

**FARMOUT AGREEMENT  
BETWEEN**

**MOHAVE OIL AND GAS CORPORATION**

**AND**

**PETRÓLEOS DE PORTUGAL – PETROGAL, S.A.**

**in respect to the Concession Area denominated ALJUBARROTA-3**

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## FARMOUT AGREEMENT

THIS AGREEMENT is entered into on the 27<sup>th</sup> of June 2012 by and between MOHAVE OIL AND GAS CORPORATION, a Texas corporation having the federal tax identification number 76-0411231, with its address being 24 Waterway Avenue, Suite 350, The Woodlands, Texas, USA 77380 (hereinafter referred to as "Mohave" or "Farmor") and PETRÓLEOS DE PORTUGAL – PETROGAL, S.A., a company existing under the laws of Portugal, whose registered office is located at Rua Tomás da Fonseca, Torre "C", 1600-209, Lisbon – Portugal (hereinafter referred to as "Galp" or "Farmee"). The companies named above, and their respective successors and assignees (if any), may sometimes individually be referred to as "Party" and collectively as the "Parties".

### WITNESSETH:

WHEREAS, on the 3<sup>rd</sup> day of August 2007 Mohave and the Portuguese State executed the Contract, as defined in Article 1 below, pursuant to which Mohave was granted a concession for the exercise of petroleum exploration, development and production activities in the Concession Area denominated Aljubarrota 3, Mohave being the sole concessionaire; and

WHEREAS, as of the date of this Agreement, Farmor holds one hundred percent (100%) of the rights and obligations of concessionaire in the Contract and the Contract Area; and

WHEREAS, Farmor is willing to assign and transfer a certain undivided interest in its rights and obligations under the Contract to Farmee in accordance with the terms set forth herein and Farmee wishes to acquire such interest; and



WHEREAS Farmee may be interested in becoming the Operator under the Contract and the JOA, and may also be interested in becoming operator in other concessions in relation to which it might acquire Participating Interests; and

WHEREAS Farmee is considering the possibility of acquiring participating interests in other concessions in which Farmor is concessionaire, and Farmor is considering the possibility of assigning Participating Interests to Farmee; and

WHEREAS Farmee is considering the possibility of acquiring participating interests in the Contract in furtherance of the Participating Interests assigned to Farmee pursuant to this Agreement and Farmor is considering the possibility of assigning such participating interests to Farmee.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and obligations set out below and to be performed, the Farmor and Farmee agree as follows:

## ARTICLE 1

### DEFINITIONS

As used in this Agreement, the following capitalized words and terms shall have the meaning ascribed to them below. Any capitalized term used in this Agreement and not specifically defined in this Agreement shall have the same meaning as in the Contract or the JOA.

Agreement means this Farmout Agreement together with the Exhibits, and any extension, renewal or amendment hereof agreed to in writing by the Parties.

Approval Date means the date on which the Government formally approves or endorses the assignment of the Participating Interest transferred hereunder.

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Assignment means the document, attached as Exhibit B, by which the interest in the Contract is transferred and conveyed to the Farmee by the Farmor as provided hereunder.

Concession Contracts means those concession contracts awarded to Farmor by the Government on behalf of the Portuguese State in respect of the Concessions, as these are defined in the following paragraph.

Concessions means all the concessions set-out in Exhibit C, except for the concession denominated Aljubarrota-3 granted to Mohave pursuant to the Contract.

Condition Precedent means the condition provided in Article 3.1.

Consideration has the meaning given in Article 4.

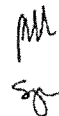
Contract means the Contract executed on the 3<sup>rd</sup> day of August 2007 by and between the Portuguese State and Mohave Oil and Gas Corporation, granting Mohave a concession for the petroleum exploration, development and production rights in the concession area denominated Aljubarrota 3, and any extension, renewal or amendment thereto.

Contract Area means the area or block more particularly described in the attached Exhibit A.

Effective Date is the date set out in Article 2.5.

Government means the government of Portugal and any political subdivision, agency or instrumentality thereof.

Interim Period means the period commencing from the Effective Date until the Approval Date, satisfaction or waiver of the Conditions Precedent; or the date of termination of this Agreement for a failure to fulfill or waive, such Conditions Precedent



JOA means the Joint Operating Agreement which the Parties are to agree upon and execute pursuant to Article 2.2 below.

Laws/Regulations means those laws, statutes, rules and regulations governing activities under the Contract.

Operator means the entity designated to conduct operations in the Contract Area in accordance with the terms of the Contract and the terms of the JOA.

Participating Interest means as to any party to the Contract, the undivided interest of such party expressed as a percentage of the total interest of all parties in the rights and obligations derived from the Contract.

Preferential Rights means a right held by any third party to pre-empt the transaction contemplated by this Agreement or affect its terms in any way.

## ARTICLE 2

### ASSIGNMENT OF INTEREST

#### 2.1 Grant

Subject to the satisfaction of the Condition Precedent, in accordance with Article 3.1 hereunder, in exchange for the Consideration, Farmor shall assign and transfer to Farmee, and Farmee agrees to accept, fifty percent (50%) Participating Interest in the Contract and the Parties shall execute and deliver the Assignment.

#### 2.2 Joint Operating Agreement

The Parties agree to negotiate in good faith and execute an operating agreement using the

most recent version of AIPN Model Form International Operating Agreement as the basis for negotiations.

2.3 Binding Effect

Farmor and Farmee shall be bound by this Agreement as of the date hereof and shall fully perform all of their respective obligations under this Agreement.

2.4 Ownership

After the assignment contemplated under this Article 2, the Participating Interests in the Contract shall be:

Galp:	50 %
Mohave:	50 %

2.5 Effective Date

The effective date of this Agreement as between the Parties (hereafter the "Effective Date") shall be the date of its execution.

2.6 Approval

Concurrent with the execution of this Agreement, the Parties shall execute the Assignment and Farmee shall submit the Assignment within seven (7) days to the Government for approval.

2.7 Operatorship

A) The Farmor will be the Operator under the Contract and the JOA.

B) Notwithstanding section 2.7.A above, the Farmee shall have the option to become the Operator under the Contract and the JOA. This option may be exercised at the Farmee's sole discretion and at any time after the drilling of the Alcobaça exploration well (as provided for in Exhibit E) is completed.

C) The option of becoming the Operator referred to in the previous section shall be exercised by way of notification to the Farmor of a Farmee's written communication stating its exercise of said option.

D) If the Farmee exercises the option to become the Operator in the Contract and in the JOA, as provided in section 2.7.B above, the Farmor will seek approval to transfer the rights and obligations of Operator under the Contract and the JOA or the endorsement of such transfer if not subject to prior approval.

2.8 Preemptive rights

A) Once the Condition Precedent provided in Article 3.1 hereunder is satisfied and the Participating Interests assignment is materialized, Farmee shall have Preemptive Rights in case of transfer of all or a portion of Farmor's participating interests under the Contract, up to an additional share of 25% of the participating interests in the Contract. For the avoidance of doubt, the Preemptive Rights will apply to all transfers of participating interests under the Contract independently of the actual percentage of participating interests being transferred, being that in case the percentage of participating interests being transferred is lesser than 25% of the Contract participating interests Farmee will be entitled to acquire a part or the whole of the participating interests being transferred, and in case the percentage of participating interests being transferred is equal



or higher than 25% of the Contract participating interests then Farmee will be entitled to acquire the whole or any part of the participating interests being transferred in such quantity that the share of participation interests acquired does not exceed a 25% share of participating interests in the Contract.

B) Any transfer of all or a portion of the Farmor's participating interest, other than a transfer to an affiliate or the granting of an encumbrance, shall be subject to the following procedure.

(1) Once the final terms and conditions of a transfer have been fully negotiated, the Farmor shall disclose all such final terms and conditions as are relevant to the acquisition of the participating interests (and, if applicable, the determination of the cash value of the participating interest) in a notice to the Farmee, which notice shall be accompanied by a copy of all instruments or relevant portions of instruments establishing such terms and conditions. Farmee shall have the right to acquire such participating interest subject to the proposed transfer from the Farmor, up to 25% of participating interests in the relevant Concession(s), if, within thirty (30) days of the Farmor's notice, Farmee Party delivers Farmor a counter-notification that it accepts such terms and conditions without reservations or conditions, in any case in proportion to the percentage of participating interests being acquired by the Farmee. If Farmee does not deliver such counter-notification, the transfer to the proposed transferee may be made under terms and conditions no more favorable to the transferee than those set forth in the notice to the Farmee, provided that the transfer shall be concluded within one hundred eighty (180) days from the date of the notice plus such additional period as may be required to secure approvals from the Government. Farmee will not have a right under this Article to



acquire any asset other than a participating interest, nor may be required to acquire any asset other than a participating interest, regardless of whether other properties are included in the Transfer.

(2) In the event of a cash transfer that does not involve other properties as part of a wider transaction, Farmee shall have a right to acquire the participating interest subject to the proposed transfer on the same final terms and conditions as were negotiated with the proposed transferee. In the event of a transfer that is not a cash transfer or involves other properties included in a wider transaction (package deal), the Farmor shall include in its notification to the Farmee a statement of the cash value of the participating interest subject to the proposed transfer, and Farmee shall have a right to acquire such participating interest on the same final terms and conditions as were negotiated with the proposed transferee except that it shall pay the cash value in immediately available funds at the closing of the transfer in lieu of the consideration payable in the third party offer, and the terms and conditions of the applicable instruments shall be modified as necessary to reflect the acquisition of a participating interest for cash. In the case of a package sale, Farmee may not acquire the participating interest subject to the proposed package sale unless and until the completion of the wider transaction (as modified by the exclusion of properties subject to Preemptive Rights or excluded for other reasons) with the package sale transferee. If for any reason the package sale terminates without completion, Farmee rights to acquire the participating interest subject to the proposed package sale shall also terminate.

(3) The cash value proposed by the Farmor in its notice shall be conclusively deemed correct unless Farmee gives notice to the Farmor within ten (10) days of receipt of the

Farmor's notice stating that it does not agree with the Farmor's statement of the cash value, stating the cash value it believes is correct, and providing any supporting information that it believes is helpful. In such event, the Farmor and the Farmee shall have fifteen (15) Days in which to attempt to negotiate an agreement on the applicable cash value. If no agreement has been reached by the end of such fifteen (15) Day period, either the Farmor or Farmee shall be entitled to refer the matter to an independent expert for determination of the cash value.

(4) If the determination of the cash value is referred to an independent expert and the value submitted by the Farmor is no more than five percent (5%) above the cash value determined by the independent expert, the Farmor's value shall be used for the cash value and Farmee shall pay all costs of the expert. If the value submitted by the Farmor is more than five percent (5%) above the cash value determined by the independent expert, the independent expert's value shall be used for the cash value and the Farmor shall pay all costs of the expert. Subject to the independent expert's value being final and binding, the cash value determined by the procedure shall be final and binding on the Parties.

(5) Once the cash value is determined the Farmor shall be obligated to sell and the Farmee, which provided notice of its intention to purchase said Farmor's participating interest, shall be obligated to buy said participating interest at said value.

2.9 *Option of acquisition of participating interests in the Concessions*

A) Farmee shall, in relation to each of the Concessions (as these are defined in Article 1), have the right to acquire at any time (but not later than after six months counting from the date on which the well referred to in Article 2.7 is finished and

plugged or the extended well test is completed) and at its sole discretion, a participation interest of 25% in each of the Concessions (the "Option Rights"). For the avoidance of doubt, the exercise of such Option Right(s) to acquire a participation interest of 25% can only be exercised one time per Concession, and the exercise of such Option Right in relation to one or more Concessions does not affect the Option Rights of the Farmee concerning the Concessions in relation to which the Farmee has not yet exercised any Option Right under this Agreement.

B) If and once the Farmee exercises an Option Right to acquire said participating interests in one or more Concessions, the Farmor shall be obligated to sell to the Farmee such participating interests for a consideration which will not be higher than the amount corresponding to twenty five percent (25%) of Farmor's sunk costs in the relevant Concession or Concessions.

C) Farmor shall disclose to Farmee the amount of the sunk costs in each of the relevant Concessions, all the documents which prove and support such costs and any additional information which might be pertinent to adequately compound the sunk costs, all of this in a clear and transparent fashion. Pursuant to this Article, the Farmee shall be entitled to audit the accounts of the Farmor. For the avoidance of doubts, sunk costs are limited to the expenses actually paid and costs born to comply with the work obligations under the relevant Concession Contract.

D) Consideration for the transfer and acquisition of participating interests pursuant to the exercise of Option Rights will be paid by Farmee, to Farmor by wire transfer into a bank account designated in writing by Farmor, within seven (7) days after the approval of

such transfer by the Government.

E) The Option Rights shall be exercised by way of notification of the Farmor of a Farmee's written communication stating its exercise of its Option Right(s) and where it shall identify the Concession(s) in relation to which such Option Right(s) is/are exercised.

F) The Parties shall use its best endeavors to execute all documents, and do and procure to be done all such acts and things as are reasonably within their power to materialize the exercise of the Option Rights and transfer of the respective participating interests and to obtain all necessary approvals, authorizations and endorsement for and of such transfer, including but not limited to the approval by the Government.

G) Farmee shall have the option to become the operator under the Concession Contract and the respective Joint Operating Agreement in each of the Concessions in which it enters following the acquisition of participating interests pursuant to the exercise of its Option Rights.

H) If the Farmee exercises the option to become the operator in any Concession Contract and in the respective Joint Operating Agreement, the Farmor will seek approval to transfer the rights and obligations of operator under the Concession Contract and in the respective Joint Operating Agreement.

I) The option of becoming the operator in any Concession Contract and in the respective Joint Operating Agreement shall be exercised by way of notification of the Farmor of a Farmee's written communication stating its exercise of said option and

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identifying the Concession(s) in relation to which such option is being exercised.

### ARTICLE 3

#### CONDITION PRECEDENT TO ASSIGNMENT

3.1 Conditions

The assignment hereunder is subject to the approval of the Government, as required under the Contract. The cost of obtaining such approvals and consents shall be borne by Farmor and Farmee equally.

3.2 Acts to be Performed:

Each Party shall use its best endeavors to execute all documents, and do and procure to be done all such acts and things as are reasonably within its power to ensure the Condition Precedent is satisfied as soon as is reasonably practicable after execution of this Agreement.

3.3 Termination

Any period of Force Majeure under Article 12 notwithstanding, if the Condition Precedent is not satisfied by 31 December 2012, then either Party has the right to terminate this Agreement by giving notice to the other Party in accordance with the provisions of Article 10. In the event of termination pursuant to this Article 3.3, the proposed assignment shall terminate, shall be rendered void and shall have no force or effect and Farmee shall have no interest whatsoever in the Contract and shall be deemed to have reassigned any rights or equitable interest it may have acquired under this



Agreement to Farmor retroactive to the Effective Date of this Agreement. In addition, Farmor shall, within thirty (30) days after said termination of this Agreement, reimburse Farmee for any payments made by Farmee under Article 4 below.

#### ARTICLE 4

#### CONSIDERATION

##### 4.1 Consideration

As consideration for the transfer of the Participating Interest hereunder, Farmee agrees to pay Farmor fifty percent (50%) of Farmor's sunk costs as of the Effective Date, which is agreed to be four million three hundred and forty two thousand and five hundred United States Dollars (US\$ 4,342,000), and all of Farmee's Participating Interest share of costs incurred under the terms of the Contract and JOA from and after the Effective Date until the Approval Date.

##### 4.2 Payments

Payment of amounts specified in 4.1 shall be made by wire transfer into a bank account designated in writing by Farmor. Payment shall be made within seven (7) days after satisfaction of the Conditions Precedent.

##### 4.3 Costs Expenses and Fees

Any costs, expenses, fees, or duties payable to the Government in connection with the assignment, excluding taxes described in Article 8, herein shall be borne by Farmor and



Farmee equally.

## ARTICLE 5

### OBLIGATIONS UNDER CONTRACT

#### 5.1 Acceptance of Prior Terms

Farmee hereby ratifies, confirms and accepts the terms of the Contract.

## ARTICLE 6

### UNDERTAKING OF THE PARTIES

#### 6.1 Farmor Obligations

During the Interim Period, Farmor shall comply with the following:

A. Material Developments.

Farmor shall promptly notify Farmee and provide details upon the occurrence of:

(a) any written notice of default or termination received or given by Farmor with respect to the Contract, (b) any written notice of any pending or threatened claim, demand, action, suit, inquiry or proceeding related to the Contract, (c) any material damage, destruction or loss to major assets under the Contract, or (d) any event or condition occurring or existing between the date of this Agreement and the Approval Date that (i) would have a material adverse effect on the business, operations, financial condition or results of operations under the Contract, taken as a whole, or (ii) would render impossible Farmee's right to the Assignment.

B. During the Interim Period Farmor agrees to consult with Farmee before taking any decision which could have any substantial effect on its rights and obligations

under the Contract and/or in the JOA and/or that could in anyway compromise the consummation of the assignment of Participating Interests under the terms contemplated in this Agreement, including, but not limited to, any and all decisions regarding any and all changes concerning the Farmor's commitments towards the Government under the Contract, especially commitments to any additional or other works than those included in the Work Program and Budget, attached to this Agreement as Exhibit "F".

6.2 Mutual Obligations

During the Interim Period the Farmee and Farmor shall comply with each of the following undertakings:

- A. Each Party, as applicable, agrees to use commercially reasonable efforts to satisfy, in an expeditious manner, the Condition Precedent to the assignment set forth in Article 3.
- B. The Parties shall not take any action nor fail to take any action prior to the Approval Date that would result in a breach of any of its representations and warranties under this Agreement.

**ARTICLE 7**

**REPRESENTATIONS AND WARRANTIES OF THE PARTIES**

7.1 Farmor's Representations and Warranties

Except as otherwise disclosed on the attached schedules, Farmor makes the following representations and warranties to Farmee as of the Effective Date:

- A. Farmor's Rights.

Farmor holds the rights to a one hundred percent (100%) undivided Participating



Interest in the Contract, free and clear of any liens, claims, burdens or encumbrances, other than the liens, claims, burdens or encumbrances in favor of the Government according to the terms of the Contract and applicable Laws. The Contract is in full force and effect and no notice of default, termination, or breach under the Contract has been received by Farmor. The Contract, together with applicable Laws, contains the entirety of the obligation of Farmor to the Government, and no other understanding or agreement exists between Farmor and the Government in relation to the subject matter of the Contract except as otherwise disclosed under this Agreement.

B. Documents.

Farmor has provided Farmee with complete and correct copies of the Contract. Where Farmor has provided any translation of a document, Farmor has done so as a courtesy to the Farmee and Farmor makes no representation or warranty as to the accuracy of the translation.

C. Claims and Litigation.

There are no material claims, demands, actions, suits, governmental inquiries, or proceedings pending or to Farmor's knowledge threatened in connection with the Contract which could have an adverse effect upon the consummation of the transactions contemplated by this Agreement and under the terms contained herein.

7.2 *Farmee's Representations and Warranties*

Except as otherwise disclosed in the attached schedules, Farmee makes the following



representations and warranties to Farmor as of the Effective Date:

A. Claims and Litigation.

There are no material claims, demands, actions, suits, governmental inquiries, or proceedings pending, or to Farmee's knowledge, threatened, against Farmee which would have an adverse effect upon the consummation of the transactions contemplated by this Agreement.

B. Financing.

Farmee has sufficient cash, available lines of credit or other sources of immediately available funds to enable it to fulfill all of its obligations under the Contract and this Agreement.

C. Technical Capability.

Farmee has the technical capability, personnel and resources to fulfill its obligations under this Agreement.

7.3 Mutual Representations and Warranties

The Parties make the following representations and warranties to each other as of the Effective Date:

A. Corporate Authority.

Each Party is duly organized and validly existing under the laws of the country where it is organized. To the extent required, each Party is qualified to conduct business in the jurisdiction as necessary to perform the Contract. Each Party has all requisite corporate power and authority to enter into this Agreement, to perform its obligations hereunder, and to consummate the transactions



contemplated hereby. This Agreement has been duly executed and delivered by each Party and constitutes a legal, valid and binding obligation of each Party, enforceable against each Party in accordance with its terms.

B. Payments.

Neither Party nor its Affiliates have made, offered, or authorized and will not make, offer or authorize any payment, gift, promise or other advantage, in connection with the matters which are the subject to this Agreement, whether directly or indirectly through any other person or entity, to or for the use or benefit of any public official (i.e., any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization) or any political party or political party official or candidate for office, where such payment, gift or promise would violate: (a) the applicable Laws of the country of operations; (b) the laws of the country of formation of the Party or such Party's ultimate parent company (or its principal place of business); or, (c) the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999, and the Convention's Commentaries.

C. Other Representations and Warranties.

The execution, delivery, and performance of this Agreement by each Party, the consummation of the transactions contemplated hereby, and the compliance with the provisions hereof will not, to the best of each Party's knowledge and belief:

- (a) violate any applicable Laws/Regulations, judgment, decree or award;



- (b) contravene the organization documents of a Party; or
- (c) result in a violation of a term or provision, or constitute a default or accelerate the performance of an obligation under any contract or agreement executed by a Party hereto.

D. All representations and warranties given under this Article 7 shall, for the contractual term set forth herein, be deemed repeated and valid, true and correct as of the Approval Date, and each Party agrees to inform the other Party of any material changes to the facts in the representations and warranties prior to the Approval Date.

E. Each of the Parties agrees to indemnify and hold the other Party harmless for any claims, causes of action, or liabilities, which arise out of the breach of any of the warranties and representations under this Article by the indemnifying Party.

7.4 *Disclaimer of Other Representations and Warranties*

Except for the representations and warranties provided in this Article 7, Farmor and Farmee make no, and disclaim any, warranty or representation of any kind, either express, implied, statutory, or otherwise, including, without limitation, the accuracy or completeness of any data, reports, records, projections, information, or materials now, heretofore, or hereafter furnished or made available to Farmee in connection with this agreement.

**ARTICLE 8**

**TAX**

8.1 *Tax Obligations*

Each Party shall be responsible for reporting and discharging its own tax measured by the



profit or income of the Party and the satisfaction of such Party's share of all contract obligations under the Contract and under this Agreement. Each Party shall protect, defend and indemnify each other Party from any and all loss, cost or liability arising from the indemnifying Party's failure to report and discharge such taxes or satisfy such obligations. The Parties intend that all income and all tax benefits (including deductions, depreciation, credits and capitalization) with respect to the expenditures made by the Parties hereunder will be allocated by the Government tax authorities to the Parties based on the share of each tax item actually received or borne by each Party. If such allocation is not accomplished due to the application of the Laws / Regulations or other Government action, the Parties shall attempt to adopt mutually agreeable arrangements that will allow the Parties to achieve the financial results intended. Operator shall provide each Party, in a timely manner and at such Party's sole expense, with such information with respect to Joint Operations as such Party may reasonably request for preparation of its tax returns or responding to any audit or other tax proceeding.

8.2 Joint Levy

If interpretation or enforcement of the Contract by the Government imposes joint and several liability on the Parties for any levy, charge or tax, the Parties agree to cross indemnify each other to the extent that such levy, charge or tax is owed by one Party individually.

ARTICLE 9

CONFIDENTIALITY

9.1 Except as otherwise provided in the Contract, each Party agrees that all information



disclosed under this Agreement, except information in the public domain or lawfully in possession of a Party prior to the Effective Date, shall be considered confidential and shall not be disclosed to any other person or entity without the prior written consent of the Party disclosing such information. This obligation of confidentiality shall remain in force during the term of the Contract and for a period of five (5) years thereafter. Notwithstanding the foregoing, confidential information may be disclosed without consent and without violating the obligations contained in this Article in the following circumstances:

- (1) to an Affiliate provided the Affiliate is bound to the provisions of this Article 9 and the Party disclosing is responsible for the violation of an Affiliate;
- (2) to a governmental agency or other entity when required by the Contract;
- (3) to the extent such information is required to be furnished in compliance with the applicable Laws/Regulations, or pursuant to any legal proceedings or because of any order of any court binding upon a Party;
- (4) to attorneys engaged, or proposed to be engaged, by any Party where disclosure of such information is essential to such attorneys' work for such Party and such attorneys are bound by an obligation of confidentiality;
- (5) to contractors and consultants engaged, or proposed to be engaged, by any Party where disclosure of such information is essential to such contractor's or consultant's work for such Party;
- (6) to a bona fide prospective transferee of a Party's Participating Interest, or portion thereof, to the extent appropriate in order to allow the assessment

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of such Participating Interest (including an entity with whom a Party and/or its Affiliates are conducting bona fide negotiations directed toward a merger, consolidation or the sale of a majority of its or an Affiliate's shares);

- (7) to a bank or other financial institution to the extent appropriate to a Party arranging for funding;
- (8) to the extent such information must be disclosed pursuant to any rules or requirements of any government or stock exchange having jurisdiction over such Party, or its Affiliates; provided that such Party shall comply with the requirements of Article 14.10 hereunder;
- (9) to its respective employees, subject to each Party taking sufficient precautions to ensure such information is kept confidential;
- (10) to the extent any information which, through no fault of a Party, becomes a part of the public domain; and
- (11) to the other parties to the Contract and JOA and the Government solely to the extent as may be required [in connection with the Preferential Rights] to satisfy the Conditions Precedent.

9.2 Disclosure as pursuant to Articles 9.1(5), (6), (7) and (11) shall not be made unless prior to such disclosure the disclosing Party has obtained a written undertaking from the recipient party to keep the information strictly confidential for at least as long as the period set out above and to use the information for the sole purpose described in Articles 9.1(5), (6), (7), and (11), whichever is applicable, with respect to the disclosing Party.




## ARTICLE 10

### NOTICES

All notices authorized or required between the Parties by any of the provisions of this Agreement shall be in writing in English and delivered in person or by courier service or by any electronic means of transmitting written communications which provides written confirmation of complete transmission, and properly addressed to the other Party. Verbal communication does not constitute notice for purposes of this Agreement, and e-mail addresses and telephone numbers for the Parties are listed below as a matter of convenience only. A notice given under any provision of this Agreement shall be deemed delivered only when received by the Party to whom such notice is directed, and the time for such Party to deliver any notice in response to such originating notice shall run from the date the originating notice is received. *“Received”* for purposes of this Article shall mean actual delivery of the notice to the address of the Party specified hereunder.

“Personal Contact Information Omitted”



## “Personal Contact Information Omitted”

### ARTICLE 11

#### LAW AND DISPUTE RESOLUTION

##### 11.1 Governing Law

The substantive law of Portugal, exclusive of any conflicts of laws principles that could require the application of any other law, shall govern this Agreement for all purposes, including the resolution of disputes between or among Parties.

##### 11.2 Dispute Resolution

Except as may be otherwise agreed in writing by the Parties, any and all claims, demands, causes of action, disputes, controversies and other matters in question arising out of or relating to this Agreement, including any question regarding its breach, existence, validity or termination, which the Parties do not resolve amicably within a period of forty five (45) days, shall be resolved by three arbitrators in accordance with the Arbitration Rules of the London Court Of International Arbitration (“LCIA”). Each Party shall appoint one arbitrator within thirty (30) days of the filing of the arbitration, and the two arbitrators so appointed shall select the presiding arbitrator within thirty (30) days after the latter of the two arbitrators have been appointed. If a Party fails to appoint its Party-appointed arbitrator or if the two Party-appointed arbitrators cannot reach an agreement on the presiding arbitrator within the applicable time period, then the LCIA shall appoint the remainder of the three arbitrators not yet appointed. The place of arbitration shall be London, England. The proceedings shall be in the English language. The resulting arbitral award shall be final and binding, and judgment upon such award may be entered in any



court having jurisdiction thereof. A dispute shall be deemed to have arisen when either Party notifies the other Party in writing to that effect. Any monetary award issued by the arbitrator shall be payable in United State Dollars. It is expressly agreed that the arbitrators shall have no authority to award special, indirect, consequential, exemplary or punitive damages.

## ARTICLE 12

### FORCE MAJEURE

If as a result of Force Majeure, any Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation to pay any amounts due, then the obligations of the Party giving such notice, so far as and to the extent that the obligations are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused and for such reasonable period thereafter as may be necessary for the Party to put itself in the same position that it occupied prior to the Force Majeure, but for no longer period. The Party claiming Force Majeure shall notify the other Parties of the Force Majeure within a reasonable time after the occurrence of the facts relied on and shall keep all Parties informed of all significant developments. Such notice shall give reasonably full particulars of the Force Majeure and also estimate the period of time which the Party will probably require to remedy the Force Majeure. The affected Party shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in a commercially reasonable manner but shall not be obligated to settle any labor dispute except on terms acceptable to it. All such disputes shall be handled within the sole discretion of the affected Party. For the purposes of this Agreement, "Force Majeure" shall mean any cause or event or circumstances beyond the control of either Party, but excluding



financial distress or economic hardship, which prevent or impede or suspend the due performance of this Agreement and which by the exercise of all reasonable diligence such Party is unable to remove or prevent.

## ARTICLE 13

### DEFAULT

- 13.1 Any Party that fails to pay when due its share of the joint operation costs under the Contract, including but not limited to the drilling of the Alcobaça exploration well costs, shall be in default (a "Defaulting Party"), and the non-defaulting Party shall promptly give notice of such default (the "Default Notice") to the Defaulting Party.
- 13.2 The amount not paid by the Defaulting Party shall bear interests from the date due until paid in full at the legal applicable interest rate
- 13.3 While in default, the Defaulting Party shall have no right, to:
- (i) access any data or information relating to the operations under the Contract;
  - (ii) consent to or reject data trades between the non-defaulting Party and third parties, nor access any data received in such data trades;
  - (iii) transfer all or part of its Participating Interest, except to the non-defaulting Party in accordance with this Article;
  - (iv) consent to or reject any transfer of Participating Interests or otherwise exercise any other rights in respect of transfers;
  - (v) receive its entitlement, which shall vest in and be the property of the non-defaulting Party. The non-defaulting Party shall be authorized to sell such entitlement in an arm's-length sale on terms that are commercially reasonable under the circumstances and, after



deducting all costs, charges and expenses incurred in connection with such sale, keep the net proceeds.

- 13.4 If the Defaulting Party has not remedied the default within thirty (30) days from the Default Notice, then, the non-defaulting Party shall have the option exercisable by notice to the Defaulting Party at any time thereafter to require the Defaulting Party to assign promptly to it, free of any lien or encumbrance, its Participating Interests in the Contract.
- 13.5 The valuation of the Defaulting Party's Participating Interest being transferred in accordance with Article 13.4 above, shall be referred to an expert, who shall determine the appraised value which shall be equal to the fair market value of the Defaulting Party's Participating Interest, less the following: (i) the total amount in default; (ii) all costs, including the costs of the expert, to obtain such valuation; and (iii) twenty five percent (25%) of the fair market value of the Defaulting Party's Participating Interest.
- 13.6 Where the non-defaulting Party exercises the option referred in this Article, the Defaulting Party shall be deemed to have empowered the non-defaulting Party to execute on its behalf any documents required to effect the assignment and transfer of its Participating Interests under the Contract, and to make such filings and applications as may be necessary to make such transfer legally effective and to obtain any necessary consents from the Government. The Defaulting Party shall, without delay following any request from the non-defaulting Party, execute any and all documents and take such other actions as may be necessary in order to effect prompt and valid transfer of the interests described above, free of all liens and encumbrances. In the event all necessary approvals of the Government are not obtained within five (5) days after the Default Notice, the Defaulting Party shall hold its Participating Interests in trust for the non-defaulting Party.



13.7 Survival

The obligations of the Defaulting Party and the rights of the non-defaulting Party shall survive the surrender of the Contract and the termination of this Agreement.

13.8 No Right of Set Off

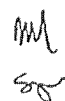
Each Party acknowledges and accepts that a fundamental principle of this Agreement is that each Party pays its Participating Interest share of all amounts due under the Contract and the Agreement as and when required. Accordingly, any Party which becomes a Defaulting Party undertakes that, in respect of either any exercise by the non-defaulting Parties of any rights under or the application of any of the provisions of this Article, such Party hereby waives any right to raise by way of set off or invoke as a defense, whether in law or equity, any failure by any other Party to pay amounts due and owing under this Agreement and the Contract, whether such claim arises under this Agreement or otherwise. Each Party further agrees that the nature and the amount of the remedies granted to the non-defaulting Party are reasonable and appropriate in the circumstances.

ARTICLE 14

GENERAL PROVISIONS

14.1 Relationship of Parties

The rights, duties, obligations and liabilities of the Parties under this Agreement shall be individual, not joint or collective. It is not the intention of the Parties to create, nor shall this Agreement be deemed or construed to create, a mining or other partnership, joint venture or association or (except as explicitly provided in this Agreement) a trust. This Agreement shall not be deemed or construed to authorize any Party to act as an agent, servant or employee for any other Party for any purpose whatsoever except as explicitly set



forth in this Agreement. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries except as expressly provided in this Agreement.

14.2 Further Assurances

Each of the Parties shall do all such acts and execute and deliver all such documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

14.3 Waiver

No waiver by any Party of any one or more defaults by another Party in the performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or defaults by the same or other Party whether of same/like or of a different character. Except as expressly provided in this Agreement, no Party shall be deemed to have waived, released or modified any of its rights under this Agreement unless such Party has expressly stated, in writing, that it does waive, release or modify such right(s).

14.4 Joint Preparation

Each provision of this Agreement shall be construed as though all Parties participated equally in the drafting of the same. Consequently, the Parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable to this Agreement.

14.5 Severance of Invalid Provisions

If and for so long as any provision of this Agreement shall be deemed to be judged invalid for any reason whatsoever, such invalidity shall not affect the validity or operation of any other provision of this Agreement except only so far as shall be



necessary to give effect to the construction of such invalidity, and any such invalid provision shall be deemed severed from this Agreement without affecting the validity of the balance of this Agreement.

14.6 Modifications

There shall be no modification of this Agreement except by written consent of all Parties.

14.7 Priority of Agreement

In the event of any conflict between the provisions of the main body of this Agreement and its Exhibits, the provisions of the main body of the Agreement shall prevail. In the event of any conflict between this Agreement and the JOA, this Agreement shall prevail. In the event of any conflict between this Agreement and the Contract, this Agreement shall prevail unless such would be in violation of the Laws of Portugal or the terms of the Contract.

14.8 Interpretation

- A. Headings. The topical headings used in this Agreement are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Agreement relating to any topic are to be found in any particular Article.
- B. Singular and Plural. Reference to the singular includes a reference to the plural and vice versa.
- C. Gender. Reference to any gender includes a reference to all other genders.
- D. Article. Unless otherwise provided, reference to any Article or an Exhibit means an Article or Exhibit of the Agreement.
- E. Include. "*include*" and "*including*" shall mean to be inclusive without limiting the



generality of the description preceding such term and are used in an illustrative sense and not a limiting sense.

14.9 Counterpart Execution

This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed an original Agreement for all purposes; provided that no Party shall be bound to this Agreement unless and until all Parties have executed a counterpart. For purposes of assembling all counterparts into one document, Farmor is authorized to detach the signature page from one or more counterparts and, after signature thereof by the respective Party, attach each signed signature page to a counterpart.

14.10 Public Announcements

No public announcement or statement regarding the terms or existence of this Agreement shall be made without prior written consent of all Parties; provided that, notwithstanding any failure to obtain such approval, no Party shall be prohibited from issuing or making any such public announcement or statement to the extent it is necessary to do so in order to comply with the applicable laws, rules or regulations of any government, legal proceedings or stock exchange having jurisdiction over such Party or its Affiliates, however, any such required public announcement shall include only that portion information which the disclosing Party is legally required to disclose, pursuant to a written opinion of counsel (including in-house counsel). Such opinion shall be delivered to the other Parties prior to any such public announcement.

14.11 Entirety

With respect to the subject matter contained herein, this Agreement (i) is the entire



agreement of the Parties; and (ii) supersedes all prior understandings and negotiations of the Parties.

IN WITNESS of their agreement each Party has caused its duly authorized representative to sign this instrument on the date set out in the first sentence of this Agreement.

MOHAVE OIL AND GAS CORPORATION


Name: 

Title: President

Name: 

Title: Chief Executive Officer

PETRÓLEOS DE PORTUGAL – PETROGAL, S.A.

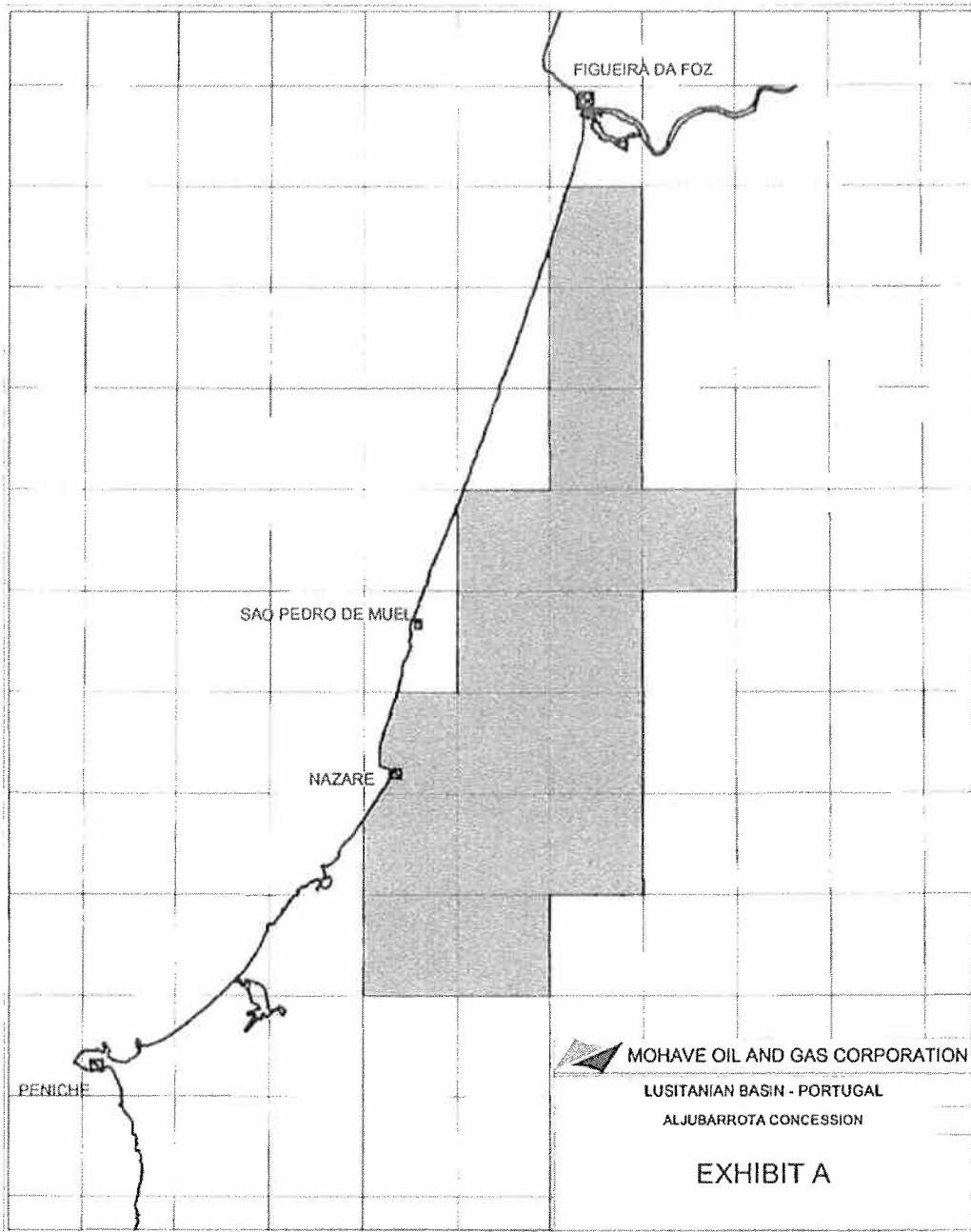
Name: 

Title: Executive Director

Name: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT A  
CONTRACT AREA



*Handwritten signature or initials*

EXHIBIT B

DEED OF ASSIGNMENT

with respect to the concession contract for the area denominated "Aljubarrota-3"

This Deed of Assignment (hereinafter, the "Deed of Assignment") is entered into by and between:

(A) MOHAVE OIL AND GAS CORPORATION, a Texas corporation having the federal tax identification number 76-0411231, with its address being 24 Waterway Avenue, Suite 350, The Woodlands, Texas, USA 77380 (hereinafter referred to as "Mohave"),

(B) PETRÓLEOS DE PORTUGAL – PETROGAL, S.A., a company incorporated and existing under the laws of Portugal, whose office is located at Rua Tomás da Fonseca, Torre C, 1600 – 209 Lisbon (hereinafter referred to as "Galp");

Galp and Mohave are referred to collectively hereinafter as the "Parties",

RECITALS

WHEREAS, on the 3rd day of August 2007 Mohave and the Portuguese State executed a concession contract pursuant to which Mohave was granted a concession for the exercise of petroleum exploration, development and production activities in the concession area denominated Aljubarrota-3 (the "Aljubarrota-3 Concession Contract"), Mohave being the sole



concessionaire; and

WHEREAS, as of the date of this Deed of Assignment, Mohave holds one hundred percent (100%) of the rights and obligations of concessionaire in the Aljubarrota-3 Concession Contract and the respective contract area; and

WHEREAS, Mohave is willing to assign and transfer a certain undivided interest in its rights and obligations under the Aljubarrota-3 Concession Contract to Galp, who wishes to acquire such interest;

NOW, THEREFORE, the Parties agree as follows:

1. Mohave hereby assigns to Galp and Galp hereby accepts from Mohave, as from the date hereof, an undivided fifty percent (50%) Participating Interest in the rights and obligations in the Aljubarrota-3 Concession Contract (the "Assigned Interest").
2. Galp hereby accepts the assignment herein set forth and, as from the date hereof and to the extent of the Assigned Interest, shall enjoy all rights and privileges under the Aljubarrota-3 Concession Contract, and shall assume and be bound by the duties and obligations contained therein.
3. The assignment herein is expressly subject to and conditioned upon the necessary consents and approvals from the competent Portuguese State authorities.

AM  
[Signature]

4. Consequent upon this assignment, the respective undivided Participating Interest of the Parties in the Aljubarrota-3 Concession Contract, as from the date hereof, shall be as follows:

Mohave 50%

Galp 50%

IN WITNESS of their agreement, the duly authorized representatives of Mohave and Galp have signed this Deed of Assignment in three counterparts on the date of 27<sup>th</sup> of June 2012.

MOHAVE OIL AND GAS CORPORATION

Name: \_\_\_\_\_ Name: \_\_\_\_\_

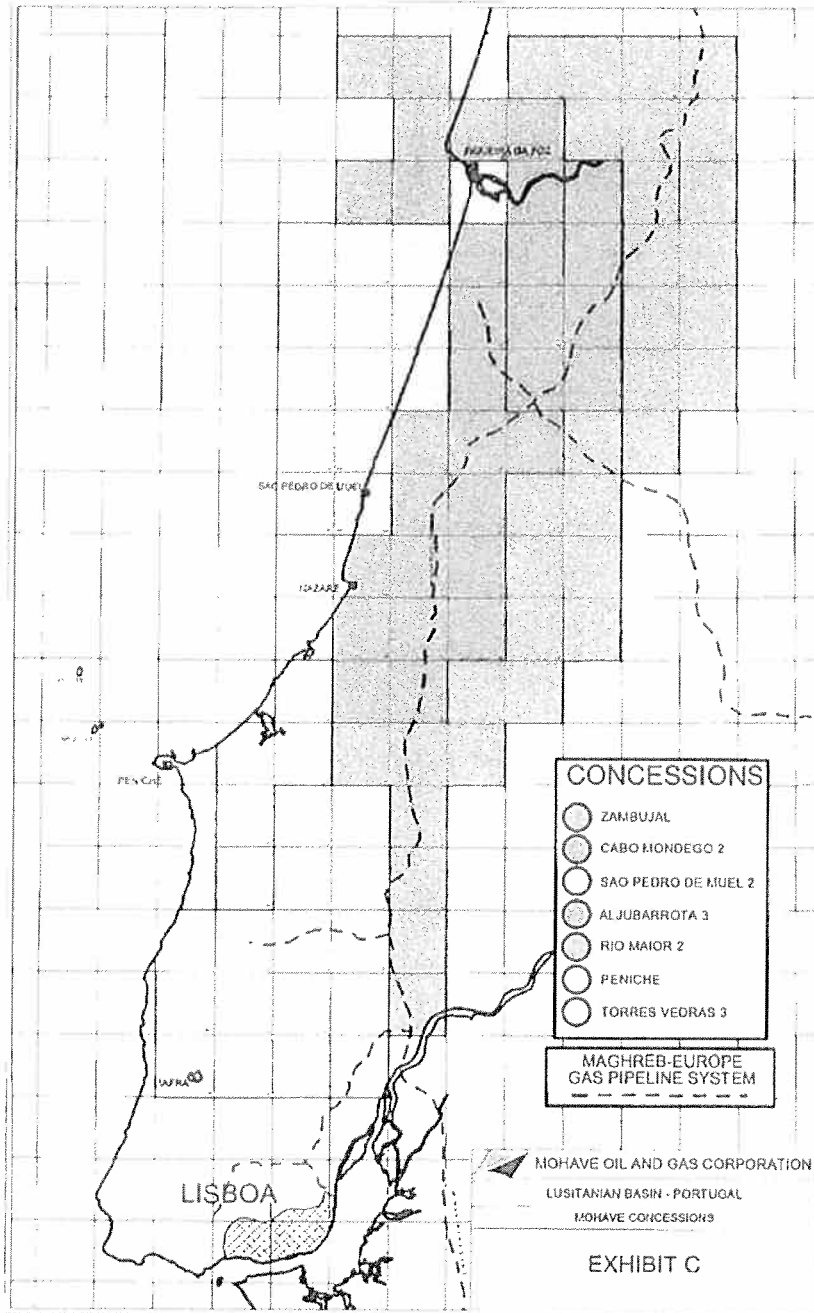
Title: \_\_\_\_\_ Title: \_\_\_\_\_

PETROLEOS DE PORTUGAL – PETROGAL, S.A

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

EXHIBIT C  
CONCESSIONS



*mm*  
*of*

EXHIBIT D  
SCHEDULE OF EXISTING CLAIMS

Mohave Oil and Gas Corporation has no Existing Claims



EXHIBITE

ALCOBAÇA WELL DRILLING PROJECT

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“Well Construction Diagram Redacted”

AM

**EXHIBIT F**  
**UP TO DATE WORK PROGRAM AND BUDGET**

“Work Program and Budget Table Redacted”

*Paul*  
*SP*