

FIRST AMENDMENT AGREEMENT

relating to

the amendments to the Production Sharing Contract relating to the Shakal Block

between

THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ

and

SHAKAL PRODUCTION LTD.

and

OIL SEARCH (IRAQ) LIMITED

and

**PETOIL PETROLEUM AND PETROLEUM PRODUCTS INTERNATIONAL
EXPLORATION AND PRODUCTION INC.**

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FIRST AMENDMENT AGREEMENT

This agreement (the “**Agreement**”) is entered into as of 1 August 2010 (the “**Agreement Date**”) between:

- (1) **THE KURDISTAN REGIONAL GOVERNMENT OF IRAQ** (the “**Government**”);
- (2) **SHAKAL PRODUCTION LTD.**, a company established and existing under the laws of the Cayman Islands, whose registered office is at Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands (“**Shakal**”);
- (3) **OIL SEARCH (IRAQ) LIMITED**, a company incorporated and existing under the laws of the British Virgin Islands, whose principal place of business is at level 8, Al Attar Tower, Sheikh Zayed Road, Dubai, UAE (“**Oil Search**”); and
- (4) **PETOIL PETROLEUM AND PETROLEUM PRODUCTS INTERNATIONAL EXPLORATION AND PRODUCTION INC.**, a company established and existing under the laws of Turkey, whose registered office is at Filistin Caddesi No: 16, G.O.P., 06700 Ankara, Turkey (“**Pet oil**”)

(each a “**Party**” and collectively, the “**Parties**”).

RECITALS

- (A) The Government, Shakal, Oil Search and Petoil are parties to a Production Sharing Contract dated 6 March 2008 in respect of the Shakal Block in the Kurdistan Region of Iraq (the “**Contract**”).
- (B) The Parties wish to amend the Contract to obligate Petoil and future holders of all or part of the participating interest held by Petoil at the Effective Date to pay capacity building payments to the Government. Petoil is willing to agree to charge its participating interest with the capacity building payment obligations and the Parties are willing to agree to the appropriate amendments to the Contract.
- (C) The Government will deposit all capacity building payments into a segregated account for use solely to support and finance infrastructure and capacity building projects in the Kurdistan Region.
- (D) The Parties further wish to confirm that the Second Sub-Period of the Exploration Period is extended for one Contract Year.

- (E) The Parties further wish to amend the Contract to provide that the Government may exercise the Option of Third Party Participation at any time prior to the expiry of the Second Sub-Period of the Exploration Period.

1. DEFINITIONS AND INTERPRETATION

- 1.1 Unless otherwise defined herein (including the recitals) capitalised terms have the meanings ascribed to them in the Contract (before amendment by this Agreement). As used in this Agreement:

“**Agreement**” is defined in the preamble.

“**Agreement Date**” is defined in the preamble.

“**Contract**” is defined in Recital (A).

“**Government**” is defined in the preamble.

“**Oil Search**” is defined in the preamble.

“**Petroleum**” is defined in the preamble.

“**Party**” and “**Parties**” are defined in the preamble.

“**Shakal**” is defined in the preamble.

“**Third Party**” is defined in Clause 5.2.

- 1.2 The descriptive headings in this Agreement are for convenience only, do not constitute a part of this Agreement, and do not affect the construction or interpretation of this Agreement. A reference to a “Clause” is a reference to a clause of this Agreement.

- 1.3 Nothing in this Agreement shall be construed to impair the rights of the Government in relation to the Government Interest in accordance with Article 4 of the Contract.

2. AMENDMENTS TO CONTRACT

- 2.1 The Contract is amended as provided in this Clause 2.

- 2.2 The recitals are amended:

(a) by adding a new paragraph (F):

“(F) This Contract was amended pursuant to the First Amendment Agreement between the Parties dated 1 August 2010;”;

(b) by renumbering paragraph (F): “(G)”; and

(c) by renumbering paragraph (G): “(H)”.

2.3 In Article 1.1, the definitions of “**CONTRACTOR**” and “**CONTRACTOR Entity**” are deleted in their entirety and restated as follows:

“**CONTRACTOR** means, individually and jointly, each Contractor Entity.

CONTRACTOR Entity means each of Shakal, Oil Search and Petoil and their respective permitted assignees pursuant to Article 39. A holder of the Government Interest is not a **CONTRACTOR Entity**. The Government as holder of the Third Party Interest is not a **CONTRACTOR Entity**. At any time when there is only one entity constituting the **CONTRACTOR**, any reference to “the entities constituting the **CONTRACTOR**” or the “**CONTRACTOR Entities**” or similar reference, shall be deemed to mean “the entity constituting the **CONTRACTOR**”. As of the Effective Date, Shakal, Oil Search and Petoil, as **CONTRACTOR Entities**, each own an undivided interest in the Petroleum Operations in respect of the entire Contract Area:

Shakal	36%
Oil Search	15%
Petoil	9%”.

2.4 New definitions are added in Article 1.1, in the appropriate alphabetical order, as follows:

“**Annual Reconciliation Statement** is defined in Article 32.3.2(c).

Capacity Building Account means a segregated bank account with a reputable bank in the name of, and maintained by, the **GOVERNMENT**, the sole purpose of which is to support and finance certain infrastructure and capacity building projects to be identified by the **GOVERNMENT** in its sole discretion in the Kurdistan Region.

Capacity Building Payment means the amount of the Capacity Building Value.

Capacity Building Payment Instalments means each obligation of a Charged Interest Holder to pay an amount equal to the Capacity Building Value attributed to such Charged Interest Holder as provided by Article 32.3.

Capacity Building Value means, in respect of any period of determination: for each Charged Interest Holder, an amount in Dollars equal to the value, established in accordance with Article 27, of forty per cent (40%) of the Profit Petroleum attributed to such Charged Interest Holder pursuant to this Contract as at any time and period of determination.

Charged Interest means all or any part of the 9 per cent (9%) participating interest hereunder deemed held by Petoil as of the Effective Date.

Charged Interest Holder means a **CONTRACTOR** Entity if and to the extent it is the holder of a Charged Interest, and at any time when there is more than one **CONTRACTOR** Entity that is a holder of a Charged Interest, those **CONTRACTOR** Entities. As of the Effective Date, Petoil is the only Charged Interest Holder.

Charged Interest Holders Monthly Statement is defined in Article 32.3.2(a).

First Amendment Agreement means the First Amendment Agreement between the Government, Shakal, Oil Search and Petoil dated 1 August 2010.

Loss or Expense is defined in Article 32.3.8(c).

Oil Search means Oil Search (Iraq) Limited, a company incorporated and existing under the laws of the British Virgin Islands, whose principal place of business is at level 8, Al Attar Tower, Sheikh Zayed Road, Dubai, United Arab Emirates.

Petoil means Petoil Petroleum and Petroleum Products International Exploration and Production Inc., a company established and existing under the laws of Turkey, whose registered office is at Filistin Caddesi No: 16, G.O.P., 06700 Ankara, Turkey.

Rights Sale means a sale, assignment, or other disposal of the **GOVERNMENT**'s rights to receive Capacity Building Payment Instalments from a Charged Interest Holder, whether for a lump sum payment or in instalment payments, and whether the purchaser assumes all payment risk and all risk as to the amount of Capacity Building Payment Instalments, or otherwise.

Shakal means Shakal Production Ltd., a company established and existing under the laws of the Cayman Islands, whose registered office is at Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands."

2.5 In Article 1.1, the definition of "Government Option of Government Participation" is deleted.

2.6 The first paragraph of Article 4.2 is deleted in its entirety and restated:

"The Public Company will not have any liability to the **CONTRACTOR** to contribute its Government Interest share of all Petroleum Costs. Petroleum Costs are the exclusive obligation of Shakal, Oil Search and Petoil in accordance with each **CONTRACTOR** Entity's respective participating interests in the Contract. Each **CONTRACTOR** Entity is entitled (through the **CONTRACTOR**) to recover all such Petroleum Costs in accordance with Article 25. The Public Company shall contribute its share of Production Bonuses attributable to the Government Interest and payable pursuant to Articles 32.4 through 32.8."

2.7 Article 4.6 is amended by deleting the words “or the expiry of the six (6) month period contemplated by Article 4.7.”

2.8 In Article 4.7, after the words “Option of Third Party Participation” the following words are added:

“at any time before the expiry of the Second Sub-Period, including any extension thereto.”

2.9 In Article 16.14, after the words in the first sentence “The **GOVERNMENT** and” the following is inserted: “, subject to Articles 32.3.6(a) and (b).”

2.10 In Article 26.9, the following sentence is added to the end of the Article:

“Notwithstanding the other provisions of this Article 26.9, where a Charged Interest Holder is in breach of any of its obligations in respect of the payment of Capacity Building Payment Instalments under Article 32.3, the **GOVERNMENT** will have the rights set forth in Articles 32.3.6 through 32.3.8.”

2.11 Articles 27.1 and Article 27.2 and Paragraphs 7 and 8 are amended by adding, after the word “Quarter” in each instance in each Article and Paragraph, the words “and Month”; and in Paragraph 7.2, the words “twenty-one (21)” are deleted and replaced by “ten (10)”.

2.12 Article 27.4 is deleted and restated in its entirety:

“By the tenth (10th) day of each Month, the **CONTRACTOR** shall provide a statement to the **GOVERNMENT** showing the **CONTRACTOR**’s calculations of the value of Petroleum produced and sold from the Contract Area for the previous Month. Such statement shall include the following information:

- (a) quantities of Crude Oil sold by the **CONTRACTOR** Entities during the preceding Month constituting Arm’s Length Sales together with corresponding sale prices;
- (b) quantities of Crude Oil sold by the **CONTRACTOR** Entities during the preceding Month that do not fall in the category referred to in paragraph (a) above, together with sale prices applied during such Month;
- (c) inventory in storage belonging to the **CONTRACTOR** Entities at the beginning and at the end of the Month; and
- (d) quantities of Natural Gas sold by the **CONTRACTOR** Entities and the **GOVERNMENT** together with sale prices realised.

Concurrently with the delivery of the monthly statement, the **CONTRACTOR** shall deliver the Charged Interest Holders Monthly Statement to the **GOVERNMENT** as provided in Article 32.3.2(a).”

- 2.13 In Article 29.1, after the words “shall be in Dollars and shall”, the following words are added:

“except as provided in the next sentence and Articles 32.3.10 through 32.3.12.”;

and the following sentence is added at the end of Article 29.1:

“The right of offset provided in this Article 29.1 will not apply in respect of the obligation of a Charged Interest Holder to make Capacity Building Payments as further provided in Articles 32.3.10 through 32.3.12.”

- 2.14 Article 32.2 deleted and restated in its entirety:

“32.2 The **GOVERNMENT** required, as a condition of entering into the Contract, Oil Search and Shakal to pay to the **GOVERNMENT** a capacity building bonus of five million five hundred thousand Dollars (US \$5,500,000) (“**Capacity Building Bonus**”), and the **GOVERNMENT** confirms timely receipt of the payment.”

- 2.15 A new Article 32.3 is added as follows:

Capacity Building Payments

32.3 Each Charged Interest Holder is bound by the provisions of this Article.

32.3.1 The obligations of a **CONTRACTOR** Entity, to the extent it is a Charged Interest Holder, as set forth in this Article 32.3, attach to, and may not be severed from, the Charged Interest.

32.3.2 In respect of the Capacity Building Payment Instalments:

- (a) on or before the tenth (10th) day of each Month, in the Development Period, the **CONTRACTOR** shall provide to the **GOVERNMENT**, together with the monthly production statement prepared by the **CONTRACTOR** in accordance with Article 27.4 and Paragraph 6.1, and the monthly valuation statement in accordance with Article 25 and Paragraph 7.1, a statement (the “**Charged Interest Holders Monthly Statement**”) setting out the **CONTRACTOR**’s calculation of the Capacity Building Value attributable to each Charged Interest Holder for the preceding Month. In each Charged Interest Holders Monthly Statement, the **CONTRACTOR** shall detail each item taken into account in making its calculation of the amounts due from each Charged Interest Holder, the quantities of Profit Petroleum produced during the Month covered by such Charged Interest Holders Monthly Statement, the volumes of such production sold, the Capacity Building Value attributed to such sales, and the Capacity

Building Payment Instalments required to be paid with respect thereto by each Charged Interest Holder;

- (b) on the same date on which the **CONTRACTOR** provides the Charged Interest Holders Monthly Statement to the **GOVERNMENT** in accordance with Article 32.3.2(a), each Charged Interest Holder shall pay (except as provided in the next sentence) the Capacity Building Payment Instalment as shown as owed by such Charged Interest Holder in the Charged Interest Holders Monthly Statement. If:
 - (1) a Charged Interest Holder has sold its Profit Petroleum to
 - (i) the **GOVERNMENT** or a Public Company (or a company or an entity owned and controlled, directly or indirectly, by a Public Company or the **GOVERNMENT**),
 - (ii) the State Oil Marketing Organisation (SOMO) or any entity owned and controlled by the Government of Iraq; andif
 - (2) any such counterparty as identified in (1) has not paid the Charged Interest Holder for the Petroleum lifted by such entity, then:
 - (3) the Charged Interest Holder is only obligated to pay the Capacity Building Payment when, if, and to the extent the Charged Interest Holder has received payment by such counterparty.

The preceding sentence does not apply with respect to, and to the extent of sales of Charged Interest Holder's Profit Petroleum to any other counterparties;

- (c) within thirty (30) calendar days following the date on which the **CONTRACTOR** delivered the Final End-of-Year Statement to the **GOVERNMENT** for each Calendar Year in accordance with Article 26.13 and Paragraph 10, and based on the information in such Final End-of-Year Statement, the **CONTRACTOR** shall provide to the **GOVERNMENT**, in respect of each Charged Interest Holder, a written reconciliation of the aggregate amount of the Capacity Building Value and the aggregate payments of the Capacity Building Payment Instalments during such Calendar Year period (the "**Annual Reconciliation Statement**");
- (d) if the results of an Annual Reconciliation Statement show that a Charged Interest Holder has, in the aggregate over the Calendar Year period covered by the Annual Reconciliation

Statement, made Capacity Building Payment Instalments in an amount less than the aggregate Capacity Building Value attributed to such Charged Interest Holder during such Calendar Year period, such Charged Interest Holder shall pay (subject to the same exception as provided in the second and third sentences of Article 32.3.2(b)) the amount of the underpayment as shown in the Annual Reconciliation Statement within thirty (30) calendar days following the same date the **CONTRACTOR** delivered the Annual Reconciliation Statement to the **GOVERNMENT**;

- (e) if the results of an Annual Reconciliation Statement show that a Charged Interest Holder has, in the aggregate over the Calendar Year period covered by the Annual Reconciliation Statement, made Capacity Building Payment Instalments in excess of the Capacity Building Value attributed to it during such Calendar Year period, and if and to the extent the **GOVERNMENT** has agreed with the **CONTRACTOR** and the affected Charged Interest Holder in respect of the amount of such overpayment, such Charged Interest Holder may deduct such overpayment to the extent that the **GOVERNMENT** has agreed with the amount of such overpayment from the next following payments of Capacity Building Payment Instalments. In no event will a Charged Interest Holder be entitled to deduct more than fifteen per cent (15%) of the amount otherwise payable from the next following payments of Capacity Building Payment Instalments. The right of set-off against Capacity Building Payment Instalments will be a Charged Interest Holder's only remedy in respect of any overpayment, and the **GOVERNMENT** will have no obligation to make any reimbursement or other compensating payments to the Charged Interest Holder;
- (f) if a Charged Interest Holder fails to pay all or part of a Capacity Building Payment when due, the Charged Interest Holder shall pay interest on the unpaid amount at an annual rate of LIBOR plus two per cent (2%) compounded monthly from and including the date the payment was due to, but not including, the date paid; and
- (g) if any Capacity Building Payment is due to be paid to the **GOVERNMENT** on a day that is either not a banking day in either the place where the Capacity Building Account is maintained, or the location of the financial institution through which a Charged Interest Holder will make such payment, then

the Capacity Building Payment will be due on the next following banking day. A “banking day” is a day (other than a Saturday, Sunday, or public holiday) on which banks are open for general business in the specified locations.

Capacity Building Account

32.3.3 The **GOVERNMENT** shall:

- (a) establish and maintain the Capacity Building Account; and
- (b) deposit all Capacity Building Payments received by the **GOVERNMENT** into the Capacity Building Account.

Rights Sale

32.3.4 The **GOVERNMENT** may enter into a Rights Sale without the consent of the **CONTRACTOR** or any **CONTRACTOR** Entity.

Separate Liability

32.3.5 Each Charged Interest Holder is separately liable (and not jointly and severally liable with any other Charged Interest Holder) to the **GOVERNMENT** for its obligations, duties and liabilities under this Article 32.3. A **CONTRACTOR** Entity that is not a Charged Interest Holder will have no liability to the **GOVERNMENT** for any claim by the **GOVERNMENT** arising out of or related to the breach of any Charged Interest Holder’s obligations under this Article 32.3.

Breach; Indemnity

32.3.6 (a) If a Charged Interest Holder fails to pay a Capacity Building Payment in full when due, the **GOVERNMENT** will, notwithstanding any other provision of this Contract, any lifting agreement, any sales or marketing agreement, or any other agreement, automatically be entitled, on not less than sixty (60) days prior notice to the defaulting Charged Interest Holder and the **CONTRACTOR** in the case of the first default, and not less than thirty (30) days in the case of any subsequent default, to:

- (1) lift, at the Delivery Point or at such other point as the **GOVERNMENT** may decide, up to forty per cent (40%) of such defaulting Charged Interest Holder’s Profit Petroleum; and

(2) continue to lift up to forty per cent (40%) of such defaulting Charged Interest Holder's Profit Petroleum for the remainder of the Development Period.

(b) A defaulting Charged Interest Holder will have a single cure period of thirty (30) days only in respect of its first default. If the defaulting Charged Interest Holder pays the defaulted Capacity Building Payments in full plus interest in accordance with Article 32.3.2(f) in such thirty (30) day period, the **GOVERNMENT** shall not exercise its lifting rights under this Article 32.3.6 in respect of such defaulting Charged Interest Holder. In the case of any subsequent default, the **GOVERNMENT** may exercise its right to lift whether or not the defaulting Charged Interest Holder cures its default in the thirty (30) day notice period.

32.3.7 The lifting rights of the **GOVERNMENT** pursuant to Article 32.3.6 are exercisable by way of set-off, without first resort to legal process, and without any liability or claims of the defaulting Charged Interest Holder, the **CONTRACTOR**, the Operator, or any other Person, and regardless of any provisions of any lifting agreement or provision of a joint operating agreement or any other agreement to which the **CONTRACTOR** or a defaulting Charged Interest Holder is a party. The **CONTRACTOR** shall ensure that all agreements in respect of the lifting or sale of Petroleum reflect the **GOVERNMENT's** priority rights as set forth in Article 32.3.6 and this Article 32.3.7.

32.3.8 (a) A defaulting Charged Interest Holder shall indemnify the **GOVERNMENT** from any Loss or Expense (as defined in Article 32.3.8(c), below) that may in any way arise from the exercise by the **GOVERNMENT** of its rights in respect of such defaulting Charged Interest Holder under Articles 32.3.6 and 32.3.7.

(b) The **GOVERNMENT** will retain control over the defence of, and any resolution or settlement relating to, such Loss or Expense. A defaulting Charged Interest Holder shall cooperate with the **GOVERNMENT** and provide reasonable assistance in defending any claims against the **GOVERNMENT**.

(c) "**Loss or Expense**" means any liability, loss, claim, settlement payment, cost and expense, interest, award, judgment, damages (including punitive damages), diminution in value, fees or other charge and, to the extent permitted by applicable law, any court filing fee, court cost, arbitration fee or cost,

witness fee, and each other fee and cost of investigating and defending or asserting a claim for indemnification, including attorneys' fees, other professionals' fees, and disbursements; but does not include consequential damages. A claim set forth in a notice from the **GOVERNMENT** to a defaulting Charged Interest Holder will be conclusively deemed a Loss or Expense if the Charged Interest Holder fails to dispute the **GOVERNMENT's** liability by the end of a thirty (30) day period following the effective date of the notice from the **GOVERNMENT**. The Charged Interest Holder shall promptly pay the deemed Loss or Expense on demand.

- 32.3.9 The **GOVERNMENT's** rights under Articles 32.3.6 through 32.3.8 are not exclusive and are without prejudice to the **GOVERNMENT's** termination rights under Article 45.

Payments; No Set-off or Deduction

- 32.3.10 Except as provided in Article 32.3.2(e) and notwithstanding any provision in this Contract to the contrary, each Charged Interest Holder shall pay all Capacity Building Payments without (and free and clear of any deduction for) set-off or counterclaim.
- 32.3.11 Each Charged Interest Holder acknowledges and accepts that a fundamental principle of this Article 32.3 is that such Charged Interest Holder must pay the Capacity Building Payments owed by it as and when required. Accordingly, in respect of its obligations under this Article 32.3 only and except as provided in Article 32.3.2(e), each Charged Interest Holder hereby waives any right to raise by way of set off or invoke as a defence to its obligations to pay Capacity Building Payments pursuant to this Article 32.3, whether in law or equity, any failure by the **GOVERNMENT** or any **CONTRACTOR** Entity to pay amounts due and owing under the Contract or any alleged claim that such Charged Interest Holder may have against the **GOVERNMENT**, Operator, any other **CONTRACTOR** Entity, or any other Person, whether such claim arises under or relates to this Contract or otherwise.
- 32.3.12 Each Charged Interest Holder shall make Capacity Building Payments to the **GOVERNMENT** by wire transfer of immediately available funds in Dollars in accordance with wire instructions provided by the **GOVERNMENT**. The making of any payments by a Charged Interest Holder under this Article 32.3, or the acceptance or use of any payments by the **GOVERNMENT**, does not impair the rights of such Charged Interest Holder or the **GOVERNMENT** under Article 15. Any dispute between the

GOVERNMENT and a Charged Interest Holder in respect of the calculation of each of the Capacity Building Value and the Capacity Building Payment due with respect thereto, is subject to Article 15.9.

Assignment, Reversion

32.3.13 (a) If a Charged Interest Holder assigns and novates all or any part of its Charged Interest, the assignee will be a Charged Interest Holder to the extent of such assignment and novation.

(b) If (i) a Charged Interest Holder withdraws as a **CONTRACTOR** Entity, or (ii) the **GOVERNMENT** terminates a Charged Interest Holder as a **CONTRACTOR** Entity; and if in the cases of clauses (i) or (ii) all or part of the Charged Interest of the Charged Interest Holder is either assigned and novated or reverts to the remaining **CONTRACTOR** Entities as provided in Article 45, then, in either such case, such assignee or each remaining **CONTRACTOR** Entity, as the case may be, will be a Charged Interest Holder to the extent of such assignment and novation or reversion, as applicable, provided that the withdrawing or terminating Charged Interest Holder will be solely liable for any unpaid Capacity Building Payments attributable to its Charged Interest prior to the date of withdrawal or termination.

2.16 In Article 32:

- (a) the existing Article 32.3 is renumbered “32.4”;
- (b) the existing Article 32.4 is renumbered “32.5”;
- (c) the existing Article 32.5 is renumbered “32.6”;
- (d) the existing Article 32.6 is renumbered “32.7”, and in that Article, after the word “bonus”, the words “or payment” are added; and
- (e) the existing Article 32.7 is renumbered “32.8”, and in that Article:
 - (i) after the word “bonus”, the words “or payment” are added; and
 - (ii) the words “or by banker’s draft and on receipt thereof the **GOVERNMENT** shall forthwith issue a written receipt to the **CONTRACTOR** duly executed by the Minister of Natural Resources of the **GOVERNMENT** or such other officer of the **GOVERNMENT** who shall be duly authorised to issue such receipt under Kurdistan Region Law” are deleted.

2.17 Article 39.2 is deleted and restated:

“Except as provided in Article 32.3, each **CONTRACTOR** Entity shall have the right to sell, assign, transfer or otherwise dispose of all or part of its rights and interests under this Contract to any third party (not being an Affiliated Company or another **CONTRACTOR** Entity) with the prior consent of the **GOVERNMENT** and each other **CONTRACTOR** Entity (if any), which consent shall not be unreasonably delayed or withheld. Any **CONTRACTOR** Entity proposing to sell, assign, transfer or otherwise dispose of all or part of its rights and interests under this Contract to any such third party shall request such consent in writing, which request shall be accompanied by reasonable evidence of the technical and financial capability of the proposed third party assignee.”

2.18 In Article 41, the following is added at the end of the Article:

“Notwithstanding the foregoing, this Article 41 will not apply to the **GOVERNMENT** in respect of any claim or proceeding arising out of or related to the exercise of rights by the **GOVERNMENT** as set forth in Articles 32.3.6 through 32.3.9, in respect of which the **GOVERNMENT** expressly reserves all sovereign immunities.”

2.19 In Article 42.1, the following sentence is added at the end of the first sentence:

“This Article 42.1 does not apply to any Dispute arising out of, or relating to, the exercise of rights by the **GOVERNMENT** as set forth in Article 32.3.6, which Disputes shall, except only as provided in Article 32.3.12, be subject to the exclusive jurisdiction of the courts of the Kurdistan Region located in Erbil.”

2.20 In Article 44.1, the addresses for Shakal and Petoil are deleted and restated in their entirety

SHAKAL PRODUCTION, LTD.

Attention: c/o Prime Natural Resources, Inc.
Mr. Jan Veldwijk
Address: 2103 Citywest Blvd., Suite 1400, Houston TX 77042
Email: jan.veldwijk@primenri.com

PETOIL PETROLEUM AND PETROLEUM PRODUCTS INTERNATIONAL EXPLORATION AND PRODUCTION, INC.

Attention: Mr. Ali Ak
Address: Filistin Cadessi No. 16, GOP
06700 Ankara, Turkey
Email: ak@petoil.com.tr

2.21 In Article 45.6, after “31,” is added “32.3.”

2.22 The following further amendments are made:

- (a) in the definition of “Production Bonus” in Article 1.1, the words “32.3 or 32.4” are replaced with “32.4 or 32.5”;
- (b) in Paragraph 3.1.9, the words “with the exception of Taxes described in Article 31.2) and bonus payments” are deleted and replaced with “with the exception of Taxes (described in Article 31.2), bonus payments, Capacity Building Payments, and any other payments”;
- (c) in Paragraphs 4.4 and 13.3.2(h), after the word “bonuses” in each instance, “, Capacity Building Payments, or other payments” is added;
- (d) the heading for Article 32 is deleted and restated:

“**ARTICLE 32 - BONUSES; CAPACITY BUILDING PAYMENTS**”;
- (e) in Article 33.9, “, provided that where the **GOVERNMENT** is participating in its capacity as a **CONTRACTOR** Entity pursuant to Article 4, it shall be liable for its share of Petroleum Costs” is deleted;
- (f) in Article 39.6, the following is added at the end of the sentence following the words “Article 4”:

“and Article 32.3.”; and
- (g) in Articles 4.2 and 4.3, the word “other” is deleted in each instance.

3. SECOND SUB-PERIOD EXTENSION

- 3.1** The Government confirms receipt from the Contractor of a proposal for an extension of one Contract Year to the Second Sub-Period of the Exploration Period of the Contract, together with a proposal for a minimum work obligation for the extension.
- 3.2** The minimum work obligation is set forth in Annex 1.
- 3.3** The Parties agree that the Second Sub-Period is extended for one Contract Year in accordance with Articles 6.5 and 6.6.

- 3.4** Unless:
- (a) the Contractor completes the minimum work obligation set forth in Annex 1 prior to 14 January 2011; and
 - (b) a further extension takes place pursuant to Article 6.6;
- the Second Sub-Period will expire on 14 January 2011.

4. REPRESENTATIONS

- 4.1** Shakal, Oil Search and Petoil, each for itself, makes the following representations:
- 4.1.1** its entry into and performance of this Agreement have been authorised by all necessary company action;
 - 4.1.2** this Agreement constitutes a valid, legal, and binding agreement of it;
 - 4.1.3** it has received all authorisations and consents required under the law under which it is organised that are or will be necessary for the entry into and performance by it, and the validity and enforceability against it, of this Agreement;
 - 4.1.4** except as provided in the next sentence, there is no law or agreement to which it is a party that conflicts with or prevents entry into, delivery, and performance by it of, or calls into question the validity, legality and enforceability against it of, this Agreement. No representation is made in respect of the laws of the Kurdistan Region or Iraq;
 - 4.1.5** it is not a party to any administrative or judicial proceeding, litigation, or arbitration that could affect the validity or enforceability of this Agreement as to it; and
 - 4.1.6** neither it nor any of its Affiliates has made, offered, or authorised (and has not agreed to make and does not expect will be made), with respect to the matters which are the subject of this Agreement or the Contract, any payment, gift, promise or other advantage, whether directly or through any other Person, 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 the Government) or any political party or political party official or candidate for office, where such payment, gift, promise or advantage violate (i) the laws of the Kurdistan Region or of Iraq, (ii) the laws of the place of incorporation or its principal place of business, or (iii) the principles described in the Convention on Combating Bribery of Foreign

Public Officials in International Business Transactions, signed in Paris on 17 December 1997, which entered into force on 15 February 1999, and the Convention's Commentaries. No part of its participating interest under (including any profits it may derive in respect of) the Contract is held (or to be held pursuant to this Agreement) or payable to, directly or indirectly, to or for the benefit (directly or indirectly) of any public official or any political party or political party official or candidate for office of the Kurdistan Region or Iraq.

5. GENERAL PROVISIONS

- 5.1 Articles 36 (*Information and Confidentiality*), 39 (*Assignment and Change of Control*), 41 (*Waiver of Sovereign Immunity*), 42.1 (*Negotiation, Mediation and Arbitration*), and 44 (*Notices*) of the Contract shall apply to this Agreement.
- 5.2 This Agreement does not create any right under the Contracts (Rights of Third Parties) Act 1999 that is enforceable by any Person who is not a party (a "**Third Party**"). The Parties may rescind or vary the terms of this Agreement without notice to or the consent of any Third Party.
- 5.3 This Agreement constitutes the final, complete and exclusive expression of the Parties' agreement on the matters contained in this Agreement. All prior and contemporaneous negotiations and agreements between the Parties on the matters contained in this Agreement are expressly merged into and superseded by this Agreement. The provisions of this Agreement may not be explained, supplemented or qualified through evidence of trade usage or a prior course of dealings. In entering into this Agreement, neither Party has relied upon any statement, representation, warranty or agreement of the other party except for those expressly contained in this Agreement. There are no conditions precedent to the effectiveness of this Agreement, other than those expressly stated in this Agreement.
- 5.4 Each Party shall timely exercise all commercially reasonable endeavours to take, or cause to be taken, all actions necessary or desirable to consummate and make effective the transactions this Agreement contemplates.
- 5.5 The Parties may amend this Agreement only by an agreement of the Parties that identifies itself as an amendment to this Agreement. The Parties may waive any provision in this Agreement only by a writing executed by the Party against whom the waiver is sought to be enforced. Any amendment, waiver, or consent signed by the Minister of Natural Resources is binding on the Government. No failure or delay in exercising any right or remedy, or in requiring the satisfaction of any condition, under this Agreement by a Party, and no act, omission or course of dealing between any of the Parties, will operate as a waiver or estoppel of any right, remedy, or condition. A waiver made in writing on one occasion will be effective only in that instance and only for the purpose stated. A waiver once given is not to be construed as a waiver on any future

occasion. No waiver or amendment in respect of this Agreement will constitute a waiver or amendment of any other agreement between the Parties.

- 5.6** The Parties may execute this Agreement in four counterparts, each of which constitutes an original, and all of which, collectively, constitute only one agreement. The signatures of all of the Parties need not appear on the same counterpart, and delivery of an executed counterpart signature page by facsimile or electronic scan is as effective as executing and delivering this Agreement in the presence of the other Parties. This Agreement is effective upon delivery of one executed counterpart from each Party to the other Parties. In proving this Agreement, a Party must produce or account only for the executed counterpart of the Party to be charged.
- 5.7** If this Agreement is reasonably proven to have been obtained in violation of Kurdistan Region Law or the laws of Iraq concerning corruption, this Agreement shall be deemed void *ab initio*.
- 5.8** This Agreement (and any non-contractual obligations arising out of or in connection with it) is governed by English law.

[Signature page follows.]

For and on behalf of **Shakal Production Ltd.:**

Signature..... 
 Title: DIRECTOR
 Name: J. Vlasovijk

For and on behalf of **Oil Search (Iraq) Limited:**

Signature.....
 Title:
 Name:

For and on behalf of **Petroleum and Petroleum Products International Exploration and Production Inc.:**

Signature.....
 Title:
 Name:

For and on behalf of **the Kurdistan Regional Government of Iraq:**

Prime Minister	Minister of Natural Resources
Kurdistan Regional Government	Kurdistan Regional Government
On behalf of the Regional Council for the Oil and Gas Affairs of the Kurdistan Region – Iraq	On behalf of the Ministry of Natural Resources in the Kurdistan Region

Signature:.....	Signature:.....
Barham Salih	Ashti Hawrami

[Signature page to the Shakal First Amendment Agreement.]

For and on behalf of Shakal Production Ltd.:

Signature.....
Title:
Name:.....

For and on behalf of Oil Search (Iraq) Limited:

Signature..... 
Title: MENA EXPLORATION MANAGER
Name: NIGEL WILSON

For and on behalf of Petoil Petroleum and Petroleum Products International Exploration and Production Inc.:

Signature.....
Title:
Name:

For and on behalf of the Kurdistan Regional Government of Iraq:

Prime Minister	Minister of Natural Resources
Kurdistan Regional Government	Kurdistan Regional Government
On behalf of the Regional Council for the Oil and Gas Affairs of the Kurdistan Region – Iraq	On behalf of the Ministry of Natural Resources in the Kurdistan Region

Signature:.....
Barham Salih

Signature:.....
Ashti Hawrami

[Signature page to the Shakal First Amendment Agreement.]

For and on behalf of **Shakal Production Ltd.:**

Signature.....
Title:
Name:.....

For and on behalf of **Oil Search (Iraq) Limited:**

Signature.....
Title:
Name:

For and on behalf of **Petroleum and Petroleum Products International Exploration and Production Inc.:**

Signature.....
Title:
Name:

For and on behalf of **the Kurdistan Regional Government of Iraq:**

Prime Minister
Kurdistan Regional Government
On behalf of the Regional Council for the Oil and
Gas Affairs of the Kurdistan Region – Iraq

Minister of Natural Resources
Kurdistan Regional Government
On behalf of the Ministry of Natural
Resources in the Kurdistan Region

Signature:.....
Barham Salih

Signature:.....
Ashti Hawrami

[Signature page to the Shakal First Amendment Agreement.]

For and on behalf of **Shakal Production Ltd.:**

Signature.....
Title:
Name:.....

For and on behalf of **Oil Search (Iraq) Limited:**

Signature.....
Title:
Name:

For and on behalf of **Petroleum and Petroleum Products International Exploration and Production Inc.:**

Signature.....
Title:
Name:

For and on behalf of **the Kurdistan Regional Government of Iraq:**

Prime Minister
Kurdistan Regional Government
On behalf of the Regional Council for the Oil and
Gas Affairs of the Kurdistan Region – Iraq

Minister of Natural Resources
Kurdistan Regional Government
On behalf of the Ministry of Natural
Resources in the Kurdistan Region

Signature: 
Barham Salih

Signature: 
Ashti Hawrami

[Signature page to the Shakal First Amendment Agreement.]

Annex 1

Minimum Work Obligation

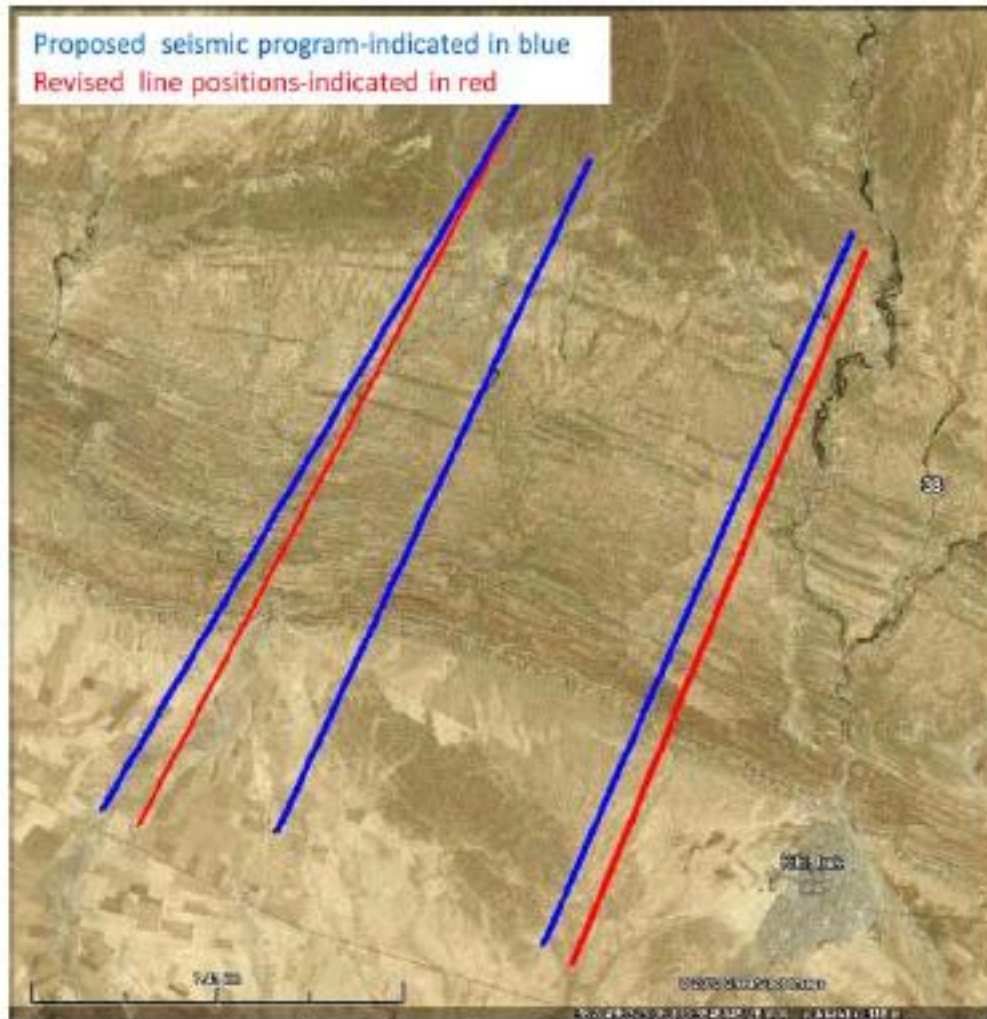
for Extension to Second Sub-Period of the Exploration Period

1. Acquire and process approximately 18 line kilometres of 2-D seismic in conjunction with the exploration program of Shamaran Pulkhana B.V. in respect of the Pulkhana Block 10, in accordance with the map set out below.

MAP SHOWING THE POSITION OF THE TIE-LINES IN THE SHAKAL BLOCK



2. Acquire, process and interpret approximately 47 line kilometres of 2-D seismic in accordance with the map set out below.



LINES	X1	Y1	X2	Y2	KM
LINE-1	485900.753	3841561.599	494389.000	3853629.000	14.9
LINE-2	483164.223	3842136.231	493463.883	3855306.359	16.7
LINE-3	491268.716	3837945.920	499485.782	3850956.561	15.4
TOTAL					47.0

3. Reprocess the seismic line known as "KR-2". The Government will provide existing tapes and field notes.

4. Evaluate, to the extent that is technically feasible, reservoir properties, stress analysis, and fracture trends, where necessary relying on third party studies.
5. Re-map the prospectivity of the Contract Area based on all the available seismic data.