



**MINISTRY OF PETROLEUM RESOURCES
OF THE HONOURABLE MINISTER OF STATE**

Ministry Complex,
Wuse 2,
Abuja.

Ref: Ref - HMSPR / TA / 001
Date: December 2 2006

MALABU Oil and Gas Ltd
Plot 10,
Wuse 2,
Abuja

For the attention of Chief (Dr.) D.L. Etete

**MALABU OIL AND GAS LTD - OUT - OF - COURT SETTLEMENT IN
RESPECT OF OPL 245**

We refer to the above subject matter and are delighted to convey to you that the
President of the Federal Republic of Nigeria and Commander-in-Chief of the Armed
Forces of Nigeria has graciously approved and directed as follows:

That the federal government of Nigeria is amenable to an out of court
settlement of the claims comprised in the legal proceedings commenced
by Malabu Oil and Gas Ltd and consequently has agreed to settle your
legal claims for the return of the oil block constituted as OPL245. The
said oil block 245 (OPL245) shall from the date hereof and with
immediate effect, be returned to MALABU OIL AND GAS LTD with
full and total reinstatement of all its rights thereto

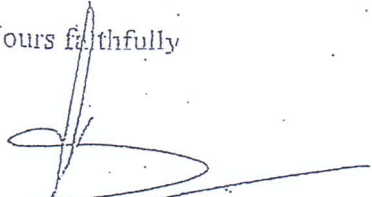
Any and all previous decisions inconsistent with or purporting to deprive
MALABU OIL AND GAS LTD of its rights over the totality of the
concessions in the said OPL245 shall stand absolutely and totally
rescinded as if they had never been made

MALABU OIL AND GAS LTD shall immediately upon the receipt of
this letter forthwith withdraw, discontinue and

and every legal proceedings concerning OPL245 initiated and or being maintained by Malabu against the federal Government of Nigeria in respect of the Oil Block OPL 245

4. MALABU OIL AND GAS LTD shall be required to and shall pay a new signature bonus of United States Dollars Two Hundred and Ten Million Dollars (USD210 million) but the payment of US 210 million Dollars shall be less the sum of Two million Dollars (USD) previously paid into the coffers of the federal government of Nigeria in respect of an alternative oil block. The fiscal terms of the 2005 PSC shall apply to this restoration. Malabu to source it's own technical partners and meet the conditions of the award within 90 days of this award.
5. As part of the settlement process the Federal Government of Nigeria is resolved to and has decided to award SHELL Nigeria ultra deep Ltd (Shell) a present concessionaire an alternative oil block with comparable potential and hydrocarbon prospectivity. This information was by a letter dated 1st of December 2006, conveyed to (Shell) Ultra Deep Ltd.
6. MALABU OIL AND GAS LTD shall be at liberty immediately to exercise all rights incidental to and consequent upon the return of the oil block (OPL 245) to it and shall be free to assign, pledge or deal in any way with it's restored rights over OPL245, in whole or in part to any 3rd Party subject as always to the operative laws of Nigeria, including but not limited to obtaining all approvals permit and appropriate consents necessary
7. Be advised further that the meeting scheduled to be held among concerned parties hereto, and advised to Shell by letter referenced HMSPR/TA/007 and dated 1st Dec. 06 shall hold shortly and the deliberations thereat may be availed you.

Yours faithfully



Dr. Edmund Daukoru
Hon. Minister of State, for petroleum recourses