

**SERVICE DEVELOPMENT AND PRODUCTION
CONTRACT**

FOR GAS FIELD

BETWEEN

NORTH OIL COMPANY OF THE REPUBLIC OF IRAQ

AND

SERVICE DEVELOPMENT AND PRODUCTION CONTRACT
FOR _____ GAS FIELD

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**SERVICE DEVELOPMENT AND PRODUCTION CONTRACT
FOR _____ GAS FIELD**

This Service Development and Production Contract ("**Contract**") is made and entered into this _____ day of _____ 2009 -, by and between:

North Oil Company, the Republic of Iraq ("**NOC**") of the **First Part**, and

_____, a company established and existing under the laws of _____
_____ having its registered head office at _____ ("_____
_____") and

_____, a company established and existing under the laws of _____
_____, having its registered head office at _____ ("_____
_____"),

(individually a "**Company**"; and collectively the "**Companies**"); together with

North Gas Company, an Iraqi State company established and existing under the laws of Iraq (hereinafter referred to as "**State Partner**"),

Companies and State Partner are collectively referred to as "**Contractor**", of the **Second Part**,

NOC and Contractor are referred to, individually, as "**Party**" or, collectively, as "**Parties**".

WITNESSETH

WHEREAS all oil and gas resources within the territory and offshore areas of the Republic of Iraq are owned by all the people of the Republic of Iraq, and the State of Iraq, as the sole representative of the whole people, acting through the Iraqi Government, has sole right to explore, develop, extract, exploit and utilize such natural resources therefrom; and

WHEREAS NOC, in its role as an Iraqi State oil and gas company, is exclusively entrusted with and authorized for development and production of _____ Gas Field; in accordance with the Law; and

WHEREAS Contractor has sound financial standing, technical competency, and professional skills to carry out Appraisal, Development and Production Operations and generally all and any Petroleum Operations as defined herein; and

WHEREAS the Parties mutually represent that they have the power, authority, and desire to enter into this Contract for the development and production of the _____ Gas Field as defined herein;

NOW THEREFORE, and in consideration of the premises and the mutual covenants hereinafter set out, it is agreed as follows:

ARTICLE 1 – DEFINITIONS

Except as specifically provided herein, any reference to an Article, Annex, or Addendum shall be construed as a reference to Article, Annex, or Addendum to this Contract. In this Contract, including its Annexes and Addenda, words in the singular include the plural and vice versa and except where the context otherwise requires, the following terms shall have the meanings set out as follows:

- 1.1 **"Accounting Procedure"** means the accounting procedures and requirements set out in Annex C.
- 1.2 **"Affiliate"** in relation to any Contractor's entity, means:
- (a) a company which controls such entity, or
 - (b) a company which is controlled by such entity, or
 - (c) a company which is controlled by a company which controls such entity.

For the purpose of this definition, "control" means the power to dictate and conduct the policy of a company through the control, directly or indirectly, of more than fifty percent (50%) of the shares or voting rights in such company. For the purposes of this Contract, subsidiaries of NOC as well as companies and enterprises of Iraq Ministry of Oil or Iraq National Oil Company (when established) shall be deemed NOC's Affiliates.

- 1.3 **"Appraisal" or "Appraisal Operations"** means any and all operations such as (but not be limited to) geological, geophysical, aerial and any other surveys and any interpretation of data relating thereto as may be contained in approved Work Programs and Budgets and the drilling of such shot-holes, core holes, stratigraphic tests, holes for the appraisal of Petroleum and other related holes and wells, the production testing, PVT and core analyses and the purchase or acquisition of such supplies, materials and equipment thereof, all as may be contained in approved Work Programs and Budgets.
- 1.4 **"Associated Gas"** means Gas, occurring as gas-cap gas, which overlies and is in contact with crude oil in a reservoir and/or solution gas dissolved in crude oil in a reservoir.
- 1.5 **"Barrel"** means a liquid quantity consisting of forty-two (42) United States gallons under a pressure of one (1) atmosphere and a temperature of sixty (60) degrees Fahrenheit.
- 1.6 **"Barrel of Fuel Oil Equivalent" or "BFOE"** means, for the purposes of this Contract, six thousand (6,000) SCF of Natural Gas.
- 1.7 **"Barrel of Oil Equivalent" or "BOE"** means, for the purposes of this Contract, one Barrel of Crude Oil or six thousand (6,000) SCF of Natural Gas.
- 1.8 **"Best International Petroleum Industry Practices"** means all those uses and practices that are, at the time in question, generally accepted in the international petroleum industry as being good, safe, economical, environmentally sound and efficient in exploring for, developing, producing, processing and transporting Petroleum. They should reflect standards of service and technology that are either state-of-the-art or otherwise appropriate to the operations in question and should be applied using standards in all matters that are no less rigorous than those in use by the Companies in other global operations.

- 1.9 **"BOD"** means the Board of Directors formed pursuant to Article 9.3
- 1.10 **"Budget"** means the estimates of the expenditure expected to be incurred for implementing an approved Work Program for any Calendar Year or part thereof.
- 1.11 **"Calendar Month"** or **"Month"** means in respect of any month in a Calendar Year, a period commencing on the first day of such month and ending on the last day of the same month.
- 1.12 **"Calendar Quarter"** or **"Quarter"** means a period of three consecutive Calendar Months commencing on the first day of January, April, July, or October of any Calendar Year.
- 1.13 **"Calendar Year"** means a period of twelve (12) consecutive months commencing with the first day of January and ending on the last day of December, both dates being inclusive, according to the Gregorian calendar.
- 1.14 **"Capital Cost"** means all costs and expenditure, excluding Operating Cost, as defined in the Law.
- 1.15 **"Cash Receipts"** means as defined in Article 19.6.
- 1.16 **"Commercial Production"** means production of Gas from the Field (excluding production for testing purposes) and delivery of the same at the relevant Transfer Point under a program of regular production and sale.
- 1.17 **"Company"** means any entity that is a signatory party to this Contract and that forms part of the Contractor, excluding the State Partner, and at any time thereafter shall include their legal successors and permitted assignees.
- 1.18 **"Companies"** means, collectively, each Company that comprises the Contractor, excluding the State Partner, and at any time thereafter shall include their legal successors and permitted assignees.
- 1.19 **"Contract"** means this agreement between the Parties, including the Annexes and Addenda attached hereto, as amended or supplemented from time to time in accordance with this Contract.
- 1.20 **"Contract Area"** means the development and production area covered by this Contract, as described in Annex A and outlined in Annex B.
- 1.21 **"Contractor's Operator"** means one of Companies designated as Operator as from the Effective Date pursuant to Article 9.2.
- 1.22 **"Contract Year"** means a period of twelve (12) consecutive months according to the Gregorian calendar and starting either on the Effective Date or any anniversary thereof.
- 1.23 **"Contractor"** means, on the Effective Date, Companies and North Gas Company, and at any time thereafter shall include their legal successors and permitted assignees.
- 1.24 **"Crude Oil"** means, for the purposes of this contract, all hydrocarbons regardless of gravity which may be additionally produced and saved from the Field in the liquid state at absolute pressure of fourteen decimal six nine six (14.696) pounds per square inch and sixty (60) degrees Fahrenheit, including asphalt and tar, but excluding NGL that is not blended with Crude Oil.
- 1.25 **"Data"** means as defined in Article 14.2.

- 1.26 **"Date of Transfer of Operatorship"** means the date on which the Joint Operating Company (JOC) shall take over the conduct of Petroleum Operations pursuant to ARTICLE 1 –9.4 and Addendum Three.
- 1.27 **"Decommissioning Reserve Fund"** means as defined in Article 42.2.
- 1.28 **"Delivery Point"** or **"DP"**, in relation to Gas or NGL, means the point(s) where NOC shall receive the same from Transporter.
- 1.29 **"Development Operations"** means any and all operations, including primary and subsequent (secondary, tertiary or other) recovery projects and pressure maintenance, conducted with a view to developing the Field including, but without limitations: the drilling, deepening, completing, plugging, side-tracking, re-completing and equipping of evaluation and development wells; the engineering, building and erecting or laying of production plants and facilities (such as, without limitation, separators, compressors, generators, pumps and tankage, gathering lines, pipelines, and all facilities required to be installed for production, pressure maintenance, treatment, storage and transportation of Petroleum; the obtaining of such materials, equipment, machinery, articles and supplies as may be required or expedient for the above activities; and all auxiliary operations, activities and services required or expedient for the better conduct or result of the above activities, all in accordance with the approved Development Plan and Best International Petroleum Industry Practices.
- 1.30 **"Development Plan"** or **"Plan"** means a scheduled program and cost estimate specifying the Development Operations required for developing and/or increasing the production capacity of the Field, which includes the Preliminary Development Plan, Final Development Plan, and any subsequent Revisions thereof.
- 1.31 **"Dinar"** or **"IQD"** means the Iraqi Dinar.
- 1.32 **"Dollar"** or **"USD"** means the United States Dollar.
- 1.33 **"Early Production Program"** means as defined in ARTICLE 1 –2.1(a)(i).
- 1.34 **"Effective Date"** means the date upon which the signed contract becomes valid and enforceable as notified by NOC to Contractor in writing, in accordance with the provisions of ARTICLE 39 –.
- 1.35 **"Early Production Target"** means the Net Gas Production Rate, which shall be targeted by Contractor within thirty (30) Months from the approval date of the Preliminary Development Plan pursuant to Article 2.2(a)(i) and Article 6.
- 1.36 **"Expenditure"** means as defined in Article 19.4.
- 1.37 **"Export Oil"** means crude oil of a standard Iraqi export blend that is available for possible lifting by Contractor at a Delivery Point as payment for Service Fees under Article 19 and Addendum Four.
- 1.38 **"Field"** means the _____ Gas Field as initially defined in Annexes A, B, and D, the areal limits of which shall be defined as and when the Appraisal Operations are carried out, all within this Contract Area and subject to the provisions of Article 5 hereof.
- 1.39 **"Final Development Plan"** has the meaning given in Article 11.2(b).
- 1.40 **"Financial Year"** means the Calendar Year.

- 1.41 **"First Commercial Production"** means the last day of the first thirty (30) consecutive days when a Net Gas Production Rate of no less than seventy (70) MMSCFD is produced and transferred to Transporter, but excluding any days on which a production test is performed for establishing Commercial Production.
- 1.42 **"Force Majeure"** means as defined in Article 31.
- 1.43 **"Gas"** or **"Natural Gas"** means a mixture of hydrocarbons and varying quantities of non-hydrocarbons that exist either in the gaseous phase or in solution with Crude Oil in natural underground reservoirs and when produced remain in gaseous phase at atmospheric conditions of temperature and pressure, and is classified as either Associated Gas or Non-Associated Gas.
- 1.44 **"Government"** means the Government of the Republic of Iraq.
- 1.45 **"Gross Negligence or Willful Misconduct"** means any unjustifiable act or omission which constitutes an intentional, deliberate reckless or conscious disregard of the Best International Petroleum Industry Practices or terms of this Contract in connection with Petroleum Operations.
- 1.46 **"Joint Management Committee"** or **"JMC"** means the committee formed pursuant to ARTICLE 13 –.
- 1.47 **"Joint Operating Company"** or **"JOC"** means the company to be established in the Republic of Iraq pursuant to Article 9 for taking over the conduct of Petroleum Operations in accordance with Addendum Three.
- 1.48 **"Law"** means any constitution, law, decree, resolution, statute, ordinance, rule, directive, order, treaty, code or regulation and any injunction or final non-appealable judgment, as adopted, enacted, issued, promulgated or ratified by the Republic of Iraq. Unless otherwise indicated, references to any Law shall be construed as a reference to such Law as originally enacted, except as it is amended, re-enacted or modified from time to time.
- 1.49 **"LIBOR"** or **"London Inter-Bank Offered Rate"** means the interest rate determined as the arithmetic average (rounded upward to the nearest one thousandth of a percentage point) of the offered rates for deposits in Dollars for a period of three (3) months as published by the Financial Times (London Edition) on the date which is one (1) business day prior to the beginning of the said three (3) months period corresponding to each interest period. Should the Financial Times rate not be published for a period of seven (7) consecutive days, the Wall Street Journal (New York edition) shall be used.
- 1.50 **"LPG"** means liquefied Petroleum Gas, normally a mixture of Propane and Butane.
- 1.51 **"MSCF"** means one thousand (1,000) SCF.
- 1.52 **"MMSCF"** means one million (1,000,000) SCF.
- 1.53 **"MMSCFD"** means MMSCF per day.
- 1.54 **"Minimum Expenditure Obligation"** means that amount which shall be the minimum amount to be spent by the Contractor as specified in Article 6.2.
- 1.55 **"Minimum Work Obligation"** means the minimum work commitment undertaken by Contractor under Article 6, and Annex E.
- 1.56 **"Natural Gas Liquids"** or **"NGL"** means the propane and heavier (C3+) components

of Natural Gas that can be classified according to their vapor pressures; as low vapor pressure (Condensate), intermediate vapor pressure (Natural Gasoline) and high vapor pressure (LPG).

- 1.57 **"Natural Gasoline"** means the pentane and heavier (C5+) part of Natural Gas Liquids with a vapor pressure intermediate between Condensate and LPG; having a boiling point within the range of gasoline. It is liquid at atmospheric pressure and temperature; but volatile and unstable; can be blended with other hydrocarbons to produce commercial gasoline.
- 1.58 **"Natural Gas Condensate"** or **"Condensate"** is a mixture of hydrocarbon liquids that are present as gaseous components in the raw Natural Gas produced from the Field. It condenses out of the raw Gas if the temperature is reduced to below the hydrocarbon dew point temperature of the raw Gas. It contains hydrocarbons that are liquid at normal surface temperature and pressure. In the event Condensate is produced from the Field and is blended with Crude Oil, then the provisions of this Contract shall apply to such Condensate as if it were Crude Oil.
- 1.59 **"Net NGL Production"**, over a certain period of time, means volume of NGL, actually produced during the said period of time, saved and not used for Petroleum Operations, treated to certain specifications as per the approved Preliminary Development Plan, the Final Development Plan, or their Revisions, measured and received by Transporter at the Transfer Point. Net NGL Production shall not, however, include any NGL that becomes subject to an agreement relating to Supplementary Crude Oil pursuant to Article 10.3.
- 1.60 **"Net Gas Production"**, over a certain period of time, means all the Standard Cubic Feet of Gas, actually produced during the said period of time, saved and not used for Petroleum Operations, treated to certain specifications as per the approved Preliminary Development Plan, the Final Development Plan, or their Revisions, measured and received by Transporter at the Transfer Point(s) inclusive of Sales Gas and Net NGL Production.
- 1.61 **"Net Gas Production Rate"**, in MMSCFD, means the Net Gas Production for a certain period of time divided by the number of calendar days in that period of time.
- 1.62 **"Non-Associated Gas"** means Gas, which is found in a reservoir that does not contain significant quantities of Crude Oil.
- 1.63 **"Official Selling Price"** or **"OSP"** means SOMO's declared price for each of the Iraqi crude oil blends.
- 1.64 **"Operator"** means the entity that is designated to conduct Petroleum Operations under this Contract; being either the Contractor's Operator, or the Joint Operating Company; all in accordance with Article 9 and Addendum Three.
- 1.65 **"Operating Cost"** means recoverable costs and expenses incurred and paid in relation to Production Operations, in accordance with approved Work Programs and Budgets and Accounting Procedure, Annex C.
- 1.66 **"Participating Interest"** means, in respect of each Contractor's entity, the undivided share expressed as a percentage for such party's participation in the rights, benefits, privileges, duties, liabilities and obligations of Contractor.
- 1.67 **"Performance Factor"**, for the purposes of Article 19.5, means the ratio of the Net Gas Production Rate to the bid Plateau Production Target although in no event shall it exceed 1.0.

- 1.68 **"Petroleum"** means all hydrocarbons, including liquid and gaseous hydrocarbons, produced and saved from the Contract Area.
- 1.69 **"Petroleum Costs"** means recoverable costs and expenditures incurred and payments made by Contractor and/or Operator in connection with or in relation to the conduct of Petroleum Operations (except corporate income taxes paid in the Republic of Iraq or as otherwise stipulated herein) determined in accordance with the provisions of this Contract and the Accounting Procedure in Annex C.
- 1.70 **"Petroleum Operations"** means any and all Appraisal, Development and Production Operations and other activities related thereto, including abandonment operations, if any, under this Contract.
- 1.71 **"Plateau Production Period"** means a period of seven (7) Years starting with the earlier of three (3) years from the approval date of the Final Development Plan or the date when the Plateau Production Target has been achieved for a continuous period of thirty (30) days, but in no event earlier than the approval date of the Final Development Plan and no later than six (6) years from the Effective Date.
- 1.72 **"Plateau Production Target"** is a bid parameter under this Contract and is the Net Gas Production Rate that is to be achieved and sustained for the Plateau Period, pursuant to Article 2.2(a)(ii).
- 1.73 **"Preliminary Development Plan"** has the meaning given in Article 11.2.
- 1.74 **"Production Operations"** means any and all operations related to production, transportation and storage of Petroleum including (but not limited to) workovers, stimulations, remediation, restoration, operating, staffing, supervising, repairing, decommissioning and maintaining of any and all wells, plants, equipment, pipelines, tank-farms, terminals and all other installations and facilities.
- 1.75 **"Production Measurement Point"** or **"PMP"** means the point, immediately upstream of the Transfer Point, within or near the Contract Area where the Net Gas Production or Net NGL Production are measured.
- 1.76 **"Remuneration Fee Bid"** or **"RFB"** means USD _____ (US\$x.yy) per Barrel of Fuel Oil Equivalent as utilized in Article 19.5.
- 1.77 **"Revision"**, in respect of a Development Plan or Work Program and Budget, has the meaning given in Article 12.4.
- 1.78 **"R-Factor"** is the ratio of cumulative Cash Receipts to cumulative Expenditures in the conduct of Petroleum Operations pursuant to Article 19.5.
- 1.79 **"Sales Gas"** means dry Gas (predominantly methane (C1) and propane (C2)) remaining after extracting Natural Gas Liquids from raw Natural Gas.
- 1.80 **"Standard Cubic Foot"** or **"SCF"** when applied to Gas means the volume of Gas that occupies one (1) cubic foot of space measured dry under an absolute pressure of fourteen point six nine six (14.696) pounds per square inch and a temperature of sixty (60) degrees Fahrenheit.
- 1.81 **"State Partner"** means the North Gas Company, an Iraqi State entity established and existing under the Law.
- 1.82 **"Sub-Contractor"** means any company or person contracted by the Contractor or Operator to provide goods or services with respect to Petroleum Operations.

- 1.83 **"Supplementary Crude Oil"** means any Crude Oil that may be produced under a separate agreement pursuant to Article 10 of this Contract.
- 1.84 **"Supplementary Costs"** means recoverable costs and expenditures incurred by Contractor, other than those costs defined as Petroleum Costs in Article 19.4 and as determined in accordance with the provisions of this Contract,
- 1.85 **"Supplementary Fees"** means those Supplementary Costs invoiced by Contractor as defined in Article 19 and Annex C.
- 1.86 **"Take or Pay"** means as defined in Article 10.4.
- 1.87 **"Tax"** means Iraqi corporate income tax pursuant to Article 23.
- 1.88 **"Tax Year"** means the period of twelve (12) consecutive months according to the Gregorian calendar for which tax returns or reports are required according to the Law.
- 1.89 **"Term"** means the term of this Contract as defined in Article 3.2.
- 1.90 **"Training, Technology and Scholarship Fund"** or **"Fund"** means the fund established as defined in Article 26.2.
- 1.91 **"Transfer Point"** or **"TP"** means the inlet flange(s) of the outgoing pipeline from the Production Measurement Point where Transporter shall receive Net Gas Production or Net NGL Production from Operator for transportation to the Delivery Point.
- 1.92 **"Transporter"** means the entity designated by NOC to operate the Transportation Facilities and Transportation System for transporting Sales Gas, Condensate, Natural Gas Liquids, or LPG from the Transfer Point(s) to the Delivery Point(s) pursuant to Article 17 and Addendum Two.
- 1.93 **"Transportation Facilities"** means the pipelines, pumps, compressors, tanks, meters, and other transportation facilities that are built by Operator beyond the Transfer Point(s) for transporting Sales Gas, Condensate, Natural Gas Liquids, or LPG and integrated into the Transportation System pursuant to this Contract.
- 1.94 **"Transportation System"** means, at any time, any and all Transportation Facilities beyond the Transfer Point, including all the facilities under control of Transporter, which are necessary for transportation, storage, metering and delivery at the relevant Delivery Point.
- 1.95 **"Work Program"** means an itemization and time schedule of the Petroleum Operations to be carried out under this Contract.
- 1.96 **"Year"** means a period of twelve (12) consecutive Months according to the Gregorian calendar; starting on some date or any anniversary of the date.

(End of Article 1)

ARTICLE 2 – SCOPE OF CONTRACT

- 2.1 This Contract is a service type Gas Field Development and Production Contract for the _____ Gas Field, in accordance with the provisions herein. It includes 43 Articles, Annexes A, B, C, D, E, and F, and Addenda One, Two, Three, and Four; all attached hereto and made part hereof. In the event of a conflict between this Contract Articles and the Annexes or Addenda, the provisions of the Articles shall prevail. Any reference to an Addendum herein shall be deemed to include the fully-

termed agreement which replaces such Addendum, unless the context requires otherwise.

- 2.2 Contractor, subject to the provisions herein contained and in accordance with Best International Petroleum Industry Practices, shall:
- (a) provide or arrange to provide services and technologies for conducting Petroleum Operations with the intention to achieve the production targets set out below, which may be revised in accordance with approved Development Plans:
 - (i) the Early Production Target at a Net Gas Production Rate equal to twenty-five percent (25%) of the Plateau Production Target as soon as possible but no later than thirty six (36) months from the approval date of the Preliminary Development Plan; and
 - (ii) the Plateau Production Target at a Net Gas Production Rate of _____ () MMSCFD for the Plateau Period that was bid by the Company(s). ..
 - (b) provide or arrange to provide all capital, machinery, equipment, technology, personnel and services necessary for conducting Petroleum Operations;
 - (c) incur all costs and expenses required for carrying out Petroleum Operations in accordance with approved Development Plans, Work Programs and Budgets in order to achieve the production targets set out in this Article 2; and
 - (d) fulfill all financial and other obligations of Contractor and enjoy all rights and benefits, in accordance with the provisions of this Contract.
- 2.3 For a period of six (6) years from the Effective Date Contractor shall have the exclusive right to negotiate a separate agreement to explore for and develop the undiscovered potential reservoirs, as defined in Annex D. If no such agreement is reached in this time period, NOC shall be free to explore and develop such reservoirs in any manner it may deem appropriate, taking care not to hinder or unduly interfere with Petroleum Operations.
- 2.4 In the event of unintentional infringement on the undiscovered reservoirs, the Parties shall convene to agree in good faith on a proper course of action, taking into consideration the quantities of petroleum involved, safeguarding the interests of both Parties.
- 2.5 At any time, the Companies shall be jointly and severally liable to NOC for all obligations of Contractor under this Contract.

(End of Article 2)

ARTICLE 3 – TERM OF CONTRACT

- 3.1 The Contract shall come into force on the Effective Date.
- 3.2 The basic term of this Contract ("Term") shall be twenty (20) years from the Effective Date. The Term is extendable pursuant to Article 31 and elsewhere in this Contract.
- 3.3 No later than one (1) Year prior to this Contract's expiry date, Contractor may submit a written request to NOC for an extension of the Term for a maximum period of five (5) Years, subject to newly negotiated terms and conditions.

(End of Article 3)

ARTICLE 4 – SIGNATURE BONUS

- 4.1 Within thirty (30) days from the Effective Date the Companies shall deposit in cash, in USD, into a bank account designated by NOC a signature bonus of _____ USD (US\$XXX,000,000).
- 4.2 The signature bonus paid shall be considered Supplementary Costs and shall be recovered pursuant to and in accordance with Article 19.2(a).

(End of Article 4)

ARTICLE 5 – RELINQUISHMENT

- 5.1 Contractor shall relinquish to NOC within three (3) Years from the initial approval date of the Final Development Plan any reservoir(s) not included in an approved Final Development Plan.
- 5.2 Contractor shall relinquish to NOC within six (6) Years from the approval date of the Final Development Plan any reservoir(s) included therein if Development Operations in respect of such reservoir(s) have not commenced in accordance with the Final Development Plan.
- 5.3 NOC shall be free to appraise, develop and produce relinquished reservoir(s) taking care not to hinder or unduly interfere with Petroleum Operations.

(End of Article 5)

ARTICLE 6 – MINIMUM WORK OBLIGATION

- 6.1 Contractor shall provide or arrange to provide all the required services, within the respective periods of time and according to the provisions set out in Annex E, to fulfill the Minimum Work Obligation specified therein, for the following activities:
 - (a) preparation of the Preliminary Development Plan and the Final Development Plan;
 - (b) conduct of seismic surveys, including processing and interpretation thereof;
 - (c) conduct of detailed geological and reservoir engineering studies, including (3-D) simulation for the reservoirs programmed to come into early production;
 - (d) drilling appraisal and/or development wells with the aim of appraising the reservoirs defined in Annex D, and achieving planned initial production in accordance with the Early Production Program;
 - (e) conduct of detailed laboratory and reservoir engineering studies to evaluate most suitable secondary recovery mechanisms for the reservoirs programmed to come into production within the Final Development Plan; and
 - (f) performing engineering studies and building all necessary surface installations required for initial production, transportation, and initiation of engineering work and infrastructure facilities required by the Final Development Plan.
- 6.2 Contractor shall spend a minimum amount of _____million USD (US\$ xxx000000) in the course of implementing the Minimum Work Obligation specified in Annex E. The Minimum Expenditure Obligation shall be deemed to have been met

provided that the Minimum Work Obligations under Annex E are fulfilled.

- 6.3 Notwithstanding Article 6.2, the Contractor shall invest the sums consistent with the amounts and timing contemplated in approved Development Plans, subject to the terms and conditions set forth in this Contract.
- 6.4 The performance of each Company and the fulfillment of its contractual and financial obligations under this Contract shall be guaranteed by an Affiliate with net production in excess of 250,000 Barrels of Oil Equivalent per day or its ultimate parent company through an instrument in the form set out in Annex F. Such guarantee shall be effective as of the Effective Date and shall be delivered to NOC on the date of execution hereof in respect of Companies, and as provided in Article 28 in respect of assignees.
- 6.5 Ministry of Oil shall provide to Companies a guarantee through an instrument substantially in the form set out in Annex F, to guarantee the performance of the State Partner, NOC, SOMO, and any other Iraqi State entity and their fulfillment of their respective contractual and financial obligations under this Contract.
- 6.6 Substantial failure of Contractor to perform timely the levels of investment and work contemplated in an approved Development Plan shall lead to Contract termination in accordance with the provision of Article 8.

(End of Article 6)

ARTICLE 7 – NOC'S ASSISTANCE

NOC shall:

- 7.1 provide Contractor with such pertinent technical data, if any, (in addition to information provided to Companies during the bidding process) which may become available from time to time, to be used exclusively for Petroleum Operations;
- 7.2 ensure that the Contract Area, including all other areas where Petroleum Operations are required under this Contract, shall be free of any mines or hazardous war remnants and free of any claims by third parties. However, in the event a clearing operation is found necessary, Contractor shall prepare the same in close consultation with NOC prior to submission to the JMC for approval. Once the plan is approved by the JMC, Contractor shall execute the de-mining work program through competent service providers and fund the related cost, which costs shall be considered as Supplementary Costs and recovered pursuant to Article 19;
- 7.3 provide adequate security, through the Iraqi armed forces, within the Contract Area and any other areas in the Republic of Iraq in which Petroleum Operations or operations related to the Transportation Facilities are conducted including during travel to and from such areas. NOC shall be solely liable for the conduct of all operations by the Iraqi armed forces and Contractor shall not have any liability or obligation to any party for any acts or activities of the Iraqi armed forces or be obliged to reimburse NOC for the cost and expense of providing security as contemplated herein. However, in the event that the Contractor can demonstrate that the security being provided is inconsistent with its HSE policies, the Parties shall agree supplementary measures, including short-term engagement of competent private Iraqi security providers, such costs being considered Petroleum Costs;
- 7.4 provide such assistance to Contractor and Operator as may reasonably be required to secure and renew all entry visas or work permits for employees of Contractor and Operator or Sub-Contractors and their dependents, all permits and registrations

required for Contractor to open and maintain a branch office in the Republic of Iraq, all customs and other clearances required for imports and exports of equipment and supplies required for Petroleum Operations, and assist Contractor and Operator in obtaining the office space, its equipment, accommodation, communication facilities and permits, way-leaves, easements, rights of way, licenses and renewals thereof, all for the purpose of conducting Petroleum Operations;

- 7.5 provide Contractor and Operator free of charge:
- (a) access to the Contract Area including the existing roads and bridges leading to it and other areas where Petroleum Operations are required;
 - (b) access to and use of water, including water for injection within or outside the Contract Area for the purpose of Petroleum Operations, provided that all installations for off-take, treatment, distribution, and disposal of water shall be the responsibility of Operator;
 - (c) use of Petroleum for Petroleum Operations; and
 - (d) use of existing wells and facilities related to the Field within the Contract Area.
- and
- 7.6 in the event of unintentional infringement on petroleum operations of either Party, the Parties shall convene to agree in good faith on a proper course of action, safeguarding the interests of both Parties.

(End of Article 7)

ARTICLE 8 – TERMINATION

- 8.1 Termination by NOC
- (a) NOC may terminate this Contract: (i) by giving Contractor written notice if the last remaining Company (or its parent company that provides a guarantee), becomes bankrupt or be declared insolvent: or (ii) by giving Contractor three (3) months written notice if Contractor commits a breach of a material obligation of this Contract, including but not limited to:
 - (i) Contractor knowingly submits a false statement to NOC which is of material consideration for the execution of this Contract;
 - (ii) last remaining Company assigns any interest, right or obligation under this Contract contrary to the provisions of Article 28; and
 - (iii) Contractor fails substantially to comply with approved Development Plans, Work Programs or Budgets.
 - (b) If Contractor has remedied its breach pursuant to (a) within the three (3) months' notice period, NOC shall consider the notice as having been ineffective. If NOC reasonably believes that Contractor is doing its best to remedy the breach and its efforts look promising, then NOC may extend the notice period accordingly.
 - (c) If NOC terminates this Contract in accordance with Article 8.1(a), Contractor shall:
 - (i) forfeit all its rights and interests under this Contract as from the date of

- termination;
- (ii) release NOC from any and all actions, claims, demands and proceedings that may arise out of such termination; and
 - (iii) pay NOC any unspent portion of the Minimum Expenditure Obligation. Otherwise, NOC shall be entitled to recover such balance from Contractor by any means it may deem proper.
- (d) If Petroleum Operations are suspended or substantially curtailed for a period exceeding eighteen (18) consecutive Months due to Force Majeure (but for reasons other than legislation/order of Government), either NOC or Contractor may terminate this Contract after giving the other Party two (2) months written notice. Upon such termination, the provisions of Articles 8.1(c)(i) and Article 8.1(c)(ii) shall apply, and NOC shall compensate Contractor for accrued but unpaid Service Fees and Supplementary Fees up to the date of termination.
- (e) If Contractor suspends its obligations in respect of Petroleum Operations by order or decree of the government of any of the Companies, NOC shall have the right to assume full responsibility for Petroleum Operations in any way it deems appropriate after giving Contractor one (1) month written notice to this effect. However, if such suspension continues for a period exceeding one (1) Year, NOC shall have the right to terminate this Contract after giving Contractor two (2) months written notice. Upon such termination, the provisions of Article 8.1(c) shall apply, and Contractor shall be entitled to no compensation whatsoever. However, if at any time during the period when Contractor has suspended its obligations and prior to the end of the termination notice, Contractor gives NOC notice that it is able and willing to resume its obligations with respect to Petroleum Operations, NOC and Contractor shall agree on the best course of action to resume Contractor's obligations and on the payment by NOC of any outstanding Service Fees and Supplementary Fees that were due and payable to Contractor prior to the period of suspension. It is understood that Contractor shall not be entitled to any Service Fees during the period of suspension.
- (f) If Contractor fails to establish a normal presence in the Republic of Iraq, as manifested by the necessary personnel and equipment required to conduct Petroleum Operations within six (6) months after the approval date of the Preliminary Development Plan, and in due consideration of Article 31.5, NOC shall have the right to terminate this Contract after giving Contractor two (2) months written notice. Upon such termination, the provisions of Article 8.1(c) shall apply, and Contractor shall be entitled to no compensation whatsoever.

8.2 Termination by Contractor

If Contractor elects to terminate this Contract before the end of its Term, Contractor shall give NOC three (3) months written notice to this effect giving reasons for such election. If by the end of the said notice period the Parties have not agreed on a course of action other than termination, then Contractor may terminate this Contract after giving NOC a further notice of one (1) month. Upon such termination, the provisions of Article 8.1(c) shall apply.

- 8.3 In the event of termination of this Contract (whether by NOC or by Contractor), in accordance with this Article 8, Contractor hereby warrants that it shall not obstruct, hinder or otherwise interfere with Petroleum Operations.

- 8.4 The provisions of this Contract that by their nature survive termination or expiry of this Contract (including indemnities, liabilities, audit, confidentiality, governing law and arbitration) shall remain in full force and effect for a period of three (3) Years after such termination or expiry.

(End of Article 8)

ARTICLE 9 – CONDUCT OF PETROLEUM OPERATIONS

- 9.1 Until NOC opts for the formation of a JOC, pursuant to Article 9, Contractor's Operator shall conduct Petroleum Operations under the general supervision and control of a JMC formed pursuant to Article 13. In the event that permission is granted to third parties to operate within the Contract Area such as for operations that are not related to Petroleum Operations, operations involving reservoir(s) that are excluded under Article 2.2 or that have been relinquished pursuant to Article 5, or sole-risk operations under Article 12.6, NOC shall take necessary measures to ensure that such operations within the Contract Area shall not obstruct, hinder, or unduly interfere with Petroleum Operations. NOC shall indemnify and hold Contractor harmless of any damage, cost, or delay caused by or resulting from any such third party operations.
- 9.2 Contractor appoints _____ to serve as Contractor's Operator to conduct Petroleum Operations in the absence of the JOC. In the event of the creation of a JOC, and as from the Date of Transfer of Operatorship, Contractor's Operator shall continue to share management and activities of the JOC for the efficient and smooth conduct of Petroleum Operations.
- 9.3 Contractor shall not change the Contractor's Operator without the prior written consent of NOC.
- 9.4 At any time after Contractor first achieves an R-Factor equaling or exceeding one point zero (1.0), pursuant to Article 19.5, NOC shall have the option to call for the formation of a Joint Operating Company, which shall be jointly owned and managed by the Parties. The JOC shall serve as Operator and conduct Petroleum Operations on behalf of the Parties, under the general supervision and control of a Board of Directors in accordance with this Contract and Addendum Three, and all in accordance with approved Development Plans and Work Programs and Budgets.
- 9.5 Within twelve (12) Months of NOC's decision for the formation of the JOC, the Parties shall establish the JOC consistent with the JOC Heads of Agreement which are set out in Addendum Three, and consistent with the Law.
- 9.6 The Parties shall agree in due time to a plan and a procedure for the transfer of Operatorship from Contractor's Operator to the JOC, taking into consideration that the transfer plan shall include but not be limited to:
- (a) an arrangement for the establishment of the JOC;
 - (b) a list of the various positions to be taken over by the JOC;
 - (c) a schedule of transfer stages which culminates in the completion of the transfer within twelve (12) months of the date on which the JOC comes into existence pursuant to Article 9.4; and
 - (d) inventories of the relevant facilities, equipment, documents, manuals, data and information necessary for the Petroleum Operations.

- 9.7 Contractor's Operator shall, in accordance with the transfer schedule, transfer to the JOC control of all facilities and equipment relating to Petroleum Operations and all documents, manuals, data and information regarding the use and operation of such facilities and equipment so that the JOC personnel are able to manage and handle such facilities and equipment in accordance with the Best International Petroleum Industry Practices.
- 9.8 The transfer of the accounting and financial aspects shall be handled in accordance with Annex C.
- 9.9 During the preparations for the transfer of Operatorship to the JOC and in the course of the actual transfer, Contractor's Operator shall perform the functions and fulfill the obligations provided for in this Contract in respect of Petroleum Operations. Thereafter, the functions, obligations and rights of the Operator provided for in this Contract shall, by analogy, be applicable to the JOC in accordance with the provisions of this Contract and Addendum Three.
- 9.10 After the JOC has taken over conduct of Petroleum Operations and has become Operator, Contractor shall continue to have the obligation of joint management of JOC and a major role in all the planning, decisions, surveillance, and day-to-day conduct of Petroleum Operations. In general, Contractor shall make available its managerial and technological skills and personnel to JOC to ensure that Petroleum Operations are performed in accordance with the Best International Petroleum Industry Practices. In particular, Contractor shall continue to prepare and submit for NOC's approval annual Work Programs and Budgets, Development Plans, and their Revisions. The establishment of the JOC shall in no way relieve Contractor of its obligations to achieve the production targets under this Contract.
- 9.11 Expenses directly incurred by NOC and approved by the JMC in the set-up, transfer and takeover of Petroleum Operations by the JOC shall be paid by Contractor and charged to the Operating Account in accordance with the provisions of Annex C. It is understood that any commitments entered into by NOC prior to the Effective Date that cover activity specified in the Minimum Work Obligation shall be honored and funded by Contractor, which funding shall be Petroleum Costs. However, Contractor shall have the right to review these commitments and, following consultation with the ROC, may terminate such commitments subject to the provision of suitable alternative arrangements.
- 9.12 Not later than the twentieth (20th) day of each Calendar Month, the Operator shall furnish Contractor with a detailed written estimate of its total cash requirements for the succeeding Calendar Month expressed in Dollars, in accordance with approved Work Programs and Budgets.
- Such estimate shall take into consideration any cash expected to be on hand at Calendar Month end. Payment by Contractor for the succeeding Calendar Month shall be made directly to the correspondent bank designated in Article 9.13 below on the first (1st) day of the Month, or the next following working day, if such day is not a working day.
- 9.13 Operator is authorized to keep at its own disposal abroad, in an account opened with a first class independent bank, the foreign funds advanced by Contractor. Interest or similar income generated by the account shall be credited to the account. Withdrawals from said account shall be used for payment for goods and services abroad and for transferring to a local bank in the Republic of Iraq the required amounts to meet expenditures in Dinars for the Operator in connection with Petroleum Operations, converted at the applicable rate of exchange available as published by the Iraqi Central Bank on the date of conversion. Within 60 (sixty) days

after the end of each Financial Year, Operator shall submit to the appropriate exchange control authorities in the Republic of Iraq a statement, duly certified by a recognized firm of independent auditors, showing the funds credited to the account, the disbursements made out of the account and the balance outstanding at the end of such Financial Year.

- 9.14 Operator shall diligently conduct Petroleum Operations in compliance with the Law, and in accordance with Best International Petroleum Industry Practices.
- 9.15 Operator's activities aboveground and underground shall be designed to achieve efficient and safe production of Petroleum from the Field. Operator shall ensure that all materials, equipment, and facilities used in Petroleum Operations comply with generally accepted engineering norms, are of proper and acceptable construction, and are kept in good working order throughout the Term. The Parties shall at least one (1) Year before the expiry of this Contract agree on a detailed procedure for handing-over the Field and related facilities to NOC as a going concern.
- 9.16 Operator shall take all appropriate and necessary measures, in accordance with the Law, to safeguard the environment and prevent pollution which may result from Petroleum Operations, and to minimize the effect of any pollution which may occur.
- 9.17 Each of Contractor and Operator shall take all appropriate and necessary measures, in accordance with the Law, to ensure transparency, accountability and the strict observance of general business ethics.
- 9.18 Operator shall conduct Petroleum Operations in accordance with the provisions of this Contract under the general supervision and control of the JMC or BOD, as the case may be.
- 9.19 Operator shall:
- (a) provide all personnel required for the Petroleum Operations, giving first priority to Iraqi nationals, provided the Iraqi nationals have the required qualifications and experience;
 - (b) without prejudice to the Contractor's right to occupy positions in the JOC, adhere to employment and training programs which shall aim at the Iraqization of Operator's manpower; all pursuant to a plan to be submitted by the Operator for approval by the JMC or BOD no later than six (6) years from the Effective Date;
 - (c) utilize Sub-Contractors and suppliers of proven capability and professional experience on a competitive basis and in accordance with the tendering procedures established pursuant to Article 9.21(c), keeping the JMC or BOD informed accordingly. Any purchase order and sub-contract shall be in accordance with approved Work Programs and Budgets;

However, prior approval shall be obtained before the award of any individual purchase order or sub-contract, giving details of bids received and the basis for the recommended award, as follows:

- (i) by JOC for awards up to twenty million USD (US\$20,000,000) in value;
- (ii) by JMC or BOD for awards up to fifty million USD (US\$50,000,000) in value; and
- (iii) by NOC for awards exceeding fifty million USD (US\$50,000,000) in

value.

and

- (d) prepare and issue reports pursuant to Article 15, and provide any further information as may reasonably be required by NOC.

9.20 Operator shall place fixtures and installations inside and outside the Contract Area as necessary to carry out Petroleum Operations, in accordance with the approved Development Plans. Transportation Facilities that are integrated into the Transportation System shall be handed over upon completion and commissioning to the Transporter, which will thereafter be responsible for the operation and maintenance thereof, in accordance with the provisions of Addendum Two and the subsequent Petroleum Transfer Agreement.

9.21 Promptly after the Effective Date, but not later than six (6) months thereafter, Operator shall prepare and submit for JMC or BOD approval, in accordance with Article 12, the following operating procedures:

- (a) employment procedures and personnel regulations for locally recruited personnel including scales of salaries, wages, benefits, and all allowances applicable to the respective grade of staff and employees, together with employment requirements such as standard job descriptions and qualifications to fill the jobs, all in accordance with the Law and local market conditions. Equitability of basic salaries and terms of employment between Iraqis and non-Iraqis of similar qualification and experience shall be observed, with allowances and special benefits as appropriate for non-Iraqis;
- (b) benefits and allowances to be paid in the Republic of Iraq to assigned personnel referred to in Annex C during the assignment for Petroleum Operations;
- (c) tendering, bidding and contract awarding procedures for engineering, drilling, construction and other service contracts, and procedures for purchasing materials and equipment, all on a competitive basis, taking into account provisions of this Contract Best International Petroleum Industry Practices and the Law; and
- (d) detailed accounting system to be adopted by Operator based on the provisions of Annex C.

(End of Article 9)

ARTICLE 10 – NATURAL GAS LIQUIDS AND SUPPLEMENTAL CRUDE OIL

10.1 It is understood that this Contract is limited to the Appraisal, Development and Production of Non-Associated Gas reservoirs including, where required, the treatment and processing of the Natural Gas to produce NGLs. However, pursuant to a separately negotiated agreement the NOC may request Contractor to explore for and, if successful, appraise, develop and produce any potential Crude Oil accumulations.

10.2 In the absence of such separate agreement within the period set forth in Article 5, NOC reserves the right thereafter to explore, appraise, develop, and produce such Crude Oil accumulations, directly or through third parties, ensuring that Petroleum Operations are not hindered or delayed.

- 10.3 Unless included in any agreement relating to Supplementary Crude Oil entered into pursuant to Article 10.2, the Remuneration Fee for NGL resulting from activities under this Contract shall be payable as a part of the Remuneration Fee for Net Gas Production, in accordance with Article 19.
- 10.4 Should there be any unavoidable delay on the part of the Transporter or NOC in receiving the produced Gas and any associated NGL, the Parties may agree in a timely manner on a reasonable holding period, and the Term together with all rights and obligations hereunder shall be extended accordingly, subject to the provisions of Article 8. With or without the said holding period, the Parties may separately agree an alternative off-take arrangement. Failing agreement on the holding period or the alternative off-take arrangement, Contractor shall receive its due and payable Service Fees and, subject to Article 19.3(d), Supplementary Fees on the basis of Take or Pay arrangements until such time NOC is able to receive the full Net Gas Production and Net NGL Production.
- 10.5 The Take or Pay arrangements shall compensate the Contractor only to the extent of Service Fees and, subject to Article 19.3(d), Supplementary Fees that would have been expected should the delay not have taken place. Contractor will have the obligation to demonstrate in a manner consistent with certification procedures normal in such circumstances that wells and facilities are capable of producing and handling the volumes contemplated in the Development Plan.
- 10.6 In no event will the Take or Pay arrangements cover Service Fees or Supplementary Fees for Net Gas Production in excess of the Plateau Production Target.
- 10.7 At such time as the necessary receiving facilities are made available by Transporter or NOC, should Contractor not be able to deliver the Net Gas Production paid for under the Take or Pay arrangements then the Service Fees and Supplementary Fees payable shall be recalculated as if such lower deliverability had existed since the start of the Take or Pay arrangements and the Contractor shall immediately repay all excess payments received.
- 10.8 On termination of the Take or Pay arrangements Contractor and NOC will agree arrangements such that Contractor does not benefit under this Contract to a greater extent than it would have done had implementation of the Take or Pay arrangements not been necessary.

(End of Article 10)

ARTICLE 11 – DEVELOPMENT PLANS AND WORK PROGRAMS

- 11.1 Contractor and Operator are obligated to develop the Field and maintain the required delivery capacities in accordance with the approved Development Plans and terms of the Petroleum Transfer Agreement; heads of which are set out in Addendum Two.
- 11.2 Promptly after the Effective Date, and in any case not later than six (6) months thereafter, Contractor shall prepare the Preliminary Development Plan, presenting, in the light of the available knowledge of the Field, the overall targets and phases of development of the Field for the Term, as well as specific Petroleum Operations related to additional Appraisal Operations and initial production from the Field. The Preliminary Development Plan shall include:
- (a) an "Early Production Program" for the Field designed to achieve the Early Production Target as soon as possible but no later than thirty six (36) months from the approval date of the Preliminary Development Plan;

- (b) an "Appraisal Program" for the reservoir(s) of the Field which require and justify further Appraisal Operations, including a time schedule for geophysical surveys and any interpretations of data relating thereto, geological and reservoir engineering studies, as well as laboratory work and Field data gathering programs. The Appraisal Program is aimed at acquiring technical data required to conceive the Final Development Plan embracing the whole Field; and
 - (c) a Work Program and Budget for the remainder of the current Calendar Year.
- 11.3 Contractor shall prepare and submit for approval annual Work Programs and Budgets, including production schedules for the succeeding Calendar Years, not later than the first of October of each Calendar Year.

Each annual Work Program and Budget shall set out in detail by Quarter all aspects of proposed Petroleum Operations to be carried out including all relevant data and information, the estimated cost and duration of each operation, the estimated monthly rate of production for each reservoir of the Field and all other relevant data and information. The Work Program and Budget shall also include a forecast of Yearly activities for the four (4) Year period following the end of the relevant Calendar Year or the period up to the expiry of this Contract whichever is shorter.
- 11.4 Within six (6) months after the completion of the Appraisal Program, Contractor shall prepare the Final Development Plan, which shall, upon approval by NOC, supersede the Preliminary Development Plan.
- 11.5 Contractor and Operator shall conduct Petroleum Operations in a manner that is designed to achieve the Plateau Production Target within three (3) Years of the approval date of the Final Development Plan, but no later than six (6) Years after the Effective Date. Development Plans submitted by Contractor for approval must contemplate achieving the Plateau Production Target within such time period.
- 11.6 Contractor shall prepare and submit for NOC's approval revised Development Plans and corresponding cost estimates as necessary.
- 11.7 All Plans and production schedules shall be based on sound geological, reservoir, engineering and economical principles, all in accordance with the Best International Petroleum Industry Practices, and with the objective of optimizing production and maximizing the volume of recoverable reserves of Petroleum from the Contract Area.
- 11.8 Development Plans shall include as a minimum the following:
 - (a) details of the proposed development area;
 - (b) summary of reservoir studies;
 - (c) proposals relating to additionally required Field Appraisal, if any;
 - (d) proposals relating to the spacing, drilling and completion of wells and the surface facilities, installations and pipelines required for the production, treating, transportation, processing, and delivery of Natural Gas and any associated NGL;
 - (e) forecast of annual production and an estimate of relevant investments involved; and
 - (f) a description of Gas sales and purchase agreement or other off-take arrangements, including the principal terms of such arrangements, the

relevant Transfer and Delivery Point(s), and any Transportation Facilities to be constructed.

- 11.9 In the event that the Gas sales and purchase agreement or other off-take arrangements proposed by NOC and prescribed in an approved Development Plan contemplate the delivery of Gas in quantities that do not permit the Plateau Production Target to be met within three (3) Years of the approval date of the Final Development Plan, but no later than six (6) Years after the Effective Date, the Parties shall negotiate in good faith with a view to arranging for alternative or additional off-take arrangements that would permit the Plateau Production Target to be met within this time period. If no such arrangements are agreed upon within two (2) Years after the date of approval of the Final Development Plan, then the Plateau Production Target used for purposes of adjusting the Remuneration Fee pursuant to Article 19.5 shall be reduced to reflect the actual off-take arrangements prescribed in the Final Development Plan.

(End of Article 11)

ARTICLE 12 – APPROVAL OF DEVELOPMENT PLANS AND WORK PROGRAMS

- 12.1 No Petroleum Operations shall be carried out unless and until the relevant Work Program and Budget, Development Plan, or their Revisions, has been duly approved.
- 12.2 Contractor shall prepare and submit to the JMC, or the BOD, in a timely manner its proposals concerning the Plans, or their Revisions as well as the annual Work Programs and Budgets or their Revisions, and any administrative, accounting or other operating procedures, complete with supporting studies, data and information, for approval in accordance with the following procedure:
- (a) within fourteen (14) days of receiving Contractor's proposal or revised proposal, in respect of annual Work Programs and Budgets, and any administrative, accounting or other operating procedures, the JMC or BOD shall review and shall either approve or return to Contractor with recommended changes. Contractor shall, within a further fourteen (14) days of receiving recommended changes, amend the proposal and re-submit to the JMC or BOD for approval;
 - (b) within twenty (20) days of receiving Contractor's proposal or proposed Revision in respect of Development Plans the JMC or BOD shall review the proposal and pass to the NOC for endorsement or return to the Contractor with recommended changes. Contractor shall amend the proposal and re-submit to the JMC or BOD for approval no later than thirty (30) days thereafter;
 - (c) within thirty (30) days of receiving a Development Plan from the JMC or BOD, the NOC shall advise Contractor and the JMC or BOD of its endorsement or rejection. In the event of a rejection the NOC shall provide written advice as to the reasons for its rejection;
 - (d) it is understood that the Parties shall make their best endeavors to expedite the approval process through close interaction and consultation, and, if necessary, through the intervention of their senior managements;
 - (e) if aspects of an annual Work Program or Budget remain unresolved after submission to senior management the Parties agree that the Operator will be authorized to act as though the most recent submission by the Contractor has

been approved until such time as final resolution of disputed items has occurred; and

- (f) time periods in this Article 12.2 shall be subject to appropriate extensions corresponding to any delay resulting from Force Majeure or as otherwise agreed between the Parties. In either case, if the total period taken for approval and endorsement of the Preliminary Development Plan or the Final Development Plan exceeds one hundred and twenty (120) days, then the Term together with all rights and obligations hereunder shall be extended to reflect the additional time taken for approvals.
- 12.3 After the approval of the annual Work Program and Budget by the JMC or BOD, it shall be implemented by Operator under the general supervision and control of the JMC or BOD. Operator may make minor changes to the details of an approved Work Program and Budget, provided, however, such changes shall not change the budgeted amount for each major line item by more than ten percent (10%), change the total approved Budget by more than five percent (5%), or alter the general objectives of the Work Program. Otherwise, the change shall be considered a Revision calling for the JMC's or BOD's prior approval unless such changes are warranted under emergency or extraordinary circumstances requiring immediate action, including but not limited to safeguarding lives or property, protection of the environment or for health reasons. Such emergency changes shall be reported by Contractor to the JMC or BOD and NOC within five (5) working days.
- 12.4 Any modification to an approved Development Plan that alters the general objectives of the approved Development Plan or change the total estimated cost by more than ten percent (10%), shall be considered a Revision of the said Plan which shall be subject to NOC's approval in accordance with this Article 12.
- 12.5 NOC shall have the right to review the proposed level of production in respect of any proposed or approved annual Work Program and may, upon written notification, require Contractor and/or Operator to increase or decrease the rate of production from the Contract Area for any of the following reasons:
- (a) to avoid material damage to reservoirs;
 - (b) for safety considerations;
 - (c) for operational considerations; and
 - (d) for Government imposed curtailment.
- 12.6 In case reduction of Gas production is to be applied by NOC pursuant to Article 12.5(d), NOC shall apply such reduction in a non-discriminatory manner to all of its production from the Republic of Iraq. Contractor and Operator shall comply with such reduction upon receipt of notification from NOC to this effect. For as long as such production curtailment is imposed, the Remuneration Fee Bid adjustment under Article 19.7 shall cease to apply. As soon as the imposed production curtailment is over, the Parties shall meet to agree in good faith on a possible revised Field production schedule with a view to compensating Contractor as soon as practicable for lost revenue, as a result of the reduction, all in accordance with Best International Petroleum Industry Practices. Failing a revised production schedule, the Parties may agree an appropriate extension to the Term.
- 12.7 NOC may, at any time by written notice, request Contractor to fund and Operator to execute specific works or build specific facilities not included in approved Development Plans or associated Work Programs and Budgets. Within ninety (90)

days of receiving such notice, Contractor and Operator shall amend the relevant Work Program and Budget or Development Plan accordingly. All costs associated with the construction and operation of the additional facilities or works paid for by the Contractor shall be considered Supplementary Costs. If Contractor decides not to share in the risks and rewards of such works and facilities and not to execute them pursuant to this Contract, the costs thereof shall be borne by NOC. In such event, NOC shall have the right to appoint a third party to execute the works taking care not to hinder or unduly interfere with Petroleum Operations, and the said works shall be for NOC's sole risk and reward.

(End of Article 12)

ARTICLE 13 – JOINT MANAGEMENT OF PETROLEUM OPERATIONS

- 13.1 The Parties shall establish, within thirty (30) days from the Effective Date, the Joint Management Committee or JMC, for the purpose of general supervision and control of Petroleum Operations until the Date of Transfer of Operatorship (after which date the functions of the JMC shall be transferred to the BOD). NOC shall nominate four (4) members, including the chairman. Contractor shall nominate four (4) members, including the deputy chairman, the secretary, and a member from the State Partner. The Parties shall also designate one alternate to each of their members and shall promptly inform each other in writing of any change of the members or alternates.
- 13.2 JMC shall have the following duties and authorities related to Petroleum Operations:
- (a) review and recommendation of Development Plans and any Revisions thereof;
 - (b) review and approval of annual Work Programs and Budgets, production schedules, and any Revisions thereof;
 - (c) review and approval of operating procedures pursuant to Article 9;
 - (d) review and/or approval of the award of sub-contracts and purchase orders as applicable pursuant to Article 9.19(c);
 - (e) approval of training programs and Iraqization plans for integrating Iraqi personnel into various aspects of Petroleum Operations, pursuant to Articles 9.21(a) and (b) and 26.2;
 - (f) supervision and control of the implementation of approved Development Plans and Work Programs and the overall policy of Operator;
 - (g) review and approval of the manpower strength and organization chart of Operator with respect to Petroleum Operations;
 - (h) review of Quarterly statements, annual accounts and other financial statements related to Petroleum Operations;
 - (i) review of periodical and other reports submitted by Contractor or Operator and issue of comments and recommendations to ensure proper implementation of Petroleum Operations in accordance with the provisions of this Contract; and
 - (j) recommendation of the appointment of the independent international auditor as per Article 20.4.

- 13.3 Decisions of the JMC shall be taken by unanimous vote of the members or their alternates present at the meeting or by proxy. In the event that the JMC is unable to reach a unanimous decision in respect of any issue for which it is responsible under this Contract, then the issue shall be promptly referred to the senior management of the Parties for resolution. The quorum shall be at least three (3) members or alternates of each Party. Decisions taken by the JMC shall be recorded in official minutes signed by the members present and communicated by the Operator to the Parties.
- 13.4 JMC shall meet whenever necessary or expedient for the implementation of this Contract and at any time a Party requests a meeting to be held. In any event the JMC shall meet at least once every Quarter. A meeting of the JMC may be convened by either Party giving not less than twenty (20) days prior written notice to the other Party or, in a case requiring urgent action, by giving reasonable shorter notice, with decisions by way of circulated written resolutions. Operator shall prepare the agenda and necessary documents prior to such meetings and communicate the same to the members of the JMC. Either Party may add any matter related to Petroleum Operations not listed by Operator to any JMC meeting agenda.
- 13.5 JMC may adopt such procedures as it deems appropriate regarding the conduct of its functions, meetings, and other related matters. For the purpose of facilitating the conduct of its functions, the JMC may appoint such appropriate sub-committees as shall from time to time be required.
- 13.6 All reasonable costs incurred by Contractor and approved by the JMC for the carrying out of its duties shall be considered as Petroleum Costs.

(End of Article 13)

ARTICLE 14 – DATA AND SAMPLES

- 14.1 All original data and samples obtained by Contractor or the Operator shall be the property of NOC.
- 14.2 Contractor and Operator shall provide NOC, free of charge, with copies of any and all data obtained as a result of Petroleum Operations including, but not limited to, geological, geophysical, geochemical, petrophysical, engineering, well logs, maps, magnetic tapes, cores, cuttings and production data as well as all interpretative and derivative data, including reports, analyses, interpretations and evaluation prepared in respect of Petroleum Operations (hereinafter referred to as "Data"). Contractor and Operator shall have the right to make use of such Data, free of charge, for the purpose of Petroleum Operations.
- 14.3 Contractor and Operator may, for use in Petroleum Operations, retain copies or samples of material or information constituting the Data and, with the approval of NOC, original material. Where such material is capable of reproduction or division, and when originals have first been delivered to NOC, Contractor and Operator may export samples or other reproduced material for processing or laboratory examination or analysis, taking into consideration whether such analysis can be conducted in the Republic of Iraq. Contractor and Operator shall guarantee their proper handling and keeping, and that such exports shall be returned to the Republic of Iraq within a maximum period of three (3) months from the date of completion of any study, analysis or processing thereof, except for the consumable samples and materials.
- 14.4 Contractor and Operator shall save and keep in the Republic of Iraq, for a minimum

period of one (1) Year, representative portions of each sample of cores and cuttings taken from drilled wells, to be disposed of or forwarded to NOC in a manner directed by NOC.

- 14.5 Contractor shall work with NOC to cause the establishment of entities in the Republic of Iraq capable of analyzing and processing Data obtained during Petroleum Operations.

(End of Article 14)

ARTICLE 15 – REPORTS AND RECORDS

- 15.1 Contractor and Operator shall report in writing to NOC the progress of Petroleum Operations according to the following schedule:
- (a) within one (1) month of the last day of March, June, September and December covering the previous Quarter; and
 - (b) within three (3) months of the last day of December covering the previous Calendar Year.
- 15.2 A report under Article 15.1 shall contain, without limitation, the following in respect of the period which it covers:
- (a) details of Petroleum Operations and the factual information obtained;
 - (b) description of the area in which Contractor and Operator have operated;
 - (c) account of the expenditure on Petroleum Operations in accordance with the Accounting Procedure; and
 - (d) maps indicating all bore-holes, wells and other Petroleum Operations.
- 15.3 Contractor and Operator shall prepare at all times during the Term accurate and current records of their operations. Such records shall be maintained by Contractor and Operator in accordance with procedures to be established by the JMC or BOD, and in accordance with Best International Petroleum Industry Practices.
- 15.4 Operator's reports on Petroleum Operations shall comply with the Law.

(End of Article 15)

ARTICLE 16 – ACCESS AND INSPECTION

- 16.1 NOC's duly authorized inspectors shall, upon written prior notice to the Operator and Contractor, have access to the Contract Area and any other area where Petroleum Operations are being carried out, for the purpose of inspection of the same. Such inspectors may examine the books, registers and records of Operator and may require Operator to make a reasonable number of surveys, drawings, tests and the like for the purpose of enforcing the provisions of this Contract. They shall, for this purpose, be entitled to make reasonable use or inspection of devices, machinery and instruments used for measurement and other Petroleum Operations. The inspectors shall make all reasonable efforts to conduct any inspection in a manner that will result in a minimum of inconvenience and interruption to the Petroleum Operations, and the inspectors shall always take due account of the advice from the Operator and the Contractor when conducting the inspections. Such inspectors shall be given assistance by the agents and employees of Operator to facilitate the objectives of

their task and to avoid endangering or hindering the safety or efficiency of Petroleum Operations. Operator shall offer such inspectors all privileges and facilities afforded to its own staff in the Field and shall provide them, free of charge, with reasonable office space and adequately furnished housing and lodging while they are on the Field whether on a temporary or permanent basis.

- 16.2 Competent Government authorities shall have access to the Contract Area and to the operations conducted therein by Operator, in the course of carrying out their duties in accordance with the Law. Operator shall offer the necessary assistance and services to such officials free of charge in order to facilitate their objectives.
- 16.3 Reasonable costs and expenses incurred by Contractor or Operator in implementing the provisions of this Article shall be considered as Petroleum Costs.

(End of Article 16)

ARTICLE 17 – MEASUREMENT, TRANSFER, AND DELIVERY OF PETROLEUM

- 17.1 The volume and quality of Gas and NGL, if applicable, shall be measured at a Production Measurement Point immediately upstream the relevant Transfer Point. The location of the PMP and TP shall be specified in the relevant approved Development Plan so as to be within or close to the Contract Area.
- 17.2 In accordance with Addendum Two, the Operator shall deliver Net Gas Production and any other Petroleum to Transporter, on behalf of NOC, at the respective Transfer Point(s). The transportation of Petroleum from the Transfer Point(s) down to the Delivery Point(s) shall be carried out by the Transporter, under the terms of Addendum Two and the subsequent Petroleum Transfer Agreement. Transporter shall act exclusively on behalf of NOC, and Contractor and Operator shall have no rights or obligations in respect of the transportation of Petroleum from the Transfer Point(s) to the Delivery Point(s) except as set forth in Article 17.6 and Annex E.
- 17.3 Where production from the Contract Area is curtailed or suspended, other than for minor service outages, through failure of Transporter to receive the same at the Transfer Point through no fault of the Operator or Contractor, the Parties shall meet and agree appropriate measures to compensate the Contractor.
- 17.4 Methods and procedures for measurement of volume and quality of Petroleum at the Transfer Point(s) shall be as per Addendum Two and the subsequent Petroleum Transfer Agreement.
- 17.5 Gas and NGL may be commingled with correspondent streams produced from other fields.
- 17.6 Prior to delivery at the Transfer Point, Net Gas Production shall satisfy the minimum quality and condition specifications defined in the relevant approved Development Plan.
- 17.7 If agreed in an approved Plan Contractor shall finance and/or build transportation facilities downstream of the Transfer Point over and above those required by Annex E. In the event that Contractor finances and/or builds such transportation facilities, they shall be handed over to the Transporter upon completion and commissioning.
- 17.8 Unless related to obligations under Annex E, any costs and expenses incurred by Contractor or Operator pursuant to Article 17.7 shall be Supplementary Costs.

(End of Article 17)

ARTICLE 18 – VALUATION OF PETROLEUM

- 18.1 It is the intent of both Parties that the pricing of Export Oil for all purposes under this Contract shall reflect the prevailing export market price FOB Delivery Point.
- 18.2 The Export Oil Price for each quality of Export Oil that may be lifted by Contractor, during any month of the Lifting Quarter, shall reflect SOMO's declared Official Selling Price for the scheduled month of loading FOB Delivery Point for the said quality of Export Oil for that Quarter.
- 18.3 In the event that market conditions oblige SOMO to adopt a different pricing mechanism than the one set forth in Articles 18.1 or 18.2, the Parties shall promptly convene to discuss in good faith the new pricing mechanism and agree on the same. In the event that the Contractor demonstrates to NOC that the OSP is not reflective of export market prices, the Parties shall meet and agree appropriate measures.
- 18.4 The deemed value of Gas and NGL for the purposes of payment of Service Fees and Supplementary Fees under Article 19 in any Quarter shall reflect the average of the price of Low Sulfur Resid Fuel Oil Med FOB 1% for that Quarter, assuming 6,000 SCF of Gas or 1.0 Barrel of NGL is equivalent to one Barrel of Fuel Oil, as published by Platts Oilgram Price Report.
- 18.5 Contractor shall cooperate with SOMO in areas such as:
- (a) follow-up of worldwide evolution in export qualities of Gas and NGL;
 - (b) market studies and outlet forecasts in various market areas; and
 - (c) other information concerning market conditions.

The costs of such cooperation shall be considered Petroleum Costs.

(End of Article 18)

ARTICLE 19 – SERVICE FEES AND SUPPLEMENTARY FEES

- 19.1 For the Petroleum Operations performed under this Contract, Contractor is entitled to Supplementary Fees and Service Fees. In accordance with this Article 19, Supplementary Fees shall be comprised of Supplementary Costs. Service Fees shall be comprised of Petroleum Costs and a Remuneration Fee.
- 19.2 Supplementary Costs
- Contractor shall start charging Supplementary Costs to the Operating Account as from the Effective Date, in accordance with this Contract and Accounting Procedure but the same shall be due and payable according to the following:
- (a) the signature bonus paid under Article 4 shall be amortized and recovered over twenty (20) equal Quarterly payments beginning with the ninth Quarter following the Quarter in which the Effective Date occurs;
 - (b) de-mining costs incurred pursuant to Article 7.3 shall be recovered over eight (8) equal Quarterly payments beginning with the first Quarter following the date on which de-mining costs start being incurred;
 - (c) costs or expenses incurred pursuant to Articles 12.7 and 17.8 (excluding costs incurred pursuant to Annex E) for additional facilities shall accrue and

be payable beginning in the first Month of the Calendar Quarter following their payment date;

- (d) costs or expenditures incurred pursuant to Article 41.6 for remediation of pre-existing environmental conditions shall accrue and be payable beginning in the first Month of the Calendar Quarter following their payment date; and
- (e) outstanding balances on all Supplementary Costs shall bear interest at LIBOR plus one percent (1%) from the date when Supplementary Costs are incurred until the date when Supplementary Fees are received.

19.3 Supplementary Fees

The Supplementary Fees due to Contractor shall be paid in Export Oil at the Delivery Point or, at NOC's option, in cash, in USD, within sixty (60) days of the submission of an invoice pursuant to Article 9 of the Accounting Procedure. For payment in Export Oil, the Export Oil Price shall be in accordance with Article 18. NOC shall notify Contractor of its election whether to pay Supplementary Fees in cash or in Export Oil within ten (10) days of receipt of Contractor's first invoice for payment of Supplementary Fees. Such election shall remain in effect for the remainder of this Contract, unless otherwise agreed by the Parties.

- (a) Supplementary Fees shall be deemed to cover all amounts due to Contractor for Supplementary Costs.
- (b) Supplementary Fees shall become due and payable as detailed in Article 19.2 and shall be paid to the extent of one hundred percent (100%) of the deemed revenues of the Net Gas Production remaining after payment of Service Fees.
- (c) Any due and payable Supplementary Fees that remain unpaid in respect of any Calendar Quarter shall be carried forward and paid in succeeding Quarter(s) until fully paid.
- (d) NOC reserves the right at any time by notice to Contractor to decrease the amortization periods specified in Articles 19.2(a) and 19.2(b).

19.4 Petroleum Costs

Contractor shall start charging Petroleum Costs to the Operating Account as from the Effective Date, in accordance with this Contract and Accounting Procedure, but the same shall be due and payable only from the date of First Commercial Production.

19.5 Remuneration Fee

Contractor shall start charging the Remuneration Fee to the Operating Account only from the date of First Commercial Production, in accordance with this Contract and the Accounting Procedure.

For each Calendar Quarter, commencing with the Calendar Quarter following the Quarter in which the First Commercial Production occurs, the Remuneration Fee shall be an amount equal to the product of the Remuneration Fee per Barrel of Fuel Oil Equivalent applicable to such Quarter, multiplied by the Net Gas Production (also expressed in terms of Barrels of Fuel Oil Equivalent) applicable to such Quarter and subject to the performance adjustment in Article 9.5.

The Remuneration Fee per Barrel of Fuel Oil Equivalent applicable for all Calendar Quarters during any given Calendar Year shall be determined on the basis of the R-

Factor calculated at the end of the preceding Calendar Year for the Field as follows:

R-Factor	Remuneration Fee Per Barrel of Fuel Oil Equivalent (USD)
Less than 1.0	Remuneration Fee Bid (RFB)
1.0 to less than 1.25	80%*RFB
1.25 to less than 1.5	60%*RFB
1.5 to less than 2.0	50%*RFB
2.0 and above	30%*RFB

- 19.6 The R-Factor achieved by Contractor as at the end of any Calendar Year shall be calculated by dividing the aggregate value of Cash Receipts from the Effective Date up to and including that Calendar Year by the aggregate of Expenditure over that same time frame.

For the purposes of calculating the R-Factor:

Aggregate "Cash Receipts" of Contractor from Petroleum Operations as of the end of any Calendar Year is the aggregate value from the Effective Date up to and including that Calendar Year of:

- (a) Service Fees paid to Contractor as provided in Article 19.8; plus
- (b) any Contractor's incidental income (of the type specified in the Accounting Procedure) arising from Petroleum Operations;

Aggregate "Expenditure" made by Contractor for Petroleum Operations as of the end of any Calendar Year is the aggregate value from the Effective Date up to and including that Calendar Year of:

- (a) Petroleum Costs; plus
- (b) Training, Technology and Scholarship Fund as per Article 26. For the avoidance of doubt, this expense is included as Expenditure for purposes of determining the R-Factor, but shall not be Petroleum Costs.

- 19.7 During the Plateau Production Period the Remuneration Fee payable in respect of any Quarter shall be adjusted by multiplying by the Performance Factor. However, any adjustment of the Remuneration Fee under this ARTICLE 19 – shall cease for so long as the following cases shall apply: (i) Government imposed production curtailment under Article 12.6; or (ii) where normal production is curtailed or suspended through failure of Transporter to receive the same at the Transfer Point at no fault of Operator or Contractor.

19.8 Service Fees

The Service Fees due to Contractor shall be paid without interest, preferably in Export Oil at the Delivery Point or at Contractor's election in cash, in USD, within sixty (60) days of the submission of an invoice pursuant to Article 9 of the Accounting Procedures. For payment in Export Oil, the Export Oil Price shall be in accordance with Article 18. Contractor shall notify NOC of its election whether to receive Service Fees in cash or in Export Oil no later than the date of First Commercial Production. Such election shall remain in effect for the remainder of this Contract, unless otherwise agreed by the Parties.

- (a) The Service Fees shall be deemed to cover all costs, expenses, liabilities and remuneration to Contractor under this Contract. NOC shall not be obliged to pay any other compensation whatsoever to Contractor for the fulfillment of its

obligations under this Contract.

- (b) Service Fees shall become due and payable starting with the first Calendar Quarter in which the First Commercial Production occurs and shall be paid to the extent of fifty percent (50%) of the deemed revenues of the Net Gas Production in accordance with the provisions of this Contract. Payment of due and payable Petroleum Costs shall have priority over the payment of due and payable Remuneration Fees.
- (c) Any due and payable Service Fees that remain unpaid in respect of any Calendar Quarter shall be carried forward and paid in succeeding Quarter(s) until fully paid.

19.9 Subject to Article 8, any due and payable Service Fees and Supplementary Fees that remain outstanding at the expiry or termination of this Contract shall become immediately due and payable within thirty (30) days thereof, or under such other terms as may be agreed by the Parties.

19.10 In case the Supplementary Fees or Service Fees are paid in Export Oil, ROC shall arrange with SOMO to deliver to Contractor at the Delivery Point an amount of Export Oil, at the relevant Export Oil Price, equivalent to the amount of Supplementary Fees or Service Fees owed and payable hereunder. Contractor's Quarterly lifting of Export Oil shall be estimated in advance on the basis of unpaid Supplementary Fees or Service Fees carried forward, production schedule and estimated Export Oil Price. Contractor's final lifting shall be adjusted on the basis of actual amounts of Supplementary Fees or Service Fees owed as computed under this Article 19, and on the applicable Export Oil Price in accordance with the provisions of Article 18 and Addendum Four.

(End of Article 19)

ARTICLE 20 –BOOKS OF ACCOUNT, ACCOUNTING AND AUDIT

20.1 Contractor and Operator shall maintain at their business offices in the Republic of Iraq books of account in accordance with the Accounting Procedure and accepted accounting practices generally used in the international petroleum industry, and such other books, records and original supporting documents as necessary to show the work performed and expenditures and costs incurred including the quantity and value of all Petroleum produced, saved, and delivered as well as the quantity and value of Export Oil received by Contractor at the Delivery Point.

20.2 Contractor and Operator shall keep their books of account and accounting records in Dollars and in the English language. Contractor and Operator shall also prepare and keep an Arabic summary of the main items of these books of account and accounting records.

20.3 Contractor and Operator shall furnish to NOC or its designee monthly reports showing the quantity of Petroleum produced and saved from the Contract Area. Such reports shall be prepared in accordance with practices generally used in the international petroleum industry and in a form agreed upon with NOC. The reports shall be signed by the authorized representatives of Contractor and Operator or their deputies and delivered to NOC or its designee within thirty (30) days after the end of the Month covered by such report.

20.4 The Parties shall jointly appoint an independent auditor of international qualification and standing to audit all the books and accounts of Contractor and Operator on an

annual basis and report thereon. The costs of such audit, together with the audit fees of the Iraqi Supreme Auditing Board for statutory audit of the Contractor's offices in the Republic of Iraq, shall be considered as Petroleum Costs. For cost recovery purposes, the auditors shall determine whether:

- (a) the record of costs is correct;
- (b) the costs are in accordance with this Contract;
- (c) the costs are properly classified in accordance with the expenditure classification;
- (d) documentation exists to justify such costs and expenditures; and
- (e) evidence exists of fraudulent records and accounts in respect of the costs incurred.

- 20.5 Contractor and Operator shall, within forty five (45) days after the end of each Quarter, submit to NOC a statement of Petroleum Costs, Remuneration Fees and Supplementary Costs showing costs incurred by Contractor during such Quarter as per Annex C.
- 20.6 Contractor shall submit to NOC a set of accounts audited by the independent auditor for each Calendar Year within three (3) months from the last day of said Calendar Year to show the results of Petroleum Operations.
- 20.7 Contractor's and Operator's books, records and necessary supporting documents shall be made available for auditing by NOC at any time during regular working hours for twelve (12) months from the end of each Quarter to which such documents relate. If within such twelve (12) months, NOC has not advised Contractor of its objections thereto, the said books, records and supporting documents shall be deemed approved.
- 20.8 If the NOC has an objection to any costs, expenses or fees as reported and invoiced by the Contractor, the NOC will notify the Contractor of its objection in writing but shall pay both the disputed costs and undisputed amounts pending resolution of the matter. Within three (3) months period from the date of Contractor's receipt of NOC's objection, Contractor and NOC shall mutually agree to either seek in good faith an acceptable solution or nominate one (1) or more Experts to settle the matter. If the matter is referred to an Expert, the Expert shall, within the three (3) month period following their appointment, provide their solution to the dispute that is in line with the provisions of this Contract and Annex C. Failing such settlement, either Party may refer the matter to arbitration pursuant to Article 37.
- 20.9 The books of account and other books and records referred to above shall be made available by Contractor and Operator at all reasonable times for auditing by duly authorized representatives of the Government, in accordance with the Law.

(End of Article 20)

ARTICLE 21 – EXCHANGE AND CURRENCY CONTROL

- 21.1 Contractor and Operator shall have the right of availability, free possession, use of, and internal and external disposal of foreign currency.
- 21.2 Contractor shall provide funds necessary for Petroleum Operations in the Republic of Iraq in freely convertible foreign currencies supplied from abroad.

- 21.3 Contractor and Operator are authorized to open and operate accounts in foreign banks outside of the Republic of Iraq and shall have the right to make payments out of the said accounts directly in foreign currencies for goods and services obtained for Petroleum Operations in The Republic of Iraq and to charge such payments in accordance with the provisions of this Contract without having first to transfer the funds for such payments to the Republic of Iraq.
- 21.4 Contractor and Operator and non-Iraqi Sub-Contractors shall have the right to open and maintain bank accounts in foreign and/or local currencies in the Republic of Iraq in accordance with Central Bank of Iraq regulations and retain or dispose of any funds therein for its Petroleum Operations in accordance with Central Bank of Iraq regulations.

(End of Article 21)

ARTICLE 22 –TITLE TO ASSETS

- 22.1 All assets acquired and/or provided by Contractor and Operator in connection with or in relation to Petroleum Operations, the costs of which are subject to recovery in accordance with the provisions of this Contract, shall become the property of NOC upon their landing at the Republic of Iraq.
- 22.2 Notwithstanding the above, Contractor and Operator shall be entitled to the full and free use of such assets for the purpose and duration of this Contract. During the Term of this Contract, NOC and Contractor shall not assign, sell or otherwise dispose of such fixed and/or movable assets except by mutual agreement.
- 22.3 The provisions of Article 22.1 shall not apply to equipment leased by Contractor and Operator or belonging to Sub-Contractors who perform services or carry out works in connection with Petroleum Operations. Contractor and Operator and non-Iraqi Sub-Contractors may, with the prior approval of NOC, import such equipment on a temporary basis. Unless otherwise agreed by NOC, such equipment shall be re-exported from the Republic of Iraq subject to the provisions of Article 25, as and when it is no longer required for Petroleum Operations.

(End of Article 22)

ARTICLE 23 –TAXES

- 23.1 Each Contractor entity shall keep books of account and be individually liable for and shall pay taxes in accordance with the Law.
- 23.2 In no event shall NOC be liable under this Contract for any taxes payable by Companies outside the Republic of Iraq.

(End of Article 23)

ARTICLE 24 – PARTNERSHIP, INDEMNITY AND INSURANCE

- 24.1 It is expressly agreed that it is not the purpose or intention of this Contract to create, nor shall it be construed as creating, any mining partnership, joint venture, commercial partnership or other partnership.
- 24.2 Contractor shall indemnify and hold NOC harmless against all and any claims, actions, demands and proceedings made by third parties arising out of any loss or

damage resulting from an act or omission of Contractor and/or Operator or their Sub-Contractors in their conduct of Petroleum Operations. All costs incurred by Contractor to indemnify and hold NOC harmless as aforesaid shall be Petroleum Costs except in the case of Gross Negligence or Willful Misconduct on the part of the Contractor and/or Operator or their Sub-Contractors.

- 24.3 Contractor shall be liable for any loss of or damage to any installations belonging to NOC or any third party arising from Gross Negligence or Willful Misconduct of Contractor and/or Operator or their Sub-Contractors.
- 24.4 Notwithstanding the foregoing, under no circumstances shall Contractor or Operator be liable for consequential damages such as loss of profit or loss of production.
- 24.5 Contractor and Operator shall establish an insurance plan, to be approved by the JMC or BOD, for its operations hereunder and obtain the insurance policies in accordance therewith. Such insurance shall cover the types of exposure that are normally covered in the international petroleum industry, including but not limited to damage to equipment, installations and third party liabilities. Contractor and Operator shall ensure that its Sub-Contractors adequately insure their risks under their relevant sub-contracts.
- 24.6 Such insurance plan will require Contractor and Operator obtain and maintain insurances with an Iraqi or foreign insurance company operating in the Republic of Iraq to cover the risks in connection with Petroleum Operations and any other activities related thereto and as may be required by the Law during the Term, including third party liability and environmental damage and injury where such coverage is available in the Republic of Iraq. If such coverage is unavailable in the Republic of Iraq, insurance shall be obtained from a foreign insurance company. The insurance company shall arrange, in co-operation with Contractor and Operator to the extent needed, re-insurance placement for coverages on the international market for the part of exposure in excess of the insurance company’s net retention.
- 24.7 The cost of insurance obtained and maintained by Contractor and Operator and any amounts paid for deductibles, losses, or claims in excess of such insurance and not attributable to the Gross Negligence or Willful Misconduct of Contractor and Operator or Sub-Contractors under this Contract shall be Petroleum Costs.
- 24.8 Contractor and Operator shall notify NOC of the issue and terms of all insurance policies obtained by it under this Contract.

(End of Article 24)

ARTICLE 25 – IMPORTS AND EXPORTS

- 25.1 Contractor and Operator and respective Sub-Contractors engaged in Petroleum Operations shall be permitted to import machinery, equipment, vehicles, materials, supplies, consumables and movable property to be used solely for the purpose of carrying out Petroleum Operations and supporting activities. Such imports shall be exempt from customs duties provided that applicable administrative formalities are complied with.
- 25.2 Expatriate employees of Contractor and Operator and Sub-Contractors shall be permitted to import, and shall be exempted from customs duties with respect to the reasonable importation of, household goods and personal effects, provided that such properties are imported for the sole use of the employee and his family and provided further that such imported property shall be re-exported by employee without any

export duty or impost upon termination of his employment, or be disposed of in the Republic of Iraq in accordance with the Law.

- 25.3 Items imported by Contractor and Operator or Sub-Contractors on a temporary basis and no longer required for Petroleum Operations or supporting activities shall, unless otherwise agreed by NOC, be re-exported without any export duty or impost in accordance with the Law.
- 25.4 The sale in the Republic of Iraq of any imported items under this Contract shall be subject to NOC's prior consent and to the relevant Law.
- 25.5 Customs duties, as used herein, shall include all duties, taxes and other financial imposts which may be due as a result of the importation of the above-mentioned items but, shall not include charges, dues or fees of general application to be paid to Governmental entities for services rendered.
- 25.6 Contractor shall be exempted from any export duty or impost with respect to the Export Oil that Contractor may lift under this Contract, except for port dues of general application to all buyers for services rendered by the port authorities in accordance with the Law. Such port dues shall not be considered Petroleum Costs.

(End of Article 25)

ARTICLE 26 – EMPLOYMENT, TRAINING, AND TECHNOLOGY TRANSFER

- 26.1 Without prejudice to the right of Operator to select and employ such number of personnel as, in the opinion of the Operator, are required for carrying out Petroleum Operations in a safe, cost effective and efficient manner, Operator shall, to the maximum extent possible, employ, and require Sub-Contractors to employ, Iraqi nationals having the requisite qualifications and experience.
- 26.2 Through a Training, Technology and Scholarship Fund, Contractor and Operator shall offer and facilitate for an agreed number of Iraqi nationals, as designated by NOC, the opportunity, both inside and outside of the Republic of Iraq, for on-the-job training and practical experience in Petroleum Operations, and academic education. The Fund shall also be used for supporting oil and gas related technology and research including the establishment or upgrading of research institutes inside the Republic of Iraq.
- 26.3 As a minimum, Contractor shall allocate during the Term an annual amount of five million Dollars (US\$ 5,000,000) to the Training, Technology and Scholarship Fund. The Fund payment shall not be recoverable as Petroleum Costs.
- 26.4 Not later than six (6) months after the Effective Date, Contractor and Operator shall, in consultation with NOC, establish and implement training programs for staff positions in each phase and level of Petroleum Operations including skilled, technical, executive and management positions, with a view to ensuring employment of Iraqi nationals and gradual and progressive reduction or replacement of expatriates.
- 26.5 The Companies shall separately negotiate, in good faith, technical assistance agreements with NOC whereby every Company may make available commercially proven technology and information of a proprietary nature for use in the Republic of Iraq by the NOC and its Affiliates.

(End of Article 26)

ARTICLE 27 – PARTICIPATION

- 27.1 The State Partner shall have twenty-five percent (25%) of Contractor's total Participating Interest and the Companies shall have the remaining Participating Interest of seventy-five percent (75%).
- 27.2 Companies shall pay for all of the State Partner's share of Petroleum Costs and Supplementary Costs during the Term and any extension thereto. The Companies shall have entitlement to all Petroleum Costs paid as Service Fees and Supplementary Costs paid as Supplementary Fees, while the State Partner will be entitled to receive 25% of any Remuneration Fee paid.
- 27.3 Participation shall further be subject to the provisions of Addendum One.

(End of Article 27)

ARTICLE 28 – ASSIGNMENT

- 28.1 Neither Party may assign its rights or obligations under this Contract, in whole or in part, without the prior written consent of the other Party, except that such rights and obligations may be assigned without such consent to the successor of such Party or to a firm or corporation acquiring all or substantially all of the business and assets of such Party. The direct or indirect transfer of shares or other ownership interests in any Company (except for the transfer of shares in a listed parent company) shall constitute an assignment of rights and obligations under this Contract and shall be subject to this Article 28.1.
- 28.2 By providing NOC one (1) month prior notice of its intent, any Company shall have the right to assign any of its Participating Interest, shares, rights, privileges, duties or obligations under this Contract without the prior written consent of NOC, except to a recognized wholly-owned and controlled Affiliate. Such assignment shall not release said Company from its obligations under this Contract and it shall remain jointly responsible together with the assignee Affiliate for the proper and timely execution of this Contract.
- 28.3 In the event that any Company, wishes to assign, in whole or in part, any of its Participating Interest, shares, rights, privileges, duties or obligations under this Contract to a third party or an Affiliate that is not wholly-owned and controlled, said entity shall submit to NOC a request to this effect giving detailed evidence of the technical and financial competence of the recommended assignee. NOC shall consider the said request and notify the Company of its approval or otherwise within three (3) months of receipt thereof. Before such assignment becomes effective, the foreign assignee shall first provide NOC with a guarantee acceptable to NOC in the form set out in Annex F.
- 28.4 If any Company wishes to assign part of its Participating Interest in this Contract to a third party pursuant to Article 28.3, NOC shall have the option to take such part and assign it to a nominated Iraqi entity on the same terms and conditions offered to the third party.
- 28.5 Notwithstanding the foregoing, for the purpose of financing Petroleum Operations, any Company may pledge or otherwise encumber, totally or partially, its rights under this Contract to a first class international bank and/or financing institution acceptable to NOC (such acceptance shall not be unreasonably withheld), provided that such pledge or encumbrance shall not in any way affect the rights or interests of NOC.

- 28.6 Notwithstanding the above, any Company shall not assign its obligations or duties as Operator during the period from the Effective Date to the time of establishment of the Joint Operating Company except to a wholly-owned and controlled Affiliate or to an Iraqi entity subject to the approval of NOC.
- 28.7 Without prejudice to the provisions of the Heads of Joint Operating Agreement (Addendum One), in the event that any Company (or its parent company that provides a guarantee) becomes bankrupt, or makes an arrangement with or assignment in favor of its creditors or makes a composition with creditors, or if it assigns to a third party any of its interests/shares in this Contract contrary to the provisions herein, or goes into liquidation other than for reconstruction or amalgamation with an Affiliate, NOC shall have the right to terminate the participation of such Company in this Contract by thirty (30) days notice to Contractor, unless during such period the Company has cured such condition. The rights and obligations of Company shall be assigned to the remaining Companies proportionately to their respective Participating Interests or as they may otherwise mutually agree.
- 28.8 The State Partner may not assign its Participating Interest to any entity that is not entirely owned and controlled by the Government without the consent of the Companies, such consent not to be unreasonably withheld.

(End of Article 28)

ARTICLE 29 – LAWS AND REGULATIONS

- 29.1 Contractor and Operator shall be bound and shall comply in all respects with the provisions of the Laws. Contractor shall indemnify and hold NOC harmless against all penalties, fines and other liabilities of every kind for breach of any Law by Contractor or Operator.
- 29.2 Notwithstanding the provisions of Article 29.1, Contractor and Operator shall, in accordance with the Law, be exempted from customs and stamp duties on the execution of this Contract, and from restrictions concerning work licenses and employment of expatriates, subject to the provisions of Article 9.2. However, Contractor shall submit all data and information required by the relevant Iraqi authorities in this respect.
- 29.3 Contractor and Operator shall in all their sub-contracts include a provision whereby Sub-Contractors shall undertake to abide by and comply with the Law.
- 29.4 Subject to Article 29.5, if, after the Effective Date, the financial interests of Contractor are adversely and substantially affected by a change to the Law that was in force in the Republic of Iraq on the Effective Date, or by revocation, modification, or non renewal of any approvals, consents or exemptions granted to Contractor pursuant to this Contract (other than as a result of Gross Negligence or Willful Misconduct of Contractor or Operator), the Parties shall, within ninety (90) days, agree on necessary adjustments to the relevant provisions of this Contract in order to maintain Contractor's financial interests under this Contract reasonably unchanged.
- 29.5 For the purposes of Article 29.4, no adjustment in respect of changes to the Iraqi income tax law shall be made unless the income tax payable in the Republic of Iraq exceeds that due based on a thirty five percent (35%) rate with allowance for usual and standard significant deductions.
- 29.6 Should the Parties be unable to agree within ninety (90) days on any amendments to be made in respect of Articles 29.4 and 29.5 or such other period as may be agreed

by the Parties, the dispute may be resolved in accordance with Article 37.

(End of Article 29)

ARTICLE 30 – LOCAL GOODS AND SERVICES

- 30.1 Works and services performed in the Republic of Iraq through sub-contracts shall be carried out on a competitive basis. Preference shall always be given to Iraqi entities and firms or foreign firms in association therewith, provided that their relevant capabilities and prices are competitive with those available in the international market.
- 30.2 Preference shall be given to locally manufactured and/or available goods, materials, equipment, consumables and the like as long as their technical specifications, availability, prices, and time of delivery are comparable to those available in the international market
- 30.3 Contractor and Operator shall ensure that their Sub-Contractors, agents, assignees and employees shall strictly adhere to the provisions of this Article 30.

(End of Article 30)

ARTICLE 31 – FORCE MAJEURE

- 31.1 The non-performance or delay in performance by either Party of its obligations or duties under this Contract shall be excused if and to the extent that such non-performance or delay is caused by Force Majeure.
- 31.2 The Party affected by Force Majeure shall notify the other Party thereof in writing within fourteen (14) days, stating the cause and the extent of effect of such Force Majeure and shall keep the other Party informed of significant developments. The affected Party shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in a cost-effective manner.
- 31.3 Force Majeure shall mean any cause or event, unforeseen or beyond the reasonable control of the Party claiming to be affected by such cause or event, and shall include, without limitation, Acts of God, war (whether declared or undeclared), force of nature, insurrection, riot, fire, legislation/order of the Government and other acts or circumstances beyond the control of either Party affected by it, provided that such acts or circumstances are not attributable to the Party invoking Force Majeure or its Affiliates. Inability to pay monies due shall not constitute a condition of Force Majeure for either Party.
- 31.4 In the event that Petroleum Operations are delayed, curtailed or prevented due to Force Majeure for a period exceeding ninety (90) consecutive days, then the Term together with all rights and obligations hereunder shall be extended accordingly, subject to the provisions of Article 8.
- 31.5 It is agreed by the Parties that the security conditions prevailing in the Contract Area on Contract signing date shall not constitute a condition of Force Majeure for either Party. The Parties also agree that the political and security conditions generally prevailing in the Republic of Iraq in general on the Contract signing date shall not constitute a condition of Force Majeure for either Party unless these conditions prevent the implementation of Petroleum Operations.

(End of Article 31)

ARTICLE 32 – ENTIRE AGREEMENT AND AMENDMENTS

- 32.1 This Contract constitutes the entire agreement between NOC and Contractor relating to the Field. Hence it supersedes any previous representations, whether explicit or implicit, and any prior agreement of any kind or nature, whether oral or written, in this respect.
- 32.2 This Contract shall not be amended or supplemented except by an instrument in writing signed by duly authorized representatives of both Parties designated for those purposes hereto.
- 32.3 If any provision of this Contract shall be found by any court, tribunal or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this Contract and all provisions not affected by such invalidity or unenforceability shall remain in full force and effect. The Parties shall attempt to substitute, for any invalid or unenforceable provision, a valid and enforceable provision that achieves to the greatest possible extent, the principal objectives of the invalid or unenforceable provision
- 32.4 The provisions of this Contract shall inure to the benefit of and be binding upon the successors and permitted assignees of the Parties.

(End of Article 32)

ARTICLE 33 – CONFIDENTIALITY AND TECHNOLOGY OWNERSHIP

- 33.1 All information and data obtained in connection with or in relation to this Contract shall be kept confidential by both Parties and their Affiliates and shall not be disclosed or communicated to any third party without the other Party's prior written consent, except to (i) Affiliates; (ii) any professional consultant retained by a Party or (iii) where necessary for the approval, implementation and/or financing of Petroleum Operations; provided that in all cases the party to whom the information or data is disclosed agrees to the same confidentiality obligation as contained herein.
- 33.2 The confidentiality undertaking in Article 33.1 shall not apply:
- (a) upon the confidential information becoming public knowledge other than by default on the part of a Party;
 - (b) upon the confidential information becoming available to a Party from a third party (unless the third party acts in violation of a confidentiality obligation which the Party is aware);
 - (c) if the confidential information is independently developed by a Party or its Affiliates; or
 - (d) to the extent that the confidential information is required by law, judicial proceedings or applicable stock exchange regulations, to be disclosed.
- 33.3 The foregoing provisions of Articles 33.1 and 33.2 shall continue in force for three (3) years following termination or expiry of this Contract.
- 33.4 To the fullest extent permitted by applicable law or agreements, the Contractor's entities agree to make available on reasonable terms their most appropriate technical expertise and technology (and that of their Affiliates) for use in the conduct of Petroleum Operations, including such technology as can best improve the economic yield or performance of the reservoirs operated by the Operator under this Contract.

Any such technology shall remain the property of the relevant Contractor entities (or their Affiliates), subject to any licensing or other appropriate arrangements entered into in connection with Petroleum Operations. The Operator shall be entitled to use such technology only for Petroleum Operations, subject to the terms of such licensing or other arrangements.

- 33.5 Any technology specifically developed by the Contractor or the Operator in the course of their activities under this Contract shall be owned by both Parties, and, except in the case of disclosure of such to a third party, may be used by any of them or their Affiliates in their own operations without the consent of the other and without making any payment to the other.

(End of Article 33)

ARTICLE 34 – HEADINGS OF ARTICLES

Headings of Articles herein are inserted for convenience only and shall not affect the construction and/or interpretation thereof.

(End of Article 34)

ARTICLE 35 – LANGUAGE

- 35.1 This Contract is executed in the Arabic and English languages, both having equal force. However, if there shall be any conflict between the two versions, the English version shall prevail to the extent of the conflict.
- 35.2 Communication between the Parties may be in English. However, Contractor and Operator shall use Arabic or both Arabic and English in all their correspondence and dealings with Government entities.
- 35.3 Contractor and Operator shall have no obligation to use any language other than English in their contractual relationships with Sub-Contractors and vendors in connection with Petroleum Operations.

(End of Article 35)

ARTICLE 36 – CONTRACTOR'S OFFICE IN THE REPUBLIC OF IRAQ

- 36.1 Each Company shall establish a presence in the Republic of Iraq as required by the Law.
- 36.2 Contractor's Operator shall, within ninety (90) days of the Effective Date, establish an office in Baghdad, Iraq and shall maintain such office for the Term. NOC shall assist Contractor's Operator in establishing and maintaining the office.
- 36.3 Contractor's Operator shall notify NOC of the address of its office in Baghdad and of the name of its authorized representative in Iraq who shall be assigned on full time resident status. The said representative shall be entrusted with sufficient powers and authorities to represent and bind Contractor in all dealings with the Government, the NOC and third parties in the Republic of Iraq, to receive legal notices served on Contractor, and to comply with lawful directions and orders given by the competent Government authorities and NOC in connection with or in relation to this Contract.
- 36.4 Contractor's Operator shall notify NOC of any change in the address of its office or

the appointment of its representative at least ten (10) days prior to the effective date of such change.

(End of Article 36)

ARTICLE 37 – GOVERNING LAW, CONCILIATION AND ARBITRATION

- 37.1 This Contract and the rights and obligations of the Parties shall be governed, interpreted and construed in accordance with the Law.
- 37.2 The Parties shall endeavor to settle amicably any dispute ("the Dispute") arising out of or in connection with or in relation to this Contract or any provision or Agreement related thereto. Where no such settlement is reached within thirty (30) days of the date when one Party notifies the other Party of the Dispute, then the matter may, as appropriate, be referred for resolution by the senior management of the Parties to the Dispute. Where no such settlement is reached within thirty (30) days of such referral to management, any party to the Dispute may refer the matter, as appropriate, to an independent expert or, by giving sixty (60) days notice to the other Parties, refer the matter to arbitration as stipulated hereunder. It is understood that the obligations under this Contract constitute commercial rather than sovereign obligations and therefore no Party shall have the right to claim immunity from legal proceedings or judgment enforcement in this respect.

Expert

- 37.3 If any Dispute arises between the Parties with respect to relevant technical matters, such Dispute may, at the election of any such Party, be referred to an independent expert "the Expert" for evaluation. Such Expert shall be agreed upon by the Parties to the Dispute and shall be willing to undertake such evaluation, and shall be independent, shall not be originated from, or have been at any time a citizen of, the country in which any of the Parties to the Dispute is organized, and shall have no interest or relation with any such Party or with any of the entities constituting the Parties and shall be qualified by education, experience and training to evaluate the matter in Dispute. The Expert shall render its decision within one (1) month following the Expert's formal acceptance of its appointment, or within such further time as the Parties may agree in writing.

The Expert shall act as an expert and not as an arbitrator. The related costs and expenditure for referring issues for Expert evaluation shall be shared equally by the Parties in Dispute.

Arbitration

- 37.4 All Disputes arising out of or in connection with this Contract, other than those Disputes that have been finally settled by reference to either senior management or Expert, shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by three arbitrators appointed in accordance with the said Rules.
- 37.5 The seat of the arbitration shall be Paris, France, unless agreed otherwise by the Parties to the Dispute.
- 37.6 The language of arbitration shall be the English language. The award of arbitration shall be in English and shall be final and binding on the Parties to the Dispute. Judgment on the award rendered may be entered in any court having jurisdiction in recognition and enforcement thereof.

- 37.7 Unless otherwise agreed by the Parties, the operations and the activities of the Parties with respect to the performance of this Contract shall not be stopped or delayed pending the award of arbitration.
- 37.8 Any arbitration under this Contract must be initiated within two (2) years of the date on which one Party notifies the other Party of the Dispute, and in any event within three (3) years of the date of the expiry or termination of this Contract.

(End of Article 37)

ARTICLE 38 – NOTICES

- 38.1 All notices, statements and other communication to be given, submitted or made by any Party to the other Party shall be deemed sufficient given when sent in writing and shall be addressed to the parties at their addresses set out below or such other address as may be notified in writing by the Parties in accordance herewith.

NOC

Contractor's Operator

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- 38.2 Notices to either Party shall be deemed validly served when delivered in person, at the office of that Party in the Republic of Iraq, during regular office hours and during working days and if received outside business hours, on the next following working day, or when received, if posted by registered mail, to the address of the office of the said Party, or when dispatched and acknowledged, if sent by telex or facsimile, or by any other mode mutually agreed between the Parties.

(End of Article 38)

ARTICLE 39 – SIGNATURE, RATIFICATION AND EFFECTIVE DATE

The signed Contract shall not be valid unless it is ratified by the Council of Ministers of the Republic of Iraq. NOC shall promptly notify Contractor in writing of the enforceability and of the Effective Date of this Contract.

(End of Article 39)

ARTICLE 40 – WAIVER

- 40.1 Failure or delay on the part of either Party to exercise any right, power or privilege under this Contract shall not operate as a waiver thereof.
- 40.2 No waiver by either Party of any one or more obligations or defaults by the other Party in the performance of this Contract shall operate or be construed as a waiver of any other obligations or defaults whether of a like or of a different character.

(End of Article 40)

ARTICLE 41 – PROTECTION OF THE ENVIRONMENT

- 41.1 In the performance of this Contract, Contractor and Operator shall conduct Petroleum

Operations with due regard to the protection of the environment and the conservation of natural resources, and shall in particular:

- (a) adopt Best International Petroleum Industry Practices in conducting and monitoring Petroleum Operations and take necessary and adequate steps to:
 - (i) make all efforts to prevent environmental damage and, should some adverse impact on the environment occur, to minimize such damage and the consequential effects thereof on property and people;
 - (ii) prevent harm or degradation of livelihood or quality of life of surrounding communities and, should some adverse impact occur, minimize such impact and ensure proper compensation for injury to persons or damage to property caused by the effect of Petroleum Operations; and
- (b) comply with the requirements of the Law and reasonable requirements of NOC.

41.2 If Contractor and Operator fail to comply with the provisions of Article 41.1(a)(i) or contravenes any Law, and such failure or contravention results in any environmental damage, Contractor and Operator shall forthwith take all necessary and reasonable measures to remedy the failure and the effects thereof.

41.3 If NOC has good reason to believe that any works or installations erected by Contractor and Operator or any operations conducted by Contractor and Operator are not in accordance with the Law and are endangering or may endanger persons or any property of any person, or are causing or may cause pollution, or are harming or may harm fauna or flora or the environment to a degree which NOC deems unacceptable, NOC may give notice to Contractor and Operator to promptly consider and develop for JMC or BOD approval a remedial action plan and measures to mitigate such damage within a reasonable period as may be determined by NOC and to repair any such damage. If NOC deems it necessary, it may also require Contractor and Operator to suspend Petroleum Operations in whole or in part until Contractor and Operator have taken such remedial measures or have repaired any damage caused.

41.4 The measures and methods to be used by Operator for the purpose of complying with the terms of Article 41.1(a)(i) shall be determined in timely consultation with NOC and Contractor upon the commencement of Petroleum Operations or whenever there is a significant change in the scope or method of conducting Petroleum Operations and shall take into account the international standards applicable in similar circumstances and the relevant environmental impact study carried out in accordance with Article 41.5 below. Operator shall notify NOC and Contractor, in writing, of the measures and methods finally determined by Operator and shall cause such measures and methods to be reviewed from time to time in the light of prevailing circumstances.

41.5 Contractor shall cause a person or persons with special knowledge of environmental matters, to carry out two environmental impact studies in order:

- (a) to determine at the time of the studies the prevailing conditions relating to the environment, human beings, local communities, and the flora and fauna in the Contract Area and in the adjoining or neighboring areas; and
- (b) to establish the likely effect on the environment, human beings, local communities, and the flora and fauna in the Contract Area and in adjoining

areas as a result of Petroleum Operations, and to submit, for consideration by the Parties, methods and measures contemplated in Article 41.4 for minimizing environmental damage and carrying out site restoration activities.

- 41.6 The first of these environmental impact studies shall act as the baseline study for the purposes of Article 41.14 and shall be concluded promptly after the Effective Date but in any event before commencement of any fieldwork.
- 41.7 The second environmental impact study shall be submitted by Contractor and Operator as part of the Final Development Plan.
- 41.8 The studies mentioned in Article 41.5 above shall contain proposed environmental guidelines to be followed in order to minimize environmental damage and shall include, but not be limited to, the following, to the extent appropriate to the respective study taking into account the phase of operations to which the study relates:
- (a) proposed access cutting;
 - (b) clearing and timber salvage;
 - (c) wildlife and habitat protection;
 - (d) fuel storage and handling;
 - (e) use of explosives;
 - (f) camps and staging;
 - (g) liquid and solid waste disposal;
 - (h) cultural and archaeological sites;
 - (i) selection of drilling sites;
 - (j) terrain stabilization;
 - (k) protection of freshwater horizons;
 - (l) blow-out prevention plan;
 - (m) flaring during completion and testing of Gas Wells;
 - (n) abandonment of wells;
 - (o) rig dismantling and site completion;
 - (p) reclamation for abandonment;
 - (q) noise control;
 - (r) debris disposal; and
 - (s) protection of natural drainage and water flow.
- 41.9 Subject to the provisions of the Law on the protection of the environment, any new project or expansion or modernization projects for Petroleum Operations for which a proposal, other than a Plan, is submitted by Contractor or Operator, NOC shall consider the assessment of the project and convey a decision with respect to environment clearance within a period of ninety (90) days from the receipt of the requisite documents and data. Subject to receipt of the necessary environmental

clearance, the JMC or BOD shall decide upon the proposal of Contractor or Operator within thirty (30) days thereafter

41.10 Contractor and Operator shall ensure that:

- (a) the pertinent completed environmental impact studies are made available to its employees and to its Sub-Contractors to develop adequate and proper awareness of the measures and methods of environmental protection to be used in carrying out Petroleum Operations; and
- (b) the contracts entered into between Contractor and Operator and Sub-Contractors relating to Petroleum Operations shall include the provisions stipulated herein and any established measures and methods for the implementation of Contractor's obligations in relation to the environment under this Contract.

41.11 Operator shall, in conjunction with Contractor, prior to conducting any drilling activities, prepare and submit for review and approval by NOC contingency plans for dealing with crude oil spills, fires, accidents and emergencies, designed to achieve rapid and effective emergency response. The plans referred to above shall be discussed with NOC and concerns expressed shall be taken into account.

- (a) In the event of an emergency, accident, oil spill or fire arising from Petroleum Operations affecting the environment, Operator shall immediately notify NOC and Contractor and shall promptly implement the relevant contingency plan and perform such site restoration as may be necessary in accordance with Best International Petroleum Industry Practices.
- (b) In the event of any other emergency or accident arising from Petroleum Operations which may affect the environment, Contractor and Operator shall take such action as is prudent and necessary in accordance with Best International Petroleum Industry Practices.

41.12 In the event that Contractor and Operator fail to comply with any of the terms contained in Article 41.11 NOC, after giving Contractor and Operator reasonable notice in the circumstances, may take any action which may be necessary to ensure compliance with such terms and to recover from Contractor, immediately after having taken such action, all costs and expenditures incurred in connection with such action together with such interest as may be determined in accordance with Annex C.

41.13 Where the Contract Area is partly located in areas forming part of certain national parks, sanctuaries, mangroves, wetlands of national importance, biosphere reserves and other biologically sensitive areas, passage through these areas shall generally not be permitted. However, if there is no passage other than through these areas to reach a particular point beyond these areas, permission of the appropriate authorities shall be obtained by NOC for the benefit of Contractor.

41.14 The obligations and liability of Contractor with respect to the environment under this Contract shall be limited to damage to the environment which:

- (a) occurs after the Effective Date and prior to the expiry or termination of this Contract; and
- (b) results from an act or omission of Contractor and Operator.

41.15 Except for cases of Gross Negligence and Willful Misconduct on the part of Contractor and/or Operator, all costs incurred towards protection of the environment shall be treated as Petroleum Costs.

- 41.16 Any costs approved by the NOC and incurred by the Contractor in remediation of conditions existing prior to the Effective Date and identified in the first study noted in Article 41.6 shall be considered Supplementary Costs.
- 41.17 In the event that Petroleum Operations are delayed, curtailed or prevented due to extended delays in acquiring necessary environmental approvals, the Parties shall meet and agree an appropriate extension of the Term together with all rights and obligations hereunder, subject to the provisions of Article 8.

(End of Article 41)

ARTICLE 42 – SITE RESTORATION AND DECOMMISSIONING

- 42.1 On expiry or termination of this Contract or relinquishment of part of the Contract Area, Contractor and Operator shall, subject to Article 5, remove all equipment and installations from the relinquished area or former Contract Area in a manner agreed with NOC pursuant to an abandonment plan; and
- 42.2 At about mid-Term, or as otherwise required by NOC, Contractor and Operator shall prepare a proposal for site restoration including a decommissioning plan and a "Decommissioning Reserve Fund". This proposal will be submitted for approval by the JMC or BOD and endorsement of the NOC. Once the Decommissioning Reserve Fund is established, Contractor shall make regular contributions to the Decommissioning Reserve Fund based upon estimated site restoration and decommissioning costs in accordance with standard principles and technical norms generally accepted in the international petroleum industry, and taking into account interest received and future interest expected to be earned on the Decommissioning Reserve Fund. Any paid contributions by Contractor into the Decommissioning Reserve Fund shall be deemed as Petroleum Costs.

The Decommissioning Reserve Fund shall be placed with a first rate international bank approved by the JMC or BOD.

Upon expiry or termination of this Contract and takeover by NOC of Petroleum Operations in the Contract Area:

- (a) the NOC shall become liable for future site restoration and decommissioning;
 - (b) the contributions and any interest accrued in the Decommissioning Reserve Fund, to the extent that such contributions have been recovered as Petroleum Costs, shall be paid to NOC; and
 - (c) the NOC shall release Contractor from any obligations relating to site restoration and decommissioning and shall indemnify Contractor for any costs, liabilities, claims or obligations associated therewith.
- 42.3 If Contractor undertakes Contract Area site restoration and decommissioning works, the contributions and any interest accrued in the Decommissioning Reserve Fund shall be utilized to pay Contractor for the cost of restoration and decommissioning operations. NOC shall bear the shortfall or collect the excess of the Decommissioning Reserve Fund.

(End of Article 42)

ARTICLE 43 – GENERAL BUSINESS ETHICS

- 43.1 In the performance of this Contract, Contractor's entities, Operator and NOC shall ensure that they each strictly comply with general business ethics.
- 43.2 Contractor and Operator shall in their subcontracts stipulate their right to terminate the subcontracts with immediate effect in case of violation of the general business ethics by the Sub-Contractor and Contractor and Operator shall terminate a subcontract in case of such a violation if NOC requests Contractor and Operator to do so.
- 43.3 Neither Contractor's entities, Operator nor NOC shall give or receive from any director, employee or agent of the other or its Affiliate in connection with this Contract, any gift, entertainment or other benefit of more than minimal cost or value or any commission, fee or rebate and any hospitality will be kept within reasonable limits.
- 43.4 Each of NOC and Contractor's entities warrant that it and its Affiliates have not made, offered, or authorized, requested, received, or accepted and will not make, offer, or authorize, request, receive or accept with respect to the matters which are the subject of this Contract, any payment, gift, promise or other advantage, whether directly or indirectly through any other person or entity, to or for the use or benefit of any public official (i.e. any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization) or any political party or political party official or candidate for office, where such payment, gift, promise or advantage would violate (i) the Law; (ii) the laws of the country of incorporation of such entity or such entities ultimate parent company and of the principal place of business of such ultimate parent company; or (iii) the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999. Each entity shall defend, indemnify and hold the others harmless from and against any and all claims, damages, losses, penalties, costs and expenses arising from or related to, any breach by such first entity of such warranty. Such indemnity obligation shall survive termination or expiration of this Contract.

(End of Article 43)

IN WITNESS WHEREOF, the Parties hereto have executed this Contract in three originals (each in Arabic and English) at _____, _____, on the day and Year first above written.

For and on behalf of NOC

_____ Witness _____

For and on behalf of Contractor

_____ Witness _____

(Company)

_____ Witness _____

(Company)

_____ Witness _____

(Company)

_____ Witness _____

(State Partner)

ANNEX A – DESCRIPTION OF CONTRACT AREA

This Annex A is attached to and made part of the Service Development and Production Contract for _____ Gas Field.

The Contract Area is defined by the corner points numbered from A to _____ connected by straight lines as shown in Annex B. The U.T.M. coordinates of corner points are given hereunder.

Where as a result of Appraisal and Development Operations it appears reasonably likely to the Parties that the Field is larger than originally delineated and extends beyond the Contract Area originally established in respect thereof, then NOC may grant to Contractor, subject to any prior grants of rights over the relevant area to a third party, an additional surface area outside the original Contract Area so that the Field may be fully contained within the extended Contract Area.

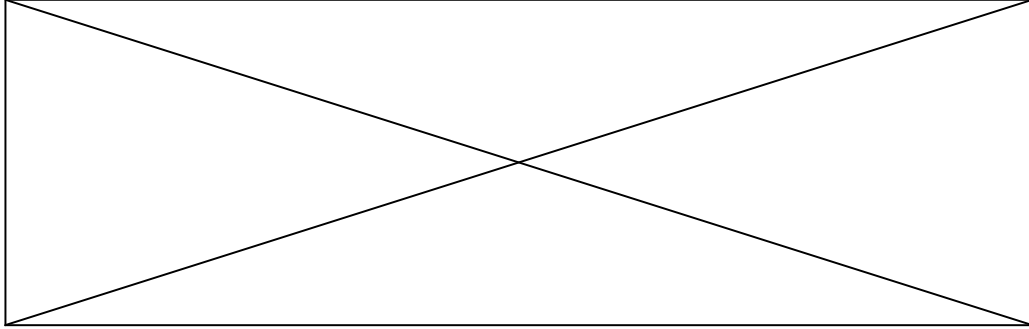
U.T.M. Coordinates

POINTS	NORTHING	EASTING
A		
B		
C		
D		

(End of Annex A)

ANNEX B – MAP OF CONTRACT AREA

This Annex B is attached to and made part of the Service Development and Production Contract for the _____ Gas Field.



(End of Annex B)

ANNEX C – ACCOUNTING PROCEDURE

This Annex C is attached to and forms part of the Service Development and Production Contract for the _____ Gas Field.

ARTICLE 1 – GENERAL PROVISIONS

1.1 Definitions

Terms used in this Accounting Procedure shall have the meanings ascribed to them in this Contract. In addition:

"Material" shall mean and include any and all materials, equipment, machinery, articles and supplies; and

"Operating Account" shall mean the account or set of accounts maintained by Contractor and Operator to record Petroleum Costs.

1.2 Purpose of Accounting Procedure

The purpose of this Accounting Procedure is to establish methods and rules of accounting for Petroleum Operations under this Contract.

Any procedure established herein may only be modified by mutual agreement of the Parties.

1.3 Operating Account and Records

(a) Contractor and Operator shall open and maintain all accounts and records necessary to document in reasonable detail and in separate accounts the transactions relating to Petroleum Operations, in accordance with generally accepted and recognized accounting principles consistent with modern international petroleum industry practices, all in accordance with and subject to the provisions of this Contract.

The accounts and records should show, among other things, the following:

- (i) Costs of assets including the cost of:
 - 1. drilling in general and cost of each well;
 - 2. production facilities such as flow lines and degassing stations in sufficient detail;
 - 3. Crude Oil and Gas pipelines;
 - 4. tank-farms and pumping stations; and
 - 5. infrastructure facilities and industrial centers.
- (ii) Costs of Materials including the cost and quantity of each item. The method of pricing should be stated.
- (iii) Operating costs analyzed by main items such as salaries, Materials and services as defined or described in this Accounting Procedure.

(b) Contractor's and Operator's books shall be kept in Iraq in the English language with an Arabic summary. All transactions shall be recorded in

Dollars in accordance with the provisions of Article 20 of this Contract.

- (c) Accounts may be kept according to the usual accounting system of Operator.
- (d) Contractor and Operator shall maintain appropriate cost control records to meet the requirements and obligations under this Contract.
- (e) Petroleum production, storage and transfer records shall be maintained according to this Contract and consistent with modern international petroleum industry practices.
- (f) Expenditures shall be charged in Dollars as follows:
 - (i) all Dollar expenditures shall be charged in the amount incurred;
 - (ii) for accounting purposes, all Dinar expenditures shall be translated into Dollars at the exchange rate prevailing on the date of the relevant expenditure in accordance with the regulations of the Central Bank of Iraq;
 - (iii) expenditures in currencies other than Dollars or Dinars, shall be charged in the equivalent amount in Dollars using the actual exchange rate applied by the relevant first class international bank on the date of payment;
 - (iv) a record shall be kept of the exchange rates actually used in converting Dinars and other non-Dollar expenditures into Dollars; and
 - (v) on the date of each balance sheet, monetary items in currencies other than Dollars shall be translated to Dollars at the rate of exchange applicable on such balance sheet date.

1.4 Statements

(a) Quarterly Statements

Contractor and Operator shall submit to NOC within forty five (45) days from the end of each Quarter, a statement of Petroleum Costs and Supplementary Costs together with reports and statement of the Operating Account of the said Quarter.

(b) Yearly Statements

Contractor and Operator shall submit to NOC within three (3) months from the last day of each Calendar Year, a statement of Petroleum Costs and Supplementary Costs together with reports and a statement of the Operating Account of the said Calendar Year.

1.5 Audits

Yearly statements shall be supported by a report issued by an independent auditor of international qualification appointed according to Article 20.4 of this Contract. The auditor report shall include a statement that the accounts and statements are prepared according to the terms and conditions of this Contract and this Accounting Procedure.

(End of Article 1)

ARTICLE 2 – OPERATING ACCOUNT

Subject to the provisions of this Contract and this Accounting Procedure, Contractor shall charge the Operating Account with Service Fees and Supplementary Fees. Pursuant to Article 19 of this Contract, Petroleum Costs and Supplementary shall start being charged as from the Effective Date, while Remuneration Fees shall start being charged as from First Commercial Production.

The Remuneration Fee per Barrel shall be computed pursuant to Article 19.5 of this Contract and charged accordingly to the Operating Account. Petroleum Costs shall be prepared on a cash basis and shall include, but not be limited to, the following items unless such items would otherwise qualify as Supplementary Costs:

2.1 Personnel

(a) Operator's Locally Recruited Personnel

The actual cost of all Operator's locally recruited personnel who are engaged in Petroleum Operations shall be charged as Petroleum Costs. Such costs shall include gross pay, all personnel benefits, employer contributions, taxes and other assessments levied on Operator as an employer by Government authorities, transportation and relocation costs of the personnel and such personnel's family within Iraq or elsewhere on temporary assignment in the interest of Petroleum Operations (provided that no relocation costs for the personnel's family shall be charged if the temporary assignment is for less than six (6) consecutive Months) and such other costs as are statutory or customary for Operator. This procedure shall also be applied with respect to personnel of NOC seconded to Operator.

(b) Assigned Personnel

The cost of the personnel of Operator's Affiliates working in Iraq or in countries other than the country of Operator (hereafter referred to as "Countries of Assignment") for Petroleum Operations on a long term assignment (more than six (6) consecutive Months). The cost of these personnel shall be as per rates or actual cost, as the case may be, representing the Operator's Affiliates actual cost which is consistent with the standard employment policies of the head office Affiliate or of other Affiliates employing such personnel.

These rates shall include all costs of salaries, wages, benefits, indemnities and social charges according to laws, regulations or contractual agreements applicable to such personnel. In addition, they shall include reimbursement of personnel administrative charges according to the standard practice of Operator's Affiliates.

The charges for personnel assigned on a temporary basis (less than six (6) consecutive Months) shall be made in accordance with Article 2.5(c) of this Annex C.

(c) Personnel Engaged in Other Activities

If local personnel or assigned personnel are engaged in other activities in Iraq

in addition to Petroleum Operations, the cost of such personnel or assigned personnel shall be allocated on a time sheet or pro rata basis according to sound and acceptable accounting principles.

(d) Training Costs

All costs and expenses incurred by Operator, Contractor and/or its Affiliates in organizing, setting up and conducting training activities for their Iraqi personnel engaged in Petroleum Operations or Contractor's training activities under Addendum Two, including the planning, designing, constructing, commissioning and running training facilities and the related software.

All such training costs shall be subject to the JMC or BOD prior approval.

2.2 Materials

The cost of Materials purchased for or furnished to Petroleum Operations as detailed under Article 4.1 of this Annex C hereinafter.

2.3 Transportation

(a) Transportation of Personnel and Materials

The cost of transportation of Materials necessary for the performance of Petroleum Operations, including costs of packaging, brokerage, insurance and other related costs. Personnel transportation costs, to the extent covered by the established policy of Operator, shall include travel expenses for personnel and their immediate families to and from the personnel's points of origin at the time employment commences, at the time of final departure and for vacations, as well as travel expenses in Iraq for personnel and their immediate families incurred as a result of transfers from one location to another, and travel expenses relating to the periodical recuperation leaves of field personnel. Costs related to immediate families shall be charged for personnel assigned to work in Iraq for periods exceeding six (6) consecutive Months.

(b) Transportation Facilities

All costs and expenses for the Transportation Facilities according to Article 17.7 of this Contract and Addendum Two attached thereto.

2.4 Buildings and Equipment

(a) Costs of buildings, equipment, furniture and fixtures, the maintenance thereof and related costs; rents paid for all offices, houses, warehouses and other types of buildings and costs of supplies necessary for the operation of such buildings and facilities, all in Iraq.

(b) Costs of vehicles and their maintenance and operation.

(c) Costs of computers and software and their maintenance and operation.

2.5 Services

The services required by Operator for Petroleum Operations which may include but are not limited to:

(a) outside services of consultants, contract services, utilities and other services procured from outside sources; rentals or compensation paid for the use of

any equipment and facilities;

- (b) use of equipment and facilities of Operator for Petroleum Operations on a rental basis at rates to be approved by the JMC or BOD;
- (c) all Specific Services performed under an assistance agreement between Operator and its head office Affiliate;

"Specific Services" shall mean services, activities, studies and projects of a technical nature, as well as computer services, carried out or procured by the head office Affiliate at the Operator's specific request under a purchase order procedure, for the benefit of Petroleum Operations. Specific Services shall also mean studies and specific tasks such as, administrative, accounting, financial, and legal services when requested by Operator under a purchase order; and

Specific Services shall be charged at cost in accordance with the tariffs and price lists established each Year by the head office Affiliate and approved by the JMC or BOD for each Calendar Year.

2.6 Damages and Losses

All costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident or any other cause not controllable by Contractor and Operator through exercise of reasonable care and diligence in operations and not resulting from Contractor and Operator's failure to timely file and diligently pursue claims against insurance companies. Contractor and Operator shall furnish NOC with written notice with details of damages or losses sustained in excess of ten thousand Dollars (US\$10,000) per occurrence as soon as practicable.

2.7 Legal Expenses

All costs and expenses of litigation or arbitration, or legal services necessary or expedient for the protection of the Contract Area against third party claims, including attorney's fees and expenses as hereinafter provided, together with all judgments obtained against the Parties or any of them on account of Petroleum Operations under this Contract, and actual expenses incurred by Contractor and/or NOC in securing evidence or expert advice for the purpose of defending any such action or claim pursued or urged in connection with operations under this Contract.

In the event actions or claims affecting the Parties' interests under this Contract shall be handled by the legal staff of NOC in Iraq, a compensation commensurate with cost of providing and furnishing such services shall be paid to NOC and charged to the Operating Account.

2.8 Taxes

Pursuant to Article 23 and subject to other provisions of this Contract, taxes (other than corporate income tax), levies, duties, imposts (if any) and/or charges and fees paid by Contractor and Operator (but not previously paid directly by NOC) to Government authorities as assessed or levied upon or in connection with Petroleum Operations.

2.9 Insurance and Claims

- (a) The premium of any insurance policy secured by Operator pursuant to this Contract.

- (b) Any costs sustained by Contractor and Operator arising out of an event covered by insurance. Such costs include, but are not limited to, repairs and replacements of Materials in the Contract Area resulting from damages or losses incurred because of fire, flood, storm, theft, accident, or any other similar risk.
- (c) All costs and expenses associated with suing, working or travelling for, or any other cost incurred because of insurance related disputes or litigation with any party including any insurer and/or any insurer's representatives or agents to the extent that such costs and expenses are not refunded for whatever reasons, by insurance and/or not awarded by an arbitrator or a court of law.
- (d) Any compensation received, or any claim collected from insurers or third parties shall be credited to the Operating Account. If no insurance is carried for a particular risk, all related actual expenditures incurred and paid by Contractor in settling any and all losses, claims, damages, judgment and other expenses, including related legal expenditures. Any such loss, claim or damage shall be charged to the Operating Account unless it is a direct result of Contractor's and Operator's failure to act in accordance with the standards of insurance required by this Contract or instructions of the JMC or BOD.

2.10 Currency Exchange

The gain or loss, if any, through currency translation or exchange pursuant to the provisions of Article 21 of this Contract and Article 1.3(f) of this Accounting Procedure.

2.11 Tariffs

Subject to the provision of Article 3 of the Annex, all sums paid to NOC, contractor(s) on petroleum fields other than the Field, or any third party in compensation for the use of facilities in connection with Petroleum Operations such as, but not limited to, pipelines, hydrocarbon treatment plants and storage facilities, on a basis of a mutually agreed tariff.

2.12 Surface Rights

All direct costs attributable to the acquisition, renewal or relinquishment of surface rights acquired and maintained in force for Petroleum Operations in Iraq.

2.13 Environment

All costs incurred for the protection, cleanup or restoration of the environment pursuant to this Contract and applicable laws and regulations.

2.14 Administrative Overhead and General Expenses

The services of all personnel of Contractor's head office or its Affiliates not otherwise chargeable, as well as the contribution of Contractor's head office or its Affiliates to Petroleum Operations of an intangible nature and any overhead or its indirect cost incurred by Contractor's head office or its Affiliates shall be compensated by a charge based on one percent (1%) of total expenditure during each Calendar Year or a fraction thereof.

The basis of applying this percentage shall be the total cost and expenses incurred in respect of Petroleum Operations and charged under this Accounting Procedure to the Operating Account during each Financial Year or fraction thereof but excluding Historical Cost mentioned in Article 27.2 of this Contract and excluding administrative

overhead as allowed in this section.

From the Date of Transfer of Operatorship pursuant to Article 9 of this Contract, the payment for the above administrative overhead charges shall be shared equally between Contractor and NOC.

- 2.15 To the extent any of the costs identified in Article 2 of this Annex C would qualify as eligible costs pursuant to Articles 4, 7.3, 12.7, , or 41.16 of this Contract, such costs shall be considered Supplementary Costs and not Petroleum Costs.

(End of Article 2)

ARTICLE 3 – INFORMATION TO JMC OR BOD AND NOC

Upon submitting the annual Work Program and Budget for approval in accordance with Article 12 of this Contract, Operator shall provide in writing the following details in respect of personnel, Specific Services and tariffs in connection with Petroleum Operations to be charged during the relevant Year.

3.1 Regarding Personnel Costs

- (a) Estimate of the overall amount thereof.
- (b) Analysis and explanation of the applicable personnel policy and practice of Operator and Operator's Affiliates.
- (c) Reasonable breakdown of the aforesaid expenditures as per details stated in this Accounting Procedure.
- (d) Rates and/or methods of apportionment of such costs.

3.2 Regarding Specific Services

- (a) Estimate of the overall amount thereof.
- (b) Reasonable breakdown of such services by major type.
- (c) Tariffs and rates expected to apply with respect to such services, especially assigned personnel.

3.3 Regarding Tariffs

- (a) Estimate of the overall amount to be paid.
- (b) Reasonable breakdown of the tariff expenditures.

(End of Article 3)

ARTICLE 4 – CHARGING PRINCIPLES

4.1 Purchases

- (a) All Materials purchased for Petroleum Operations shall be purchased at competitive prices from reputable manufacturers and suppliers.

Materials and equipment purchased from third parties shall be charged at the net cost paid by Contractor after deduction of all discounts received. Net cost shall include but not be limited to such items as transportation, insurance,

license fees and purchasing and forwarding costs.

- (b) The Parties may furnish New Materials from their own stock provided that the New Material transferred from the warehouses or other facilities of Contractor's entities or their respective Affiliates shall be priced at cost, and provided that such cost is not higher than the prices for New Materials of the same quality, obtained on comparable terms and conditions, prevailing in the international market at the time such Materials were supplied to Contractor and Operator.

4.2 Direct and Indirect Costs

Costs shall be charged to the Operating Account using consistent methods from Year to Year, and such methods shall be agreed upon by the Parties subject to the following principles:

- (a) costs that may be directly charged to a relevant subdivision of the Operating Account shall be so charged; and
- (b) costs that cannot easily be charged directly to any subdivision of the Operating Account shall be apportioned either on a time basis or on a pro rata basis. Costs of services that can not be assessed accurately may be charged according to standard rates and adjusted to actual costs at Year end.

4.3 Use of Equipment and Facilities Owned by Entities Constituting Contractor

For the use of any equipment or facilities that are wholly owned by entities constituting Contractor, the Operating Account shall be charged a rental commensurate with the cost of ownership.

The rental rates, which will not include any profit element, will be approved by the JMC or BOD each Calendar Year. Such rates should be in line with those currently prevailing in the area where Petroleum Operations are located for equipment and facilities comparable in terms of availability, safety, efficiency and quality.

(End of Article 4)

ARTICLE 5 – INVENTORIES

At all times, Contractor and Operator shall maintain inventories of Materials at optimum levels required for Petroleum Operations and shall be subject to:

5.1 Periodic Inventories, Notices and Representation

At reasonable intervals, and at least once annually, inventories shall be taken by Contractor and Operator of the Materials charged to the Operating Account, which shall include all such Materials as are ordinarily considered controllable by operators in the international petroleum industry. Written notice of intention to take inventory shall be given by Contractor and Operator at least ninety (90) days before any inventory is to begin so that NOC may be represented when any inventory is to be carried out.

5.2 Reconciliation and Adjustment of Inventories

Reconciliation of inventory with the Operating Account shall be made and a list of overages and shortages shall be furnished to NOC. Inventory adjustments shall be made by Contractor and Operator to the Operating Account if required; provided,

however, that any inventory adjustment exceeding a value of ten thousand Dollars (US\$10,000) shall be reported to NOC.

(End of Article 5)

ARTICLE 6 – DISPOSAL OF MATERIALS

Contractor and Operator shall inform the JMC or BOD and NOC of any excess or disposable Materials. NOC shall instruct Operator on the action then required. Any proceeds of disposal of such Materials shall be credited to the Operating Account.

(End of Article 6)

ARTICLE 7 – SUMS RECEIVED FROM THIRD PARTIES

All sums received by Contractor from any third party in compensation for the use of facilities utilized by Operator for Petroleum Operations shall be credited to the Operating Account.

(End of Article 7)

ARTICLE 8 – BASIS OF ACCOUNTING

The Operating Account may be maintained on an accrual basis, that is, costs shall be recorded and entered in the Operating Account when the liability thereto first arises, and revenues shall be recorded and entered in the Operating Account when the title thereto is acquired.

However, for the purposes of cost recovery as per Article 19 of this Contract, the relevant calculations shall be made on a cash basis, that is, costs shall be considered only when paid and revenues only when collected.

(End of Article 8)

ARTICLE 9 – PAYMENT OF SERVICE FEES AND SUPPLEMENTARY FEES

Contractor shall, pursuant to Article 19 of this Contract, render to NOC as promptly as practical but not later than forty-five (45) days after the end of the last Month of a Quarter, an invoice of due and payable Service Fees and Supplementary Fees for the Quarter based on the Operating Account and showing the following details:

- 9.1 Due Service Fees and Supplementary Fees brought forward from the previous Quarter, if any;
- 9.2 Service Fees and Supplementary Fees during Quarter;
- 9.3 Total Service Fees and Supplementary Fees for the Quarter (9.1 + 9.2);
- 9.4 Service Fees and Supplementary Fees received by Contractor for the Quarter;
- 9.5 Amount of Service Fees and Supplementary Fees to be carried forward into the succeeding Quarter if any (Articles 9.3 – 9.4), and
- 9.6 Excess, if any, of the value of Service Fees and Supplementary Fees received by Contractor over Service Fees and Supplementary Fees due for the Quarter (9.4 – 9.3). Such excess shall be set off in the next calculation of Contractor's outstanding

Service Fees and Supplementary Fees payable in the immediately succeeding Quarter in accordance with Article 19 of this Contract.

(End of Article 9)

ARTICLE 10 – NON-RECOVERABLE COSTS

Unless otherwise provided elsewhere in this Contract, the following list of items shall be treated as non-recoverable costs for the purpose of cost recovery:

- 10.1 costs incurred as a result of any proven Gross Negligence or Willful Misconduct of Contractor and Operator including any amount paid in settlement of any claim alleging Gross Negligence or Willful Misconduct whether or not Gross Negligence or Willful Misconduct is admitted or whether such sum is stated to be paid on an ex-gratia or similar basis;
- 10.2 replacement and/or repair costs in respect of assets or other property which is uninsured or under-insured, and liability incurred to third parties on the basis of strict liability, where Contractor and Operator has agreed with NOC to insure against such loss and has failed to do so;
- 10.3 any expenditure incurred directly or indirectly in connection with the raising of money to finance Petroleum Operations and other incidental costs and charges related thereto by whatever method raised; such expenditure includes, but is not limited to, interest, commissions, fees and brokerage;
- 10.4 any costs, charges or expenses including donations relating to public relations or enhancement of Contractor's corporate image and interests;
- 10.5 any expenditure incurred which is not related to Petroleum Operations or on matters or activities beyond the Delivery Point(s);
- 10.6 corporate income tax;
- 10.7 Training, Technology and Scholarship Fund; and
- 10.8 any other expenditure which is stated elsewhere in this Contract to be non-recoverable expenditure.

(End of Article 10)

ARTICLE 11 – CONTROL STATEMENTS AND MAJOR ACCOUNTS

- 11.1 Contractor shall annually prepare, from the statements of expenditure prepared pursuant to Article 1.4 hereof a statement showing for the relevant Year the excess or deficit in development expenditure compared to the Minimum Work Obligations. Such statement shall be rendered to NOC not later than ninety (90) days following the end of such Year.
- 11.2 For the purpose of classifying costs, expenses and expenditures for cost recovery and Minimum Work Obligations, costs, expenses and expenditures shall be recorded in major accounts including Capital Cost and Operating Cost.

(End of Article 11)

ARTICLE 12 – TRANSFER PROCEDURE FOR THE OPERATING ACCOUNT

- 12.1 In accordance with Article 9.7 of this Contract, when the Joint Operating Company becomes the Operator, the former Operator shall transfer to the Joint Operating Company all the accounting records relating to the Operating Account.
- 12.2 In conducting the transfer of the books of account and the inventory of all properties in accordance with the provisions of this Accounting Procedure, the implementation procedure for the transfer and verification, the accounting files to be transferred and accounting matters to be settled as well as other details, shall be agreed in advance by the former Operator and the Joint Operating Company. The transfer procedure shall be completed within the period agreed upon by the Parties. Thereafter, owing to the needs of any shareholder, the Joint Operating Company shall allow such shareholder's staff access to the books of accounts within the relevant periods and provide them with duplicates of the relevant accounting records, if necessary.

(End of Article 12)

ARTICLE 13 – EXTERNAL AUDITOR’S CERTIFICATE

Contractor shall provide NOC with a certificate from the external auditor of Contractor's Operator's head office Affiliate confirming that the charges and the rates applied pursuant to Articles 2.1(a) to 2.5(c) of this Annex C represent actual costs.

(End of Article 13)

(End of Annex C)

ANNEX D – DEFINITION OF RESERVOIRS

This Annex D is attached to and made part of the Service Development and Production Contract for the _____ Field.

SECTION 1 – DISCOVERED RESERVOIRS

Following are the discovered reservoirs, which are projected for development within the scope of this Contract.

(a) _____ **RESERVOIR**

The _____ reservoir includes all the porous intervals of _____ to _____ m (from MSL) of _____ 1 well and its lateral equivalents.

(b) _____ **RESERVOIR**

The _____ reservoir includes all the porous intervals of _____ to _____ m (from MSL) of _____ 1 well and its lateral equivalents.

(c) _____ **RESERVOIR**

The _____ reservoir includes all the porous intervals of _____ to _____ m (from MSL) of _____ 1 well and its lateral equivalents.

SECTION 2 – UNDISCOVERED POTENTIAL RESERVOIRS

The **undiscovered** potential reservoirs are all reservoirs which may exist below the base of the _____ Formation, defined as _____ (from MSL) in _____ 1 well and its lateral equivalents.

(End of Annex D)

ANNEX E – MINIMUM WORK OBLIGATION

This Annex E is attached to and made part of the Service Development and Production Contract for the _____ Field.

Contractor shall carry out the following Minimum Work Obligations during the first three (3) Years following the Effective Date:

SECTION 1 – PROGRAMS AND DEVELOPMENT PLANS

- (a) Pursuant to Article 11.1 of this Contract, Contractor shall prepare and submit to the NOC the Preliminary Development Plan within a period not exceeding six (6) months from the Effective Date.
- (b) Contractor shall prepare and submit to the NOC the Final Development Plan within a period not exceeding thirty six (36) months from the Effective Date.
- (c) Pursuant to Article 11.2 of this Contract, Contractor shall prepare and submit to the NOC the necessary annual Work Programs and corresponding Budgets.

SECTION 2 – APPRAISAL PROGRAM

Within a period of thirty six (36) months from the Effective Date, Contractor shall:

- (a) carry out a 3-D seismic survey of _____ square kilometers (_____ km²) on the Field, including processing and interpretation thereof;
- (b) drill _____ (_____) Appraisal wells at the appropriate locations in the Contract Area with the view to delineating and evaluating the undeveloped reservoirs of the Field; and
- (c) carry out detailed geological and reservoir engineering studies, including 3-D simulation for the reservoirs, and carry out detailed laboratory and reservoir engineering studies to evaluate the most suitable recovery mechanism for all of the reservoirs to the base of _____ expected to come into production within the Final Development Plan, integrating all relevant available data and information, including such data existing prior to the execution of the Appraisal Program.

SECTION 3 – DEVELOPMENT WORK

Within a period of three (3) Years from the Effective Date, Contractor shall undertake to:

- (a) convert _____(_____) existing wells and _____(_____) Appraisal wells to producing wells;
- (b) perform engineering studies for initial production and initiate any engineering studies required under the Final Development Plan;
- (c) build field gathering and treatment facilities necessary to cope with a potential daily average production of up to _____(_____) MMSCFD;
- (d) build Gas transportation facilities as per the Preliminary Development Plan beyond the Transfer Point;
- (e) commence development work for necessary infrastructure facilities required for the subsequent phase of development in accordance with the Final

Development Plan; and

- (f) commence building of permanent field gathering and production facilities.

(End of Annex E)

ANNEX F – FORMS OF GUARANTEE

FORM 1: FOR A COMPANY

We refer to the Service Development and Production Contract for ----- Gas Field (hereinafter referred to as the "Contract") entered into on this day of 2009, betweenX... and NOC, an Iraqi State gas company.

In consideration of the rights and obligations ofX..... being a wholly owned and controlled Affiliate ofY....., as a Party to this Contract,Y....., a company duly organized and existing under the laws of and whose registered office is at, hereby undertakes to make available or cause to be made available toX..... such technical and financial resources as may be required to perform and fulfill its obligations under this Contract, as may be amended from time to time by the Parties thereto, including payment to NOC of the balance (if any) of the Minimum Expenditure Obligations in case of termination of this Contract, if applicable.

The obligations ofY hereunder shall be to the extent of the Participating Interest thatX.....may have at the time under this Contract.

This Guarantee shall extend to any Affiliate ofX..... which may become a Party to this Contract.

This Guarantee shall come into force on the Effective Date of this Contract and shall remain valid as long asX....., or its Affiliate, shall be bound by this Contract.

Signed for and on behalf of

(.....Y.....)

FORM 2- FOR NOC, IRAQ OIL MARKETING COMPANY (SOMO), AND STATE PARTNER

We refer to the Service Development and Production Contract for ----- Gas Field (hereinafter referred to as the "Contract ") entered into on this day of.....2009, between ---- and NOC, an Iraq State company.

In consideration of the rights and obligations of NOC being a Party to this Contract and being fully owned subsidiary of the Ministry of Oil of the Republic of Iraq.

The Ministry of Oil, hereby undertake to make available or cause to be made available to NOC such financial and technical resources as may be required to perform and fulfill its obligations under this Contract, as may be amended from time to time by the Parties thereto.

This Guarantee shall extend to the Oil Marketing Company (SOMO), the State Partner, and any Affiliate of NOC or the Ministry, which becomes a party to this Contract.

This Guarantee shall come into force on the Effective Date of this Contract and shall remain valid as long as NOC, SOMO, State Partner, and any other Affiliate of NOC or the Ministry, shall be bound by this Contract.

Signed for and on behalf of Ministry of Oil

Name:

Title:

(End of Annex F)

ADDENDUM ONE – HEADS OF JOINT OPERATING AGREEMENT

This Addendum One is attached to and made part of the Service Development and Production Contract for the _____ Gas Field. Terms defined in the Service Development and Production Contract shall have the same meanings for the purpose of this Heads of Agreement.

ARTICLE 1 – SCOPE

This Heads of Agreement is to provide for the basic principles to be included in a Joint Operating Agreement ("JOA") to be executed among the Companies and the State Partner (hereinafter referred to individually as "Participant" or collectively as "Participants").

(End of Article 1)

ARTICLE 2 – PARTICIPATING INTEREST

Each Participant shall have the undivided percentage interest determined under this Contract and/or as agreed by the Participants ("Participating Interest"), provided that each Participant's Participating Interest shall not be less than three point seven five percent (3.75%). Each Company shall participate in proportion to its respective Participating Interest in all costs, expenses and liabilities incurred pursuant to this Contract or JOA and shall own, in the same proportion, the Contractor's rights under this Contract and the Participants' rights under the JOA.

(End of Article 2)

ARTICLE 3 – CONTRACTOR'S OPERATOR

- 3.1 The Contractor's Operator appointed in accordance with this Contract, shall have exclusive management and control of Petroleum Operations prior to the formation of the Joint Operating Company.
- 3.2 Contractor's Operator may, at any time resign as such by giving the Participants notice in writing. Contractor's Operator shall cease to be Operator if: (a) it dissolves, liquidates or terminates its legal existence; (b) it becomes insolvent, bankrupt or is placed in receivership; (c) its Participating Interest is reduced to less than seven point five percent (7.5%); or (d) it takes no action within thirty (30) days after notification to it by a Participant to remedy a material breach of the JOA. Pursuant to Article 9.3 of this Contract, replacement of the Contractor's Operator shall be subject to NOC's prior approval.

(End of Article 3)

ARTICLE 4 – OPERATING COMMITTEE

- 4.1 An Operating Committee composed of representatives of the Participants shall be established and shall act for the duration of JOA to make decisions and establish joint policies and make proposals to be submitted to the NOC, the JMC or the BOD, as well as to make any other decisions necessary or expedient for the orderly supervision and direction of the Petroleum Operations.
- 4.2 The decisions of the Operating Committee on all matters coming before it shall be

made by the affirmative vote of the representatives of the Participants having a combined voting right of at least seventy percent (70%), each Participant being entitled to have and to exercise through its representatives a voting right equal numerically to its Participating Interest. Major issues shall be decided upon by the unanimous vote of the Partners. The Operating Committee shall also decide upon Contractor's representation in the JMC or BOD, provided that Contractor's Operator shall have at least one (1) of the members provided to Contractor and the State Partner shall have one (1) member.

(End of Article 4)

ARTICLE 5 – WORK PROGRAMS AND BUDGETS

For each Calendar Year, the Operator shall prepare and submit to the Participants Work Programs and Budgets not later than the first day of August of the preceding Year. Each such Work Program and Budget shall set out in a reasonably detailed manner the work to be carried out and shall include an itemized estimate of the corresponding expenditures. The Operating Committee shall review and discuss the Work Program and Budget submitted by Operator for the following Calendar Year and shall adopt, not later than August 30, a Work Program and Budget to be submitted to the Operator for further study and possible modification before referring to the JMC or the BOD for final approval pursuant to Article 12.2.

(End of Article 5)

ARTICLE 6 – COSTS AND EXPENSES

All costs and expenses of the Contractor for Petroleum Operations in connection with this Contract or JOA, shall be borne by the Companies in proportion to their respective Participating Interest. All costs and expenses that are incurred in the conduct of operations under JOA shall be determined and recorded according to an accounting procedure (without prejudice to Annex C of this Contract) and generally accepted accounting principles and shall be subject to periodic inspection and audit.

(End of Article 6)

ARTICLE 7 – DEFAULTS

- 7.1 Any Company that fails to pay when due its Participating Interest share of costs and expenses shall be in default (hereinafter referred to as ("Defaulting Company")). The Operator shall as soon as practicable notify all Participants of such default and the Operator shall keep the Participants informed thereafter of material events in relation thereto. The amount not paid by the Defaulting Company shall bear interest from the date due until paid in full. After any default has continued for thirty (30) days, the Defaulting Company shall not be entitled to attend Operating Committee meetings or to vote on any matter coming before the Operating Committee during the period such default continues. Non-Defaulting Partners (excluding State Partner) shall pay the defaulted amount on behalf of the Defaulting Partner, in proportion to their Participating Interests or in any other proportion they may agree upon.
- 7.2 The Defaulting Company shall have the right to remedy the default at any time prior to forfeiture, as hereinafter provided, by payment in full to the Operator or, if the Non-Defaulting Partners have paid any amounts under Article 7.1, to the Non-Defaulting Partners, in proportion to the amounts so paid by them, of all amounts which the

Defaulting Company has failed to pay, together with interest thereon on a day to day basis at the rate of LIBOR plus five percent (5%) per annum.

If a Defaulting Company has not remedied the default by the thirtieth (30th) day, then, during the continuance of such default, the Defaulting Partner shall not be entitled to its Participating Interest share of Service Fees, which shall vest in and be the property of the Non-Defaulting Partners. The Service Fees due to the Defaulting Partner shall proportionately be paid to the Non-Defaulting Partners, which Fees shall be credited against all monies advanced by such Non-Defaulting Partners on behalf of the Defaulting Partner. The balance of such fees, if any, shall be paid to the Defaulting Partner when such default has been remedied.

- 7.3 State Partner shall be carried by the other Partners for its Participating Interest share of Petroleum Costs and Supplementary Costs. The amount so paid by the Companies on behalf of State Partner shall be fully recovered by the Companies from the Petroleum Costs and Supplementary Costs paid under this Contract.

(End of Article 7)

ARTICLE 8 – WITHDRAWAL

After the Minimum Work Obligations have been fulfilled, any Company shall have the right to elect, by giving notice to the other Participants, to withdraw from this Contract and the JOA. Each of the other Companies may also give notice that it desires to withdraw from this Contract and the JOA. Should all Companies give such notice of withdrawal, the Participants shall proceed to abandon the Contract Area and terminate this Contract and JOA. If less than all of the Companies give such notice of withdrawal, then the withdrawing Companies shall execute and deliver all necessary instruments and documents to assign their Participating Interest to the non-withdrawing Companies, without any compensation whatsoever. Such assignment to the non-withdrawing Companies shall be in proportion to their Participating Interests, unless otherwise agreed among them. The non-withdrawing Companies shall take the assignment of all of the withdrawing Companies' Participating Interests; otherwise, the Participants shall be deemed to have decided to withdraw from this Contract and the JOA.

(End of Article 8)

ARTICLE 9 – ASSIGNMENT

Each Participant may transfer, subject to any requirement under this Contract, all or part of, its Participating Interest under this Contract and the JOA to a wholly-owned Affiliate without the consent of the other Participants; provided that such Participant shall remain responsible for the performance of the financial and other obligations under this Contract and the JOA to the same extent as if the transfer had not occurred and provided further that the assigning shall timely notify the other Participants of any such transfer. Without prejudice to the provisions of this Contract, no transfer of any interest under this Contract and the JOA to third parties may be made by any Participant without the written consent of the other Participants which consent shall not be unreasonably withheld. The transfer by a Participant of its interest under this Contract and the JOA to third parties shall be subject to NOC's approval and its pre-emptive right and to the preferential rights of the other Participants. The assignee or transferee shall be bound by this Contract and the JOA.

(End of Article 9)

ARTICLE 10 – RELATION OF THE PARTICIPANTS

The rights, duties, obligations and liabilities of the Participants under this Heads of Agreement and the JOA shall be individual, not joint or collective. It is not the intention of the Participants to create, nor shall this Heads of Agreement or the JOA be deemed or construed to create a mining or other partnership, joint venture, association or trust, or as authorizing any Participants to act as an agent, servant or employee for any other Participant for any purpose whatsoever except as explicitly set forth in the JOA.

(End of Article 10)

ARTICLE 11 – GOVERNING LAW AND ARBITRATION

The JOA shall be governed by, construed, interpreted and applied in accordance with the Law. Any dispute, controversy or claim arising out of or in relation to or in connection with the JOA or the operations carried out thereunder, including without limitation any dispute as to the validity, interpretation, enforceability or breach of the JOA, shall be settled by arbitration in Paris, France, in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce conducted in the manner contemplated in Article 37 of this Contract.

(End of Article 11)

ARTICLE 12 – EFFECTIVE DATE AND TERM

This Agreement shall come into force on the Effective Date of and shall continue in effect until this Contract expires, terminates or upon the Participants entering into the JOA, whichever is the earlier.

(End of Article 12)

ARTICLE 13 – JOINT OPERATING AGREEMENT (JOA)

Within six (6) months from the Effective Date, the Participants shall enter into the Joint Operating Agreement which shall embody the principles stipulated in this JOA Heads of Agreement and it may include such other provisions as customarily used by international petroleum industry and shall continue in effect as long as this Contract is in effect.

(End of Article 13)

(End of Addendum One)

ADDENDUM TWO – HEADS OF PETROLEUM TRANSFER AGREEMENT

ARTICLE 1 – DEFINITIONS

This Addendum Two is attached to and made part of the Service Development and Production Contract for the _____ Gas Field. Terms defined in the Service Development and Production Contract shall have the same meanings for the purpose of this Heads of Petroleum Transfer Agreement.

(End of Article 1)

ARTICLE 2 – SCOPE

This Heads of Petroleum Transfer Agreement prescribes the basic principles to be included in a Petroleum Transfer Agreement to be executed by and between the Operator and Transporter for transportation of Petroleum produced from the Contract Area under this Contract.

(End of Article 2)

ARTICLE 3 – SCOPE OF PETROLEUM TRANSFER AGREEMENT

Provided Operator complies with its obligations under this Contract and this Addendum Two related to the Transportation System, Transporter shall receive at the Transfer Point the quantities of Petroleum from the Contract Area tendered by Operator for transportation to the Delivery Point.

(End of Article 3)

ARTICLE 4 – FACILITIES AT THE TRANSFER POINT

For the purpose of the transfer of Petroleum, Operator may use an area of land at the Transfer Point and construct necessary facilities thereon.

(End of Article 4)

ARTICLE 5 – TRANSFER RATE

Operator shall have the right and the obligation to tender Petroleum at the Transfer Point at a certain average rate as per the approved Development Plan. However, Operator in co-ordination with Transporter may transfer Petroleum at a peak rate up to twenty percent (20%) above the approved average rate for temporary periods to compensate for operational constraints. In the event that the throughput capacity of the pipeline system or the related facilities is constrained for unforeseeable incidents beyond the control of the Operator or Transporter and the throughput of Petroleum through the pipeline system is consequently reduced, Operator shall reduce its deliveries accordingly. Any such reduction shall be on a non-discriminatory basis.

(End of Article 5)

ARTICLE 6 – TRANSFER CONDITIONS

Petroleum shall be transferred at the Transfer Point from one or more Petroleum streams in accordance with the approved Development Plan, and at the pressure commensurate with the pressure required by the existing system. The quality of each Petroleum stream transferred at the Transfer Point shall be subject to certain conditions and specifications to be agreed upon by Transporter and Operator. Operator shall not mix any additives to the Petroleum tendered for transportation, without prior written approval of Transporter.

(End of Article 6)

ARTICLE 7 – MEASURING

Operator shall install, maintain and operate all facilities necessary for the measurement of Petroleum at each Production Measurement Point. Operator shall notify NOC prior to any calibration of such measurement facilities and allow NOC's representatives to attend such calibration activities. Unless agreed otherwise by the Parties, any inaccuracy determined during such calibration activities shall be deemed to have existed since the mid-point between the last calibration and the current calibration.

Operation and calibration of the metering equipment and procedures for measurement and sampling shall be in accordance with the prevailing standards of the international petroleum industry. The Parties shall agree the procedure for measuring the volume and quality of Petroleum and shall have the right of access to Production Measurement Points and the right of witnessing calibration thereof.

(End of Article 7)

ARTICLE 8 – TRANSPORTATION SYSTEM

- 8.1 Unless related to obligations under Annex E, Operator and Contractor shall have no obligation to build transportation facilities downstream of the Transfer Point unless this is agreed and incorporated in a Development Plan. In the event such facilities are built they shall be handed over to Transporter upon completion and commissioning.
- 8.2 In case a need arises to de-bottleneck, improve the efficiency and/or to increase the capacity of the Transportation System, NOC, Transporter, or Operator may propose to construct facilities beyond the Transfer Point, in addition to or to modify the existing Transportation Facilities. Operator shall participate in the building and financing of the same in proportion to the production of the Field in relation with other users and such participation shall be considered Supplementary Costs.
- 8.3 In the event that Contractor agrees to finance and build or improve such transportation facilities, Operator shall ensure the participation of Transporter's representatives during engineering and construction of the Transportation Facilities, as well as the training of Transporter's personnel concerning operation and maintenance to be conducted before handing them over to the Transporter. Operator shall provide Transporter with all documents and guarantees relating to the said Transportation Facilities. Operator and Transporter shall agree in advance on a procedure for smooth hand-over of the Transportation Facilities after completion and commissioning.

(End of Article 8)

ARTICLE 9 – EFFECTIVE DATE AND TERM

This Heads of Petroleum Transfer Agreement shall be valid and effective as from the Effective Date and shall continue in effect until the expiry or termination of this Contract or upon the Operator and Transporter entering into the Petroleum Transfer Agreement, whichever is the earlier.

(End of Article 9)

ARTICLE 10 – GOVERNING LAW AND ARBITRATION

The Petroleum Transfer Agreement shall be governed by, construed, interpreted and applied in accordance with the Law. Any dispute, controversy or claim arising out of or in relation to or in connection with the Petroleum Transfer Agreement or the operations carried out thereunder, including without limitation any dispute as to the validity, interpretation, enforceability or breach of the Petroleum Transfer Agreement, shall be settled by arbitration in accordance with the procedures set forth in Article 37 of this Contract.

(End of Article 10)

ARTICLE 11 – RELATED PROCEDURES

Procedures existing on the Effective Date for lifting, storage, tanker nomination and other related activities may later be adjusted to support the efficient implementation of the Export Oil Sales Agreement.

(End of Article 11)

ARTICLE 12 – PETROLEUM TRANSFER AGREEMENT

Within six (6) months from the Effective Date, the Operator shall enter into the Petroleum Transfer Agreement with Transporter which shall embody the principles in this Addendum Two and it may include such other provisions as customarily used by the international petroleum industry and shall continue in effect for as long as this Contract is in effect.

(End of Article 12)

(End of Addendum Two)

ADDENDUM THREE – HEADS OF CHARTER OF JOINT OPERATING COMPANY

This Addendum Three is attached to and made part of the Service Development and Production Contract for the _____ Gas Field. Terms defined in this Contract shall have the same meanings for the purposes of this Heads of Agreement. The parties to the charter shall be the Parties to this Contract: NOC and Contractor.

ARTICLE 1 – ESTABLISHING OF THE JOINT OPERATING COMPANY

- 1.1 Pursuant to Article 9 of this Contract, a Joint Operating Company of limited liability may be established under the Law. The JOC shall be formed within twelve (12) months after NOC's decision to form the JOC, and shall commence the conduct of Petroleum Operations on the Date of Transfer of Operatorship, which date shall be within thirty (30) days after the formation of the JOC.
- 1.2 JOC shall be owned fifty percent (50%) by NOC and fifty percent (50%) by Contractor. JOC will bear the Iraqi nationality and shall conduct its activities in accordance with the provisions of this Contract, this Addendum Three and the subsequent Charter of the JOC.
- 1.3 The authorized capital of the JOC shall be determined by mutual agreement in accordance with the applicable Law. NOC and Contractor shall each pay for, hold and own throughout the life of the JOC the capital stock of the JOC in accordance with the percentage ownership stipulated in Article 1.2 herein above.
- 1.4 Contractor and NOC shall agree, at least three (3) months prior to the Date of Transfer of Operatorship, on the procedure to secure a smooth transfer of Petroleum Operations from Contractor's Operator to the JOC.

(End of Article 1)

ARTICLE 2 – JOC NAME

The name of JOC shall be [name of Gas Field] Operating Company.

(End of Article 2)

ARTICLE 3 – HEADQUARTERS OF JOC

The headquarters of the JOC shall be in Baghdad, Iraq, and it may have branch offices in other cities in the Republic of Iraq.

(End of Article 3)

ARTICLE 4 – JOC OBJECTIVES

- 4.1 JOC shall assume the duties of the Operator to the extent they apply to the conduct of Petroleum Operations, but on behalf of the Parties, and to the account of Contractor, all in accordance with the provisions of this Contract and the charter of the JOC.
- 4.2 JOC shall implement approved Development Plans, Work Programs and Budgets in accordance with this Contract. JOC shall keep account of all costs, expenses and expenditures for such Petroleum Operations under the terms of this Contract and Annex C attached thereto.

- 4.3 In conducting Petroleum Operations, the JOC and its Sub-Contractors enjoy the same privileges and exemptions as Contractor or Operator to the extent these apply to the conduct of Petroleum Operations by Operator, and shall comply with the Law.
- 4.4 JOC shall assume, as from the Date of Transfer of Operatorship, all the rights and obligations of Contractor and/or Operator wherever they appear in this Contract to the extent they are relevant to the conduct of Petroleum Operations by the Operator.
- 4.5 After the JOC has taken over conduct of Petroleum Operations and has become Operator, Contractor shall have the obligation of joint management of the JOC and a major role in all the planning, decisions, and day-to-day conduct of Petroleum Operations. In general, Contractor shall make available to the JOC its managerial and technological skills and personnel to ensure that Petroleum Operations are performed in accordance with Best International Petroleum Industry Practices. In particular, the establishment of the JOC shall in no way relieve Contractor of its obligations to achieve the production targets under this Contract.

(End of Article 4)

ARTICLE 5 – FINANCING

The JOC shall have neither profit nor loss. Costs, expenses and expenditures, incurred and paid by JOC to carry out Petroleum Operations shall be financed by Contractor and recovered as Petroleum Costs or Supplementary Costs according to the approved Annual Work Program and Budget in accordance with the provisions of this Contract.

(End of Article 5)

ARTICLE 6 – FUNCTION OF JOC

The JOC shall not own any right, title or interest under this Contract or in the Petroleum produced from the Field, and shall not be required as a principal for any financing. JOC shall function as Operator and shall assume all relevant responsibilities of Operator under this Contract.

(End of Article 6)

ARTICLE 7 – BOARD OF DIRECTORS

- 7.1 A Board of Directors shall be formed for the purpose of overall supervision and control of Petroleum Operations to be conducted by the JOC. This BOD shall consist of eight (8) members, four (4) to be designated by NOC and four (4) to be designated by Contractor, including one member from the State Partner. An alternate to each member shall also be designated. The BOD shall assume its duties and authorities as from the Date of Transfer of Operatorship. The chairman shall be designated by NOC and the deputy chairman by Contractor.
- 7.2 Decisions of the BOD shall be taken by unanimous votes of the members or their alternates present at the meeting. Quorum shall be at least three (3) members or alternates of Operator or Transporter, including at least one member nominated by NOC and one member nominated by Contractor's Operator. Decisions taken by the BOD shall be recorded in official minutes signed by the members present and communicated by JOC to the Parties.
- 7.3 All reasonable costs and expenses of the BOD shall be recovered as Petroleum

Costs.

(End of Article 7)

ARTICLE 8 – DUTIES AND AUTHORITIES OF BOARD OF DIRECTORS

The BOD shall assume all the duties and authorities of the JMC as specified in Article 13.2 of this Contract.

Additionally, the BOD shall have the following duties and authorities:

- 8.1 overall supervision and control of the conduct of Petroleum Operations by the JOC;
- 8.2 the establishment of the operating organization and procedure;
- 8.3 the structuring of the accounting system and of the financial controls as well as the financial planning insofar as it is necessary to manage JOC;
- 8.4 the establishment of the procedures for the funding of Petroleum Operations by Contractor;
- 8.5 the appointment and replacement of the General Manager, the Deputy General Manager and the other senior divisional managers of JOC, and the definition of their respective powers;
- 8.6 the establishment and update of the organization chart of JOC, including the identification of the positions to be filled through secondment from NOC or Contractor respectively and those to be filled through direct employment. The Contractor should be prepared to fill positions within the JOC as and where required upon the request of the BOD;
- 8.7 establishment of the employment procedures and personnel regulations of JOC;
- 8.8 prior approval of the terms of the service or secondment agreements to be entered into by JOC with NOC and Contractor of this Contract; and
- 8.9 the duties and authorities provided for in Article 13.2 and that were performed by the JMC prior to the Date of Transfer of Operatorship.

(End of Article 8)

ARTICLE 9 – MANAGEMENT

The General Manager and Deputy General Manager of JOC shall be appointed by the BOD from candidates nominated by NOC and Contractor, respectively. Departmental Managers of JOC shall be appointed by the BOD in consultation with the General Manager and Deputy General Manager. The General Manager shall be the chief executive officer of the JOC.

(End of Article 9)

ARTICLE 10 – EMPLOYMENT REGULATIONS

The JOC shall give preference to Iraqi personnel in accordance with Article 9.19 of this Contract.

Seconded of Contractor or NOC shall be exclusive to the operations of the JOC and shall

have no other work obligation or assignment within the organization supplying such secondees, unless agreed by the NOC and Contractor's Operator.

The BOD shall approve the regulations covering the terms and conditions of employment of the personnel of JOC employed directly by JOC.

(End of Article 10)

ARTICLE 11 – LIABILITY

Liabilities shall be pursuant to this Contract.

(End of Article 11)

ARTICLE 12 – DURATION OF JOC

12.1 The duration of JOC shall extend up to the end of the Term, including any extensions thereof.

12.2 Neither Contractor nor NOC shall assign, sell or otherwise transfer its interest in the JOC except by mutual agreement; provided, however, that when a Company assigns its interest under this Contract and Joint Operating Agreement to any party, its interest in the JOC shall be assigned proportionately.

(End of Article 12)

ARTICLE 13 – DISSOLUTION OF JOC

The JOC shall be dissolved when this Contract expires or is terminated for any reason as provided for therein.

(End of Article 13)

ARTICLE 14 – CHARTER OF JOC

By the Date of Transfer of Operatorship, the Parties shall enter into the charter of the JOC which shall embody the principles set out in this JOC Heads of Agreement. Pending the issue of the said charter, the provisions of this JOC Heads of Agreement setting forth the principal terms of the charter shall apply as the provisional charter.

(End of Article 14)

ARTICLE 15 – MODIFICATION OF THE CHARTER OF JOC

Contractor and NOC may, by mutual agreement, modify the terms of the charter of the JOC provided that such modification will not be in conflict with the provisions of this Addendum Three or this Contract.

(End of Article 15)

ARTICLE 16 – HAND-OVER OF OPERATORSHIP

Operatorship including all books and records shall be transferred to JOC.

(End of Article 16)

ARTICLE 17 – GOVERNING LAW AND ARBITRATION

The Law shall apply to the JOC, if and to the same extent it applies to the Contractor, Operator and/or this Contract in accordance with Article 29. To the extent that the Parties determine that it would be appropriate to prepare a shareholders agreement in respect of JOC, such shareholders agreement shall be governed by, and construed in accordance with, the Law. Any dispute arising from or in connection with such shareholders agreement or the charter of JOC shall be settled in accordance with Article 37 of this Contract.

(End of Article 17)

ARTICLE 18 – CONFIDENTIALITY

Confidentiality provisions of Article 33 of this Contract shall apply for this Heads of Agreement, subsequent charter and operations of JOC.

(End of Article 18)

ARTICLE 19 – EFFECTIVE DATE AND TERM

This Heads of Agreement shall come into force on the Effective Date and shall continue in effect until the earlier of Contract expiry, Contract termination or upon the Parties entering into the charter of the JOC. The full charter of the JOC shall be entered into no later than six (6) months from the NOC's decision to form the JOC.

(End of Article 19)

(End of Addendum Three)

ADDENDUM FOUR – HEADS OF EXPORT OIL SALES AGREEMENT

This Addendum Four is attached to and made part of the Service Development and Production Contract of the _____ Gas Field. Terms defined in this Contract shall have the same meanings for the purpose of this Heads of Agreement.

SPECIAL TERMS (PART 1)

ARTICLE 1 – DEFINITIONS

For the purpose of this Heads of Agreement, terms defined in this Contract shall have the same meanings except the definition of the Parties.

"Parties" means Seller and Buyer.

"Buyer" means Contractor.

"Seller" means Iraq Oil Marketing Company "SOMO", on behalf and for the account of NOC.

"Lifting Quarter" means the Quarter during which Export Oil is available for lifting by Contractor, under this Contract, at the Delivery Point where any Lifting Quarter shall be the Quarter following a Quarter for which Service Fees are due and payable.

(End of Article 1)

ARTICLE 2 – QUANTITY

2.1 Forward Quantity Statement

No later than the first day of the first Month of the Quarter immediately preceding any Lifting Quarter, Contractor shall invoice NOC the outstanding Service Fees and Supplementary Fees due and payable to Contractor under this Contract as these will stand on the first day of the said Lifting Quarter. NOC shall review the invoice and will either confirm its accuracy, or advise Contractor of any errors. The invoice shall be agreed by the 15th of said first Month.

Accordingly, no later than the first day of the second Month, the Buyer shall furnish to the Seller a statement of the volume of Export Oil to be lifted from each standard export quality in each Month of the said Lifting Quarter ("Forward Quantity Statement"). The Forward Quantity Statement will be based on the Service Fees and Supplementary Fees due and payable to Contractor as agreed by NOC, divided by the relevant Export Oil Price which shall be determined in accordance with Article 18 of this Contract, applicable for the Month before the Forward Quantity Statement or for the preceding Month if the former is not available ("Provisional Price"). However, the volume of Export Oil to be lifted by Contractor in any Lifting Quarter shall not exceed the upper limit set for payment of due Service Fees and Supplementary Fees, and the balance of such Service Fees and Supplementary Fees, at the end of the said Lifting Quarter, shall be carried forward, all pursuant to Article 19 of this Contract and Annex C.

The price used for calculating the volume from each standard export quality for the first Lifting Quarter shall be based on the monthly declared SOMO's official Export Oil Price for that quality to be lifted during any month of the said Quarter.

The volumes of the different qualities of Export Oil to be lifted by the Buyer in a Lifting Quarter shall be in the same proportion as the different qualities of Net Production

from the Field during the Quarter, or as otherwise agreed between the Seller and the Buyer.

NOC shall review the Forward Quantity Statement, and will either confirm its accuracy, or advise Contractor of any errors in the calculation of the volumes to be lifted. The nominal quantity agreed for each Month may be varied by up to plus or minus five percent (5%) as operational tolerance at the time of actual loading. Actual quantity lifted is based on net bill of lading.

For smooth and timely lifting and reporting under this Agreement, the Parties may establish a specialized "Joint Committee" with representatives from NOC, Contractor, and SOMO.

2.2 Lifting Statement

The Seller shall furnish to the Buyer and the Joint Committee a statement setting out the actual Barrels of the Export Oil lifted per Month during a Lifting Quarter and the actual Price for the Month of lifting ("Lifting Statement"), within fifteen (15) days after the end of each Lifting Quarter. The Buyer shall review the Lifting Statement, and will advise the Seller of any errors in the calculations contained therein, within fifteen (15) days after receipt of the Lifting Statement, with a copy to the Joint Committee. Notwithstanding the above, it is agreed that the final certified shipping documents shall be controlling as to volumes lifted. Attachment A to this Agreement contains a sample schedule of notifications, lifting and adjustments applicable for lifting during a Year.

2.3 Seller's Option to Deliver Excess Volumes

The Seller may, at its option, elect to deliver excess Export Oil over and above the offset volumes required in any Lifting Quarter under this Contract. The actual value of any such excess Export Oil lifted by the Buyer under the price clause hereunder will reduce the outstanding balance of due Service Fees and Supplementary Fees under this Contract, as reflected in the then most current Quarterly report. If the Seller wishes to exercise this option to deliver excess Export Oil in any Lifting Quarter, the Seller must notify the Buyer of such election no later than the first day of the second Month of the preceding Quarter.

(End of Article 2)

ARTICLE 3 – DELIVERY

F.O.B relevant Iraqi loading terminal.

(End of Article 3)

ARTICLE 4 – EFFECTIVE DATE AND TERM

This Heads of Agreement shall come into effect from the Effective Date and shall continue in effect until this Contract terminates or the Buyer and the Seller enter into the Export Oil Sales Agreement whichever is earlier.

(End of Article 4)

ARTICLE 5 – PRICE

Export Oil Price shall be determined pursuant to Article 18 of this Contract. The value of the quantity of Export Oil lifted ("Proceeds") shall be credited to Seller's account, immediately upon receipt by the Buyer, under this Contract.

(End of Article 5)

ARTICLE 6 – PAYMENT

The Proceeds receivable by the Seller under this Agreement shall be used to reduce the amounts owed to the Buyer by the NOC under this Contract and, therefore, no payments to the Seller are required for such Export Oil deliveries. The Buyer shall not be required to pay the Seller nor post letters of credit or other guarantees of payment, relative to such deliveries, except for deliveries in excess of amounts owed to the Buyer under this Contract.

(End of Article 6)

ARTICLE 7 – EXPORT OIL SALES AGREEMENT

Contractor and SOMO shall in due time enter into the Export Oil Sales Agreement which shall embody the principles set out in this Heads of Agreement and it may include such other provisions as customarily used by international petroleum industry and shall continue in effect for the Term of this Contract. Pending the execution of the Export Oil Sales Agreement, the provisions of this Heads of Agreement shall apply.

(End of Article 7)

GENERAL TERMS AND CONDITIONS (PART 2)

All other terms and conditions in Seller's General Terms and Conditions for Export Oil Sale/Purchase Contracts ("GTC") apply, except as amended in the special conditions here-above.

Any provisions in Seller's GTC which allow the Seller to suspend or terminate all or part of this Heads of Agreement or the subsequent Export Oil Sales Agreement shall act only to cancel affected lifting which will be rescheduled by mutual agreement. The arbitration provisions of this Contract shall apply *mutatis mutandis*.

Attachment A to Addendum Four- Export Oil Lifting and Reporting

Export Oil Lifting and Reporting (Assuming first lifting in January)			No Later Than
Quarter preceding First Lifting Quarter	Oct.	Quarterly Service Fees and Supplementary Fees Reports agreed (for next Quarter)	15 th
	Nov.	Forward Quantity Statement for First Lifting Quarter (Price = October price)	1 st
	Dec.	January crude nomination (acceptance of all Month nominations by 20 th)	10 th
First Lifting Quarter	Jan.	February crude nomination Quarterly Service Fees and Supplementary Fees Report agreed	10 th 15 th
	Feb.	Forward Quantity Statement, for Second Lifting Quarter (Price=January price) March crude nomination	1 st 10 th
	Mar.	April crude nomination	10 th
Second Lifting Quarter	Apr.	May crude nomination Lifting Statement and Quarterly Service Fees and Supplementary Fees Report agreed (Adjustment made for First Quarter actuals)	10 th 15 th
	May	Forward Quantity Statement (For Third Quarter) (Price = April price) June crude nomination	1 st 10 th
	June	July crude nomination	10 th
Third Lifting Quarter	July	August crude nomination Lifting Statement and Quarterly Service Fees and Supplementary Fees Report agreed (Adjustment made for Second Quarter actuals)	10 th 15 th
	Aug.	Forward Quantity Statement (For Fourth Quarter) (Price = July price) September crude nomination	1 st 10 th
	Sep.	October crude nomination	10 th
Fourth Lifting Quarter	Oct.	November crude nomination Lifting Statement and Quarterly Service Fees and Supplementary Fees Report agreed (Adjustment made for Third Quarter actuals)	10 th 15 th
	Nov.	Forward Quantity Statement (For next Quarter) (Price = October price) December crude nomination	1 st 10 th
	Dec.	January crude nomination	10 th

(End of Addendum Four)