jacket, located over the field from which 19 wells will be directionally drilled to predetermined areas of the reservoir; and

(b) a central facilities complex consisting of three platforms, interconnected with bridges for ease of access and safety, including: (i) one production platform equipped with a single cascading train of separators designed to process the entire Oso Field production; (ii) one gas compression/injection platform equipped with compressor trains designed for a through-put of 500 million standard cubic feet of gas per day in five stages of compression; (iii) one accommodation/utility platform equipped with: (A) installations necessary to house, feed and cater to the needs of 60 personnel; (B) a helicopter deck; (C) a power generation station rated at 5.4 MW; and (D) a communications network, air conditioning system, and a waste disposal system; (iv) one riser platform for all incoming and outgoing pipelines; (v) one flare stack for burning and discharging gas; (vi) about 54

miles of underwater low pressure flowlines for transporting associated gas produced in neighboring oil production platforms to Oso; (vii) approximately 10 miles of high pressure production and injection flowlines; and (viii) approximately 32 miles of pipeline for transferring the stabilized condensate for storage onshore.

Part B: Onshore Facilities

(1) Three 670,000 barrel tanks, each equipped with floating roofs, and a cumulative storage capacity of about 2 million barrels of condensate.

(2) Metering facilities, equipped with turbine meters and prover loops to measure the condensate as it is pumped for export.

(3) Loading pumps designed to deliver condensate from storage tanks to the tankers.

(4) A 36 inch underwater product loading line, about 22 miles long to a single point mooring.

(5) A single point mooring buoy anchored some 30 miles off-shore, with oil discharge facilities and hoses required to load tankers.

(6) Control room and panels to be incorporated into existing facilities at the Qua Iboe Oil terminal.

Part C: Development Drilling Program

Drilling of 19 wells for production and injection from four well head jacket platforms each provided with slots for a 9-well jacket.

* * *

The Project is expected to be completed by June 30, 1993 and will be deemed to be completed when: (i) the facilities included in Parts A and B of the Project have been (A) commissioned, inspected, certified and accepted by the operator in accordance with sound engineering procedures and practices in common usage in the international petroleum industry, and (B) put into usage for a consistent period of 90 days; and (ii) the production wells included in Part C of the Project have been (A) bottomed and tested in accordance with said procedures and practices, and (B) put on production for a consistent period of 90 days.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
October 15, 1996	4,460,000
April 15, 1997	4,630,000
October 15, 1997	4,810,000
April 15, 1998	4,995,000
October 15, 1998	5,185,000
April 15, 1999	5,385,000
October 15, 1999	5,595,000
April 15, 2000	5,810,000
October 15, 2000	6,035,000
April 15, 2001	6,270,000
October 15, 2001	6,510,000
April 15, 2002	6,760,000
October 15, 2002	7,020,000
April 15, 2003	7,295,000
October 15, 2003	7,575,000
April 15, 2004	7,865,000
October 15, 2004	8,170,000
April 15, 2005	8,485,000

October 15, 2005	8,815,000
April 15, 2006	9,155,000
October 15, 2006	9,510,000
April 15, 2007	9,875,000
October 15, 2007	10,255,000
April 15, 2008	10,650,000
October 15, 2008	11,065,000
April 15, 2009	11,490,000
October 15, 2009	11,935,000
April 15, 2010	12,395,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. Bidders for the works included in facilities contracts under Parts A and B of the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

3. Facilities comprising wellhead platforms, large platforms for

condensate production, gas compression and living quarters, riser platform, approximately 120 miles of subsea pipelines, and onshore condensate storage facilities may be procured on a single responsibility turnkey basis following the prequalification procedures described in paragraph 2.10 of the Guidelines.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A. 1 hereof, goods manufactured in Nigeria may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Electric logs, mud logs and perforating services up to an aggregate amount not to exceed \$13,000,000 equivalent may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list acceptable to the Bank of suppliers eligible under procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

Part D: Review by the Bank of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$1,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

3. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$15,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that

the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank:

(A) provide such additional evidence as the Bank may request; or
(B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

