[Draft 25 June 2011 (re-edit after comments by the Parties)]

Framework Agreement

between

The Government of the Republic of Sudan

and

The Government of South Sudan / The Sudan's People's Liberation Movement

concerning Transitional Viability Arrangements, Oil
and other Related Issues

WHEREAS:

I. The people of South Sudan voted for secession in the referendum held in January 2011 and in accordance with the Comprehensive Peace Agreement entered into between the Parties, the Government of Sudan accepts that on the basis of the referendum South Sudan shall secede and establish a new sovereign Republic of South Sudan.

II. The Parties are committed to an overriding principle of establishing and sustaining a constructive and peaceful relationship that will promote the viability of the north and the south and of retaining a level of economic cooperation that will promote their mutual economic viability and seek to mitigate the adverse economic impacts of any decisions that affect the north or the south;

III. The Parties also acknowledge the importance of oil revenues for the economies of the north and the south and the reality of the interdependence in this sector and the need for supporting the economic viability of the north and the south;

V. In furtherance of the foregoing, the Parties have agreed to a principle in the "Guiding Principles" for the Economic, Finance, and Natural Resources Cluster, dated 8 February 2011, pursuant to which they may agree on transitional arrangements related to specific economic, financial or natural resources issues upon the expiry of the Interim Period;

Now therefore, the Parties agree as follows:

A Principles Governing the Petroleum Related Provisions

1 SOVEREIGN RESOURCE OWNERSHIP

The Parties agree that the underlying basis for the Agreement shall be that each State shall have sovereign rights and jurisdiction over the petroleum in or underneath the territory of that State.

2 FACILITIES OWNERSHIP

The Parties agree that all State-owned petroleum facilities (production, processing and transportation facilities) constructed or installed for the petroleum operations shall be the property of, and subject to the jurisdiction of, the State on or underneath whose territory such facilities are placed. The same principle shall apply to facilities that are part-owned by the State, to the extent of such State ownership.

The principle in this Article 2 shall apply to both fixed assets and movable assets used for the operation of such fixed assets.

3 EXPLORATION AND PRODUCTION SHARING AGREEMENTS (”EPSAS”)

Following secession of the South, each party shall engage with the operating companies to agree the necessary arrangements and procedures to ensure continued uninterrupted petroleum operations – while maintaining the material provisions of the EPSAs.

For EPSAs where the contract area includes areas on both sides of the common border and there is currently production, the North undertakes to maintain the EPSAs unchanged apart from a reduction of the applicable contract area, production sharing tiers, ring fences and other consequential changes.

For EPSAs where the contract area includes areas on both sides of the common border and there is currently production, the South undertakes to enter into new EPSAs covering the contract area south of the border, addressing the reduction of the applicable contract area, production sharing tiers, ring fences and other consequential changes into consideration, but subject to a review of the terms of such EPSA.

Government entitlements of Profit Oil shall not be reduced below the aggregate volumes of Profit oil that would have been allocated to the sole Government Party under those EPSAs had the splitting of the EPSAs not occurred.

For the avoidance of doubt, no petroleum produced in one State shall be used to recover costs for facilities, assets and operations in the other State.

4 SUDAPET'S PARTICIPATING INTERESTS IN EPSAS

Sudapet shall be owned by the government of the North.

Sudapet 's participating interests in EPSAs of which the contract area is partly in the North and partly in the South shall be split according to territory and the interests relating to the northern territories shall remain as Sudapet interests, while the interests relating to the southern territories shall be transferred, without consideration, to Nilepet.

Sudapet's participating interests in EPSAs of which the contract area is wholly in the South shall be transferred, without consideration, to Nilepet.

5 SEPARATE OIL MARKETING

Except for such volumes of Southern oil that are covered by commitments indicated by this Framework Agreement, the Parties shall market their own oil entitlements for sale.

B Processing and Transportation Provisions

6 ACCESS, TARIFFS AND OTHER TERMS

6.1 Access, tariffs and other terms for processing of petroleum

(1) Crude oil produced from Existing EPSAs currently in production in the south or new contracts replacing such existing EPSAs shall enjoy access and continue to be processed in the processing facilities in the north. Processing tariffs shall include depreciation and operating expense elements, but no profit. This shall also apply if an Existing EPSA currently in production, or a new contract replacing such existing EPSA, is extended.

(2) Crude oil produced from Existing EPSAs not currently in production in the south, or from new contract areas, shall enjoy access and be processed in the processing facilities in the north. Processing tariffs shall include depreciation and operating expense elements, with a 10% mark-up. If investments are required in order to allow for such processing, the cost of such investments shall be covered by the new user. The parties agree to develop priority rules for such new volumes.

6.2 Access, tariffs and other terms for transportation of petroleum

Crude oil from Existing and New EPSAs to be transported in the GNPOC or Petrodar pipelines shall enjoy access and continue to be transported through the export infrastructure in the north. Transportation tariffs shall be:

A) For transportation through the GNPOC pipeline;
   a. for volumes from blocks 1, 2 and 4; at terms stipulated in the transportation agreement for Blocks 1, 2 & 4 for "Base Capacity User".
   b. for other volumes, including from block 5A, at terms stipulated in the transportation agreement for Blocks 1, 2 & 4 for "Excess Capacity User"

B) For transportation through the Petrodar pipeline;
   a. for the period prior to transfer of ownership to GOS; GOS shall use reasonable endeavours to ensure the terms in the transportation agreement for Blocks 3 & 7,
   b. for the period after transfer of ownership to GOS; at the terms in the transportation agreement for Blocks 3 & 7,

This shall also apply if a contract that replaces an existing EPSA currently in production is extended.

6.3 Quality Requirements

All volumes to be delivered for processing or transportation from fields not currently in production must satisfy the applicable technical specification requirements for introduction into such processing or transportation facilities.

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7 OPERATIONAL PROCEDURES AND FREE CROSS BORDER MOVEMENT OF PERSONNEL, GOODS AND SERVICES

The Parties shall, together with the oil companies involved, agree operational procedures securing efficient operations of cross border blocks including free movement of personnel, goods and services, as well as the security, employment rights and welfare of such personnel.

The Parties and the oil companies shall also agree necessary procedures for the implementation of this Framework Agreement.

C Security of Supply

8 SALE OF CRUDE OIL FROM SOUTH TO NORTH

To secure supply of crude oil to the refineries in the North, the South shall for a period of 5 years from 9 July 2011, sell all its volumes of crude oil from their entitlements produced from the southern areas of Blocks 1, 2 & 4, as well as from Block 5A.

Delivery point for crude oil sold in accordance with paragraph one of this Article shall be at inlet flange of the relevant central processing facility.

9 SECURITY OF SUPPLY OF REFINED PRODUCTS TO THE SOUTH

The South shall for a period of 5 years from 9 July 2011, have a right to deliver up to 10,000 barrels per day to the Khartoum Refinery, subject to nomination procedures to be agreed.

The South shall receive at the border refined products resulting from the refining of its own supplied crude. The refining tariff shall include depreciation and operating expense elements, with a 10% mark-up. The South shall also pay for transportation of such volumes of refined products to the border.

D Financial provisions

10 PRICE OF OIL DELIVERED TO THE NORTHERN REFINERIES

The price of the volumes of crude oil that the South shall sell to the Refineries in the North shall for the period up to 9 July 2016 be the price quoted for Brent Blend minus a rebate of 25%. For the avoidance of doubt, this shall not apply to the volumes delivered by the South for refining and redelivery.

The rebate price provision in paragraph 1 above shall only apply to the volumes stipulated in the table below:

Year 1	Year 2	Year 3	Year 4	Year 5
34,000	27,000	22,000	17,000	13,000

In barrels per stream day

The price for volumes that the South may sell to the Refinery in excess of the volumes in the above table shall be market price for Nile Blend.

In case South's entitlements from Blocks 1, 2 & 4 and Block 5A in any year are less than the volumes stipulated in the above table, then the deficiency shall be made up by volumes of oil from Blocks 3 & 7. Such replacement volumes shall be adjusted for differences in market value of the two crude oil qualities.

11 TRANSIT FEES

For volumes of Crude oil delivered into the transportation system Shippers shall pay fees as follows:

A standard transit fee of 2 USD/bbl (adjusted for inflation in accordance with the arithmetic average of Consumer Price Index and Producer Price Index as published by the US Bureau of Labour Statistics) shall apply to all volumes of oil produced under the renewed southern EPSAs and transported through the transportation system to Port Sudan starting from 9 July 2011.

A standard usage fee of 1 USD/bbl (adjusted for inflation in accordance with the arithmetic average of Consumer Price Index and Producer Price Index as published by the US Bureau of Labour Statistics) shall apply to all volumes of oil produced under the renewed southern EPSAs and transported through the transportation system to the Khartoum Refinery starting from 9 July 2011, except for volumes sold to North at rebated prices in accordance with clause 9 above.

In addition to the above, a Special Transit Fee shall apply to all GOSS volumes of oil produced under the renewed southern EPSAs and transported through the transportation system to Port Sudan for a period of 5 years from 9 July 2011. This Special Transit Fee shall be as indicated in the table below:

Year 1	[8]	USD/bbl
Year 2	[6]	USD/bbl
Year 3	[4]	USD/bbl
Year 4	[2]	USD/bbl
Year 5	[1]	USD/bbl

12 SHORT TERM TRANSITIONAL FINANCIAL ARRANGEMENT

In consideration of the following:

- the commitment of the Parties to ensure the mutual economic viability and mitigation of adverse economic impacts of the secession;
- the agreement of the North to allow the Sudanese pound to be used as legal tender in the South and for trade purposes with the North for an agreed period of time; and
- the transfer of Sudapet's participating interests in Southern contract areas to Nilepet,

the South shall pay a direct financial contribution to the North of [75 million] USD per month for the first 24 months, and [50 million] USD per month for the following 12 months; such amounts assume a Brent oil price of 100 USD per barrel, and shall be adjusted for fluctuations in the international oil price level.

E Other Matters

13 PETROLEUM PRODUCTION FROM ABYEI

As from 9 july 2011 and until the final status of Abyei is determined, revenues from Government entitlement volumes from producing fields in Abyei, shall be placed in a joint escrow account requiring the consent of both Parties for the release of the funds.

14 DATA

All data, documents and information relevant to the contract areas and petroleum operations in the south shall be immediately transferred to the GOSS and shall be the property of GOSS.

15 TRANSPARENCY

The Parties undertake to maintain in a manner to be specified full mutual transparency of all information relevant to the petroleum activities within the State of one Party that may be of relevance for or affect the petroleum activities within the State of the other Party.

16 AUDIT RIGHTS

For verification of implementation of this agreement, the Parties shall have mutual audit rights. To enable effective verification and audit, each Party shall allow the other full access to all relevant documentation.