

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **2013-01-15** | Period of Report: **2013-01-09**
SEC Accession No. [0001299933-13-000079](#)

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FILER

ENDEAVOUR INTERNATIONAL CORP

CIK: **1112412** | IRS No.: **880448389** | State of Incorporation: **NV** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-32212** | Film No.: **13528966**
SIC: **1311** Crude petroleum & natural gas

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

January 9, 2013

Endeavour International Corporation

(Exact name of registrant as specified in its charter)

Nevada

001-32212

88-0448389

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

811 Main Street, Suite 2100, Houston, Texas

77002

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(713) 307-8700

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01 Entry into a Material Definitive Agreement.

LOC Procurement Agreement

On January 9, 2013, Endeavour International Corporation (the "**Company**") and its wholly-owned subsidiary, Endeavour Energy UK Limited ("**Endeavour UK**"), entered into a LOC Procurement Agreement (the "**LOC Procurement Agreement**") with Max Participations II S.à r.l. (the "**Payee**"), an unaffiliated third party entity in which the Company has no interest or control. The LOC Procurement Agreement was entered into in connection with the Payee's entry into a credit support arrangement with Deutsche Bank AG (the "**LC Provider**"), pursuant to which the Payee pledged cash, contributed by HBK Master Fund L.P. (the "**Investor**"), a stockholder of the Company, to secure letters of credit issued by the LC Provider for Endeavour UK's account in the amount of £20.6 million (approximately \$33.0 million as of January 9, 2013). The letters of credit secure decommissioning obligations in connection with certain of Endeavour UK's United Kingdom Continental Shelf Petroleum Production Licences and have been outstanding and unchanged since 2006.

Under the LOC Procurement Agreement, which matures on July 9, 2014, Endeavour UK agrees to reimburse the Payee in the event that the letters of credit are drawn and the pledged cash must be paid to the LC Provider. The LOC Procurement Agreement also

provides that Endeavour UK must pay a quarterly fee computed at a rate of 9% per year on the outstanding amount of each letter of credit, along with an initial fee equal to 1% on the initial outstanding amount of each letter of credit and a fee of 2% on the outstanding amount of each letter of credit upon termination. In addition, Endeavour UK agrees to reimburse the Payee for fees due to the LC Provider in the amount equal to a rate of 0.65% per year of the aggregate balance of any outstanding letters of credit. The LOC Procurement Agreement contains customary representations, warranties and non-financial covenants. The Company unconditionally guarantees Endeavour UK's obligations under the LOC Procurement Agreement.

The foregoing is qualified in its entirety by reference to the LOC Procurement Agreement, which is filed as Exhibit 10.1 to this Current Report on Form 8-K and incorporated herein by reference.

Warrant Agreement

In connection with the entrance into the LOC Procurement Agreement, on January 9, 2013, the Company entered into a Warrant Agreement to Purchase Common Stock with the Investor (the "**Warrant Agreement**"). Pursuant to the Warrant Agreement, the Company issued the Investor warrants (the "**Warrants**") to purchase a total of 1,000,000 shares of the Company's common stock at an exercise price of \$7.31 per share (the "**Exercise Price**"). The Warrants expire on January 9, 2018 (the "**Expiration Date**") and are subject to customary anti-dilution provisions. The Company has also agreed to provide the Investor with customary resale registration rights as soon as reasonably practicable.

The Warrant Agreement includes a cashless exercise provision entitling the Investor to surrender a portion of the underlying common stock that has a value equal to the aggregate exercise price in lieu of paying cash upon exercise of a Warrant.

The above-referenced issuances were not registered under the Securities Act of 1933, as amended (the "**Securities Act**") and qualified for exemption under Section 4(2), because the issuance of securities by the Company did not involve a public offering.

The foregoing is qualified in its entirety by reference to the Warrants and the Warrant Agreement, which are filed as Exhibits 4.1 and 10.2, respectively, to this Current Report on Form 8-K and incorporated herein by reference.

Item 1.02 Termination of a Material Definitive Agreement.

In connection with the entry into the LOC Procurement Agreement, on January 10, 2012, the Company terminated its previous reimbursement agreement dated May 23, 2012 with Yellow Rock S.à r.l. securing letters of credit issued by Nordea Bank Norge ASA for Endeavour UK's account in the amount of £20.6 million. Upon termination, EEUK paid all outstanding and accrued fees totaling approximately \$3.8 million.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth in Item 1.01 above is incorporated by reference into this Item 2.03.

Item 3.02 Unregistered Sales of Equity Securities.

The information set forth in Item 1.01 above is incorporated by reference into this Item 3.02.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
4.1	Warrant to Purchase Common Stock (Included as Exhibit A to Exhibit 10.2 hereto).
10.1	LOC Procurement Agreement, dated January 9, 2013, among Endeavour International Corporation, Endeavour Energy UK Limited and Max Participations II S.à r.l.
10.2	Warrant Agreement between Endeavour International Corporation and HBK Master Fund L.P. dated January 9, 2013.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Endeavour International Corporation

January 14, 2013

By: /s/ Stanley W. Farmer

Name: Stanley W. Farmer

Title: Vice President and Chief Accounting Officer

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Exhibit Index

Exhibit No. Description

-
- 10.1 LOC Procurement Agreement, dated January 9, 2013,
among Endeavour International Corporation, Endeavour
Energy UK Limited and Max Participations II S.à r.l
- 10.2 Warrant Agreement between Endeavour International
Corporation and HBK Master Fund L.P. dated January 9,
2013.

9 January 2013
ENDEAVOUR ENERGY UK LIMITED
(the “Payer”)
MAX PARTICIPATIONS II S.À R.L.
(the “Payee”)
ENDEAVOUR INTERNATIONAL CORPORATION
(the “Guarantor”)

LOC PROCUREMENT AGREEMENT

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THIS LOC PROCUREMENT AGREEMENT (this “**Agreement**”) is dated 9 January 2013 and made **BETWEEN:**

ENDEAVOUR ENERGY UK LIMITED, a company registered in England and Wales (with registration number (1) 5030838) whose registered office is at 33rd Floor, City Point, One Ropemaker Street, London EC2Y 9UE (the “**Payer**”);

MAX PARTICIPATIONS II S.À R.L., a private limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 9, rue Basse (2) L-4963 Clemency, Luxembourg, having a share capital of EUR 612,500 and registered with the Luxembourg trade and companies register under number B 106062 (the “**Payee**”); and

(3) **ENDEAVOUR INTERNATIONAL CORPORATION**, a corporation incorporated in the state of Nevada whose registered office is at 811 Main, Suite 2100, Houston, TX 77002, USA (the “**Guarantor**”).

BACKGROUND

At the request of the Guarantor, the Payee shall, on the date hereof, enter into an agreement with Deutsche Bank AG (A) (the “**LC Bank**”) acting out of its New York branch and its London branch pursuant to which the Payee (in its capacity as the “**LC Party**”) will instruct the LC Bank to issue Letters of Credit (as defined below) for the benefit of Hess

Limited. The Letters of Credit are to be issued to support the decommissioning liabilities of the Payer and shall be fully released on or prior to the LC Release Date (as defined below).

In consideration of the Payee instructing the LC Bank to issue the Letters of Credit, the Payer and the Guarantor agree (B) to reimburse the Payee for certain payments made in connection with the LC Issuance Documents. If a Letter of Credit is drawn, the Payer shall provide cash cover to reimburse the Payee in an amount equal to such drawing.

The Payer and the Payee wish to enter into this Agreement to document, amongst other things, the terms governing such reimbursement arrangement and the fees payable by the Payer to the Payee for procuring the issue of the Letters of (C) Credit. The Guarantor is entering into this Agreement in its capacity as guarantor in respect of the obligations of the Payer towards the Payee under this Agreement.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement:

“**Arrangement Fee**” has the meaning given to such term in Clause 6.2 (*Fees and costs & expenses*).

“**Business Day**” means a day (other than a Saturday or a Sunday) on which banks are open for general business in London, England; Houston, Texas (USA); and Luxembourg. If any time period or payment is to be made on a day which is not a Business Day, that period will instead end on, or such payment shall be made on, the next Business Day.

“**Bankruptcy Law**” means any bankruptcy, liquidation, insolvency or similar law or regulation in any jurisdiction, including, without limitation, U.S. Bankruptcy Law.

“**Custodian**” means any administrator, receiver, trustee, assignee, liquidator, custodian or similar official under Bankruptcy Law.

“**Early Termination Event**” has the meaning given to such term in Clause 13 (*Early Termination Events*).

“**Endeavour Party**” shall mean the Payer and the Guarantor.

“**Fee**” has the meaning given to such term in Clause 6.1 (*Fees & costs and expenses*).

“**Group**” means the Guarantor and its subsidiaries.

“**HMRC**” means Her Majesty’s Revenue and Customs.

“**ITA**” means the UK Income Tax Act 2007.

“**LC Amount**” means, at any time, the outstanding face amount (in Sterling) of the Letters of Credit issued pursuant to the LC Issuance Agreement, plus the amount, if any, demanded under those Letters of Credit and not reimbursed by the Payer in accordance with this Agreement: as at the LC Issuance Date, the LC Amount will be £20,600,000.

“**LC Bank**” has the meaning given to such term in the recitals.

“**LC Fee**” means the fees, costs and expenses reimbursable by the Payer pursuant to Clause 6.2 (*Fees & costs and expenses*).

“**LC Issuance Agreement**” means the agreement dated on or about the date hereof between the LC Bank and the Payee in respect of the issuance of the Letters of Credit.

“**LC Issuance Date**” means the date on which the Guarantor requests the issue of the Letters of Credit by notice to the Payee.

“**LC Issuance Document**” means each of the LC Issuance Agreement and the Letters of Credit.

“**LC Party**” has the meaning given to such term in the recitals.

“**LC Release Date**” means 9 July 2014.

“**Letter of Credit**” means each letter of credit issued by the LC Bank, acting via its London branch, pursuant to the LC Issuance Agreement and this Agreement, substantially in the forms set out in Schedule 2 (*Form of each Letter of Credit*).

“**Liability Expiry Date**” means the date upon which the LC Bank is under no actual or contingent liabilities in respect of any Letter of Credit.

“**Material Adverse Effect**” means a material adverse effect on the ability of the Payer or Guarantor to discharge its obligations under this Agreement, including the reimbursement obligations herein.

“**Material Subsidiary**” means any direct or indirect subsidiary, including its subsidiaries, of the Guarantor that meets any of the following conditions:

- the Guarantor’s and its other subsidiaries’ investments in and advances to such subsidiary exceed ten (10) per cent.
- (a) of the total assets of the Guarantor and its subsidiaries consolidated as of the end of the most recently completed fiscal year;

- the Guarantor's and its other subsidiaries' proportionate share of the total assets (after intercompany eliminations)
- (b) of such subsidiary exceeds ten (10) per cent. of the total assets of the Guarantor and its subsidiaries consolidated as of the end of the most recently completed fiscal year; or
 - (c) the Guarantor's and its other subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of such subsidiary exceeds ten (10) per cent. of such income of the Guarantor and its subsidiaries consolidated for the most recently completed fiscal year.

For the avoidance of doubt, the Payer shall be deemed to be a "Material Subsidiary" of the Guarantor for the purpose of this Agreement.

"**Payment Date**" has the meaning given to such term in Clause 7.4 (*Tax Gross-up and Indemnities*).

"**Project Finance Indebtedness**" means any indebtedness (other than such indebtedness incurred by the Guarantor) incurred to finance the ownership, acquisition, construction, development and/or operation of an asset or portfolio of assets in respect of which the person or persons to whom such indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) have no recourse whatsoever to any member of the Group for the repayment of or a payment of any sum relating to such indebtedness other than:

- (a) recourse to such borrower for amounts limited to the aggregate cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such assets; and/or recourse to such borrower for the purpose only of enabling amounts to be claimed in respect of such indebtedness in an enforcement of any encumbrance given by such borrower over such assets or the income, cash flow or other proceeds deriving therefrom to secure such indebtedness or any encumbrance given by any holding company of the borrower over any equity in the borrower (except where, in relation to the grant of any encumbrance over the equity in the borrower, the borrower is a Material Subsidiary or is a subsidiary of the Guarantor (other than a subsidiary which is a single purpose company whose principal assets and business are constituted by the ownership, acquisition, financing, development and/or operation of an asset or a portfolio of assets and the indebtedness (in respect of which such encumbrance has been granted) has been incurred in connection with the financing of the ownership, acquisition, development and/or operation of such asset or portfolio of assets)) or any recourse referred to in (c) below, provided that: (i) the extent of such recourse to such borrower is limited solely to the amount of any recoveries made on any such enforcement; and (ii) such person or persons is or are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness, to commence proceedings for the winding up or dissolution of the borrower or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the borrower or any of its assets (save for the assets the subject of such encumbrance); and/or recourse to such borrower generally or directly or indirectly to a member of the Group (other than the Guarantor or a Material Subsidiary) under, in each case, any form of completion guarantee, assurance or undertaking, which
- (b) recourse is limited to claim for damages (other than liquidated damages and damages required to be calculated in a specific way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by the person against whom such recourse is available; and/or
- (c) recourse to another member of the Group (including the Guarantor) in respect of any contractual commitment to provide equity or subordinated debt or in respect of letters of credit or guarantees relating to any such equity
- (d) commitment or subordinated debt and in each case were entered into as an initial and integral part of such indebtedness.

"**Quarterly Date**" means each of 31 March, 30 June, 30 September and 31 December. If, however, any such day is not a Business Day, the relevant Quarterly Date will instead be the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

"**Quarterly Period**" means each period for the accrual of the Fee, the first such period commencing on the LC Issuance Date and ending on (but excluding) the first Quarterly Date occurring thereafter and each subsequent period shall commence on (and include) the Quarterly Date and end on (but exclude) the next Quarterly Date or, in the case of the last Quarterly Period, the Termination Date.

"**Relevant Debt**" means any present or future indebtedness of the Guarantor in the form of bonds, notes, debentures, loan stock or other securities which have an original maturity of more than one year from its date of issue and which are for the time being, quoted, listed or ordinarily dealt in or on any stock exchange over the counter or other securities market but excluding Project Finance Indebtedness.

"**Relevant Direction**" has the meaning given to such term in Clause 7.4 (*Tax Gross-up and Indemnities*).

“**Relevant Fees**” means the Fee, the LC Fee, the Arrangement Fee, the Termination Fee and any accrued interest thereon.

“**Sterling**” means the lawful currency of the United Kingdom.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax imposed by the United Kingdom from a payment under this Agreement.

“**Tax Payment**” means the increase in a payment made by an Endeavour Party to the Payee under Clause 7.3 (Tax gross-up) or 7.8 (Tax indemnity).

“**Termination Date**” means the date on which all the Letters of Credit are released.

“**Termination Fee**” has the meaning given to such term in Clause 6.3 (Fees and Costs & Expenses).

“**Transaction Documents**” means this Agreement and the LC Issuance Documents.

“**Treaty**” means the convention in force from time to time between the United Kingdom and Luxembourg for the avoidance of double taxation.

1.2 “**U.S. Bankruptcy Law**” means Title 11, United States Bankruptcy Code.

“**VAT**” means value added tax and any other tax of a similar nature.

Unless a contrary indication appears herein, any reference in this Agreement to:

- (a) the “Payer”, the “Payee” or the “Guarantor” shall each be construed so as to include its successors in title, permitted assigns and permitted transferees;
- (b) the singular includes the plural and vice versa;
- (c) the word “including” is without limitation;
- (d) “assets” includes present and future properties, revenues and rights of every description;
- (e) “indebtedness” includes any obligation for the payment or repayment of money, whether present or future, actual or contingent;
- (f) an outstanding amount of a Letter of Credit at any time is the maximum amount that is or may be payable by the LC Bank in respect of that Letter of Credit at that time;
- (g) a “person” includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);
- (h) a provision of law is a reference to that provision as amended or re-enacted; and
- (i) the Payer providing “cash cover” means the Payer paying an amount and in the currency specified by the Payee to be held by the Payee as segregated funds for application as set-off to the obligations of the Payer herein.

1.3 Clause and Schedule headings are for ease of reference only. Any reference to a Clause or Schedule shall be to a clause or schedule of this Agreement unless expressly stated.

2. LC ISSUANCE DOCUMENTS

The Guarantor, on behalf of the Payer, shall, by written notice to the Payee, request the Payee, and the Payee hereby agrees, to: (i) enter into the LC Issuance Documents to which it is a party; and (ii) in its capacity as the LC Party, instruct the LC Bank to issue the Letters of Credit on the LC Issuance Date, subject to Clause 2.2.

The Payee shall, in its capacity as LC Party, not be obliged to instruct the LC Bank to issue the Letters of Credit pursuant to Clause 2.1, unless the Payee has received all of the documents listed in Schedule 1 (*Conditions Precedent*). The Payee shall notify the Guarantor promptly upon the receipt of all of the documents listed in Schedule 1 (*Conditions Precedent*).

No amendment, modification or waiver in respect of any LC Issuance Document shall be proposed or entered into without the prior written consent of the Guarantor and the Payee.

3. REIMBURSEMENTS BY THE PAYER

If the Payee receives a notice of demand for payment under a Letter of Credit from the LC Bank pursuant to the terms of the LC Issuance Agreement, the Payee shall immediately notify the Payer of the amount demanded and the date on which it is payable. The Payer shall within three (3) Business Days of demand from the Payee pay to the Payee an amount equal to the amount of such demand to be held by the Payee as cash cover but without double-counting in respect of cash cover provided by the Payer (and not otherwise required under this Clause 3.1) pursuant to Clause 5.1 (*Cash Collateral from Payer*) or Clause 13 (*Early Termination Events*).

3.2 The Payer, in respect of each Letter of Credit issued or deemed issued under the LC Issuance Agreement, unconditionally and irrevocably:

agrees that the Payee shall authorise and direct the LC Bank: (i) to pay any demand which appears on its face to be in order and made pursuant to and in accordance with any such Letter of Credit on first request or demand being (a) made; and (ii) to pay all amounts which the LC Bank is requested or demanded to pay pursuant to and in accordance with any such Letter of Credit without requiring proof of the agreement of the Payer that the amounts so demanded or paid are or were due;

agrees that the Payee shall authorise and direct the LC Bank to exercise the rights and powers conferred on it by any such Letter of Credit and confirms that the LC Bank shall be entitled to pay any demand which appears on its face to be in order and agrees that in respect of any such Letter of Credit that the LC Bank shall not be concerned with the legality of the claim or any underlying transaction or any set-off, counterclaim or defence as between the Payer and

(b) any other person. This Clause shall apply in respect of amounts so paid without regard to any other condition, the sufficiency, accuracy or genuineness of any such request or demand or any certificate or statement in connection therewith or any incapacity of or limitation upon the powers of any person signing, or issuing such request, demand or certificate. The Payer agrees that the LC Bank and the Payee shall not be obliged to enquire as to any such matters and may assume that any such request, demand, certificate or statement is correct and properly made; and agrees that its obligations under this Agreement shall not be affected by any act, omission, matter or thing which but (c) for this provision might operate to release, prejudice or otherwise exonerate the Payer from its obligations under this Agreement, in whole or in part, including without limitation and whether or not known to the Payer:

(i) any time or waiver granted to or composition with the Payee, the LC Bank, the beneficiary of any such Letter of Credit or any other person;

(ii) the release of the Payer or any other person under the terms of any composition or arrangement with any creditor;

(iii) any taking, variation, compromise, exchange, renewal or release of, refusal or neglect to perfect, take-up or enforce, any rights, remedies or securities available to the Payee or any other person or arising under any such Letter of Credit;

(iv) any variation or extension of or increase in liabilities under any such Letter of Credit made with the prior written consent of the Payer, so that references in this Agreement to the same shall include each such variation, extension and variation;

(v) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any beneficiary under a Letter of Credit or any other person; or

(vi) any insolvency or similar proceedings.

The Payer shall not, by virtue of any payment made by it under this Clause 3 or otherwise, be subrogated to any rights, security or monies held or received by the Payee or be entitled at any time to exercise, claim or have the benefit or any right of contribution or subrogation or similar right against the Payee. All rights of contribution or similar rights against the Payee in relation to this Agreement are hereby waived by the Payer.

3.3 The obligations of the Payer under this Clause 3 shall be continuing, shall extend to the ultimate balance of the 3.4 obligations and liabilities of the Payer under this Clause 3 and shall continue in force notwithstanding any intermediate payment in part of such obligations or liabilities.

4. RELEASE OF LETTERS OF CREDIT

The Payer shall procure the release of all Letters of Credit on or prior to the LC Release Date. Upon notice from the 4.1 Payer, the Payee agrees to provide promptly such instructions to the LC Bank in accordance with the terms of the Payer's notice, as may be required to effect the release of the Letters of Credit in accordance with the LC Issuance Documents.

If the Payer fails to procure the release of the Letters of Credit on the LC Release Date, it shall on the LC Release Date 4.2 pay to the Payee in immediately available funds an amount equal to the LC Amount less any amount paid by the Payer pursuant to Clause 3.1 and the Payer authorises the Payee to apply all amounts paid pursuant to Clause 3.1 and this Clause 4.2 in discharge of the Payee's obligations under the LC Issuance Documents.

5. CASH COLLATERAL FROM PAYER

The Payer may, at its discretion, provide cash cover to the Payee at any time to cover its obligations under this 5.1 Agreement. The Payee may use such funds to satisfy, to the extent possible, any obligations of the Payer or the Guarantor (as applicable) under this Agreement.

- 5.2 The Payee shall withdraw monies in respect of cash cover provided by the Payer under this Agreement in order to satisfy any obligations of the Payer or the Guarantor (as applicable) under this Agreement.
- To the extent the amount of cash cover exceeds the Payer's obligations (or Guarantor's obligations, as applicable) under this Agreement, following the Termination Date, the Payee shall return any excess amounts of cash cover,
- 5.3 calculated as follows to the extent that the amount of cash cover provided by the Payer hereunder (including any accrued interest thereon) exceeds the sum of: (a) the LC Amount; and (b) any due but unpaid amounts under the Fee, the LC Fee, the Arrangement Fee and the Termination Fee and under Clause 14 (*Costs of Parties*). The Payee shall effect such payment within seven (7) Business Days after the Termination Date.

6. FEES AND COSTS & EXPENSES

- In consideration for the Payee procuring the issue of the Letters of Credit, the Payer shall pay the Payee a fee (the
- 6.1 "**Fee**") in Sterling equal to a rate per annum for each Quarterly Period which is 9 (nine) per cent. (to be calculated on a daily basis) from the date of this Agreement until the Termination Date on the aggregate balance of the LC Amount. The amount of the Fee accrued on each Quarterly Date shall be due and payable on that Quarterly Date.
- Following the receipt of a request by the Payee to pay any fees with respect to the Letters of Credit (such fees being the sum due from the Payee to the LC Bank pursuant to clause 3(i) of the LC Issuance Agreement equal to (i) a rate of 0.65
- 6.2 per cent per annum on the aggregate balance of the LC Amount plus (ii) an initial payment of US\$ 250) (the "**LC Fee**"), the Payer shall, within two (2) Business Days of such request, pay such fees in Sterling to the Payee to the account specified by the Payee in such request.
- 6.3 In respect of the issuance of the Letters of Credit, the Payer shall pay the Payee an arrangement fee in Sterling (an "**Arrangement Fee**") in an amount equal to one (1) per cent. of the LC Amount for value on the LC Issuance Date.
- In respect of the issuance of the Letters of Credit, the Payer shall also pay the Payee a termination fee in Sterling (a
- 6.4 "**Termination Fee**") in an amount equal to two (2) per cent. of the LC Amount, such payment to be due and payable on the Termination Date. The Payer shall pay the Payee the Termination Fee in full on the Termination Date.
- If the Payer (or Guarantor, as applicable) fails to pay any amount due and payable by it in connection with or under this
- 6.5 Agreement on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate of two (2) per cent. per annum. Any interest accruing under this Clause 6.5 shall be immediately payable by the Payer on demand by the Payee.
- 6.6 All payments pursuant to this Agreement shall be made no later than 9:30 am (London time) to the account specified by the Payee.

7. TAX GROSS-UP AND INDEMNITIES

- 7.1 Each Endeavour Party shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- Each Endeavour Party shall promptly upon becoming aware that an Endeavour Party must make a Tax Deduction (or
- 7.2 that there is any change in the rate or the basis of a Tax Deduction) notify the Payee accordingly. Similarly, the Payee shall notify the Endeavour Party on becoming so aware in respect of a payment payable to the Payee.
- If a Tax Deduction is required to be made by an Endeavour Party, the amount of the payment due from that Endeavour
- 7.3 Party shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- A payment shall not be increased under Clause 7.3 by reason of a Tax Deduction if, on the date on which the relevant payment falls due (the "**Payment Date**"), that payment could have been made by the relevant Endeavour Party to the Payee without a Tax Deduction on the basis of a direction that has previously been issued by HMRC to such Endeavour Party that such payment could be made without a Tax Deduction pursuant to a successful application for relief under the
- 7.4 Treaty (a "**Relevant Direction**") in circumstances where on or prior to the Payment Date, such Relevant Direction has been withdrawn or become invalid by reason of any default by the Payee in complying with the terms of such application or of any misrepresentation made by or with the prior authority of the Payee in the relevant application provided that for the avoidance of doubt, neither (a) a failure to obtain a Relevant Direction nor (b) the withdrawal or invalidation of a Relevant Direction for any other reason shall relieve the relevant Endeavour Party of any obligation to increase payments under Clause 7.3.
- If an Endeavour Party is required to make a Tax Deduction, that Endeavour Party shall make that Tax Deduction and
- 7.5 any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

7.6 Within thirty days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Endeavour Party making that Tax Deduction shall deliver to the Payee entitled to the payment a statement under section 975 of the ITA or other evidence reasonably satisfactory to the Payee that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

7.7 The Payee and the Payer shall co-operate in completing any procedural formalities which the Endeavour Party considers is necessary for that Endeavour Party to obtain authorisation to make that payment without a Tax Deduction and shall take such reasonable action as the Payer requires (including authorising the Payer to take conduct of such dispute) to dispute any refusal of an application to obtain such authorisation, provided that all costs of such dispute shall be borne by the Payer and the Payee shall be indemnified accordingly.

7.8 The Payer shall (within ten Business Days of demand by the Payee) pay to the Payee an amount equal to the loss, liability or cost which the Payee determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Payee in respect of this Agreement.

7.9 Clause 7.8 shall not apply:

(a) with respect to any Tax assessed on the Payee:

- (i) under the law of the jurisdiction in which the Payee is incorporated or, if different, the jurisdiction (or jurisdictions) in which the Payee is treated as resident for tax purposes; or
- (ii) if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by the Payee; or

(b) to the extent a loss, liability or cost:

- (i) is compensated for by an increased payment under Clause 7.3; or
- (ii) would have been compensated for by an increased payment under Clause 7.3 but was not so compensated solely because one of the exclusions in Clause 7.4 applied.

7.10 If the Payee intends to make, a claim under Clause 7.8 shall promptly notify the Payer of the event which will give, or has given, rise to the claim.

7.11 If the Payer makes a Tax Payment and the Payee determines that:

- (a) a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and
 - (b) the Payee has obtained and utilised that Tax Credit,
- the Payee shall pay an amount to the Payer which the Payee determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Payer.

7.12 The Payee shall use its reasonable endeavours:

- (a) to satisfy and maintain the status for the purposes of the Treaty of a resident of Luxembourg;
- (b) not to carry on a business in the United Kingdom through a permanent establishment with which this Agreement, or any payment hereunder, is effectively connected; and
- (c) to be regarded as the beneficial owner of payments received by it under this Agreement, taking account of published HMRC practice on the meaning of "beneficial owner" at the date of this Agreement.

7.13 The Payee, if requested by the Payer shall deliver such other documentation prescribed by applicable law or reasonably requested by the Payer as will enable the Payer to determine whether or not such Payee is subject to United States backup withholding or information reporting requirements or obligations to deduction or withholding required by sections 1471 to 1474 of the US Internal Revenue Code (or any associated regulations or other official guidance, or any treaty, law, regulation or other official guidance enacted in any other jurisdiction which facilitates the implementation of those sections).

7.14 The Payer shall pay and, within ten Business Days of demand, indemnify the Payee against any cost, loss or liability the Payee incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of this Agreement, except for any voluntary registration of this Agreement in Luxembourg by the Payee.

All amounts expressed to be payable under this Agreement by an Endeavour Party to a Payee which (in whole or in part) constitute the consideration for any supply for VAT purposes are deemed to be exclusive of any VAT which is chargeable on that supply, and accordingly, if VAT is or becomes chargeable on any supply made by a Payee to an Endeavour Party under this Agreement and the Payee is required to account to the relevant tax authority for the VAT, the Endeavour Party must pay to the Payee (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of the VAT (and the Payee must promptly provide an appropriate VAT invoice to that Party).

7.16 Where this Agreement requires an Endeavour Party to reimburse or indemnify the Payee for any cost or expense, the Endeavour Party shall reimburse or indemnify (as the case may be) the Payee for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that the Payee reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.

8. RANKING

The payment obligations of the Payer and the Guarantor under this Agreement rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by laws applying to companies generally.

9. INDEMNITY

9.1 Except in respect of Tax (in relation to which Clause 7 shall apply), the Payer agrees to reimburse the Payee on demand for and to indemnify and hold the Payee, harmless, against and with respect to, any and all loss, liability, damage, or expense (including, without limitation, attorney's fees and costs) that the Payee may suffer or incur in connection with any demand made pursuant to and in accordance with, or any dispute relating to, any Letter of Credit issued in accordance with the LC Issuance Agreement and this Agreement, in each case other than by reason of any negligence, wilful misconduct or breach of, or misrepresentation under, this Agreement or any LC Issuance Document by the Payee.

9.2 If any payment received by the Payee pursuant to this Agreement shall, on the subsequent bankruptcy, insolvency, corporate reorganisation or other similar event of the Payer or the Guarantor, be avoided, reduced, invalidated or set aside under any laws relating to bankruptcy, insolvency, corporate reorganisation or other such similar events, such payment shall not be considered as discharging or diminishing the liability of the Guarantor (as both, principal debtor and indemnifier) and the indemnity contained in this Clause 9 and the guarantee contained in Clause 10 shall continue to apply as if such payment had at all times remained owing or outstanding by the Payer and the Guarantor shall continue to indemnify and keep the Payee indemnified on the terms of indemnity contained in this Clause 9 and the guarantee contained in Clause 10.

10. GUARANTEE

10.1 The Guarantor unconditionally and irrevocably:

- (a) guarantees to the Payee punctual performance by the Payer of the Payer's obligations under this Agreement; and
- (b) undertakes with the Payee that whenever the Payer does not pay any amount due under this Agreement, it shall promptly pay on demand that amount to the Payee.

10.2 The Guarantor shall indemnify and hold the Payee harmless promptly on demand against any cost, loss or liability suffered by the Payee in connection with any demand made pursuant to and in accordance with, or any dispute relating to, any Letter of Credit issued in accordance with the LC Issuance Agreement and this Agreement, in each case (including, without limitation, if any obligation, including this guarantee, is or becomes unenforceable, invalid or illegal) other than by reason of negligence, wilful misconduct or breach of, or misrepresentation under, this Agreement or any LC Issuance Document by the Payee. The amount of such cost, loss or liability shall be equal to the amount which the Payee would otherwise have been entitled to recover.

10.3 Without affecting the obligations of the Payer, the Guarantor will be liable to the Payee under this Clause 10, as if it were a principal debtor and not merely a surety. Accordingly, it will not be discharged, nor will its liability be affected, by anything which would not discharge it or affect its liability if it were the sole principal debtor hereunder.

10.4 The Guarantor agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of any other provisions hereto or to any LC Issuance Document or any change in or amendment hereto or to any LC Issuance Document made in accordance with this Agreement.

10.5 The Guarantor's obligations under this Agreement are, and will remain, in full force and effect by way of continuing security until no sum remains payable by the Payer under this Agreement. This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Payee.

10.6 The Guarantor, in respect of each Letter of Credit issued or deemed issued under the LC Issuance Agreement, unconditionally and irrevocably:

- agrees that its obligations under this Agreement shall not be affected by any act, omission, matter or thing which but
- (a) for this provision might operate to release, prejudice or otherwise exonerate the Guarantor from its obligations under this Agreement, in whole or in part, including without limitation and whether or not known to the Guarantor:
 - (i) any time or waiver granted to or composition with the Payee, the LC Bank, the beneficiary of any such Letter of Credit or any other person;

- (ii) the release of the Guarantor or any other person under the terms of any composition or arrangement with any creditor;
any taking, variation, compromise, exchange, renewal or release of, refusal or neglect to perfect, take-up or
- (iii) enforce, any rights, remedies or securities available to the Payee or any other person or arising under any such Letter of Credit;
any variation or extension of or increase in liabilities under any such Letter of Credit made with the prior
- (iv) written consent of the Guarantor, so that references in this Agreement to the same shall include each such variation, extension and variation;
- (v) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any beneficiary under a Letter of Credit or any other person; or
- (vi) any insolvency or similar proceedings.

11. REPRESENTATIONS AND WARRANTIES

- 11.1 Each of the Payer and the Guarantor makes the representations and warranties set out in this Clause 11.1 to the Payee on the date of this Agreement:
- (a) it is a limited liability corporation, duly incorporated and validly existing under the law of its jurisdiction of incorporation and it has the power to own its assets and carry on its business as it is being conducted;
it has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Agreement and the transactions contemplated by this Agreement and this
 - (b) Agreement constitutes a legal, valid and binding agreement of it, enforceable in accordance with its terms (save for customary exceptions relating to the rights of creditors generally and the application of insolvency laws);
no litigation, arbitration or administrative proceedings or investigations of, or before, any court, arbitral body or
 - (c) agency which, if adversely determined, are reasonably likely to have a Material Adverse Effect have (to the best of its knowledge and belief (having made due and careful enquiry)) been started or threatened against it;
 - (d) it has not breached any law or regulation which if breached has or is reasonably likely to have a Material Adverse Effect;
it and its subsidiaries are not in violation or default of: (i) any provision of its or its subsidiaries' organizational documents; (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or bound or to which its
 - (e) property is subject; or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to it or any of its subsidiaries of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over it or such subsidiary or any of its properties, as applicable, except, in each case, for any such default or violation that would not, individually or in the aggregate, have a Material Adverse Effect;
the execution of this Agreement and the performance of the obligations hereunder do not conflict with, result in a breach or violation or imposition of any lien, charge or encumbrance upon any property or assets of it or any of its subsidiaries pursuant to: (i) its or its subsidiaries' organizational documents; (ii) the terms of any indenture,
 - (f) contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it or any of its subsidiaries is a party or bound or to which its or their property is subject; or (iii) any statute, law, rule, regulation, judgment, order or decree of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over it or any of its subsidiaries or any of its or their properties;
no order has been made and no resolution has been passed for the winding up of it or for a provisional liquidator or manager to be appointed in respect of it and no petition has been presented and no meeting has been convened for the purpose of considering the winding up of it; no receiver, administrator or manager (which expression shall
 - (g) include an administrative receiver) has been appointed in respect of all or any of its assets, no petition for such appointment has been presented in respect of it nor has any power of sale or power to appoint a receiver or manager under the terms of any mortgage, charge or other security in respect of all or any of its assets become exercisable;
 - (h) it has not admitted itself to be unable to pay its debts as they fall due, nor has it failed to pay its debts when due, nor is it otherwise liable to be found unable to pay its debts in accordance with applicable Bankruptcy Laws;
 - (i) no creditor has taken steps to enforce any debt or other sum owed by it or any member of the Group and there exists no circumstances which would entitle a holder of such debt to take any such steps; and
 - (j) it has not suspended or ceased or threatened to suspend or cease to carry on all or a material part of its business.
- 11.2 The Payee makes the representations and warranties set out in this Clause 11.2 to the Payer and the Guarantor on the date of this Agreement:

- it is duly incorporated and validly existing under the laws of its place of incorporation with full power and authority to conduct its business, to enter into Transaction Documents to which it is a party and to perform any acts incidental
- (a) or necessary in connection thereto and is lawfully qualified to do business in those jurisdictions in which business is conducted by it and to execute, deliver and perform its trusts, powers, authorities, duties, discretions and obligations under the Transaction Documents to which it is a party;
- (b) no insolvency official (including, without limitation, any receiver (*curateur*), liquidator (*liquidateur*), auditor (*commissaire*), verifier (*expert-vérificateur*), *juge délégué* or *juge commissaire*) has been appointed with respect to it or any of the assets and no action or proceedings for such appointment is pending or, to its knowledge, threatened and no insolvency proceeding has occurred with respect to it;
- (c) the Transaction Documents to which it is a party have been duly authorised and executed by the Payee and constitute valid, legally binding and enforceable obligations of the Payee, except as limited by bankruptcy, insolvency, examinership or other similar laws of general applicability affecting the enforcement of creditors' rights generally and by court's discretion in relation to equitable remedies and subject to mandatory Luxembourg law provisions;
- (d) all authorisations, consents and approvals required by the Payee in connection with (i) the execution of the Transaction Documents to which it is a party and (ii) the performance by the Payee of the trusts, powers, authorities, duties, discretions and obligations expressed to be undertaken by it under the Transaction Documents to which it is a party are in full force and effect;
- (e) the execution and delivery of the Transaction Documents to which it is a party and the carrying out of the other transactions contemplated by the Transaction Documents to which it is a party and compliance with their terms do not and will not to the best of its knowledge:
- (i) conflict with or result in a breach of any of the terms or provisions of, or constitute a default under any indenture, mortgage or other agreement or instrument to which the Payee is a party or by which it or any of its assets is bound;
 - (ii) infringe any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental body or court, domestic or foreign, having jurisdiction over the Payee or any of its assets; or
 - (iii) except as expressly provided in the Transaction Documents to which it is a party, result in the creation or imposition of any security interest in any of its assets;
- there are no pending actions, suits or proceedings against or affecting the Payee which, if determined adversely to the Payee, could individually or in the aggregate have an adverse effect on the condition (financial or other), prospects, results of operations or general affairs of the Payee or would adversely affect the ability of the Payee to
- (f) perform its trusts, powers, authorities, duties, discretions and obligations under the Transaction Documents to which it is a party or which are otherwise material in the context of the execution and performance of the Transaction Documents to which it is a party and, to the best of the Payee's knowledge, no such actions, suits or proceedings are threatened or contemplated;
- (g) no event has occurred which constitutes, or which with the giving of notice and/or the lapse of time and/or a relevant determination would constitute, a contravention of, or default under, any agreement or instrument by which it or any of its assets is bound or affected, being a contravention or default which might:
- (i) have a material adverse effect on the business, assets or condition of it;
 - (ii) materially and adversely affect its ability to observe or perform its trusts, powers, authorities, duties, discretions and obligations under any Transaction Document to which it is a party; or
 - (iii) be material in the context of the execution and performance of the Transaction Documents to which it is a party.

12. COVENANTS

- So long as any amount payable under this Agreement remains outstanding, the Guarantor shall not create, incur, assume or permit to subsist any security upon the whole or any part of its assets to secure:
- 12.1 (a) any Relevant Debt; or
(b) any guarantees in respect of any Relevant Debt, in each case without the prior written consent of the Payee (such consent not to be unreasonably withheld or delayed).
- 12.2 The Payer and the Guarantor shall notify the Payee in writing immediately upon becoming aware of the occurrence of any Early Termination Event.
- 12.3 The Payer and the Guarantor shall send to the Payee at the time of their issue, and in the case of annual audited financial statements in any event (in relation to the Guarantor) within 180 days of the end of each financial year and

(in relation to the Payer) within such period as the same are required to be provided to shareholders under English law, one copy of every balance sheet and profit and loss account.

12.4 The Guarantor shall give to the Payee a report, signed by any officer of the Guarantor, or, upon the request of the Payee, a certificate of its auditors, listing its subsidiaries and those subsidiaries of the Guarantor which as at the last day of the last financial year of the Guarantor or as at the date or throughout any period specified in such request, as the case may be, were Material Subsidiaries. The Payee may rely on such certificate without further enquiry of liability.

12.5 The Guarantor shall ensure that the Payer remains a wholly-owned subsidiary of the Guarantor.

12.6 Each of the Payer and the Guarantor will cause all properties used or useful in the conduct of their respective businesses to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will make all necessary repairs, renewals, replacements, betterments and improvements thereto, which in the judgment of the Payer or the Guarantor, as the case may be, may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Clause 12.6 shall prevent the Payer or the Guarantor from discontinuing the operation or maintenance of any of such properties if such discontinuance is, in the judgement of the Payer or the Guarantor, desirable in the conduct of its business.

12.7 Each of the Payer and the Guarantor will pay or discharge, or cause to be paid or discharged, before the same may become delinquent: (i) all taxes, assessments and governmental charges levied or imposed upon it or upon its income, profits or property; (ii) all claims for labour, materials and supplies which, if unpaid, might by law become a lien or charge upon its property; and (iii) all stamp duty and other duties, if any, which may be imposed by the United States or any political subdivision thereof or therein in connection with the issuance, transfer, exchange or conversion of any securities; provided, however, that, in the case of sub-paragraphs (i) and (ii) above, neither the Payer nor the Guarantor shall be required to pay or discharge, or cause to be paid or discharged, any such tax, assessment, charge or claim if: (A) the failure to do so will not, in the aggregate, have a material adverse impact on the Payer or the Guarantor; or (B) the amount, applicability or validity is being contested in good faith by appropriate proceedings.

12.8 The Payee undertakes in favour of the Payer and the Guarantor that it shall:

- (a) not permit the validity or effectiveness of any LC Issuance Document to which it is a party to be impaired; except pursuant to the Transaction Documents, not issue, assume or guarantee any indebtedness which is secured
- (b) over, or for which the Payee grants any preferential right or option over, the Payee's rights and interests under the Transaction Documents nor assign, transfer or dispose of any of such rights and interests; and
- (c) not consolidate with or merge into any other corporation.

12.9 None of the Payer, Guarantor, Payee or any of their respective affiliates or representatives shall issue any public press release or public announcement concerning this Agreement or the transactions contemplated hereby without obtaining the prior written approval of the other parties hereto, such approval shall not be unreasonably withheld or delayed, except where, disclosure is required by applicable law or by the applicable rules of any stock exchange.

12.10 The Payer, Guarantor and Payee agree that the terms of this Agreement shall not be disclosed or otherwise made available to the public and that copies of this Agreement shall not be publicly filed or otherwise made available to the public, except where such disclosure, availability or filing is required by applicable Law or rules of a stock exchange and only to the extent required by such law or stock exchange rules.

13. EARLY TERMINATION EVENTS

If any of the following events has occurred and is continuing (each an “**Early Termination Event**”), the Payee may give notice to the Payer and the Guarantor notifying the Payer and the Guarantor that the outstanding amounts due under this Agreement (together with accrued fees, costs and expenses) are immediately due and payable and declare that full payment in respect of each Letter of Credit and any outstanding Relevant Fees shall be provided by the Payer immediately and whereupon such amounts shall become immediately due and payable by the Payer:

- (a) the Payer or the Guarantor does not pay on the due date any amount payable pursuant to this Agreement, unless its failure to pay is caused by administrative or technical error only and payment is made within five (5) Business Days of its due date;
- (b) the Payer or the Guarantor defaults in the performance and observance of or compliance with any of its other obligations under Clause 12 (*Covenants*) applicable to it, and such default is incapable of remedy or, if in the reasonable determination of the Payee such default is capable of remedy, is not remedied within twenty five (25) calendar days following the date on which written notice specifying such default was delivered to the Payer or the Guarantor by the Payee;

- (c) the Guarantor pursuant to or under the meaning of the Bankruptcy Law:
 - (i) commences a voluntary case or proceeding;
 - (ii) consents to the entry of an order for relief against it in an involuntary case or proceeding or the commencement of any case against it;
 - (iii) consents to the appointment of a Custodian of it or for any substantial part of its property;
 - (iv) makes a general assignment for the benefit of its creditors;
 - (v) files a petition in bankruptcy or answer or consent seeking reorganisation or relief; or
 - (vi) consents to the filing of such a petition or the appointment of or taking possession by a Custodian.
- (d) a court of competent jurisdiction enters an order or decree under U.S. Bankruptcy Law:
 - (i) for relief against the Guarantor in an involuntary case or proceeding;
 - (ii) appoints a Custodian in respect of the Guarantor;
 - (iii) orders the winding up or liquidation of the Guarantor,
 - and the order or decree remains unstayed and in effect for 60 days.
 - (i) an order is made by a competent court or a resolution is passed for the winding-up or dissolution of the Payer, save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms
- (e) previously approved in writing by the Payee; or (ii) a formal notice is given of an intention to appoint an administrator or an application is made or petition is lodged or documents are filed with the court or administrator in relation to the Payer;
- (f) an event occurs which under applicable laws has (in the reasonable opinion of the Payee) an analogous effect to any of the events referred to in paragraphs (c) to (e) above;
 - the Guarantor or any Material Subsidiary: (i) fails to make any payment by the end of the applicable grace period, if any, after the final scheduled payment date for such payment with respect to any indebtedness for borrowed money in an aggregate amount in excess of US\$5,000,000; or (ii) indebtedness for borrowed money of the Payer, the
- (g) Guarantor or any Material Subsidiary in an aggregate amount in excess of US\$5,000,000 has been accelerated or otherwise declared due and payable, or required to be prepaid or redeemed (other than by regularly scheduled required prepayment) prior to the schedule maturity thereof as a result of a default with respect to such indebtedness;
- (h) the guarantee provided by the Guarantor under this Agreement is not in full force and effect; or
- (i) it becomes unlawful for the Payer or the Guarantor to perform or comply with any of its obligations under this Agreement.

14. COSTS OF PARTIES

The Payer hereby agrees to bear and pay for all of the fees, costs and expenses (including legal fees, subject to a cap of US\$ 100,000 in respect of the legal fees of the Payee and its affiliates and representatives and of the LC Bank for the negotiation and completion of this Agreement and the LC Issuance Documents) incurred by the Payee, the Payer, the Guarantor and each of their respective affiliates and representatives in connection with the negotiation and completion of this Agreement and the LC Issuance Documents, any amendment or variation of this Agreement or the LC Issuance Documents requested by the Payer and any enforcement of, or the preservation of, any rights of the Payee under this Agreement.

15. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this Agreement shall, unless otherwise expressly provided in this Agreement, have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

16. LIMITED RECOURSE

The only assets of the Payee available to meet any claims of the Payer against the Payee under or in respect of this Agreement will be the Payee's assets. Any claim remaining unsatisfied after the realisation of the Payee's assets shall be extinguished and thereafter it shall have no further claim against the Payee.

This Agreement is a corporate obligation of each of the respective parties to it. No party to this Agreement shall have any recourse in respect of any obligation, covenant or agreement of any other party, expressed or implied, under this Agreement against any direct or indirect shareholder or other economic beneficial owner or any officer, agent, employee or director of any other party or any such shareholder or economic beneficial owner in their capacity as such and each of the parties agrees that no personal liability shall attach to or be incurred by any such persons of them in respect of, or of any breach of, any such obligation, covenant or agreement.

16.3 The provisions of this Clause 16 shall survive the termination of this Agreement.

17. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

18. NOTICES.

Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be

18.1 in writing (including facsimile), in English and may be given in person, or sent by facsimile, or sent by way of letter sent by registered post, if to:

the Payer, to Endeavour Energy UK Limited, 114 St. Martin’s Lane, London WC2N 4BE, England, Attention:

- (a) Cathy Stubbs, Facsimile: 44 20 7451 2351, with a copy to Endeavour International Corporation, 811 Main Street, Suite 2100, Houston, Texas 77002, Attention: Cathy Stubbs, Facsimile: (713) 307-8794;
- (b) the Guarantor, to Endeavour International Corporation, 811 Main Street, Suite 2100, Houston, Texas 77002, Attention: Cathy Stubbs, Facsimile: (713) 307-8794; and
- (c) the Payee, to Max Participations II S.à r.l., 9, rue Basse L-4963 Clemency, Luxembourg, Attention: Jean-Philippe Poncelet, Facsimile (352) 26 65 72-27, with a copy to HBK Capital Management, 2101 Cedar Springs Road, Suite 700, Dallas Texas 75201, Attention: Legal Department, Facsimile: (214) 758-1207.

18.2 Any party may change its contact details by giving five (5) Business Days’ notice to the other party.

All such notices and communications shall be effective, if given in person, upon delivery, if sent by way of fax, upon

18.3 receipt of a correct transmission report, and if sent by way of registered letter, three (3) Business Days after being deposited in the post postage prepaid in an envelope addressed to the recipient at the address specified at Clause 18.1.

19. GOVERNING LAW AND JURISDICTION

19.1 This Agreement and any non-contractual obligations arising out of or in relation to this Agreement are governed by English law.

19.2 The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement) (a “**Dispute**”).

19.3 The parties to this Agreement agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no party will argue to the contrary.

Without prejudice to any other mode of service allowed under any relevant law, the Guarantor irrevocably appoints the Payer and the Payee irrevocably appoints HBK Europe Management LLP of 103-105 Jermyn Street, London SW1Y

19.4 6EE in each case as its agent for service of process in relation to any proceedings before the English courts in connection with this Agreement; and (ii) agrees that failure by any process agent to notify it of the process will not invalidate the proceedings concerned.

{Remainder of this Page Intentionally Left Blank}

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as a deed on the date first written above.

SIGNED AND DELIVERED AS A DEED

for and on behalf of

ENDEAVOUR ENERGY UK LIMITED

as the Payer

acting by /s/ Cathy Stubbs

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)
)
)
)

In the presence of:

Signature of witness:

/s/ Praveen Martis Name of witness (in **BLOCK**

CAPITALS)

PRAVEEN MARTIS

Address of witness:

Endeavour Energy Brettenham House, South Entrance

4th Floor, Lancaster Place London, WC2E 7EN

SIGNED AND DELIVERED AS A DEED

for and on behalf of

)
)

MAX PARTICIPATIONS II S.À R.L.

as the Payee

acting by /s/ Jean Philippe Poncelet

Jean Philippe Poncelet

In the presence of:

Signature of witness:

/s. Philippe Vanderhoven Name of witness (in **BLOCK**

CAPITALS)

PHILIPPE VANDERHOVEN

Address of witness:

9 Rue Barre

L-4963 Clemency Luxembourg

SIGNED AND DELIVERED AS A DEED

for and on behalf of

ENDEAVOUR INTERNATIONAL CORPORATION

as the Guarantor

acting by /s/ Cathy Stubbs

In the presence of:

Signature of witness:

/s/ Praveen Martis

.....
Name of witness

(in **BLOCK CAPITALS)**

PRAVEEN MARTIS

.....
Address of witness:

Endeavour Energy

Brettenham House, South Entrance

.....
4th Floor, Lancaster Place

London, WC2E 7EN

**SCHEDULE 1
CONDITIONS PRECEDENT**

1. CORPORATE DOCUMENTS

The following documents shall be delivered to the Payee:

- 1.1 Board resolutions of each of the Payer and the Guarantor:
 - 1.1.1 approving the terms of, and the transactions contemplated by this Agreement;
 - 1.1.2 authorising a specified person or persons to execute each such document on its behalf; and
 - 1.1.3 authorising a specified person or persons, on its behalf, to sign and/or dispatch all other documents and notices to be signed and/or dispatched by it under or in connection with any such document.
- 1.2 A specimen signature of each person authorised by such board resolution referred to above.
- 1.3 A copy of the constitutional documents of each of the Payer and the Guarantor.
- 1.4 A certificate of an authorised signatory of each of the Payer and the Guarantor certifying on behalf of the relevant company that:
 - 1.4.1 each copy document referred to in paragraphs 1.1, 1.2 and 1.3 for that company above is correct, complete and in full force and effect at a date no earlier than the date of this Agreement;
 - 1.4.2 no Early Termination Event has occurred or is continuing; and

1.4.3 the representations and warranties contained in Clause 11.1 (*Representations and warranties*) are true in all material respects.

1.5 A certificate of good standing under the laws of the State of Nevada in respect of the Guarantor.

2. TRANSACTION DOCUMENTS

Copies of the following documents duly executed by all parties thereto and in full force and effect shall be delivered to the Payee:

2.1 this Agreement;

2.2 the LC Issuance Agreement in the form agreed between the parties thereto and the Guarantor; and

2.3 a warrant agreement executed by the Guarantor, together with the warrants duly issued thereunder.

3. LEGAL OPINIONS

The following documents shall be delivered to the Payee:

3.1 Legal opinion of Woodburn & Wedge, Nevada legal counsel to the Guarantor, as to the capacity and due authorisation of the Guarantor to enter into this Agreement.

3.2 Legal opinion of Vinson & Elkins RLLP, English counsel to the Payer, as to the capacity and due authorisation of the Payer to enter into this Agreement and the enforceability of this Agreement under English law.

SCHEDULE 2

FORM OF EACH LETTER OF CREDIT

PART A - FORM OF LETTER OF CREDIT 1

To: Hess Limited (the “**Beneficiary**”) Date:

Dear Sirs,

Irrevocable Standby Letter of Credit no. []

At the request of Endeavour Energy UK Limited, we [___] (the “**Issuing Bank**”) hereby issue this irrevocable standby letter of credit (“**Letter of Credit**”) [] in your favour on the following terms and conditions:

1. DEFINITIONS

In this Letter of Credit:

“**Business Day**” means a day (other than a Saturday or a Sunday) on which banks are open for general business in [___].

“**Demand**” means a demand for a payment under this Letter of Credit.

“**Expiry Date**” means [___].

“**Total L/C Amount**” means £2,100,000.

2. ISSUING BANK'S AGREEMENT

2.1 The Beneficiary may request a drawing or drawings under this Letter of Credit by giving to the Issuing Bank a duly completed Demand. A Demand may not be given after the Expiry Date.

2.2 A Demand must be received at the latest by the Issuing Bank by 5.00 p.m. ([___] time) on any Business Day falling on or before the Expiry Date.

2.3 Subject to the terms of this Letter of Credit, the Issuing Bank unconditionally and irrevocably undertakes to the Beneficiary that, within five Business Days of receipt by it of a Demand validly presented under this Letter of Credit, it must pay to the Beneficiary the amount of the Demand. Demand(s) in excess of the Total L/C Amount are acceptable, provided that the Issuing Bank shall not be obliged to make a payment(s) hereunder exceeding in aggregate the Total L/C Amount.

3. EXPIRY

3.1 On 5.00 p.m. ([___] time) on the Expiry Date the obligations of the Issuing Bank under this Letter of Credit will cease with no further liability on the part of the Issuing Bank except for any Demand validly presented under the Letter of Credit that remains unpaid.

3.2 The Issuing Bank will be released from its obligations under this Letter of Credit on the date prior to the Expiry Date (if any) notified by the Beneficiary to the Issuing Bank as the date upon which the obligations of the Issuing Bank under this Letter of Credit are released.

3.3 The Issuing Bank may at any time without being required to do so, pay to the Beneficiary the Total L/C Amount less any amount it may have already paid under this Letter of Credit and thereupon the Issuing Bank's obligations under this Letter of Credit will immediately cease with no further liability on the part of the Issuing Bank.

3.4 When the Issuing Bank is no longer under any obligation under this Letter of Credit, the Beneficiary must return the original of this Letter of Credit to the Issuing Bank.

4. PAYMENTS

4.1 All payments under this Letter of Credit must be made in GBP and for value on the due date to the account nominated by the Beneficiary in the Demand.

4.2 All issuing banking charges and commissions are for the account of the applicant. All other charges are for Beneficiary's account.

5. DELIVERY OF DEMAND

Each Demand must be delivered to our offices at:

[____]

6. ASSIGNMENT

The Beneficiary's rights under this Letter of Credit may not be assigned or transferred.

7. ISP

Except to the extent it is inconsistent with the express terms of this Letter of Credit, this Letter of Credit is subject to the International Standby Practices (ISP 98).

8. GOVERNING LAW

This Letter of Credit is governed by and shall be construed in accordance with English law.

9. JURISDICTION

The English courts have exclusive jurisdiction to settle any dispute in connection with this Letter of Credit.

Yours faithfully

.....
For and on behalf of

[____]

PART B - FORM OF LETTER OF CREDIT 2

To: Hess Limited (the "Beneficiary") Date:

Dear Sirs,

Irrevocable Standby Letter of Credit no. []

At the request of Endeavour Energy UK Limited, we [____] (the "Issuing Bank") hereby issue this irrevocable standby letter of credit ("Letter of Credit") [] in your favour on the following terms and conditions:

1. DEFINITIONS

In this Letter of Credit:

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are open for general business in [____].

"Demand" means a demand for a payment under this Letter of Credit.

"Expiry Date" means [____].

"Total L/C Amount" means £6,600,000.

2. ISSUING BANK'S AGREEMENT

2.1 The Beneficiary may request a drawing or drawings under this Letter of Credit by giving to the Issuing Bank a duly completed Demand. A Demand may not be given after the Expiry Date.

2.2 A Demand must be received at the latest by the Issuing Bank by 5.00 p.m. [____] on any Business Day falling on or before the Expiry Date.

Subject to the terms of this Letter of Credit, the Issuing Bank unconditionally and irrevocably undertakes to the Beneficiary that, within five Business Days of receipt by it of a Demand validly presented under this Letter of Credit, it
2.3 must pay to the Beneficiary the amount of the Demand. Demand(s) in excess of the Total L/C Amount are acceptable, provided that the Issuing Bank shall not be obliged to make a payment(s) hereunder exceeding in aggregate the Total L/C Amount.

3. EXPIRY

On 5.00 p.m. ([____]) on the Expiry Date the obligations of the Issuing Bank under this Letter of Credit will cease with
3.1 no further liability on the part of the Issuing Bank except for any Demand validly presented under the Letter of Credit that remains unpaid.

The Issuing Bank will be released from its obligations under this Letter of Credit on the date prior to the Expiry Date (if
3.2 any) notified by the Beneficiary to the Issuing Bank as the date upon which the obligations of the Issuing Bank under this Letter of Credit are released.

The Issuing Bank may at any time without being required to do so, pay to the Beneficiary the Total L/C Amount less
3.3 any amount it may have already paid under this Letter of Credit and thereupon the Issuing Bank's obligations under this Letter of Credit will immediately cease with no further liability on the part of the Issuing Bank.

3.4 When the Issuing Bank is no longer under any obligation under this Letter of Credit, the Beneficiary must return the original of this Letter of Credit to the Issuing Bank.

4. PAYMENTS

4.1 All payments under this Letter of Credit must be made in GBP and for value on the due date to the account nominated by the Beneficiary in the Demand.

4.2 All issuing banking charges and commissions are for the account of the applicant. All other charges are for Beneficiary's account.

5. DELIVERY OF DEMAND

Each Demand must be delivered to our offices at:
[____]

6. ASSIGNMENT

The Beneficiary's rights under this Letter of Credit may not be assigned or transferred.

7. ISP

Except to the extent it is inconsistent with the express terms of this Letter of Credit, this Letter of Credit is subject to the International Standby Practices (ISP 98).

8. GOVERNING LAW

This Letter of Credit is governed by and shall be construed in accordance with English law.

9. JURISDICTION

The English courts have exclusive jurisdiction to settle any dispute in connection with this Letter of Credit.

Yours faithfully

.....
For and on behalf of
[____]

PART C - LETTER OF CREDIT 3

To: Hess Limited (the "Beneficiary") Date:

Dear Sirs,

Irrevocable Standby Letter of Credit no. []

At the request of Endeavour Energy UK Limited, we [____] (the "Issuing Bank") hereby issue this irrevocable standby letter of credit ("Letter of Credit") [] in your favour on the following terms and conditions:

1. DEFINITIONS

In this Letter of Credit:

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are open for general business in [____].

"Demand" means a demand for a payment under this Letter of Credit.

"Expiry Date" means [____].

"Total L/C Amount" means £11,900,000.

2. ISSUING BANK'S AGREEMENT

2.1 The Beneficiary may request a drawing or drawings under this Letter of Credit by giving to the Issuing Bank a duly completed Demand. A Demand may not be given after the Expiry Date.

2.2 A Demand must be received at the latest by the Issuing Bank by 5.00 p.m. ([____]) on any Business Day falling on or before the Expiry Date.

Subject to the terms of this Letter of Credit, the Issuing Bank unconditionally and irrevocably undertakes to the Beneficiary that, within five Business Days of receipt by it of a Demand validly presented under this Letter of Credit, it
2.3 must pay to the Beneficiary the amount of the Demand. Demand(s) in excess of the Total L/C Amount are acceptable, provided that the Issuing Bank shall not be obliged to make a payment(s) hereunder exceeding in aggregate the Total L/C Amount.

3. EXPIRY

On 5.00 p.m. ([____]) on the Expiry Date the obligations of the Issuing Bank under this Letter of Credit will cease with
3.1 no further liability on the part of the Issuing Bank except for any Demand validly presented under the Letter of Credit that remains unpaid.

The Issuing Bank will be released from its obligations under this Letter of Credit on the date prior to the Expiry Date (if
3.2 any) notified by the Beneficiary to the Issuing Bank as the date upon which the obligations of the Issuing Bank under this Letter of Credit are released.

- The Issuing Bank may at any time without being required to do so, pay to the Beneficiary the Total L/C Amount less any amount it may have already paid under this Letter of Credit and thereupon the Issuing Bank's obligations under this Letter of Credit will immediately cease with no further liability on the part of the Issuing Bank.
- When the Issuing Bank is no longer under any obligation under this Letter of Credit, the Beneficiary must return the original of this Letter of Credit to the Issuing Bank.

4. PAYMENTS

- All payments under this Letter of Credit must be made in GBP and for value on the due date to the account nominated by the Beneficiary in the Demand.
- All issuing banking charges and commissions are for the account of the applicant. All other charges are for Beneficiary's account.

5. DELIVERY OF DEMAND

Each Demand must be delivered to our offices at:
[____]

6. ASSIGNMENT

The Beneficiary's rights under this Letter of Credit may not be assigned or transferred.

7. ISP

Except to the extent it is inconsistent with the express terms of this Letter of Credit, this Letter of Credit is subject to the International Standby Practices (ISP 98).

8. GOVERNING LAW

This Letter of Credit is governed by and shall be construed in accordance with English law.

9. JURISDICTION

The English courts have exclusive jurisdiction to settle any dispute in connection with this Letter of Credit.

Yours faithfully

.....
For and on behalf of
[____]

**ENDEAVOUR INTERNATIONAL CORPORATION
WARRANT AGREEMENT FOR THE PURCHASE OF
SHARES OF
COMMON STOCK**

BY THIS WARRANT AGREEMENT (this “**Warrant Agreement**”), ENDEAVOUR INTERNATIONAL CORPORATION, a Nevada corporation (the “**Company**”), certifies that, for good and valuable consideration in connection with the letters of credit issued on the date hereof to Hess Limited for the benefit of the Company’s subsidiary, Endeavour Energy UK Limited, the receipt and sufficiency of which are hereby acknowledged, HBK Master Fund L.P. (along with its registered permitted assigns, each a “**Holder**”), is entitled to subscribe for and purchase from the Company, subject to the terms and conditions set forth herein, 1,000,000 (subject to adjustment as set forth herein) fully paid and non-assessable shares (the “**Shares**”) of the Company’s Common Stock (as defined herein), at a price per share equal to US\$7.31 per Share (the “**Exercise Price**”), subject to adjustment as set forth herein.

1. **Definitions.** Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated.

“**Accredited Investor**” has the meaning set forth for such term in Rule 501 of Regulation D under the Securities Act (but excluding for such purposes Rule 501(a)(4) thereunder), as such rule may be amended, modified or superseded from time to time.

“**Affiliate**” means, as to any Person, any other Person which, directly or indirectly, controls, or is controlled by, or is under common control with, such Person (for this purpose, “**control**” (including, with its correlative meanings, “**controlled by**” and “**under common control with**”) shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person, whether through the ownership or voting of securities or partnership or other ownership interests, by contract or otherwise), and with respect to a Person who is an investment fund, any investment fund whose investments are managed by such Person’s investment advisor.

“**Board**” means the Board of Directors of the Company.

“**Business Day**” means a day (other than a Saturday or a Sunday) on which banks are open for general business in New York, New York (USA) and Houston, Texas (USA). If any time period or payment is to be made on a day which is not a Business Day, that period will instead end on, or such payment shall be made on, the next Business Day.

“**Buy-In**” has the meaning set forth in Section 2(e).

“**Cashless Exercise Notice**” has the meaning set forth in Section 2(c)(ii).

“**Cashless Exercise Right**” has the meaning set forth in Section 2(c)(i).

“**Cashless Exercise Shares**” has the meaning set forth in Section 2(c)(i).

“**Closing Price**” means the closing sale price (or, if no closing sale price is reported, the last sale price) of the Common Stock on the New York Stock Exchange on such date, or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, but is traded in the over-the-counter market, the closing sale price of such Common Stock or, if no sale is publicly reported, the average of the closing bid and asked quotations for such Common Stock during such date, as reported by the National Association of Securities Dealers Automated Quotation System (“**NASDAQ**”) or any comparable system or, if such Common Stock is not listed on NASDAQ or a comparable system, the average closing sale price of the Common Stock during the previous one (1) month, or, if no sales are publicly reported, the average of the closing bid and asked prices, as furnished by two members of the Financial Industry Regulatory Authority, Inc. who make a market in such Common Stock selected from time to time by the Company for that purpose

“**Common Stock**” means the Company’s common stock, par value US\$0.001 per share.

“**Common Stock Equivalents**” means Common Stock and all shares of Common Stock issuable upon conversion, exercise or exchange of all options, warrants or other securities convertible into or exercisable or

exchangeable for shares of Common Stock or other securities of the Company that are convertible into or exercisable or exchangeable for shares of Common Stock.

“**Company Offer**” has the meaning set forth in Section 4(b).

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

“**Exercise Notice**” has the meaning set forth in Section 2(b).

“**Exercise Price**” means the initial Exercise Price specified in the first paragraph of this Warrant Agreement, as adjusted from time to time as provided in Section 8.

“**Expiration Time**” means 5:30 p.m., local time in Houston, Texas (USA), on January 9, 2018.

“**Market Price**” has the meaning set forth in Section 8(d).

“**Maximum Percentage**” has the meaning set forth in Section 2(f).

“**Other Property**” has the meaning set forth in Section 9.

“**Person**” means an individual or a corporation, partnership, trust, incorporated or unincorporated association, limited liability company, joint venture, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

“**ROFR Notice**” has the meaning set forth in Section 4(b).

“**Securities Act**” means the U.S. Securities Act of 1933, as amended.

“**Shares**” has the meaning set forth in the first paragraph of this Warrant Agreement.

“**Third Party Offer**” has the meaning set forth in Section 4(b).

“**Trading Day**” means a day on which trading in the Common Stock generally occurs on the New York Stock Exchange.

“**Warrant**” has the meaning set forth in the Warrant Certificate.

“**Warrant Certificate**” means a Warrant Certificate in substantially the form attached hereto as Exhibit A.

“**Warrant Register**” has the meaning set forth in Section 4.

2. Exercise of Warrant; Company Office; Expiration.

(A) General. A Warrant may be exercised at any time or from time to time on or after the date hereof and shall remain exercisable thereafter until the Expiration Time, as to the entire number or any lesser number of whole Shares covered by the Warrant Certificate. A Warrant shall be deemed exercised in full on a cashless basis pursuant to Section 2(c) immediately prior to the Expiration Time if such exercise would result in the issuance of any Common Stock or other consideration (if not previously exercised in full); if such exercise would not result in such issuance, then such Warrant shall expire and be deemed cancelled immediately after the Expiration Time. Any exercise pursuant to this Section 2 shall be in compliance with applicable federal and state securities laws and in accordance with a valid exemption from registration in connection with the issuance of such Shares, and the Company may refuse to give effect to any exercise of a Warrant pursuant to this Warrant Agreement in the event that the Company reasonably believes that such exercise would not be consistent with the foregoing.

(b) Cash Exercise. Subject to the last sentence in this Section 2(b), at any time prior to the Expiration Time, the Holder may exercise a Warrant, in whole or in part, by delivering to the Company at its principal executive offices or at such other office or agency designated in writing by the Company the following:

(i) the Warrant Certificate evidencing such Warrants together with the Exercise Notice attached to the Warrant Certificate as Annex I (an “**Exercise Notice**”), properly completed and executed by the Holder thereof or by the duly appointed legal representative thereof or by a duly authorized attorney, and (ii) the payment in full of the aggregate Exercise Price by wire transfer for each such Warrant exercised and any other amounts required to be paid pursuant hereto.

(c) Cashless Exercise.

(i) Except as otherwise provided in this Section 2(c), at any time and from time to time prior to the Expiration Time, in lieu of payment of the Exercise Price, a Holder shall have the right (but not the obligation) to require the Company to allow the exercise of a Warrant, in whole or in part, for Shares (the “**Cashless Exercise Right**”) as provided for in this Section 2(c). Upon exercise of the Cashless

Exercise Right by a Holder, the Company shall deliver to the Holder (without payment by the Holder of any of the Exercise Price) that number of Shares (the “**Cashless Exercise Shares**”) equal to the quotient obtained by dividing (x) the net value of the aggregate Shares (or portion thereof as to which the Cashless Exercise Right is being exercised if the Cashless Exercise Right is being exercised in part) at the time the Cashless Exercise Right is exercised (determined by subtracting (A) the sum of the aggregate Exercise Price of the Shares as to which the Cashless Exercise Right is being exercised in effect immediately prior to the exercise of the Cashless Exercise Right from (B) the aggregate Market Price of the Shares as to which the Cashless Exercise Right is being exercised immediately prior to the exercise of the Cashless Exercise Right) by (y) the Market Price of one Share immediately prior to the exercise of the Cashless Exercise Right.

(ii) In order to exercise the Cashless Exercise Right, a Holder shall surrender to the Company at its principal executive offices or at such other office or agency designated in writing by the Company the following: the Warrant Certificate evidencing such Warrants together with the Cashless Exercise Notice attached to the Warrant Certificate as Annex II (a “**Cashless Exercise Notice**”), properly completed and executed by the Holder or Holders thereof or by the duly appointed legal representative thereof or by a duly authorized attorney. The presentation and surrender of the Cashless Exercise Notice shall be deemed a waiver of the Holder’s obligation to pay all or any portion of the aggregate purchase price payable for the Shares as to which such Cashless Exercise Right is being exercised. Notwithstanding anything to the contrary herein, the Warrants shall be deemed to be exercised in accordance with this Section 2(c) and the Holders thereof shall be deemed to have exercised their Cashless Exercise Right immediately prior to the Expiration Time if the net value of the aggregate Shares (determined in accordance with Section 2(c)(i) above) is a positive amount as of the Expiration Time. The Warrants (or so much thereof as shall have been surrendered for exercise or deemed to have been exercised pursuant to this Section 2(c)(ii)) shall be deemed to have been exercised immediately prior to the close of business on the earlier of (A) the day of surrender of the Cashless Exercise Notice and such Warrant Certificate for conversion in accordance with the foregoing provisions and (B) the Expiration Time, as the case may be. In connection with any conversion in accordance with this Section 2(c), the Company shall pay, on behalf of a Holder, stamp, capital or other similar taxes imposed by law upon the Holder with respect to the issuance or initial delivery of Shares or Cashless Exercise Shares, if any, in accordance with to Section 7.

(d) Effect of Exercise. All Warrant Certificates surrendered to the Company shall be promptly cancelled by the Company and shall not be reissued by the Company.

(e) Compensation for Buy-In. In addition to any rights available to the Holder, if the Company fails to transmit to the Holder a certificate or certificates representing the Shares pursuant to an exercise on or before the third Trading Day following such exercise, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Shares which the Holder anticipated receiving upon such exercise (a “**Buy-In**”), then the Company shall (1) pay in cash to the Holder the amount by which (x) the Holder’s total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (A) the number of Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (B) the price per Share at which the sell order giving rise to such purchase obligation was executed, and (2) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Shares for which such exercise was not honored or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted exercise of Warrants for shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of \$10,000, under clause (1) of the immediately preceding sentence the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the

amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

(f) Limitation on Exercises. The Company shall not effect the exercise of any Warrant, and the Holder shall not have the right to exercise any Warrant, to the extent that after giving effect to such exercise, such Holder (together with such Holder's Affiliates) would beneficially own in excess of 4.99% (the "**Maximum Percentage**") of the shares of Common Stock outstanding immediately after giving effect to such exercise. For purposes of the foregoing sentence, the aggregate number of shares of Common Stock beneficially owned by Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of the Warrants with respect to which the determination of such sentence is being made, but shall exclude shares of Common Stock which would be issuable upon (i) exercise of the remaining, unexercised portion of the Warrants beneficially owned by Holder and its Affiliates and (ii) exercise or conversion of the unexercised or uncovered portion of any other securities of the Company beneficially owned by Holder and its Affiliates (including, without limitation, any convertible notes or convertible preferred stock or warrants) in each case that are subject to a limitation on conversion or exercise analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this paragraph, beneficial ownership shall be calculated in connection with Section 13(d) of the Exchange Act. For purposes of this Warrant Agreement, in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (1) the Company's most recent Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Report on Form 8-K or other public filing with the Securities and Exchange Commission, as the case may be, (2) a more recent public announcement by the Company or (3) any other notice by the Company or its transfer agent setting forth the number of shares of Common Stock outstanding. For any reason at any time, upon the written or oral request of the Holder, the Company shall within two Business Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including the Warrants, by the Holder and its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. By written notice to the Company, the Holder may from time to time increase or decrease the Maximum Percentage to any other percentage not in excess of 4.99% specified in such notice; *provided* that any such increase will not be effective until the sixty-first (61st) day after such notice is delivered to the Company.

3. Stock Ownership; Stock Certificates; Partial Exercise.

(a) Upon each exercise of a Warrant, (x) the Holder shall be deemed to be the holder of record of the Shares issuable upon such exercise and (y) such Shares shall be deemed to have been issued as of the close of business on the day the Warrant is exercised in accordance with Section 2 above, notwithstanding that the stock transfer books of the Company shall then be closed or certificates representing such Shares shall not then have been actually delivered to the Holder.

(b) As soon as possible after each such exercise of a Warrant, but in any event within three (3) Trading Days after such exercise, the Company shall issue and deliver to the Holder a certificate or certificates for the Shares (or Cashless Exercise Shares, as the case may be) issuable upon such exercise issued in such denominations as may be specified by the Holder in the Exercise Notice or Cashless Exercise Notice, as applicable, and registered in the name of the Holder or, subject to Section 11(b), such other name or names as shall be designated in the Holder's Exercise Notice or Cashless Exercise Notice, as applicable, along with cash in lieu of any fractional shares pursuant to Section 8(h) and to the extent applicable in accordance with Section 3(c), a new Warrant Certificate representing any un-exercised balance. At the written request of the Holder, in lieu of transmitting certificates to the Holder, the Company may credit the account of the Holder's prime broker with The Depository Trust Company.

(c) If any Warrant shall be exercised in part only, the Company shall, upon surrender of the Warrant Certificate for cancellation, execute and deliver a new Warrant Certificate evidencing the right of the Holder to purchase the balance of the Shares subject to purchase hereunder on the terms and conditions set forth herein (including all changes and adjustments that have occurred hereunder). The Company will not close its stockholder books or records in any manner which prevents the timely exercise of a Warrant.

4. Company Records; Transfer or Assignment of Warrant; Exchange of Warrant.

(a) Any Warrant issued in connection herewith or in substitution herefor, upon complete or partial transfer, assignment or exercise shall be numbered and shall be registered in the warrant register of the Company (the “**Warrant Register**”) as it is issued. The Warrant Register shall be in written form in the English language, shall include a record of the certificate number of each Warrant issued by the Company and shall show the number of Warrants, the date of issuance, all subsequent transfers and changes of ownership in respect thereof, including the name and address of any subsequent Holder. The Company shall treat the registered holder of any Warrant on the Warrant Register as the owner in fact thereof for all purposes, except that if a Warrant is properly transferred or assigned in accordance with the terms hereof, the Company shall treat the transferee or assignee as the owner thereof for all purposes. Subject to compliance by the applicable Holder with clause (b) below, a Warrant may be transferred or assigned by the Holder without the prior written consent of the Company, provided that the Holder provides evidence, reasonably satisfactory to the Company, that the transfer or assignment is being made in compliance with applicable securities laws. If such transfer or assignment shall be permitted by the preceding sentence, title to a Warrant shall be transferred upon delivery thereof duly endorsed by the Holder or by his duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment or authority to transfer, together with a properly completed Form of Assignment in substantially the form attached hereto as Exhibit B. The Company shall immediately register all properly completed assignments and transfers in the Warrant Register and, upon any registration of assignment or transfer, the Company shall deliver a new Warrant Certificate or Warrant Certificates to, and in the name of, the Person entitled thereto on the terms and conditions set forth herein (including all changes and adjustments that have occurred hereunder). A Warrant, if properly transferred or assigned, may be exercised by a subsequent Holder without having a new Warrant Certificate issued. The Warrant Certificate may be exchanged at the option of the Holder thereof for another Warrant Certificate, or other Warrant Certificates, of different denominations and representing in the aggregate the right to purchase the same number of shares of Common Stock on the terms and conditions set forth herein (including all changes and adjustments that have occurred hereunder) upon surrender to the Company or its duly authorized agent. All provisions of this Section 4 shall be subject to Section 10.

(b) No Holder shall accept an offer (a “**Third Party Offer**”) to sell all or any part of the Warrants held by such Holder unless such Holder shall have provided written notice (a “**ROFR Notice**”) of such Third Party Offer to the Company (i) setting forth the terms of such Third Party Offer (such ROFR Notice to include a copy of any writing (including in electronic format) evidencing such Third Party Offer), and (ii) containing an offer (the “**Company Offer**”) to sell the number of Warrants which are the subject of the Third Party Offer to the Company on the same terms and conditions as the Third Party Offer, but providing for acceptance dates and settlement dates that are not less than the later of the dates specified in the Third Party Offer or three (3) and twenty (20) Business Days, respectively, following the date of the ROFR Notice. In the event the Company fails to timely deliver an acceptance notice or timely delivers an acceptance notice but thereafter fails to settle the purchase of the Warrants, the Company will be deemed to have rejected the Company Offer, and the selling Holder shall be permitted to accept and consummate the sale of Warrants pursuant to the Third Party Offer; provided, that if the terms of the Third Party Offer are thereafter amended in any manner favorable to the purchaser, the selling Holder shall be required to offer the Warrants to the Company on such amended terms pursuant to this clause (b) prior to accepting such amended Third Party Offer; and provided, further, that if the purchase and sale pursuant to such Third Party Offer is not settled within thirty (30) Business Days following the date of the ROFR Notice, the selling Holder shall

be required to re-submit the Company Offer pursuant to new ROFR Notice pursuant to this clause (b) prior to proceeding with any sale of Warrants pursuant to such Third Party Offer.

5. Reserved Stock. The Company shall reserve and keep available at all times solely for the purpose of providing for the exercise of the Warrants the maximum number of shares of Common Stock as to which the Warrants may then be exercised. All such shares of Common Stock shall be duly authorized and, when issued upon such exercise, shall be validly issued, fully paid and non-assessable. In addition, all such shares of Common Stock shall be free from all taxes, liens, charges, encumbrances, security interests and restrictions on transfer (other than as described herein or as required by applicable law) and shall be free of pre-emptive or similar rights (whether arising under applicable law, the Company's organizational documents or any agreement or instrument to which the Company is a party).

6. Representations, Warranties and Covenants of the Company.

(a) As of the date hereof, the Company represents and warrants to the Holder that: (i) it has the corporate power to enter into, perform and deliver, and has taken all necessary action to authorize its entry into, and performance and delivery of, this Warrant Agreement and the transactions contemplated by this Warrant Agreement; (ii) this Warrant Agreement constitutes the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with its terms, subject to (x) the effect of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws now or hereinafter in effect relating to or affecting the rights and remedies of creditors and (y) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief regardless of whether considered in a proceeding in equity or at law; (iii) the execution of this Warrant Agreement and the performance of the Company's obligations hereunder do not conflict with, result in a breach or violation or imposition of any lien, charge or encumbrance upon any property or assets of the Company's or any of its subsidiaries pursuant to: (x) the Company's organizational documents; (y) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the Company or any of its subsidiaries is a party or bound or to which its or their property is subject; or (z) any statute, law, rule, regulation, judgment, order or decree of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over it or any of its subsidiaries or any of its or their properties; and (iv) assuming the accuracy of the representations and warranties of the Holder contained in this Warrant Agreement, the sale and issuance of the Warrants pursuant to this Warrant Agreement is intended to be exempt from the registration requirements of the Securities Act, and neither the Company nor any Person acting on its behalf has taken or will take any action hereafter that would cause the loss of such exemption.

(b) At the time of execution of this Warrant Agreement, the Company shall cause to be delivered to the Holder: (i) the legal opinion of Woodburn & Wedge, Nevada counsel to the Company, in form and substance reasonably acceptable to the Holder and (ii) the legal opinion of Vinson & Elkins L.L.P., securities counsel to the Company, in form and substance reasonably acceptable to the Holder.

(c) As soon as reasonably practicable after the date hereof, the Company shall file with the Securities and Exchange Commission a shelf registration statement under the Securities Act that will register the resale of the Shares by the Holder, and in connection therewith agrees to provide the Holder with registration rights in form and substance substantially similar to those granted to holders of the Convertible Bonds as set forth in that certain Registration Rights Agreement dated January 24, 2008 by and between the Company and Smedvig QIF plc.

(d) The Company shall, for so long as any Warrants remain outstanding: (i) timely file all reports and other documents required to be filed by it pursuant to the Securities Act or the Exchange Act and (ii) use commercially reasonable efforts to maintain the listing of the Common Stock on the New York Stock Exchange.

(e) The Company shall not, for so long as any Warrants remain outstanding, by any action, including amending its organizational documents or through any reorganization, transfer of assets, consolidation,

merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant Agreement or the Warrants. The Company will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company will use its commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant.

7. Payment of Taxes. All Common Stock issuable upon the exercise of the Warrants pursuant to the terms hereof shall be validly issued as fully paid and non-assessable and without any pre-emptive rights. Subject to the last sentence of this Section 7, the Company shall bear all expenses in connection with, and all stamp, capital or other similar taxes and other governmental charges that may be imposed in the United States with respect to, the issuance or initial delivery of Shares or Cashless Exercise Shares hereunder. All other such taxes or charges shall be borne by the Holder. For the avoidance of doubt, the Company shall not be required, however, to pay any tax or other charge imposed in connection with any transfer of any Warrants or Common Stock (or interest or entitlement therein) or to pay any tax or other charge involved in the issue of any certificate for Common Stock issuable upon exercise of a Warrant in any name other than that of the Holder, and in such case the Company shall not be required to issue or deliver any share certificate until such tax or other charge has been paid or it is has been established to the satisfaction of the Company that no such tax or other charge is due.

8. Certain Adjustments. The Exercise Price shall be subject to adjustment from time to time as set forth in this Section 8. The Company shall give the Holder notice of any event described in this Section 8 which requires an adjustment pursuant to this Section 8 either at the time of such event or promptly thereafter.

(a) If the Company shall hereafter pay a Common Stock dividend or make a distribution of Common Stock to all holders of its outstanding shares of Common Stock, the Exercise Price in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be adjusted by multiplying such Exercise Price by a fraction:

(i) the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the record date fixed for such determination; and

(ii) the denominator of which shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution.

Such reduction shall become effective immediately after the opening of business on the day following the relevant record date. For the purpose of this Section 8(a), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company. If any dividend or distribution described in this Section 8(a) is declared but not so paid or made, the Exercise Price shall again be adjusted to the Exercise Price which would then be in effect if such dividend or distribution had not been declared.

(b) If the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Exercise Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and, conversely, in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock, the Exercise Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased; such reduction or increase, as the case may be, will become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(c) If the Company shall hereafter pay a cash dividend or other distribution (whether of assets, debt securities, preferred stock or any rights or warrants to purchase assets, debt securities, preferred stock or other securities of the Company) to all holders of its outstanding shares of Common Stock, the Exercise Price in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be adjusted by multiplying such Exercise Price by a fraction:

- (i) the numerator of which shall be the Market Price (as defined below) on the record date fixed for such determination minus the fair market value on the record date of the debt securities, preferred stock, assets (including cash), securities, rights or warrants to be distributed in respect of one share of Common Stock as determined in good faith by the Board based on a written opinion of an internationally recognized investment banking, appraisal or valuation firm that is not an Affiliate of the Company; and
- (ii) the denominator of which shall be the Market Price on the record date fixed for such determination.

Such reduction shall become effective immediately after the opening of business on the day following the relevant record date. For the purpose of this Section 8(c), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company. If any dividend or distribution described in this Section 8(c) is declared but not so paid or made, the Exercise Price shall again be adjusted to the Exercise Price which would then be in effect if such dividend or distribution had not been declared. This Section 8(c) shall not apply to distributions of securities referred to Section 8(a) or (b) or of rights, options and warrants referred to in Section 8(d).

(d) If the Company shall issue rights or warrants to all holders of its outstanding Common Stock entitling them (for a period expiring within forty-five (45) days after the date fixed for determination of stockholders entitled to receive such rights or warrants) to subscribe for or purchase shares of Common Stock (or Common Stock Equivalents) at a price per share less than the Closing Price on the Trading Day immediately preceding the time of announcement of such issuance (the “**Market Price**”), the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to such record date by a fraction:

- (i) the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the record date plus the number of shares which the aggregate offering price of the total number of shares so issued or offered for subscription or purchase (or the aggregate conversion or exercise price of the Common Stock Equivalents so offered) would purchase at the relevant Market Price; and
- (ii) the denominator of which shall be the number of shares of Common Stock outstanding on the close of business on the record date plus the total number of additional shares of Common Stock so issued or offered for subscription or purchase (or into which or for which the Common Stock Equivalents so offered are convertible or exercisable).

Such adjustment shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the opening of business on the day following the record date fixed for determination of stockholders entitled to receive such rights, warrants or securities or, in the case of the sale of shares of Common Stock below the Market Price, the date of such sale. To the extent that shares of Common Stock (or Common Stock Equivalents) are not delivered pursuant to such rights, warrants or securities, upon the expiration or termination of such rights, warrants or securities the Exercise Price shall be readjusted to the Exercise Price which would then be in effect had the adjustments made upon the issuance of such rights, warrants or securities been made on the basis of the delivery of only the number of shares of Common Stock (or Common Stock Equivalents) actually delivered. In the event that such rights, warrants or securities are not so issued, the Exercise Price shall again be adjusted to be the Exercise Price which would then be in effect if such record date had not been fixed. In determining whether any rights, warrants or securities entitle the holders to subscribe for, purchase or receive shares of Common Stock at less than the relevant Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights, warrants or entitlement to receive such shares of Common Stock and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board.

(e) The Company shall not be required to issue fractions of shares of Common Stock of the Company upon the exercise of a Warrant. If any fraction of a Share would be issuable upon the exercise of any Warrant

(or specified portions thereof), the Company shall purchase such fraction for an amount in cash equal to the same fraction of the Closing Price of such Share of Common Stock on the date of exercise of such Warrant.

(f) If, after an adjustment, a holder of a Warrant is entitled to receive shares of two or more classes of capital stock of the Company upon exercise of such Warrant, the Company shall determine, in good faith, the allocation of the adjusted Exercise Price between the classes of capital stock. After such allocation, the exercise privilege and the applicable Exercise Price of each class of capital stock shall thereafter be subject to adjustment on terms comparable to those applicable to Common Stock in this Section 8. Such adjustment shall be made successively whenever any event listed above shall occur.

(g) Notwithstanding anything herein, if proceedings commence for the voluntary or involuntary dissolution, liquidation or winding up of the Company, then, unless the holder voluntarily elects to exercise its Warrants pursuant to Section 2(b) hereof, the Warrants shall be deemed automatically exercised pursuant to Section 2(c) hereof, and the Warrant Certificates representing such Warrants shall be deemed canceled. As a result of such exercise, each holder of Shares or Cashless Exercise Shares shall be entitled to receive distributions on an equal basis with the holders of the shares of Common Stock. If this Section 8(g) applies to a transaction, no other adjustment to the Exercise Price shall be made pursuant to this Section 8.

(h) Notwithstanding the foregoing, whenever successive adjustments to the Exercise Price are called for pursuant to this Section 8, such adjustments shall be made to the Exercise Price as may be necessary or appropriate to effectuate the intention of this Section 8 and to avoid unjust or inequitable results as determined in good faith by the Board.

(i) Before taking any action which would cause an adjustment pursuant to Section 8 hereof to reduce the Exercise Price below the then par value (if any) of the Common Stock, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and non-assessable Shares (or Cashless Exercise Shares) at the Exercise Price as so adjusted.

9. Reorganization, Reclassification, Merger, Consolidation or Disposition of Assets. If the Company reorganizes its capital, reclassifies its capital securities, consolidates or merges with or into another Person (where the Company is not the surviving Person or where there is a change in or distribution with respect to the Common Stock of the Company), or sells, transfers or otherwise disposes of all or substantially all its property, assets or business to another Person and, pursuant to the terms of such reorganization, reclassification, merger, consolidation or disposition of assets, units, shares or stock of the successor or acquiring Person, or any cash, units, shares or stock or other securities or property of any nature whatsoever (including warrants or other subscription or purchase rights) in addition to or in lieu of the units, shares or stock of the successor or acquiring Person (“**Other Property**”), are to be received by or distributed to holders of the Common Stock of the Company, then each Holder shall have the right thereafter to receive, upon exercise of a Warrant, the number of units, shares or stock of the successor or acquiring Person or of the Company, if it is the surviving Person, and Other Property receivable upon or as a result of such reorganization, reclassification, merger, consolidation or disposition of assets by a holder of the number of Shares for which such Warrant is exercisable immediately prior to such event. If any such reorganization, reclassification, merger, consolidation or disposition of assets occurs, the successor or acquiring Person (if other than the Company) shall expressly assume the due and punctual observance and performance of each and every covenant and condition of this Warrant Agreement and any registration rights agreement entered into between the Company and the Holder relating to the resale of the Warrants or the Shares (or the Cashless Exercise Shares, as the case may be) to be performed and observed by the Company and all the obligations and liabilities hereunder, subject to such modifications as may be deemed appropriate (as determined by the Board) in order to provide for adjustments of the Common Stock for which each Warrant is exercisable, which shall be as nearly equivalent as practicable to the adjustments provided for in this Section 9, and all references in this Warrant Agreement to the “Company” shall be deemed to be a reference to such successor or acquiring Person. In determining the kind and amount of stock, securities and/or property receivable upon consummation of such reorganization, reclassification, merger, consolidation or disposition of assets if the holders of Common Stock have the right to elect the kind or amount of consideration receivable upon

consummation of such transaction, then the Holders of the Warrants, in connection with such transaction and at the same time holders of Common Stock are allowed to make such election, shall be given the right to make a similar election with respect to the number of shares of stock or Other Property for which the Holder's Warrant shall thereafter be exercisable. For purposes of this Section 9, "units, shares or stock of the successor or acquiring Person" includes units, shares or stock of such Person of any class that is not preferred as to distributions or assets over any other class of units, shares or stock of such entity and that is not subject to redemption and shall also include any evidences of indebtedness, units, shares or stock or other securities that are convertible into or exercisable or exchangeable for any such units, shares or stock, either immediately or upon the arrival of a specified date or the happening of a specified event and any warrants or other rights to subscribe for or purchase any such units, shares or stock, and all references in this Warrant Agreement to "Common Stock" shall be deemed to be a reference to such units, shares or stock of the successor or acquiring Person. The foregoing provisions of this Section 9 shall similarly apply to successive reorganizations, reclassifications, mergers, consolidations, or disposition of assets.

10. Expenses. Subject to Section 7, the Company shall pay all costs, fees, taxes (other than any federal or state income or stock transfer taxes) and expenses payable in connection with the preparation and delivery of this Warrant Agreement and the preparation, issuance and initial delivery from time to time of any Warrants and Shares (or Cashless Exercise Shares, as the case may be) or other securities issued upon the exercise, transfer or assignment of this Warrant Agreement or any Warrant.

11. Representations and Warranties of the Holder; Restrictions on Transfer.

(a) The Holder, by its acceptance hereof and its acceptance of any Warrants or Warrant Certificates, represents and warrants to the Company:

(i) The Holder is acquiring the Warrants and any Shares (or Cashless Exercise Shares, as the case may be) or other securities issued upon the exercise of such Warrant for investment purposes, for its own account, and not with an intent to sell or distribute such Warrant or any such Shares (or Cashless Exercise Shares, as the case may be) or other securities except in compliance with applicable United States federal and state securities law. The Holder understands and acknowledges that the Warrants and any Shares (or Cashless Exercise Shares, as the case may be) it is purchasing are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering. The Holder has been advised and understands and acknowledges that the issuance and sale of the Warrants and any Shares (or Cashless Exercise Shares, as the case may be) has not been registered under the Securities Act or under the "blue sky" laws of any jurisdiction and may be resold only if registered pursuant to the provisions of the Securities Act (or if eligible, sold pursuant to the provisions of Rule 144 promulgated under the Securities Act or pursuant to another available exemption from the registration requirements of the Securities Act or in a transaction not subject thereto).

(ii) The Holder is an Accredited Investor and has knowledge and experience in financial and business matters such that it is capable of evaluating the merits and risks of the purchase of any Warrants and any Shares (or Cashless Exercise Shares, as the case may be).

(iii) The Holder has been furnished with all materials relating to the business, finances and operations of the Company and relating to the offer and sale of the Warrants and any Shares (or Cashless Exercise Shares, as the case may be) that have been requested by the Holder. The Holder understands and acknowledges that its purchase of the Warrants and any Shares (or Cashless Exercise Shares, as the case may be) involves a high degree of risk and uncertainty. The Holder has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its purchase of the Warrants and any Shares (or Cashless Exercise Shares, as the case may be).

(iv) The Holder understands and acknowledges that the Warrants and any Shares (or Cashless Exercise Shares, as the case may be) are being offered and sold in reliance on a transactional exemption from the registration requirements of federal and state securities laws, and that the Company and Vinson & Elkins L.L.P., securities counsel to the Company, are relying upon the truth and accuracy of the

representations, warranties, agreements, acknowledgments and understandings of the Holder set forth in this Warrant Agreement (x) in concluding that the offer and sale of the Warrants and any Shares (or Cashless Exercise Shares, as the case may be) is a “private offering” and, as such, is exempt from the registration requirements of the Securities Act, and (y) to determine the applicability of such exemptions in evaluating the suitability of the Holder to purchase the Warrants and any Shares (or Cashless Exercise Shares, as the case may be).

(b) The Holder acknowledges that neither the Warrant nor any of the Shares (or Cashless Exercise Shares, as the case may be) or other securities issued upon the exercise of such Warrant, nor any interest in either, may be sold, assigned, pledged, hypothecated, encumbered or in any other manner transferred or disposed of, in whole or in part, except in compliance with applicable United States federal and state securities laws and the terms and conditions hereof. The provisions of this Section 11 shall be binding upon all subsequent holders of the Warrant, if any. The Shares (or Cashless Exercise Shares, as the case may be) or other securities issued upon exercise of the Warrant shall be subject to a stop-transfer order and the certificate or certificates evidencing any such shares shall bear the following legend:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF UNLESS IT HAS BEEN REGISTERED UNDER THE SECURITIES ACT OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE OR IN A TRANSACTION NOT SUBJECT THERETO (AND, IN EACH SUCH CASE, AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY TO THE EFFECT THAT SUCH OFFER, SALE, TRANSFER OR DISPOSITION IS NOT REQUIRED TO BE REGISTERED UNDER THE SECURITIES ACT HAS BEEN PROVIDED TO THE COMPANY).

(c) The legend described in Section 11(b) shall be removed and the Company shall cause its transfer agent to issue a certificate or certificates without such legend to the Holder of the Shares (or Cashless Exercise Shares, as the case may be) upon which the legend is stamped if, unless otherwise required by state securities laws or unless the Company, with the advice of counsel, reasonably determines that such removal is inappropriate, (i) such Shares (or Cashless Exercise Shares, as the case may be) are sold pursuant to an effective registration statement, (ii) in connection with a sale, assignment or other transfer, the Holder provides the Company with an opinion of a law firm reasonably acceptable to the Company, in generally acceptable form, to the effect that such sale, assignment or transfer may be made without registration under the applicable requirements of the Securities Act or (iii) the Holder provides the Company with reasonable assurance that such Shares (or Cashless Exercise Shares, as the case may be) can be sold, assigned or transferred pursuant to Rule 144 under the Securities Act; *provided*, that in each case the Holder shall submit to the Company such other documentation as may reasonably be requested by the Company or required by its transfer agent.

12. Warrants.

(a) Issuance of Warrants. Each Warrant shall be evidenced by a Warrant Certificate in substantially the form of Exhibit A hereto, the provisions of which are incorporated herein and shall be signed by or bear the facsimile signature of the Company. In the event the Person whose signature has been placed upon any Warrant Certificate shall have ceased to serve in the capacity in which such Person signed the Warrant Certificate before such Warrant Certificate is issued, it may be issued with the same effect as if he or she had not ceased to be such at the date of issuance.

(b) Effect of Signature. Unless and until signed by the Company pursuant to this Warrant Agreement, a Warrant Certificate shall be invalid and of no effect and may not be exercised by the Holder thereof.

13. Loss, Theft, Etc. Upon receipt of evidence satisfactory to the Company of the loss (which shall not include the posting of any bond), theft, destruction or mutilation of any Warrant Certificate and upon surrender and cancellation of any Warrant Certificate if mutilated, the Company shall execute and deliver to the Holder

thereof a new Warrant Certificate in the form and substance of the lost, stolen, destroyed or mutilated Warrant Certificate (including all changes and adjustments that have occurred hereunder).

14. No Rights or Liabilities as a Stockholder. Nothing contained in this Warrant Agreement shall be construed as conferring upon the Holder hereof any rights as a stockholder of the Company or as imposing any obligation upon the Holder to purchase any securities or as imposing any liability upon the Holder as a holder of Common Stock of the Company, whether such obligation or liability is asserted by the Company or by creditors of the Company at law or in equity.

15. Governing Law. This Warrant Agreement shall be governed by and construed in accordance with the internal laws of the State of Nevada, without giving effect to conflicts of laws principles thereof.

16. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given or made (a) when delivered if delivered in person or sent by an internationally recognized overnight or second day courier service, (b) upon transmission by fax if transmission is confirmed, or (c) three Business Days after deposit with a United States post office if delivered by registered or certified mail (postage prepaid, return receipt requested) to the respective parties and addressed (i) if to any Holder of any Warrant, to the address of the Holder as set forth in the Warrant Register or to such other address as the Holder has notified the Company of in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt or (ii) if to the Company, to such address as the Company may designate by written notice in accordance herewith, except that notices of change of address shall only be effective upon receipt; *provided, however*, that the exercise of any Warrant shall be effected only in the manner provided in Section 2.

17. Miscellaneous.

(a) This Warrant Agreement and any terms hereof may be changed, waived, discharged, modified, amended or terminated only by an instrument in writing signed by the Company and the Holder. Any provision of this Warrant Agreement which shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the Company waives any provision of law which shall render any provision hereof prohibited or unenforceable in any respect. Each Holder, by acceptance of a Warrant Certificate, agrees to all of the terms and provisions of this Warrant Agreement applicable thereto.

(b) If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Trading Day, then such action may be taken or such right may be exercised on the next succeeding Trading Day.

(c) The Holder shall be (i) notified by the Company of, and invited to attend, any stockholders' meeting of the Company have on its agenda the possible voluntary winding up of the Company by operation of law and (ii) notified by the Company as soon as reasonably practicable of any order of involuntary winding up of the Company.

18. Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of the Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. If the Company fails to comply with any other provision of this Warrant Agreement as determined by a court of law or as mutually determined by the Holder and the Company, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

19. Successors and Assigns. Subject to the provisions of Section 4 and Section 11(b) hereof, this Warrant Agreement and the rights evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors and assigns of the Holder. The provisions of this Warrant Agreement are intended to be for the benefit of all Holders from time to time of this Warrant Agreement and shall be enforceable by any the Holder.

20. Headings. The headings used in this Warrant Agreement are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Company has caused this Warrant Agreement to be duly executed.

Date: January 9, 2013 ENDEAVOUR INTERNATIONAL CORPORATION

By: /s/ Cathy Stubbs

Name: Cathy Stubbs

Title: Sr VP Finance

HBK MASTER FUND L.P.

BY: HBK Services LLC, investment manager

By: /s/ J. Baker Gentry, Jr.

Name: J. Baker Gentry, Jr.

Title: Authorized Signatory

FORM OF WARRANT CERTIFICATE

[FACE]

EACH OF THIS WARRANT AND THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF UNLESS IT HAS BEEN REGISTERED UNDER THE SECURITIES ACT OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE OR IN A TRANSACTION NOT SUBJECT THERETO (AND, IN EACH SUCH CASE, AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY TO THE EFFECT THAT SUCH OFFER, SALE, TRANSFER OR DISPOSITION IS NOT REQUIRED TO BE REGISTERED UNDER THE SECURITIES ACT HAS BEEN PROVIDED TO THE COMPANY).

No. [___] [___] Shares

WARRANT CERTIFICATE

ENDEAVOUR INTERNATIONAL CORPORATION

This Warrant Certificate certifies that [___], or registered assigns, is the registered Holder of warrants (the “**Warrants**”) expiring on the Expiration Time to subscribe for and purchase from Endeavour International Corporation, a Nevada corporation (the “**Company**”) fully paid and non-assessable shares of common stock, par value US\$0.001 per share, of the Company (the “**Common Stock**”). Each Warrant entitles the Holder, upon exercise at any time and from time to time until the Expiration Time, to receive from the Company the number of fully paid and non-assessable shares of Common Stock of the Company set forth above (the “**Shares**”) at the Exercise Price payable upon surrender of this Warrant Certificate, with the form of election to purchase set forth as Annex I hereto or the form of cashless exercise notice as set forth as Annex II hereto, as applicable, properly completed and executed, together with payment of the Exercise Price (or through “cashless exercise” if permitted by the Warrant Agreement) at the office of the Company, subject to the conditions set forth herein and in that certain Warrant Agreement between the Company and the Holder dated as of January [?], 2013 (the “**Warrant Agreement**”). The Exercise Price and number of Shares issuable upon exercise of the Warrants are subject to adjustment upon the occurrence of certain events set forth in the Warrant Agreement. Terms used but not defined in this Warrant Certificate shall have the meaning ascribed to such term in the Warrant Agreement.

Upon any exercise of the Warrant for less than the total number of Shares provided for herein, there shall be issued to the Holder or the Holder’s permitted assignee a new Warrant Certificate covering the number of Shares for which the Warrant has not been exercised.

Warrant Certificates, when surrendered at the office of the Company by the Holder hereof in person or by attorney duly authorized in writing, may be exchanged in the manner and subject to the limitations provided in the Warrant Agreement, but without payment of any service charge, for another Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants.

Upon due presentment for registration of transfer of the Warrant Certificate at the office of the Company, a new Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants shall be issued to the transferee in exchange for this Warrant Certificate, subject to the limitations provided in the Warrant Agreement, without charge except for any applicable tax or governmental charge payable upon issuance in the name of Holder.

The Company may deem and treat the registered Holder as the absolute owner of this Warrant Certificate (unless a Warrant shall be properly transferred or assigned in accordance with the terms of the Warrant Agreement) for the purpose of any exercise hereof, and for all other purposes, and the Company shall not be affected by any notice to the contrary.

This Warrant Certificate does not entitle the Holder to any of the rights of a stockholder of the Company.

This Warrant Certificate shall be governed by and construed in accordance with the internal laws of the State of Nevada.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be signed below.

Dated: [____]

ENDEAVOUR INTERNATIONAL CORPORATION

By: ____

Name:

Title:

ANNEX I

To: ENDEAVOUR INTERNATIONAL CORPORATION

ELECTION TO EXERCISE

The undersigned hereby exercises its rights to subscribe for ____ shares covered by the Warrant Certificate. The undersigned hereby confirms as of the date hereof the representations and warranties of the undersigned contained in Section 11 of the Warrant Agreement. The undersigned tenders payment herewith in the amount of \$____ and requests that certificates for such shares in the following denominations be issued in the name of, and delivered to, the person at the following address:

Denominations:

(Print Address and Social Security Number or
Employer Identification Number as applicable)

and, if said number of Shares shall not be all the Shares covered by the within Warrant Certificate, that a new Warrant Certificate for the balance remaining of the Shares covered by the within Warrant Certificate be registered in the name of, and delivered to, the undersigned at the address stated below:

Date: ____, ____

Name: _____

(Print)

(Signature)

Address:

ANNEX II

To: ENDEAVOUR INTERNATIONAL CORPORATION

CASHLESS EXERCISE NOTICE

(To be executed upon conversion of the attached Warrant)

The undersigned irrevocably elects to surrender this Warrant Certificate for the number of Cashless Exercise Shares as shall be issuable pursuant to the cashless exercise provisions of Section 2(c) of the Warrant Agreement, in respect of ____ Shares underlying this Warrant Certificate, and requests that the Company execute or cause to be executed a certificate or certificates reflecting the undersigned's ownership of the aggregate number of Cashless Exercise Shares issuable upon such exercise, together with cash in lieu of any fraction of a Conversion Share (and any securities or other property issuable upon such exercise) and deliver or cause to be delivered to the undersigned such certificate or certificates the undersigned as follows:

Name Address

and, if said number of Shares shall not be all the Shares covered by the within Warrant Certificate, that a new Warrant Certificate for the balance remaining of the Shares covered by the within Warrant Certificate be registered in the name of, and delivered to, the undersigned at the address stated below:

Date: ____, ____

Name:

(Print)

(Signature)

Address:

FORM OF ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfer all of the rights of the undersigned under the within Warrant, unto:

Name of Assignee

Address

Date: ____, ____

Name:

(Print)

(Signature)

Address: