

MINISTERIO DE ENERGIA Y MINAS
THE BOLIVARIAN REPUBLIC OF VENEZUELA
TORRE OESTE DE PARQUE CENTRAL
CARACAS, VENEZUELA

JANUARY 17, 2003

TO: FREE MARKET PETROLEUM LLC
ATTENTION: WILLIAM HICKMAN, PRESIDENT AND ADRIAN NASH, C.E.O.
ROCKEFELLER CENTER
1270 AVENUE OF THE AMERICAS – SUITE 2110
NEW YORK, NEW YORK 10020

FROM: MINISTERIO DE ENERGIA Y MINAS

REF.: CONTRATO No.

THE MINISTERIO DE ENERGIA Y MINAS IS PLEASED TO CONFIRM THE FOLLOWING CONTRACT FOR THE SALE OF CRUDE OIL INTENDED FOR THE STRATEGIC PETROLEUM RESERVE (SPR) OF THE UNITED STATES OF AMERICA VIA THE ROYALTY-IN-KIND PROGRAM (RIK), IN ACCORDANCE WITH THE FOLLOWING TERMS AND CONDITIONS:

1. BUYER: FREE MARKET PETROLEUM LLC
ROCKEFELLER CENTER
1270 AVENUE OF THE AMERICAS SUITE 2110
NEW YORK, NEW YORK 10020
2. SELLER: MINISTERIO DE ENERGIA Y MINAS
TORRE OESTE DE PARQUE CENTRAL
CARACAS, VENEZUELA
3. CRUDE OIL: MESA 30 OR ANY OTHER CRUDE GRADE OF 30 DEG API OR
HIGHER AND LOWER THAN TWO (2) PCT SULPHUR
ACCEPTABLE TO BUYER.

4. QUALITIES:

SPECIFICATIONS	MESA 30	ASTM METHOD
GRAVITY <u>API@60F(15.5C)</u>	30.0	D-1298/D-287
SULFUR, WT%	0.85	D-2622
VISCOSIDAD, CST	5.1	D-445
WATER & SED. PCT.(MAX)	1.0	D-4006/D-473

TYPICAL QUALITIES AS PER THE CRUDE OIL ASSAYS ATTACHED HERETO AS EXHIBIT A

5.

5.1 CONTRACTUAL VOLUME:

50,000 US BARRELS PER DAY PLUS/ MINUS 5 PCT. (5%) AT SELLER'S OPTION, TO COMPLETE 54 MILLION 750 THOUSAND BARRELS IN TOTAL OF MESA 30 OR ANY OTHER CRUDE GRADE OF 30 DEG API OR HIGHER AND LOWER THAN TWO (2) PCT SULPHUR OR COMBINATION OF THEM (AS SEGREGATED PARCELS ON BOARD) ACCEPTABLE TO BUYER, TO BE CONFIRMED BY SELLER, DELIVERED TO USGC.

5.2 DELIVERY PERIOD:

THE OPERATING TERM OF THIS CONTRACT SHALL BEGINS UPON THE FIRST DELIVERY TO THE SPR DIRECTLY OR VIA THE RIK PROGRAM, AND SHALL THEN CONTINUE FOR THREE YEARS, TO A TOTAL VOLUME OF 54 MILLIONS 750 THOUSAND BARRELS. DELIVERIES ARE TO THE SPR DIRECTLY OR VIA THE RIK PROGRAM.

6. TYPE OF SALE: CIF USGC.

7. 7.1 LOADING PORT (S)

PUERTO LA CRUZ, VENEZUELA OR ANY OTHER PORT DESIGNATED BY SELLER AND ACCEPTED BY BUYER.

7.2 DISCHARGE PORT: USGC

8. DESTINATION:

BUYER HAS BEEN AUTHORIZED AND INVITED TO SUBMIT BIDS FOR PARTICIPATION IN SALES TO THE US STRATEGIC PETROLEUM RESERVE VIA THE ROYALTY IN KIND PROGRAM, AND WILL PURSUE SUCH OPPORTUNITIES WITH ALL DUE DILIGENCE AND IN ACCORDANCE WITH APPLICABLE LAWS AND REGULATIONS. ALL CRUDE OIL DELIVERIES TO THE SPR DIRECTLY OR VIA PARTICIPANTS IN THE RIK PROGRAM. BUYER MAY NOT MAKE SALES AND DELIVERIES OTHER THAN THROUGH THE SPR/RIK, EXCEPT WITH THE PRIOR APPROVAL OF SELLER, WHICH APPROVAL SHALL NOT BE UNREASONABLY WITHHELD. SELLER WILL APPROVE SALES THAT CANNOT REASONABLY BE EXPECTED TO SIGNIFICANTLY ADVERSELY AFFECT SELLER'S OWN CURRENT SALES.

SELLER AGREES TO ENTER INTO THIS CONTRACT BASED ON BUYER'S EXPRESS UNDERTAKING TO DESTINE THE OIL TO THE FINAL DESTINATION AS SHOWN ABOVE. BUYER MAY MODIFY FINAL DESTINATION ONLY WITH SELLER'S WRITTEN APPROVAL GIVEN PRIOR TO THE LOADING DATE. (SEE CLAUSE 15 OF THE GENERAL CONDITIONS OF SALE).

FOR THE PURPOSE OF VERIFYING THE DESTINATION OF THE OIL SHIPMENT SOLD HEREUNDER, BUYER SHALL PROVIDE SELLER WITH A DISCHARGE CERTIFICATE WHICH MAY CONSIST OF A) AN INDEPENDENT INSPECTOR'S CERTIFICATE OF DISCHARGE OR B) THE CORRESPONDING CUSTOM FEES RECEIPT OR OTHER GOVERNMENT DOCUMENT EVIDENCING THE PORT OF DISCHARGE AND THE QUANTITY OF OIL DISCHARGED.

9. PRICE:

THE CIF PRICE OF THE OIL PURSUANT TO THE CONTRACT HEREOF SHALL BE CALCULATED BY MEANS OF THE FOLLOWING FORMULA FOR MESA 30:

PLATT'S WTI CUSHING FIRST MONTH MEAN MINUS 2.50 USD/BBL.

THE FINAL PRICE WILL BE THE AVERAGE OF THE ABOVE FORMULA FOR THE CRUDE USING ALL EFFECTIVE AND CONSECUTIVE PLATTS MARKET WIRE QUOTATIONS FOR THE LIFTING MONTH. LIFTING MONTH IS EQUAL TO THE MONTH WHEN THE CARGO HOSE IS DISCONNECTED AT DISCHARGE PORT.

ALL THE EFFECTIVE QUOTATIONS SHALL THUS BE CONSECUTIVE AND SHALL CORRESPOND TO DISTINCT DATES.

GRAVITY ADJUSTMENT:

SHALL BE BASED ON THE CONTRACTUAL GRAVITY OF 30 DEGREES API (DRY). THE PRICE BASED ON THE FORMULAS SET FORTH ABOVE SHALL BE INCREASED OR DECREASED BY THE APPLICATION OF A FIXED API ESCALATOR OF 0.01 US\$/BARREL PER EACH FULL TENTH OF DEGREE API ABOVE OR BELOW THE BASE GRAVITY OF EACH CRUDE API (DRY).

10. PAYMENT/CREDIT TERMS: PAYMENT SHALL BE MADE BY THROUGH AN IRREVOCABLE DOCUMENTARY LETTER OF CREDIT MEETING THE REQUIREMENTS SPECIFIED IN ATTACHEMENT "A" TO THE GENERAL TERMS AND CONDITIONS.

SUCH LETTER OF CREDIT MUST BE OPENED AND/OR CONFIRMED BY A FIRST CLASS INTERNATIONAL BANK ACCEPTABLE TO SELLER.

PAYMENT FOR THE OIL SOLD AND PURCHASED HEREUNDER, BASED ON BILL OF LADING FIGURES SHALL BE MADE BY BUYER THIRTY DAYS (30) AFTER BILL OF LADING (B/L) DATE (B/L = 0) AND AFTER DELIVERY TO BUYER OF ONE SET OF ORIGINAL CIF DOCUMENTS INCLUDING, COMMERCIAL INVOICE, BILL OF LADING, AND CERTIFICATES OF QUALITY, QUANTITY AND ORIGIN RELATING TO THE SHIPMENT, IN DOLLARS OF THE UNITED STATES OF AMERICA WITHOUT DISCOUNT, ALLOWANCE, RETENTION OR DEDUCTION, (INCLUDING ANY DISCOUNT FOR BANKING FEES OR WIRE TRANSFER), IN IMMEDIATELY AVAILABLE FUNDS OPENING BUSINESS INTO SELLERS ACCOUNT IN A BANK DESIGNATED BY SELLER.

WHENEVER A DUE DATE FOR PAYMENT FALLS ON A SATURDAY, SUNDAY OR A BANK HOLIDAY IN THE CITY OF NEW YORK, U.S.A. OR IN THE CITY WHERE PAYMENTS SHALL BE MADE, SUCH PAYMENT SHALL BE MADE ON THE LAST PRECEDING WORKING DAY.

NOTE: OPENING BUSINESS MEANS BEFORE 10:00 AM ON THE DUE DATE

(SEE CLAUSE FOUR (4) OF THE GENERAL CONDITIONS OF SALE)

11. INSPECTION:

QUANTITY AND QUALITY AT LOADING PORT, FEES 50/50 BUYER/SELLER USING A MUTUALLY AGREEABLE INDEPENDENT INSPECTOR. THE INDEPENDENT INSPECTOR, SETTING FOR THE QUANTITY AND QUALITY OF THE OIL LOADED SHALL ISSUE A CERTIFICATE. (SEE CLAUSE 2 OF THE GENERAL CONDITIONS OF SALE).

12. TITLE:

TITLE AND RISK OF THE OIL SHALL PASS FROM SELLER TO BUYER AT THE FLANGE CONNECTION OF THE DELIVERY HOSE AT LOADING PORT.

13. LAYTIME AT DISCHARGE PORT:

SELLER SHALL HAVE AN ALLOWED LAYTIME WITHIN WHICH TO COMPLETE THE LOADING OF THIRTY-SIX (36) HOURS. ALLOWED LAY TIME SHALL COMMENCE WHEN THE VESSEL IS ALL FAST OR WHEN SIX (6) CONSECUTIVE HOURS HAVE EXPIRED SINCE TENDER OF NOTICE OF READINESS (NOR), WHICHEVER FIRST OCCURS. IF THE VESSEL ARRIVES DURING THE ACCEPTED THREE (3) DAY LOADING RANGE (SEE CLAUSE 7 OF THE GENERAL CONDITIONS OF SALE).

14. VESSEL NOMINATION PROCEDURE:

VESSEL TO BE NOMINATED BY PDVSA AND ACCEPTED BY BUYER. SUCH NOMINATION NOT TO BE UNREASONABLY WITHHELD, TEN (10) DAYS BEFORE EXPECTED LOADING RANGE. CARGO DATES TO BE NOMINATED BY BUYER AND AGREED BY PDVSA BY THE TENTH DAY OF THE MONTH PRIOR TO THE MONTH OF DELIVERY. CARGO SIZES TO BE NOMINATED BY PDVSA AND AGREED BY BUYER BY THE TENTH DAY OF THE MONTH PRIOR TO THE MONTH OF DELIVERY.

15. DEMURRAGE RATE:

AS PER CLAUSE 8 OF THE GENERAL CONDITIONS OF SALE (OPTIMUM TONNAGE SHOULD BE USED FOR NOMINATED AND ACCEPTED CARGO VOLUME)

16. DETERMINATION OF THE BILL OF LADING DATE

THE DATE WHEN THE LAST CARGO HOSE IS DISCONNECTED, AFTER LOADING THE CARGO. (SEE CLAUSE 1 OF THE GENERAL CONDITIONS OF SALE).

17. PRESENTATION OF CLAIMS:

QUALITY AND QUANTITY CLAIMS SHALL BE PRESENTED IN WRITING AFTER SUCH ALLEGED QUALITY DEFECTS AND/OR QUANTITY DISCREPANCY IS FOUND BUT NO LATER THAN NINETY (90) DAYS FROM BILL OF LADING DATE, ACCOMPANIED BY ALL THE DOCUMENTARY EVIDENCE SUPPORTING SUCH CLAIM AND ITS FULL PARTICULARS. (SEE CLAUSE 2 OF THE GENERAL CONDITIONS OF SALE).

18. APPLICABLE LAW:

ALL MATTERS RELATED TO THE VALIDITY, INTERPRETATION OF PERFORMANCE OF THIS CONTRACT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, USA. THE UN CONVENTION ON THE INTERNATIONAL SALE OF GOODS SHALL NOT APPLY TO THIS CONTRACT.

(SEE CLAUSE 12 OF THE GENERAL CONDITIONS OF SALE)

19. ARBITRATION:

ANY CONTROVERSY OR CLAIM RELATED TO THIS AGREEMENT OR THE BREACH THEREOF SHALL BE SETTLED BY ARBITRATION CONDUCTED IN THE ENGLISH LANGUAGE IN THE CITY OF NEW YORK, NY, BY THREE ARBITRATORS IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES OF THE INTERNATIONAL CHAMBER OF COMMERCE (ICC). EACH PARTY SHALL APPOINT ONE ARBITRATOR AND THE THIRD ARBITRATOR, WHO SHALL ACT AS A CHAIRMAN, SHALL BE APPOINTED BY THE TWO ALREADY APPOINTED ARBITRATORS WITHIN 30 DAYS COUNTING FROM THE DAY IN WHICH LAST ARBITRATOR NAMED BY THE PARTIES WAS APPOINTED. IF THE TWO ARBITRATORS CAN NOT AGREE ON THE THIRD ONE, THE THIRD ARBITRATOR SHALL BE APPOINTED BY THE COURT OF ARBITRATION OF THE ICC.

NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED TO PREVENT ANY COURT HAVING JURISDICTION FROM ISSUING INJUNCTIONS, ATTACHEMENT ORDERS OR ORDERS FOR OTHER SIMILAR RELIEF IN AID OF ANY ARBITRATION COMMENCED (OR TO BE COMMENCED) AND WHICH SEEKS THE COLLECTIONS OF ANY MONEYS OWED TO SELLER. JUDGEMENT UPON THE AWARD RENDERED BY THE ARBITRATORS MAY BE ENTERED IN ANY COURT HAVING JURISDICTION HEREOF.
(SEE CLAUSE 13 OF THE GENERAL CONDITIONS OF SALE)

20 MODIFICATION:

THE TERMS AND CONDITIONS OF THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED IN ANY WAY EXCEPT BY AGREEMENT OF BOTH PARTIES IN WRITING. THIS CONTRACT MAY NOT BE ASSIGNED, IN WHOLE OR IN PART, NOR MAY ANY RIGHT OR OBLIGATION HEREUNDER BE ASSIGNED, WAIVED OR DELEGATED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE PARTIES. NOTWITHSTANDING THE FOREGOING, BUYER MAY ASSIGN THIS CONTRACT A SPECIAL -PURPOSE VEHICLE FOR THE PURPOSE OF FINANCING, STRUCTURING OR SECURITIZATION.

21 NOTICES:

A) MINISTERIO DE ENERGIA Y MINAS, REPUBLICA BOLIVARIANA DE VENEZUELA

COMMERCIAL CONTACTS:

VICE MINISTRO DE ENERGIA Y MINAS

DIRECCION DE HIDROCARBUROS

PH : (58)(212) 575-2597

MOBIL: (58)(412) 240-7575

EMAIL: viermal@mem.gov.ve

OPERATIONAL:

PH: (58)(212)

MOBIL:

EMAIL:

B) PDVSA PETROLEO, S.A.

COMMERCIAL CONTACTS:

ROMULO GUILARTE

PH : (58)(212) 708-1728

MOBIL: (58)(416) 652-9435

EMAIL:

OPERATIONAL:

JUAN JOSE AHUMADA

PH: (58)(212) 708-7168

MOBIL:

EMAIL: ahumadajj@pdvsa.com

C) CLIENT CONTACTS:

COMMERCIAL CONTACTS:

WILLIAM HICKMAN

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ADRIAN NASH

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OPERATIONAL:
ARTURO SARMIENTO

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MOBIL: (58)(414) 337-0943
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ALL OTHER TERMS AND CONDITIONS EXCEPT AS SET FORTH ABOVE IN THESE PARTICULARS CONDITIONS ATTACHED HERETO, WHICH ARE HEREBY INCORPORATED HEREIN AND MADE A PART HEREOF, AND WHICH FORM AND INTEGRAL PART OF THIS CONTRACT. THE PARTIES AGREE TO TAKE SUCH FURTHER ACTIONS AND SUPPLY SUCH FURTHER DOCUMENTS AS SHALL BE REQUIRED TO IMPLEMENT THIS AGREEMENT, INCLUDING, WHERE REQUIRED FOR SPR/RIK, ANY GUARANTIES OF PERFORMANCE OR PROOF OF AUTHORITY BY SELLER DELIVERED UNDER VENEZUELAN LAW.

THIS CONTRACT IS CONFIRMED AND AGREED EFFECTIVE AS OF JANUARY __, 2003.

BEST REGARDS,

CONFIRMED AND AGREED
FOR AND ON BEHALF OF THE MINISTERIO DE ENERGIA Y MINAS

RAFAEL RAMIREZ
MINISTRO DE ENERGIA Y MINAS DE VENEZUELA

CONFIRMED AND AGREED
FOR AND ON BEHALF OF FREE MARKET PETROLEUM LLC

JACK KEMP
CHAIRMAN AND DIRECTOR OF PETROLEUM