

MINIMUM WORK COMMITMENT

WORK PROGRAMME AND BUDGET FOR FIRM AND CONTINGENT "AGREEMENT AREA"

I. Firm and Contingent Agreement Areas

The Agreement Area comprises the Erbil Geological structure (the "Firm Agreement Area" (FAA)) and the Demir Dagh Geological structure (the "Contingent Agreement Area" (CAA)) all as defined in Annex A.

If Contractor, after drilling two wells under the Production Sharing Agreement dated 25 June 2004 in respect of the Dihok Area part of the Dihok Governorate (the "Dihok PSA") and one well in the FAA under this Agreement, has not made a Commercial Discovery under the Dihok PSA or this Agreement, then the following shall apply.

If the Contractor gives a notice to the Government prior to the end of the First Phase to extend the Agreement Area the Contractor shall drill the exploration well and acquire the seismic on the CAA forming part of the Work Programme (Minimum Commitment) in III-(a), and the Agreement Area shall for all purposes be deemed to be the FAA and the CAA and the Work Programme in III-(a) and the Financial Commitment in III-(b) shall apply and replace in all respects the Work Programme and Financial Commitment in II-(a) and II-(b) respectively.

II-(a) Work Programme for FAA (Minimum Commitment)

The FAA has three Exploration phases with relinquishments after 1st and 2nd phase. There will be 100% relinquishment after 3rd phase unless a Development Area is defined.

Work Programme (Minimum Commitment) for FAA:

Exploration Phase	Period (months)	Seismic Acquisition	Exploration Drilling	Relinquishment (after phase compl.)
First Phase *)	48	50 km 2D	1 well	25%
Second Phase	36	(optional)	1 well	25%
Third Phase	36	(optional)	1 well	100%

*) Contractor will carry out a typical geological field study as part of First Phase commitment.

II-(b) Financial Commitment for FAA (Minimum Commitment)

Unit rate assumptions;

- Seismic – 2D: \$20,000/km
- Seismic – 3D: \$50,000/km²
- Exploration well: \$2.0 mill (exclusive of testing)

Summary of Minimum Financial Commitment:

Exploration Phase	Period (Months)	Minimum Financial Commitment
First Phase	48	\$3.0 mill
Second Phase	36	\$2.0 mill
Third Phase	36	\$2.0 mill
Total		\$7.0 mill

III-(a) Work Programme for FAA and CAA (Minimum Commitment)

The FAA and the CAA has three Exploration phases with relinquishments after 1st and 2nd phase. There will be 100% relinquishment after 3rd phase unless a Development Area is defined.

Work Programme (Minimum Commitment) for FAA and CAA:

Exploration Phase	Period (months)	Seismic Acquisition	Exploration Drilling	Relinquishment (after phase compl.)
First Phase *) **) ***)	48	70 km 2D	2 wells	25%
Second Phase	36	(optional)	1 well	25%
Third Phase	36	(optional)	1 well	100%

*) Contractor will carry out a typical geological field study as part of First Phase commitment.

**) First Phase Minimum Commitment includes all Minimum Commitment work carried out under II-(a) in respect of the FAA and CAA.

***) If Contractor has not been able to drill the additional commitment well in the CAA and any appraisal wells necessary to define a Development Area prior to the expiry of the First Phase, then Contractor may request the Government to extend the First Phase to allow Contractor to drill such commitment well and appraisal wells and/or to relieve the Contractor from the obligation to relinquish any part of the FAA and the CAA at the end of the First Phase.

III-(b) Financial Commitment for FAA and CAA (Minimum Commitment)

Unit rate assumptions;

- Seismic – 2D: \$20,000/km
- Seismic – 3D: \$50,000/km²
- Exploration well: \$2.0 mill (exclusive of testing)

Summary of Minimum Financial Commitment:

Exploration Phase	Period (Months)	Minimum Financial Commitment
First Phase *)	48	\$5.4 mill
Second Phase	36	\$2.0 mill
Third Phase	36	\$2.0 mill
Total		\$9.4 mill

*) First Phase Minimum Financial Commitment includes all expenditure expended and forming part of Minimum Financial Commitment in II-(b) in respect of the FAA.