

**An Agreement for
Joint Marine Seismic Undertaking
in Certain Areas in the South China Sea
By and between
China National Offshore Oil Corporation
And
Philippine National Oil Company**

**September 1, 2004
Beijing, China**

This Agreement is entered into on this 1st day of September 2004 by and between China National Offshore Oil Corporation (hereinafter referred to as "CNOOC"), a company organized and existing under the laws of the People's Republic of China, having its headquarters domiciled in Beijing as one part; and Philippine National Oil Company (hereinafter referred to as "PNOC"), a company organized and existing under the laws of the Republic of the Philippines, having its headquarters domiciled at Fort Bonifacio, Taguig, Metro Manila, as the other part.

CNOOC and PNOC are collectively referred to as the "Parties" and individually as "Party".

WITNESSETH: That

WHEREAS, CNOOC is a state-owned oil company of the People's Republic of China.

WHEREAS, PNOC is the national oil company of the Republic of the Philippines;

WHEREAS, the Parties' respective governments have expressed the commitment to pursue efforts to transform the South China Sea into an

area of cooperation;

WHEREAS, in pursuance of the above objective, in Manila, CNOOC and PNOEC Exploration Corporation (PNOEC EC), a subsidiary of PNOEC, held discussions with a view of engaging in a joint research of petroleum resource potential of certain areas of the South China Sea as a pre-exploration activity;

WHEREAS, in the subsequent meetings of CNOOC and PNOEC EC, the said parties have expressed serious intent and identified, by way of signing this Agreement for Joint Marine Seismic Undertaking (hereinafter referred to as the "Agreement");

WHEREAS, in the said meetings, it was agreed that the signing of this Agreement by herein Parties shall not undermine the basic position held by the Government of each Party on the South China Sea issue;

WHEREAS under the authorization of the Chinese Government, CNOOC has the exclusive right to sign this Agreement with PNOEC for a joint marine seismic undertaking within the Agreement Area;

WHEREAS, under the authorization of the Philippine Government, PNOEC

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has the exclusive right to sign this Agreement with CNOOC for a joint marine seismic undertaking within the Agreement Area;

NOW; THEREFORE, the Parties hereby agree, as follows:

Article 1 The Agreement Term

Unless otherwise agreed upon by the Parties, the term of this Agreement shall be Three (3) years starting from the date of commencement of implementation of the Agreement. The said three-year period is hereinafter referred to as the "Agreement Term".

Article 2 The Agreement Area

The Agreement Area as of the date of signing of this Agreement covers a total area of one hundred forty-two thousand eight hundred and eighty-six (142, 886) square kilometers, as defined and marked out by the geographic location and the coordinates of the connecting points of the boundary lines in the Annex "A" attached hereto.

Article 3 Financing

Each Party shall be responsible for the costs of its own personnel designated for the implementation of this Agreement. Such costs shall include but not be limited to salaries or wages, allowance, expenses for travel and accommodation. However, the expenses incurred for carrying out the activities referred to in Article 4.1 hereof and any other necessary activities determined by the Joint Operating Committee referred to in Article 5 hereof to be necessary for the implementation of this Agreement shall be shared by the Parties in equal shares.

Article 4 Seismic Work

4.1 It is agreed that certain amount of 2D and/or 3D seismic lines shall be collected and processed and certain amount of existing 2D seismic lines shall be reprocessed within the Agreement Term.

4.2 The actual annual work program and budget within the Agreement Term shall be formulated by the Joint Operating Committee referred to in Article 5 hereof pursuant to the Parties' authorization. The interpretation and evaluation on data should be done by a joint team created by the Parties either in Beijing or Manila.

Article 5 The Joint Operating Committee

5.1 For the proper performance of the joint activity, the Parties shall establish a Joint Operating Committee ("JOC") within thirty (30) days from the date of commencement of the implementation of the Agreement.

5.2 CNOOC and PNOOC shall each appoint three (3) representatives to form the JOC, and each Party shall designate one of its representatives as its chief representative. When a decision is to be made on any proposal, the chief representative from each Party shall be the spokesman on behalf of the Party.

5.3 Decisions of the JOC shall be made unanimously through consultation.

5.4 The Parties shall empower the JOC to:

- 5.4.1 Formulate the annual work program and budget;
- 5.4.2 Discuss and determine the manner of data exchange;
- 5.4.3 Arrange further joint studies;
- 5.4.4 Formulate the actual plan for seismic line acquisition;
- 5.4.5 Sign subcontracts and service contracts for seismic line acquisition and processing; and

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5.4.6 Interpret and evaluate the relevant data and submit final evaluation report to the Parties.

5.5 The JOC may discuss and determine relevant job descriptions, work procedures, the establishment of subordinate bodies, methods of cash calls, accounting methods and other necessary rules and regulations within the JOC as the joint activity may require.

5.6 The JOC shall report to the Parties on a timely basis the progress of joint activity and be subject to the directions given by the Parties.

Article 6 Subcontracts and Service Contracts.

6.1 As a general rule, the Parties agree to have effective and equal participation in all activities relevant to the implementation of this Agreement.

6.2. The Parties agree to use vessels of CNOOC or PNOC affiliates to conduct the seismic line acquisition provided that the costs are competitive and reasonable. The Parties shall exert best efforts to allow such vessels of CNOOC's affiliates and PNOC's affiliates to use the ports of the Philippines or China, as the case may be, to get necessary supplies.

6.3 The Parties agree to use CNOOC's or PNOOC's affiliates to process the relevant seismic data.

Article 7 Mutual Assistance

7.1 The Parties shall use reasonable efforts to obtain all the necessary approvals from their respective governments for the implementation of this Agreement.

7.2 A Party shall facilitate the other Party's personnel and vessels to enter into relevant areas to conduct joint marine seismic undertaking to get necessary supply and to obtain all the necessary permits on a timely basis.

7.3 With regard to the joint activity, a Party shall, upon the other Party's request, use reasonable efforts to contact and coordinate with its relevant governmental departments.

Article 8 Negotiation Term

In the event the Parties elect to enter into negotiations for signing a more definitive agreement for further cooperation covering all or part of

the Agreement Area prior to or at the expiration of the Agreement Term, then such negotiations shall take place during the Agreement Term or during the period of ninety (90) days following the date of expiration of the Agreement Term (all of which periods are hereinafter referred to as, the "Negotiation Period"). The Negotiation Period shall be reserved for the sole purpose of negotiations between CNOOC and PNOC. During such Negotiation Period, unless otherwise agreed by the Parties, neither Party shall have the right to negotiate an agreement for joint marine seismic undertaking or any other agreements with any third party within the Agreement Area.

Article 9 Assignment

9.1 Except for the retention of CNOOC's management functions, CNOOC shall, assign all its rights and obligations under the Agreement to one of its affiliates (it is understood by the Parties that such affiliate shall be CNOOC China Limited). PNOC shall likewise assign all its rights and obligations under the Agreement to one of its affiliates (it is understood by the Parties that such affiliate shall be PNOC EC). Each of CNOOC and PNOC shall provide one another with copies of the written agreement for such assignment of all of its rights and obligations.

9.2 Except for the assignments described in Article 9.1, no Party shall assign all or part of its rights and obligations under the Agreement to any third party without the prior written consent of the other Party.

Article 10 Participation of a Third Party

If after the execution of this Agreement, a third country's national oil company formally expresses to herein Parties its serious desire to participate in the joint marine seismic undertaking contemplated under this Agreement, CNOOC and PNOC hereby agree to open discussions with the said third party with a view of allowing the latter's participation under this Agreement, under such terms and conditions mutually acceptable to CNOOC, PNOC and such third party.

Article 11 Confidentiality of Information

This Agreement and all relevant documents, information, data and reports with respect to the joint marine seismic undertaking shall be kept confidential during the Agreement Term and within five (5) years after its expiration and shall not be disclosed by a Party to any third party without the written consent of the other Party. However, no consent shall be required when said documents, information, data and reports are disclosed,

for the purpose of implementation of this Agreement, to the Parties' respective governments, affiliates or stock exchanges on which a Party's shares are registered.

Article 12 Miscellaneous Provisions

12.1 The Parties shall exert their best efforts to settle amicably through consultation any dispute arising in connection with the performance or interpretation of any provision hereof.

12.2 All the data and information acquired for the fulfillment of the Seismic Work referred to in Article 4 hereof and their interpretation shall be jointly owned by the Parties. In the event any Party wishes to sell or disclose the above-mentioned data and information after the expiration of the confidentiality term, prior written consent therefore shall be obtained from the other Party.

12.3 All notices and documents by one Party to the other Party shall be delivered by hand or sent by mail, registered airmail or facsimile transmission to the addresses hereunder specified:

For PNOC:

Eduardo V. Manalac

President and CEO

PNOC

Building, Energy Center,

Merritt Road, Fort Bonifacio, Taguig,

1634, Metro Manila, Philippines

Tel: ++63 (2) 840 2236

Fax: ++63 (2) 840 2138

For CNOOC:

Cao Yunshi

General Counsel

CNOOC

PO Box 4705, No. 6 Dongzhimenwai Xiaojie

Dongcheng District, Beijing

People's Republic of China

Postcode: 100027

Tel: 008610 84521056

Fax: 008610 84522028

Each Party may change its address or representative by a written notice to the other Party.

12.4 The Parties' rights, interest and obligations under the Agreement shall be on equal basis.

12.5 The Parties commit to observe and follow all laws and regulations, as well as any international obligation, of their respective countries that may have a bearing on this Agreement or any further or subsequent agreements that may be signed by the Parties.


12.6 After the Agreement is signed, it shall be approved by the Parties' respective governments. The later date of such approvals shall be the effective date of the Agreement. The Parties agree that the first day of the month following the effective date of the Agreement shall be the date of commencement of the implementation of the Agreement.

12.7 The Agreement shall be written in both Chinese and English languages, and both versions shall have equal force and effect.

The Agreement is signed on this 1st day of September 2004 in Beijing,
People's Republic of China by the authorized representatives of the Parties
hereunder.

China National Offshore Oil Corporation

Signature: 

Name: Fu Chengyu 

Title: President

Philippine National Oil Company

Signature: 

Name: Eduardo V. Manalac 

Title: President and CEO

