

**DEVELOPMENT AND PRODUCTION  
SERVICE CONTRACT**

**FOR THE BADRA CONTRACT AREA**

**BETWEEN**

**NORTH OIL COMPANY  
OF THE IRAQI MINISTRY OF OIL**

**AND**

**JSC Gazprom neft**

**Korea Gas Corporation**

**PETRONAS Carigali Sdn. Bhd.**

**Türkiye Petrolleri Anonim Ortakligi**

**AND**

**OIL EXPLORATION COMPANY**

**DEVELOPMENT AND PRODUCTION SERVICE CONTRACT  
FOR THE BADRA CONTRACT AREA**

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**DEVELOPMENT AND PRODUCTION SERVICE CONTRACT  
FOR THE BADRA CONTRACT AREA**

This Development and Production Service Contract (“**Contract**”) is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_, by and between:

**North Oil Company**, an Iraqi State oil company, established and existing under the laws of the Republic of Iraq, having its registered office at Kirkuk, P.O. Box 1, the Republic of Iraq (“**North Oil Company**” or “**NOC**”) as the **First Party**, and

**JSC Gazprom neft**, a company established and existing under the laws of Russian Federation, having its registered head office at 5A, Galernaya Street, St. Petersburg, 190000 Russia (“**Gazprom**”) and

**Korea Gas Corporation**, a company established and existing under the laws of the Republic of Korea, having its registered head office at 215 Jeongja, Bundang, SeongNam, Gyeonggi, 463-754, Korea (“**KOGAS**”) and

**PETRONAS Carigali Sdn. Bhd.**, a company established and existing under the laws of Malaysia, having its registered head office at Tower One, Petronas Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia (“**PETRONAS Carigali**”) and

**Türkiye Petrolleri Anonim Ortakligi**, a company established and existing under the laws of Turkey, having its registered head office at Sogutozu Mahallesi 2. Cadde No:86, 06100 Cankaya Ankara Turkey (“**TPAO**”) (individually a “**Company**”; and collectively the “**Companies**”); together with

**Oil Exploration Company**, an Iraqi State company established and existing under the laws of the Republic of Iraq, having its registered office at Baghdad, P.O.Pox 476, the Republic of Iraq (hereinafter referred to as “**State Partner**”),

Companies and State Partner are collectively referred to as “**Contractor**”, as the **Second Party**,

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 Iraqi Government, representing the whole Iraqi people, 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 exploration, development and production of the Badra Contract Area; in accordance with the Law; and

**WHEREAS** Contractor has sound financial standing, technical competency, and professional skills to carry out Exploration, 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 the Contract for the exploration, appraisal, development and production of the Badra Contract Area as defined herein;

**NOW THEREFORE**, and in consideration of the promises 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 Procedures”** 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 Natural 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 Oil Equivalent”** or **“BOE”** means one (1) Barrel of Crude Oil one (1) Barrel of NGLs or eight thousand (8,000) SCF of Natural Gas.
- 1.7 **“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.

- 1.8 “**BOD**” means the Board of Directors formed pursuant to Addendum 3.
- 1.9 “**BOPD**” means Barrels of Crude Oil per day.
- 1.10 “**BOEPD**” means Barrels of Oil Equivalent per day.
- 1.11 “**Budget**” means the estimates of the expenditure expected to be incurred for implementing an approved Work Program for any Calendar Year or part thereof.
- 1.12 “**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.
- 1.13 “**Capital Cost**” means all recoverable costs and expenditures, excluding Operating Cost, related to Petroleum Operations pursuant to Annex C.
- 1.14 “**Cash Receipts**” means as defined in Article 19.4.
- 1.15 “**Commercial Production**” means production of Petroleum from the Contract Area (excluding production for testing purposes) and delivery of the same at the relevant Transfer Point(s) under a program of regular production and transfer.
- 1.16 “**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.
- 1.17 “**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.
- 1.18 “**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.
- 1.19 “**Contract Area**” means the exploration, appraisal, development and production area covered by this Contract, as described in Annex A and outlined in Annex B.
- 1.20 “**Contractor's Operator**” means the Company designated as Operator as from the Effective Date pursuant to Article 9.2.
- 1.21 “**Contractor**” means Companies and State Partner, and at any time thereafter shall include their legal successors and permitted assignees.
- 1.22 “**Crude Oil**” means all hydrocarbons regardless of gravity which may be produced and saved from the Contract Area 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.
- 1.23 “**Data**” means as defined in Article 14.2.
- 1.24 “**Date of Transfer of Operatorship**” means the date on which the Joint Operating Company shall take over the conduct of Petroleum Operations pursuant to Article 9.4 and Addendum Three.
- 1.25 “**Deemed Revenue**” means, for a given Quarter, the Net Production multiplied by the Provisional Export Oil Price for that Quarter.
- 1.26 “**Delivery Point**” or “**DP**” means the point(s) where NOC shall receive Petroleum from Transporter(s), and where Contractor may lift Export Oil in lieu of its due and payable Petroleum Costs, Supplementary Costs and Remuneration.

- 1.27 **“Development”** or **“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 Contract Area 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 including decommissioning and abandonment operations; 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.
- 1.28 **“Development Plan”** or **“Plan”** means a scheduled program and cost estimate specifying the Petroleum Operations required for developing and/or increasing the production capacity from the Contract Area, which includes the Preliminary Development Plan, Final Development Plan, and any Revisions.
- 1.29 **“Dinar”** or **“IQD”** means the Iraqi Dinar.
- 1.30 **“Discovery”** means the discovery of an accumulation of hydrocarbons whose existence until that moment was unproven by drilling.
- 1.31 **“Dollar”** or **“US\$”** means the United States Dollar.
- 1.32 **“Effective Date”** means the date upon which this signed Contract becomes valid and enforceable as notified by NOC to Contractor in writing, in accordance with the provisions of Article 39.
- 1.33 **“Expenditure”** means as defined in Article 19.4.
- 1.34 **“Exploration”** means the drilling or deepening of wells to a formation specified as an undiscovered potential reservoir as specified in Annex D including conducting any formation tests thereon.
- 1.35 **“Export Oil”** means crude oil of a standard Iraqi export blend.
- 1.36 **“Export Oil Price”** means the price per Barrel of Export Oil Free on Board (“FOB”) at the Delivery Point, determined in accordance with the provisions of Article 18.
- 1.37 **“Final Development Plan”** has the meaning given in Article 11.
- 1.38 **“Financial Year”** means the Calendar Year.
- 1.39 **“First Commercial Production”** means the first day, within any period not exceeding one hundred and twenty (120) days, when Commercial Production of Crude Oil has averaged no less than fifteen thousand (15,000) BOPD over ninety (90) days, or within three (3) Years from the approval of the Preliminary Development Plan, whichever is earlier. The 120 day period shall exclude any days when production may have been decreased pursuant to Articles 12.5(c), 12.5(d) or 12.5(e).
- 1.40 **“Force Majeure”** means as defined in Article 31.
- 1.41 **“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.



- 1.42 “**Gas Processing Plant Products**” means the dry Gas, LPG, Natural Gasoline and Condensate that are derived from the processing of raw Gas, produced from the Contract Area, in facilities constructed pursuant to an approved Plan.
- 1.43 “**Government**” means the Government of the Republic of Iraq.
- 1.44 “**Gross Negligence**” or “**Willful Misconduct**” means any unjustifiable act or omission by Senior Supervisory Personnel 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.
- 1.45 “**Joint Management Committee**” or “**JMC**” means the committee formed pursuant to Article 13.
- 1.46 “**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.
- 1.47 “**Law**” means Iraqi laws, by-laws or regulations, as they may be changed from time to time.
- 1.48 “**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.
- 1.49 “**Lifting Quarter**” means the Quarter during which Export Oil is available for lifting by Contractor at the Delivery Point, under this Contract and Addendum Four, where any Lifting Quarter shall be the Quarter in which Petroleum Costs, Supplementary Costs and Remuneration are due and payable.
- 1.50 “**LPG**” means liquefied petroleum gas, normally a mixture of propane and butane.
- 1.51 “**Minimum Expenditure Obligation**” means that amount which shall be the minimum amount to be spent by the Contractor as specified in Article 6.2.
- 1.52 “**Minimum Work Obligation**” means the minimum work commitment undertaken by Contractor under Article 6, and Annex E.
- 1.53 “**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.
- 1.54 “**Natural Gas Liquids**” or “**NGLs**” means the propane and heavier 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).
- 1.55 “**Natural Gasoline**” means the pentane and heavier 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.
- 1.56 “**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 Contract Area. 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 Contract Area and is blended with Crude Oil, then the provisions of this Contract shall apply to such Condensate as if it were Crude Oil.

- 1.57 “**Net Production**” over a certain period of time, means the Barrels of Crude Oil produced from the Contract Area, and from a reservoir specified as a discovered reservoir in Annex D, saved and not used for Petroleum Operations, treated to certain specifications as per approved Plans, or their Revisions, measured and received by Transporter at the Transfer Point(s).
- 1.58 “**Net Production Rate**” in BOPD, means the Net Production for a certain period of time divided by the number of calendar days in that period of time.
- 1.59 “**Non-Associated Gas**” means Natural Gas, which is found in a reservoir that does not contain significant quantities of Crude Oil.
- 1.60 “**Official Selling Price**” or “**OSP**” means SOMO’s declared price for each Iraqi Export Oil blend.
- 1.61 “**Operating Cost**” means recoverable Contractor’s costs, expenses, duties, fees, and charges related to Production Operations pursuant to Annex C.
- 1.62 “**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.
- 1.63 “**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.
- 1.64 “**Performance Factor**”, for the purposes of Article 19.5, means the ratio of the Net Production Rate to the bid Plateau Production Target although in no event shall it exceed one (1.0).
- 1.65 “**Petroleum**” means all hydrocarbons, including liquid and gaseous hydrocarbons, produced and saved from the Contract Area.
- 1.66 “**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 Procedures.
- 1.67 “**Petroleum Operations**” means any and all Exploration, Appraisal, Development and Production Operations and other activities related thereto, including transportation of Petroleum to the Transfer Point and abandonment operations including site restoration and decommissioning under this Contract.
- 1.68 “**Plateau Production Period**” means a period of seven (7) Years starting with the date on which the Net Production Rate equals or exceeds the Plateau Production Target for a continuous period of thirty (30) days, but in no event starting later than seven (7) Years from the Effective Date.
- 1.69 “**Plateau Production Target**” is the Net Production Rate that was bid and is to be achieved and sustained for the Plateau Production Period as specified in Article 2.2(c).
- 1.70 “**Potentially Commercial Discovery**” means a written statement delivered by Contractor to NOC to the effect that Contractor considers a certain Discovery of Petroleum as potentially commercial and intends to submit a Development Plan in relation thereto subject to agreement with NOC on a Remuneration Fee.
- 1.71 “**Preliminary Development Plan**” has the meaning given in Article 11.2.

- 1.72 “**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.
- 1.73 “**Production Measurement Point**” means the point, immediately upstream of a Transfer Point, where Petroleum production is measured.
- 1.74 “**Provisional Export Oil Price**” means the arithmetic average of SOMO’s declared OSPs for the Delivery Point for the Americas, Europe and the Far East, for the Month preceding the Month in which the Forward Quantity Statement under Addendum Four is provided, or the Month preceding such Month if those OSPs are not available.
- 1.75 “**Quarter**” means a period of three consecutive Months commencing on the first day of January, April, July, or October of any Calendar Year.
- 1.76 “**Remuneration**” means the compensation due to Contractor under Article 19 and the Accounting Procedures.
- 1.77 “**Remuneration Fee**” means the fee in US\$ per BOE paid to Contractor for Net Production and Gas Processing Plant Products as calculated pursuant to Article 19.3.
- 1.78 “**Remuneration Fee Bid**” or “**RFB**” means five decimal fifty Dollars (US\$ 5.50) per BOE as utilized in Article 19.3.
- 1.79 “**Revision**”, in respect of a Work Program and Budget or Plan, has the meaning given in Articles 12.3 and 12.4, respectively.
- 1.80 “**R-Factor**” is the ratio of cumulative Cash Receipts to cumulative Expenditures in the conduct of Petroleum Operations pursuant to Article 19.4.
- 1.81 “**Senior Supervisory Personnel**” means in respect of any Party, any individual who functions as its senior resident manager directing all operations and activities of such Party in the country or region in which he is resident, and any manager who directly reports to such senior resident manager in such country or region, but excluding all managers or supervisors who are responsible for or in charge of installations or facilities, onsite drilling, construction or production and related operations, or any other field operations.
- 1.82 “**SOMO**” means Iraq Oil Marketing Company.
- 1.83 “**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.
- 1.84 “**State Partner**” means Oil Exploration Company, an Iraqi State entity established and existing under the Law.
- 1.85 “**Sub-Contractor**” means any company or person contracted by the Contractor or Operator to provide goods or services with respect to Petroleum Operations.
- 1.86 “**Supplementary Costs**” means recoverable costs and expenditures incurred by Contractor, other than those costs defined as Petroleum Costs and as determined in accordance with Articles 7.2, 10.5, 12.7, 17.7 and 41.17, including interest due thereon.
- 1.87 “**Tax**” means as defined in 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 of an outgoing pipeline from a Production Measurement Point where Transporter shall receive Petroleum production from Operator.
- 1.92 “**Transporter**” means the entity(s) designated by NOC to operate the Transportation Facilities and Transportation Systems for transporting Petroleum from the Transfer 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 Petroleum pursuant to this Contract.
- 1.94 “**Transportation System**” means, at any time, Transportation Facilities and all other facilities under control of the Transporter beyond the Transfer Point which are necessary for transportation, storage, metering and delivery of Petroleum.
- 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 Development and Production Service Contract for the Badra Contract Area, 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’s 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 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 an optimal development of the Petroleum resources within the Contract Area;
  - (b) achieve First Commercial Production no later than three (3) Years from the approval date of the Preliminary Development Plan;
  - (c) achieve, no later than seven (7) Years from the Effective Date, a Plateau Production Target at a Net Production Rate of one hundred and seventy thousand (170,000) BOPD for the Plateau Production Period;
  - (d) annually assess and determine the maximum volume of reserves and resources of Petroleum in the Contract Area;
  - (e) provide or arrange to provide all funding, machinery, equipment, technology, personnel and services necessary for conducting Petroleum Operations;

- (f) 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
  - (g) 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 five (5) Years from the Effective Date undiscovered potential reservoirs, as defined in Annex D, may be developed and produced under this Contract but shall be subject to separate fee(s) which the Parties endeavor, in good faith, to agree.
- 2.4 If, pursuant to Article 2.3, agreement is reached on the development and production of new reservoirs then this Contract will be amended to reflect the agreed fees.
- 2.5 At any time, the entities constituting the Contractor 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 into a bank account designated by NOC a non-recoverable signature bonus of one hundred million Dollars (US\$100,000,000).

**(End of Article 4)**

### **ARTICLE 5 –RELINQUISHMENT**

- 5.1 For the discovered reservoirs as defined in Annex D Contractor shall:
- (a) relinquish to NOC any reservoir(s) not included in the first Final Development Plan.
  - (b) relinquish to NOC within six (6) Years from the approval date of the first Final Development Plan any reservoir(s) included therein if Development Operations in respect of such reservoir(s) have not commenced in accordance with approved Plans.
- 5.2 For reservoirs in the Contract Area defined in Annex D as undiscovered potential reservoirs Contractor shall:
- (a) relinquish to NOC four (4) Years after the Effective Date its right to explore for any and all reservoirs not the subject of a notice of a Potentially Commercial

Discovery.

- (b) relinquish to NOC within five (5) Years from the Effective Date any and all reservoirs for which Remuneration Fee(s) have not been agreed.
  - (c) relinquish to NOC within six (6) Years from the Effective Date any reservoirs on which Development Operations have not commenced in accordance with approved Plans.
- 5.3 NOC shall be free to explore for, appraise, develop and produce relinquished reservoir(s) taking care not to hinder or unduly interfere with Petroleum Operations. However, Contractor may propose to match any terms agreed by NOC with a third party in respect of any reservoirs relinquished pursuant to Article 5.2(b) that are more favorable to NOC than those previously offered by Contractor. In this event NOC shall not unreasonably withhold its acceptance of Contractor’s proposal to match.

**(End of Article 5)**

## **ARTICLE 6 – MINIMUM WORK AND EXPENDITURE OBLIGATIONS**

- 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 and submission of the Preliminary Development Plan and the preparation of the Final Development Plan;
  - (b) conduct of seismic surveys, including processing and interpretation thereof;
  - (c) conduct of detailed geological and reservoir engineering studies, including three dimensional (3-D) simulation;
  - (d) drilling wells with the aim of appraising, developing and producing reservoirs defined as discovered reservoirs in Annex D, and achieving the Plateau Production Target;
  - (e) drilling exploration wells or deepening other wells with the aim of discovering undiscovered potential reservoirs as defined in Annex D;
  - (f) conduct of detailed laboratory and reservoir engineering studies to evaluate most suitable development approaches for the reservoirs programmed to come into production within the Final Development Plan; and
  - (g) conduct of engineering and related surface facilities and flow assurance studies.
- 6.2 Contractor shall spend a minimum amount of one hundred million Dollars (US\$100,000,000) within three (3) Years of the approval of the Preliminary Development Plan.
- 6.3 Notwithstanding Article 6.2, the Contractor shall invest the sums consistent with the amounts and timing contemplated in approved 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 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, Transporter, NOC, SOMO, and any other Iraqi State entity in their fulfillment of their respective contractual and financial obligations under this Contract.

**(End of Article 6)**

**ARTICLE 7 – NOC’S ASSISTANCE**

The Parties acknowledge that time is of the essence and NOC shall, in good faith, provide or procure the provisions of any approval, consent or review required under this Contract in a timely manner.

As permitted by the Law, NOC shall:

- 7.1 provide Contractor with such pertinent technical data, if any, (in addition to information provided to Companies during the tender 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 deemed necessary by either Party, Contractor shall prepare the respective work program for discussion with NOC prior to submission to the JMC for approval. Once this work program is approved by the JMC, Contractor shall execute the de-mining work program through competent service providers and fund the related cost, which cost shall be considered as Supplementary Costs and be 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 security 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 and Best International Petroleum Industry Practices, the Parties hereby agree that supplementary measures shall be implemented by Contractor, including the short-term engagement of competent private security providers licensed to operate in Iraq, such costs being considered Petroleum Costs, which measures shall be reviewed from time to time in response to changes in security conditions;
- 7.4 provide assistance and shall use its best efforts to seek the assistance of and/or cooperation by any regional, district and/or local government or other representative, agency or authority of the Government 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 each entity constituting 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 Contractor;
  - (c) use of Petroleum for Petroleum Operations; and
  - (d) use of existing wells and facilities within the Contract Area.
- 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; or
  - (iii) Contractor fails to comply with approved Development Plans, Work Programs or Budgets. For the avoidance of doubt, if Contractor fails substantially to achieve the Plateau Production Target or Plateau Production Period for reasons including inadequate investment and/or failure to observe and apply Best International Petroleum Industry Practices, NOC may consider this to be a failure within the context of this Article and exercise its rights under this Contract.
- (b) If Contractor has remedied its breach pursuant to Article 8.1(a) within the three (3) months' notice period, NOC shall consider the notice as no longer being in effect. If NOC reasonably believes that Contractor is doing its best to remedy the breach and its efforts look promising, then NOC shall extend the notice period accordingly.
- (c) If NOC terminates this Contract in accordance with Article 8.1(a), Contractor shall:
  - (i) forfeit all its future 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 other than in respect of a dispute in relation to 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 appropriate.

- (d) If Petroleum Operations are suspended or substantially curtailed for a period exceeding twelve (12) consecutive Months due to Force Majeure, either NOC or Contractor may terminate this Contract after giving two (2) months written notice. Upon such termination, the provisions of Articles 8.1(c)(i) and 8.1(c)(ii) shall apply, and NOC shall compensate Contractor for accrued but unpaid Petroleum Costs, Supplementary Costs and Remuneration 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 the home country of any of the Companies or their parent 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 Petroleum Costs, Supplementary Costs and Remuneration that were due and payable to Contractor prior to the period of suspension. It is understood that Contractor shall not be entitled to any Petroleum Costs, Supplementary Costs and Remuneration during the period of suspension.
- (f) If Contractor fails to establish a normal presence in the Republic of Iraq, as manifested by the deployment of 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 Articles 7 and 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.

## 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 one (1) month written notice. 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.
- 8.5 The provisions of Article 8 shall not prejudice the Parties' rights to refer any dispute in relation to the termination of this Contract to be resolved in accordance with Article 37.

(End of Article 8)

**ARTICLE 9 – CONDUCT OF PETROLEUM OPERATIONS**

- 9.1 Until NOC opts for the formation of a JOC, pursuant to this 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 a third party(ies) to operate within the Contract Area such as for operations that are not related to Petroleum Operations, operations involving reservoir(s) that have been relinquished pursuant to Article 5, or sole-risk operations under Article 12.7, 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 Gazprom to serve as Contractor's Operator to conduct Petroleum Operations before the establishment of the JOC. Promptly upon Effective Date, Contractor's Operator shall agree with NOC an interim Work Program and Budget capable of lasting until the approval of the Preliminary Development Plan pursuant to Article 12.2.
- 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 19.4, but in no event earlier than seven (7) Years after the Effective Date, 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 but funded by the Contractor. 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, Work Programs and Budgets.
- 9.5 Within one (1) Year 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.
- 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 one (1) Year of the date on which the JOC comes into existence pursuant to Article 9.4;
  - (d) inventories of the relevant facilities, equipment, documents, manuals, data and information necessary for the Petroleum Operations; and
  - (e) a program which ensures that substantially all operational and management positions necessary for the continuation of Petroleum Operations after the expiry of this Contract are held by Iraqi nationals.
- 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 operate 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 the Accounting Procedures.
- 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 Plateau Production Target 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 Accounting Procedures. 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 NOC, may terminate such commitments subject to the provision of suitable alternative arrangements.
- 9.12 Not later than the twentieth (20<sup>th</sup>) day of each Month, the Operator shall furnish Contractor with a detailed written estimate of its total cash requirements for the succeeding 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 Month end. Payment by Contractor for the succeeding Month shall be made directly to the correspondent bank designated in Article 9.13 on the first (1<sup>st</sup>) 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 bank with a minimum credit rating of A in the publications of the Standard and Poor's Rating Group (or equivalent of Fitch Ratings or Moody's Investors Service), 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 sixty (60) 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 Contract Area. 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 Contract Area Petroleum Operations 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 NOC, Contractor and Operator shall take all appropriate and necessary measures, in accordance with the Law and international standards to uphold transparency, accountability and the strict observance of general business ethics and anti-corruption laws and regulations. NOC, Contractor and Operator shall develop procedures and guidance documents to secure compliance with the above.
- 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;
- Operator may approve awards of any individual purchase order or sub-contract up to and including twenty million Dollars (US\$20,000,000) in value. However, prior approval shall be obtained before 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 JMC or BOD for awards above twenty million Dollars (US\$ 20,000,000) and up to and including one hundred million Dollars (US\$ 100,000,000) in value;
  - (ii) by NOC for awards above one hundred million USD (US\$100,000,000) in value, where such written approval shall not to be unreasonably withheld,

provided if the total period taken by NOC exceeds forty five (45) days then approval of any such purchase order or sub-contract is deemed to have been provided by NOC. If NOC communicates within the specified period its non-approval of the award in question then the matter shall be promptly referred to the senior management of the Parties for resolution; 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 approved 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 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 (unless otherwise agreed by the JMC or BOD), taking into account provisions of this Contract, Best International Petroleum Industry Practices and the Law; and
  - (d) a detailed accounting system to be adopted by Operator based on the provisions of Annex C.

**(End of Article 9)**

## **ARTICLE 10 – GAS AND NATURAL GAS LIQUIDS**

- 10.1 Gas shall not be flared except pursuant to the Law, and as provided herein.
- 10.2 Operator may use, free of charge, Gas for Petroleum Operations. Gas may also be used for injection or re-injection into reservoir(s) for the purpose of pressure maintenance, enhanced recovery or temporary storage, and any other feasible utilization.
- 10.3 Upon prior consent of NOC, Operator may flare Gas; provided, however, that the period and volume of Gas flaring shall be kept to the absolute minimum. Gas may also be flared in limited quantities for testing and maintenance purposes and in emergency cases.

- 10.4 Contractor shall submit to the JMC or BOD, as part of any Plan, proposed economically and technically feasible schemes for treating, processing, utilization, and/or disposal of all Gas produced and not used in Petroleum Operations. Contractor shall finance and build the necessary facilities to treat and process Gas, in accordance with an approved Plan.
- 10.5 If agreed in an approved Plan, Contractor shall finance and/or build Transportation Facilities downstream of the Transfer Point. Transportation Facilities built by Contractor related to the transportation of Gas beyond the Transfer Point shall be handed over upon completion and commissioning to the relevant Iraqi entity designated by NOC, which shall thereafter be responsible for the operation and maintenance thereof. All costs and expenses incurred by Contractor in connection with this Article shall be recovered as Supplementary Costs.
- 10.6 All costs and expenses incurred by Contractor in connection with the production, treatment, processing, re-injection, transportation, delivery, and disposal of Gas upstream of the Transfer Point shall be recovered as Petroleum Costs.
- 10.7 Gas Processing Plant Products that are delivered to NOC at the Transfer Point(s) shall generate Remuneration as provided under Article 19.3.

**(End of Article 10)**

**ARTICLE 11 – DEVELOPMENT PLANS AND WORK PROGRAMS**

- 11.1 Contractor and Operator are obligated to develop the discovered reservoir(s) within the Contract Area 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 and submit the Preliminary Development Plan, presenting, in the light of the available knowledge of the reservoir(s) within the Contract Area, the overall targets and phases of development of the reservoir(s) within the Contract Area. The Preliminary Development Plan shall include:
  - (a) a program designed to achieve First Commercial Production as soon as possible but no later than three (3) Years from approval of the Preliminary Development Plan;
  - (b) a program designed to explore the undiscovered potential reservoirs, as specified in Annex D, within three (3) Years of the approval of the Preliminary Development Plan;
  - (c) a program for the Appraisal of reservoir(s) within the Contract Area 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 Contract Area; and
  - (d) 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 within the Contract Area 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 No later than three (3) Years from the Effective Date, the 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 seven (7) 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 Revisions and corresponding cost estimates as necessary for required approvals.
- 11.7 All Plans and production schedules shall be based on sound geological, reservoir, engineering, economic and health, safety and environmental 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 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 Petroleum;
  - (e) forecast of annual production and an estimate of relevant investments involved; and
  - (f) a description of any Petroleum processing, sales and transportation agreements 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.

**(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, Budget, and 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 initial or revised proposal, in respect of annual Work Programs and Budgets, and any administrative, accounting or other operating procedures, the JMC or BOD shall either approve the proposal or return it to the Contractor with recommended changes. Contractor shall, within a further fourteen (14) days of receiving recommended changes, amend and re-submit the proposal to the JMC or BOD for approval;
  - (b) within twenty (20) days of receiving Contractor's proposed Plan or Revision the JMC or BOD shall review the Plan or Revision and pass to the NOC for endorsement or return to the Contractor with recommended changes. Contractor shall amend the Plan or Revision and re-submit to the JMC or BOD for recommendation to NOC no later than twenty (20) days thereafter;
  - (c) within thirty (30) days of receiving a Plan or Revision 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 certain aspects of a 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 by NOC 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 or 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 Operator to the JMC or BOD and NOC within five (5) working days.
- 12.4 Any modification to an approved Plan that alters the general objectives of that Plan or changes the total estimated cost by more than ten percent (10%) shall be considered a Revision which shall be subject to 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 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 health, safety or environmental considerations;
- (c) for short-term operational requirements;
- (d) for Government imposed curtailment; or
- (e) for curtailments due to failure of Transporter to receive Net Production or Gas Processing Plant Products at Transfer Points through no fault of Contractor or Operator.

- 12.6 In case reduction of Petroleum production is to be applied 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. In case reduction of Petroleum production is to be applied pursuant to Article 12.5(e), NOC shall apply such reduction in a non-discriminatory manner to all producers sharing the affected facilities. During the periods when the rate of production is decreased due to production curtailment imposed under Article 12.5(d) or Article 12.5(e), the Remuneration Fee Bid adjustment under Article 19.5 shall cease to apply and the Parties shall agree in good faith a mechanism to fully compensate Contractor as soon as practicable, which may include, amongst other things, a revised production schedule or an extension to the Term or payment of lost income to Contractor in respect of the estimated volumes not produced during the period for which the production levels are curtailed under Article 12.5(d) or Article 12.5(e).
- 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 Plans or associated Work Programs and Budgets. If agreed by Contractor, Operator shall amend the relevant Work Program, Budget or Development Plan within ninety (90) days of receiving such notice. 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 the potential risks and rewards of such works and facilities in accordance with 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 conducted by and 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 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). Unless agreed otherwise, 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 or BOD shall have the following duties and authorities related to Petroleum Operations:
- (a) review and recommendation of 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 contracts to Sub-Contractors 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 manpower levels and organization chart of Operator;
  - (h) review of Quarterly statements, annual accounts and other financial statements related to Petroleum Operations; and
  - (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 four times per Year, ideally 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, with seven (7) days prior notice except in the case of emergency, any matter related to Petroleum Operations.
- 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 JMC’s or its sub-committees’ duties shall be considered as Petroleum Costs.
- 13.7 Decisions made by JMC or BOD shall not release the Contractor from its obligations under this Contract.

**(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 the proper handling and keeping of exported samples, 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 Operator shall report in writing to the Parties 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 Procedures; and
  - (d) maps indicating all bore-holes, wells and other Petroleum Operations.
- 15.3 Contractor and Operator shall prepare at all times 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 Contract Area and shall provide them, free of charge, with reasonable office space and adequately furnished housing and lodging while they are in the Contract Area 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 Petroleum shall be measured at Production Measurement Point(s) immediately upstream of the relevant Transfer Point(s). The location of the Production Measurement Point(s) and Transfer Point(s) shall be specified in approved Plans.
- 17.2 In accordance with Addendum Two, the Operator shall deliver Net Production and any Gas Processing Plant Products to Transporter(s), on behalf of NOC, at the respective Transfer Point(s). The transportation of Petroleum from the Transfer Point(s) to the Delivery Point(s) shall be carried out by the Transporter(s), under the terms of Addendum Two and the subsequent Petroleum Transfer Agreements. Transporter(s) shall act exclusively on behalf of NOC, and Contractor and Operator shall have no liability 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 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 Agreements. Methods and procedures for measurement of volume and quality of Export Oil at the Delivery Point shall be as per standard practice of SOMO in respect of the Export Oil.
- 17.4 Petroleum from the Contract Area may be commingled with correspondent streams produced from other fields. If Contractor chooses to receive Petroleum Costs, Supplementary Costs and Remuneration in the form of Export Oil, the quality of Export Oil that may be lifted by Contractor at the Delivery Point shall be the available Iraqi Export Oil that is nearest to the quality of Crude Oil produced in the Contract Area unless otherwise agreed by the Contractor with SOMO.
- 17.5 The volume of Export Oil that may be lifted by Contractor at the Delivery Point shall be determined in accordance with Articles 18 and 19 and Addendum Four.
- 17.6 Prior to delivery at the Transfer Point(s), Net Production and Gas Processing Plant Products shall satisfy the minimum quality and condition specifications defined in the relevant approved Plan.
- 17.7 In accordance with an approved Plan Contractor shall finance and/or build Transportation Facilities downstream of the Transfer Point(s) 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(s) upon completion and commissioning. Any costs and expenses incurred by Contractor or Operator pursuant to this 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 quantity and quality of Export Oil that may be lifted by Contractor, during any Month in a Lifting Quarter, shall be SOMO's declared OSP for:
  - (a) the Month of loading for such quantity;
  - (b) the quality and Delivery Point for such quantity; and
  - (c) the final destination to which such Export Oil is delivered by the Contractor.For the avoidance of doubt in calculating the Export Oil Price for any quantity of Export Oil the standard provisions stipulated in SOMO's standard crude oil sales agreements, shall be applied including provisions relating to (a) API escalation/de-escalation, and (b) freight protection.
- 18.3 In the event that Export Oil market conditions oblige SOMO to adopt a different pricing mechanism, SOMO shall promptly advise Contractor of the new pricing mechanism.
- 18.4 The determination of the Export Oil Price, as above, (used for actualizing the quantities of Export Oil that may be lifted by Contractor in each Month of the said Lifting Quarter) as well as adjustments required to the quantity of Export Oil to be lifted (due to the timing between estimated and actual dates of lifting) shall be pursuant to Addendum Four and Annex C (Article 9.6).
- 18.5 Contractor shall cooperate with SOMO in areas such as:

- (a) assessment of worldwide evolution in export qualities of crude oil;
- (b) market studies and outlet forecasts in various market areas; and
- (c) other information concerning Export Oil market conditions.

The costs of such cooperation shall be paid by Contractor.

**(End of Article 18)**

**ARTICLE 19 – PETROLEUM COSTS, SUPPLEMENTARY COSTS AND REMUNERATION**

- 19.1 For the Petroleum Operations performed under this Contract, and in accordance with Article 27, Contractor is entitled to Petroleum Costs, Supplementary Costs and Remuneration.
- 19.2 Contractor shall start charging Petroleum Costs to the Operating Account as from the Effective Date, in accordance with this Contract and the Accounting Procedures, but the same shall be due and payable in accordance with Article 19.6.
- 19.3 Contractor shall become entitled to Remuneration and shall start charging the same to the Operating Account only from the date of First Commercial Production.
- (a) For any Quarter commencing with the Quarter in which the First Commercial Production occurs, the Remuneration shall be an amount equal to the sum of:
    - (i) the product of the applicable Remuneration Fee and Net Production, subject to the performance adjustment in Article 19.5;
    - (ii) the product of the applicable Remuneration Fee and any Gas Processing Plant Products, expressed as BOE.
  - (b) The Remuneration Fees applicable for all 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 Contract Area, as follows:

R-Factor	Remuneration Fee For Net Production and Gas Processing Plant Products (US\$/BOE)
Less than 1.0	5.50
1.0 to less than 1.25	4.40
1.25 to less than 1.5	3.30
1.5 to less than 2.0	2.20
2.0 and above	1.10

- 19.4 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:

- (a) 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:
  - (i) Petroleum Costs and Remuneration paid to Contractor as provided in Article 19.6; plus

- (ii) any Contractor's incidental income (of the type specified in the Accounting Procedures) arising from Petroleum Operations;
- (b) 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:
  - (i) Petroleum Costs;
  - (ii) Signature bonus; plus
  - (iii) Training, Technology and Scholarship Fund as per Article 26.

For the avoidance of doubt, Expenditures under 19.4 (ii) and (iii) are included as Expenditures for purposes of determining the R-Factor, but shall not be Petroleum Costs.

- 19.5 During the Plateau Production Period the Remuneration Fee payable in respect of Net Production for any Quarter shall be adjusted by multiplying it by the Performance Factor. However, any adjustment of this Remuneration Fee under this Article 19 shall cease for so long as the following cases shall apply: (i) Government imposed production curtailment under Article 12.5(d); or (ii) where normal production is curtailed or suspended through failure of Transporter(s) to receive the same at the Transfer Point(s) at no fault of Operator or Contractor under Article 12.5(e).

19.6 Petroleum Costs and Remuneration

- (a) Petroleum Costs and Remuneration due to Contractor shall be paid without interest, in Export Oil at the Delivery Point unless the Contractor elects, by April 1<sup>st</sup> each Year, to receive payment in cash in Dollars for the following Year. For payment in cash, payment shall be made within sixty (60) days of the submission of an invoice pursuant to Clause 9 of the Accounting Procedures. For payment in Export Oil, the Export Oil Price shall be in accordance with Article 18 and liftings shall be scheduled in accordance with an agreement reached pursuant to Addendum Four. Any election shall remain in effect for the Calendar Year for which the election was made.
- (b) Petroleum Costs, Supplementary Costs and Remuneration 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.
- (c) Petroleum Costs and Remuneration shall become due and payable upon invoicing starting with the Quarter in which the First Commercial Production occurs and shall be paid to the extent of fifty percent (50%) of the Deemed Revenue 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.
- (d) Any due and payable Petroleum Costs and Remuneration that remain unpaid in respect of any Quarter shall be carried forward and paid in succeeding Quarter(s) until fully paid.

19.7 Supplementary Costs

- (a) Contractor may start charging Supplementary Costs to the Operating Account as from the Effective Date, in accordance with this Contract and the Annex C.
- (b) Supplementary Costs shall become due and payable starting with the later of the Quarter in which First Commercial Production occurs, or the Quarter in which the

Supplementary Costs are first invoiced.

- (c) Supplementary Costs due to Contractor shall be paid in Export Oil at the Delivery Point unless the Contractor elects, by April 1<sup>st</sup> each Year, to receive payment in Dollars for the following Year. For payment in cash, payment shall be made within sixty (60) days of the submission of an invoice pursuant to Clause 9 of the Accounting Procedures. For payment in Export Oil, the Export Oil Price shall be in accordance with Article 18 and liftings shall be scheduled in accordance with an agreement reached pursuant to Addendum Four. Any election shall remain in effect for the Calendar Year for which the election was made.
  - (d) Outstanding balances on all Supplementary Costs shall bear interest at LIBOR plus one percent (1%) from the date when Supplementary Costs are first invoiced until the date when they are received, provided that interest shall be fixed for each tranche of Supplementary Costs based on LIBOR prevailing as at the first invoice date.
  - (e) Supplementary Costs paid shall be deemed to cover all amounts due to Contractor for Supplementary Costs incurred.
  - (f) Recovery of Supplementary Costs shall be paid to the extent of sixty (60)% of Deemed Revenue less Petroleum Costs and Remuneration paid as follows:  
Deemed Revenue \* 60% - (Petroleum Costs paid + Remuneration paid)
  - (g) Any due and payable Supplementary Costs that remain unpaid in respect of any Quarter shall be carried forward and paid in succeeding Quarter(s) until fully paid.
  - (h) NOC reserves the right at any time by notice to Contractor to increase the percentage of Deemed Revenue available as specified in Article 19.7(e).
- 19.8 Subject to Article 8, any due and payable Petroleum Costs, Supplementary Costs and Remuneration that remain outstanding at the expiry or termination of this Contract shall be paid within thirty (30) days thereof, or under such other terms as may be agreed by the Parties.
- 19.9 In the event that Petroleum Costs, Supplementary Costs and Remuneration are paid in Export Oil, NOC 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 Petroleum Costs, Supplementary Costs and Remuneration due and payable hereunder. Contractor’s Quarterly lifting of Export Oil shall be estimated in advance on the basis of Petroleum Costs, Supplementary Costs and Remuneration due and payable in the Lifting Quarter, unpaid Petroleum Costs, Supplementary Costs and Remuneration carried forward, production schedule and Provisional Export Oil Price. Contractor’s final lifting shall be adjusted on the basis of actual amounts of Petroleum Costs, Supplementary Costs and Remuneration due 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 Procedures 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 Petroleum Costs and Supplementary Costs incurred and Remuneration and Supplementary Costs earned 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 Arabic and English languages. 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 shall be considered as Petroleum Costs. The auditors shall confirm, *inter alia*, that:
- (a) the record of Petroleum Costs, Supplementary Costs and Remuneration are correct and in accordance with this Contract;
  - (b) the costs are properly classified in accordance with the expenditure classification;
  - (c) documentation exists to justify such costs and expenditures; and
  - (d) no evidence exists of any 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 and Supplementary Costs incurred and Remuneration earned 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 in writing within thirty (30) days of receiving an invoice specifying the reasons for its objection but shall pay both the undisputed and disputed amounts pending resolution of the matter. Within three (3) months 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 its appointment, provide its 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. Should the disputed amounts previously paid by NOC subsequently be found to be not payable under this Contract, such amounts shall be reimbursed in Dollars to NOC along with interest at LIBOR plus one percent (1%) from the date of initial payment until the date on which the reimbursement is made, provided that interest shall be fixed for each disputed amount at LIBOR prevailing as at the date when originally paid.

- 20.9 During and for a period of three (3) years after the Term, 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 cost recovery in accordance with the provisions of this Contract, shall become the property of NOC upon their landing in the Republic of Iraq if acquired abroad, or otherwise upon their acquisition.
- 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, 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. Each entity constituting 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 entity constituting Contractor 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 of the Republic of Iraq.
- 23.3 If the liability to taxation in the Republic of Iraq on Petroleum Costs, Supplementary Costs, Remuneration and or any other income arising under this Contract in any taxable period during the Term of this Contract (“Actual Income Tax Liability”) for any entity constituting Contractor shall exceed thirty five percent (35%) of that Contractor entity’s share of Remuneration, interest included in Supplementary Costs and any other income arising under this Contract and actually received in that period (“Deemed Income Tax Liability”) then NOC shall either assume, pay and discharge in a timely manner in the name and on behalf of that entity or pay in a timely manner to that entity the excess of the Actual Income Tax Liability over the Deemed Income Tax Liability including a gross-up for any further liability to taxation that may result from such a payment.
- 23.4 In the event that the Actual Income Tax Liability of any entity constituting Contractor is less than the Deemed Income Tax Liability for that entity then that entity shall pay to NOC the difference between Actual Income Tax Liability and the Deemed Income Tax Liability, except that in no event shall such repayment cause the entity to repay more to NOC than it has received in total under Article 23.3 excluding amounts payable in respect of any gross-up for additional taxation liability.
- 23.5 In the event any entity constituting Contractor is subject to any demand to pay other taxes arising under this Contract (other than or in excess of Deemed Income Tax Liability) NOC shall either assume, pay and discharge in a timely manner in the name and on behalf of that entity or pay in a timely manner to that entity all such other or additional taxes.
- 23.6 Where payments are made pursuant to this Article 23 NOC shall cause to be provided to any entity constituting Contractor an official receipt evidencing the payment and discharge of such part of the entity’s obligation for the relevant Tax Year in a form and containing particulars customary for such receipts, provided that in no event shall such receipts in total exceed the actual amount of tax for which the entity is liable from all sources of income and deductions.

**(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 between the Parties.
- 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 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. NOC shall indemnify and hold harmless Contractor 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 NOC or its sub-contractors.
- 24.4 Notwithstanding the foregoing, neither Party shall 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 covering any installations, equipment and materials belonging to NOC in the Field 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 on commercially reasonable terms. 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 and levies provided that applicable administrative formalities are complied with provided that such exemption shall not be in contradiction with the Law. .
- 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 but subject to Article 13.2, 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/or 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 and on reasonable terms, 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 seventy-five percent (75%) of Contractor's Participating Interest, which shall be apportioned as follows:
- |                    |  |
|--------------------|--|
| Gazprom:           | Thirty point zero percent (30.0%);     |
| KOGAS:             | Twenty two point five percent (22.5%); |
| Petronas Carigali: | Fifteen point zero percent (15.0%);    |
| TPAO:              | Seven point five percent (7.5%).       |
- 27.2 Companies shall pay for the State Partner's entire share of Petroleum Costs and Supplementary Costs during the Term and any extension thereto. The Companies shall have entitlement to all Petroleum Costs and Supplementary Costs paid, while the State Partner shall be entitled to receive twenty five percent (25%) of any Remuneration paid.
- 27.3 Participation shall further be subject to the provisions of Addendum One.

**(End of Article 27)**

## **ARTICLE 28 – ASSIGNMENT**

- 28.1 No Company may assign its rights or obligations under this Contract, in whole or in part, without the prior written consent of the NOC. 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 Article 28.
- 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 to a wholly-owned and controlled Affiliate without the prior written consent of NOC. 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 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 reputable 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, unless with the prior written consent of the NOC no Company shall 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.
- 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 such Company, 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 or any successor or assignee may assign its Participating Interest, in whole or in part, to an entity that is entirely owned and controlled by the Government without the consent of the Companies.

**(End of Article 28)**

#### **ARTICLE 29 – LAWS AND REGULATIONS**

- 29.1 Contractor and Operator shall be bound by and shall comply in all respects with the provisions of the Law. Unless otherwise provided in this Contract, 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 9.21. 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 contracts with Sub-Contractors include a provision whereby Sub-Contractors shall undertake to abide by and comply with the Law.
- 29.4 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 reasonably restore Contractor's financial interests under this Contract to their position as it was immediately prior to the occurrence of the said change or revocation to the Law, or modification, or non renewal of any approvals, consents, or exemptions granted to Contractor under this Contract.
- 29.5 Should the Parties be unable to agree within ninety (90) days on any amendments to be made in respect of Article 29.4 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 Award of contracts for works and services performed in the Republic of Iraq 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, and with respect to the Contractor only 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 at no time during the Term shall either the security conditions prevailing in the Contract Area or the political and security conditions generally prevailing in the Republic of Iraq on the Contract signing date constitute a condition of Force Majeure 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 Contract Area. 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 Subject to Article 33.4, 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, or use by, 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 only be in English or Arabic. 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 that is not an Iraqi Company shall establish and maintain a branch office in the Republic of Iraq. NOC shall assist Companies in this respect as per Article 7.4.
- 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.

#### **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 (3) 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

North Oil Company  
Attention: Director General  
Address: Kirkuk-Iraq  
P.O. Box 1

Contractor’s Operator

JSC Gazprom neft  
Attention: Mr. Alexander Kolomatskiy  
Address: 125A, Profsoyuznaya Street, Moscow,  
117647 Russia.

- 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 facsimile, or by any other mode mutually agreed between the Parties.

**(End of Article 38)**

**ARTICLE 39 – SIGNATURE, RATIFICATION AND EFFECTIVE DATE**

The Contract shall become valid and enforceable when it has been: (i) signed by the Parties; (ii) ratified by the Council of Ministers of the Republic of Iraq; and when (iii) NOC has notified Contractor in writing of the ratification of this Contract and its Effective Date.

**(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 – HEALTH, SAFETY AND ENVIRONMENT**

- 41.1 In the performance of this Contract, Contractor and Operator shall conduct Petroleum Operations with due regard to health, safety and the protection of the environment (“HSE”) 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 people and property;
    - (ii) prevent harm to 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
    - (iii) instill a culture of proactive commitment to HSE values among all personnel involved in Petroleum Operations.
  - (b) develop detailed guidelines for environmental protection, monitoring and community interaction as a condition for Petroleum Operations. These guidelines should meet recognized international industry standards in the following areas:
    - (i) air pollution;
    - (ii) protection of surface waters from leaks and spills, including the preparation of: (a) plans for re-injection of all produced water, and (b) Spill Prevention, Control and Countermeasures Plan;
    - (iii) protection of groundwater;
    - (iv) waste management of: (a) solid waste, and (b) hazardous waste, with a focus on waste minimization, reuse and recycle of materials;
    - (v) minimization of footprint of drilling operations, especially in sensitive areas such as marshlands, by drilling several wellbores from the same drill pad and using directional, horizontal and multilateral drilling techniques;
    - (vi) making optimal use of spare available wellbores and spare production and transport capacity;
    - (vii) protection of flora and fauna (wildlife);
    - (viii) protection of archaeological and cultural sites;
    - (ix) plans for decommissioning and abandonment of petroleum facilities, and for the restoration of operational sites;
    - (x) land compensation and resettlement of local communities within the area of operations;
    - (xi) implementation of a grievance procedure mechanism between the Contractor and communities impacted by Petroleum Operations;
    - (xii) preservation of local livelihoods from indigenous communities in the area

- of Petroleum Operations; and
  - (xiii) general well-being of the communities where Petroleum Operations, which shall be conducted in collaboration with local and central authorities, civil society and local investors to enhance the social benefits for national, regional and municipal governments.
- (c) 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 or social damage, Contractor and Operator shall, in accordance with an approved Work Program and Budget, forthwith take all necessary and reasonable measures to remedy the failure and the effects thereof.
- 41.3 Contractor shall draw up and implement a comprehensive worker HSE plan to include, but not be limited to, the following elements:
- (a) Worker Disease Prevention Program to be applied throughout the project life, and comprising:
    - (i) education about personal hygiene and disease-prevention measures, including immunization where appropriate, against infectious diseases, such as tuberculosis, malaria, dysentery, hepatitis and sexually transmitted diseases;
    - (ii) regular testing of drinking water;
    - (iii) training food handlers and testing them for communicable diseases; and
    - (iv) prohibiting smoking, except in designated outdoor areas.
  - (b) Occupational Safety Program throughout the construction and operation periods, including:
    - (i) initial and refresher safety and security training;
    - (ii) tool-kit sessions at the start of each working day;
    - (iii) giving a safety topic at the beginning of each meeting;
    - (iv) traffic safety training for drivers and pedestrians;
    - (v) special safety training for operators of industrial plants and mobile heavy equipment, e.g., cranes and bulldozers;
    - (vi) furnishing personal protection equipment (hard hats, safety shoes and glasses, and hearing protection, where needed);
    - (vii) providing emergency medical teams to administer urgent medical treatment on site, or to evacuate the injured to a hospital, and to supervise sanitation and health matters at construction camps; and
    - (viii) appointing monitors at construction and major operational sites to ensure adherence to safety and environmental protection rules.
- 41.4 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 local communities 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 the 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.
- 41.5 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 41.6 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.
- 41.6 Contractor shall engage a team of specialized environmental professionals 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 41.5 for minimizing environmental damage and carrying out site restoration activities.
- 41.7 The first of these environmental impact studies shall act as the baseline study for the purposes of Article 41.15 and shall be concluded promptly after the Effective Date but in any event before commencement of any fieldwork. It shall also contain detailed guidelines of environmental protection and monitoring to meet recognized international industry standards.
- 41.8 The second environmental impact study shall be submitted by Contractor and Operator as part of the Final Development Plan.
- 41.9 The studies mentioned in Article 41.6 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 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.
- 41.10 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.
- 41.11 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;
  - (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; and
- 41.12 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.
- 41.13 In the event that Contractor and Operator fail to comply with any of the terms contained in Article 41.12 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 the Accounting Procedures.

- 41.14 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, subject to a biodiversity action plan.
- 41.15 The obligations and liability of Contractor with respect to the environment under this Contract shall be limited to damage to the environment which is attributable to actions or activities that:
- (a) occur after the Effective Date and prior to the expiry or termination of this Contract; and
  - (b) result from an act or omission of Contractor and Operator.
- 41.16 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 and communities shall be treated as Petroleum Costs.
- 41.17 Any costs approved by 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 41.7 shall be considered Supplementary Costs.
- 41.18 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 Around mid-Term, Operator shall prepare a proposal for JMC or BOD approval relating to site restoration including a decommissioning plan.
- 42.2 Upon expiry or termination of this Contract or relinquishment of part of the Contract Area, Contractor and Operator shall remove all equipment and installations from the Contract Area in a manner consistent with the guidelines mentioned in Article 41.1(b) and agreed with NOC pursuant to an abandonment plan, the costs of which shall be Petroleum Costs.
- 42.3 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; and
  - (b) the NOC shall release Contractor from any obligations relating to site restoration and decommissioning not included in an approved Plan and shall indemnify Contractor for any costs, liabilities, claims or obligations associated therewith.
- 42.4 Notwithstanding Article 42.3, for three (3) years after expiry or termination of this Contract, Contractor shall remain liable for any site restoration or decommissioning obligations that should have been discharged prior to expiry or termination.

**(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, or any other person 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 seven (7) originals (each in Arabic and English) at Baghdad on the day and Year first above written.

**For and on behalf of NOC: - .....**

Witness: - .....

**For and on behalf of Contractor**

JSC Gazprom Neft:- .....

Witness: - .....

Korea Gas Corporation: - .....

Witness: - .....

PETRONAS Carigali Sdn. Bhd.: - .....

Witness: - .....

Türkiye Petrolleri Anonim Ortakligi:- .....

Witness: - .....

Oil Exploration Company:- .....

Witness: - .....

**ANNEX A – DESCRIPTION OF CONTRACT AREA**

This Annex is attached to and made part of the Development and Production Service Contract for the Badra Contract Area.

The Contract Area is defined by the U.T.M. co-ordinates for the corner points shown and connected by straight lines between points A-B, C-D and D-A as shown in Annex B, and the international boundary between points B-C (not shown).

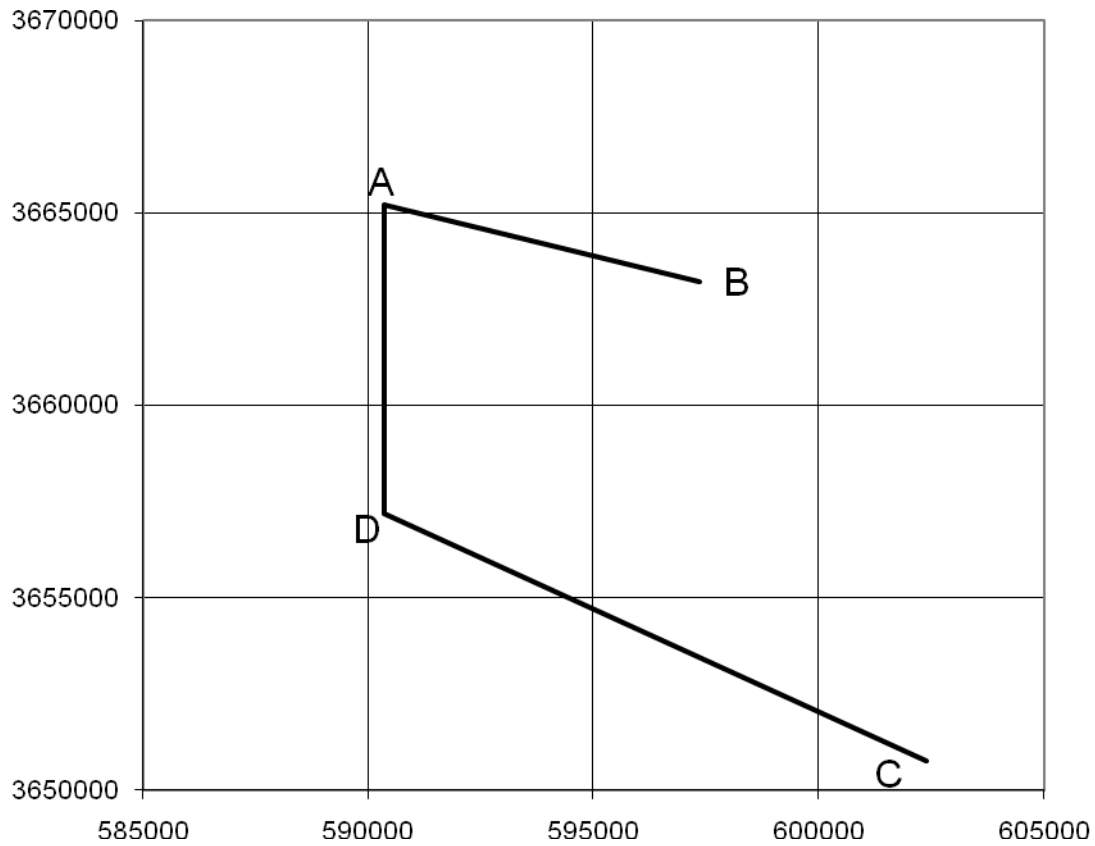
**U.T.M. Zone 38N**

<b>CORNER POINT</b>	<b>NORTHING</b>	<b>EASTING</b>
A	<b>3 665 195</b>	<b>590 358</b>
B	<b>3 663 195</b>	<b>597 358</b>
C	<b>3 650 750</b>	<b>602 400</b>
D	<b>3 657 195</b>	<b>590 358</b>

**(End of Annex A)**

**ANNEX B – MAP OF CONTRACT AREA**

This Annex is attached to and made part of the Development and Production Service Contract for the Badra Contract Area.



**(End of Annex B)**

## **ANNEX C – ACCOUNTING PROCEDURE**

This Annex C is attached to and forms part of the Development and Production Service Contract for the Badra Contract Area.

### **CLAUSE 1. GENERAL PROVISIONS**

#### 1.1 Definitions

Terms used in these Accounting Procedures 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, Supplementary Costs and Remuneration.

#### 1.2 Purpose of Accounting Procedures

The purpose of these Accounting Procedures 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 the 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. Transportation Facilities;
    - 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 these Accounting Procedures.
- (b) Contractor's and Operator's books shall be kept in the Republic of 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 the Contract.
- (c) Accounts shall be kept according to the accounting system approved by the JMC or BOD pursuant to Article 9.21(d) of the Contract.

- (d) Contractor and Operator shall maintain appropriate cost control records to meet the requirements and obligations under the Contract.
- (e) Petroleum production, storage and transfer records shall be maintained according to the 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) 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 a 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 incurred and Remuneration earned 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 incurred and Remuneration earned 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 the Contract. The auditor report shall include a statement that the accounts and statements are prepared according to the terms and conditions of the Contract and these Accounting Procedures.

## **CLAUSE 2. OPERATING ACCOUNT**

Subject to the provisions of the Contract and these Accounting Procedures, Contractor shall charge the Operating Account with Petroleum Costs, Supplementary Costs and Remuneration. Pursuant to Article 19 of Petroleum Costs and Supplementary Costs shall start being charged as from the Effective Date, while Remuneration shall start being charged as from First Commercial Production. Remuneration shall be computed pursuant to Article 19 of the 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:

## 2.1 Personnel

### (a) Operator's Locally Recruited Personnel

The actual cost of 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 Contractor or NOC seconded to Operator.

### (b) Assigned Personnel

The cost of the personnel of Operator's or Contractor'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 or Contractor'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 or Contractor's Affiliates.

The charges for personnel assigned on a temporary basis (less than six (6) consecutive Months) shall be made in accordance with Clause 2.5(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, 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 Clause 4.1.

## 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 or Contractor, 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 the 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 the Republic of 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 Affiliates;

“Specific Services” shall mean services, activities, studies and projects of a technical nature, as well as computer services, carried out or procured by the 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, procurement 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 promptly 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 the 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 the Contract.

In the event actions or claims affecting the Parties' interests under the Contract shall be handled by the legal staff of NOC in Iraq, an agreed compensation commensurate with the actual 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 the 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 or reimbursed 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 the 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/or Operator's failure to act in accordance with the standards of insurance required by the 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 the Contract and Clause 1.3(f) of these Accounting Procedures.

## 2.11 Tariffs

Subject to the provision of Clause 3, all sums paid to NOC, contractor(s) on petroleum

fields other than the Contract Area, 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 the Contract and the Law.

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 Petroleum Costs and Supplementary Costs incurred during each Calendar Year or a fraction thereof.

The basis of applying this percentage shall be the total Petroleum Costs and Supplementary Costs incurred in respect of Petroleum Operations and charged under these Accounting Procedures to the Operating Account during each Financial Year or fraction thereof, excluding administrative overhead as allowed in this section.

From the Date of Transfer of Operatorship, 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 7.2, 10.5, 12.7, 17.7 or 41.17 of the Contract, such costs shall be considered Supplementary Costs and not Petroleum Costs.

2.16 All the other costs and expenses incurred in connection with and for the benefit of Petroleum Operations shall, unless expressly excluded as Petroleum Costs, be chargeable to Petroleum Costs.

**CLAUSE 3. INFORMATION TO JMC OR BOD AND NOC**

Upon submitting the annual Work Program and Budget for approval in accordance with Article 12 of the 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 these Accounting Procedures.
- (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.

**CLAUSE 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 cannot 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.

**CLAUSE 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.

**CLAUSE 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.

**CLAUSE 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.

**CLAUSE 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 the 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.

**CLAUSE 9. PAYMENT OF PETROLEUM COSTS, SUPPLEMENTARY COSTS AND REMUNERATION**

Contractor shall, pursuant to Article 19 of the 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 Petroleum Costs, Supplementary Costs and Remuneration for the Quarter based on the Operating Account and showing the following details:

9.1 Due Petroleum Costs, Supplementary Costs and Remuneration brought forward from the previous Quarter, if any;

9.2 Petroleum Costs, Supplementary Costs and Remuneration becoming due during

- Quarter;
- 9.3 Total Petroleum Costs, Supplementary Costs and Remuneration payable for the Quarter (9.1 + 9.2);
- 9.4 Petroleum Costs, Supplementary Costs and Remuneration received by Contractor for the Quarter;
- 9.5 Amount of Petroleum Costs, Supplementary Costs and Remuneration to be carried forward into the succeeding Quarter if any (9.3-9.4); and
- 9.6 Excess, if any, of the value of Petroleum Costs, Supplementary Costs and Remuneration received by Contractor over Petroleum Costs, Supplementary Costs and Remuneration due for the Quarter (9.4-9.3). Such excess shall be set off in the next calculation of Contractor's outstanding Petroleum Costs, Supplementary Costs and Remuneration payable in the immediately succeeding Quarter in accordance with Article 19 of the Contract.

#### **CLAUSE 10. NON-RECOVERABLE COSTS**

Unless otherwise provided elsewhere in the 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;
- 10.8 Signature bonus;
- 10.9 Payments to NOC under Article 23.4; and
- 10.10 Any other expenditure which is stated elsewhere in the Contract to be a non-recoverable expenditure.

#### **CLAUSE 11. CONTROL STATEMENTS AND MAJOR ACCOUNTS**

- 11.1 Contractor shall annually prepare, from the statements of expenditure prepared pursuant to Clause 1.4 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.

**CLAUSE 12. TRANSFER PROCEDURE FOR THE OPERATING ACCOUNT**

- 12.1 In accordance with Article 9.7 of the 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 these Accounting Procedures, 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.

**CLAUSE 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 Clauses 2.1(a) to 2.5(c) represent actual costs.

**(End of Annex C)**

## **ANNEX D – DEFINITION OF RESERVOIRS**

This Annex is attached to and made part of the Development and Production Service Contract for the Badra Contract Area. All depths quoted are in meters below Mean Sea Level.

### **SECTION 1 – DISCOVERED RESERVOIRS**

Discovered but undeveloped reservoirs of the Badra Contract area include all reservoirs which may exist above the base of the Mauddud Formation, defined as 4,799m in Bd-1 well and its lateral equivalents.

### **SECTION 2 – UNDISCOVERED POTENTIAL RESERVOIRS**

Undiscovered potential reservoirs are all reservoirs which may exist below the base of the Mauddud Formation.

**(End of Annex D)**



**ANNEX E – MINIMUM WORK OBLIGATION**

This Annex is attached to and made part of the Development and Production Service Contract for the Badra Contract Area.

- (a) Acquire 150 square kilometers of 3-D seismic data over the Contract Area, including processing and interpretation thereof.
- (b) Complete drilling of Badra-2 appraisal well to its planned target.
- (c) Drill 2 appraisal wells to the base of the Mauddud Formation (as defined in Annex D).
- (d) Drill 1 deep exploration well to penetrate upper Jurassic prospects.
- (e) Perform 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 discovered undeveloped reservoirs that will be the subject of Plans. Integrate all relevant available data and information, including such data existing prior to the execution of exploration and appraisal activities.
- (f) Agree and execute a thorough reservoir surveillance plan, to acquire sufficient data for development planning and operations. These are expected to include tests, well integrity surveys, PLTs, RSTs and PVT measurements.

**(End of Annex E)**

**ANNEX F – FORMS OF GUARANTEE**

**FORM 1: FOR GAZPROM NEFT – NOT REQUIRED; CONTRACT SIGNED BY ULTIMATE PARENT COMPANY**

To: NOC

We refer to the Development and Production Service Contract for the Badra Contract Area, (hereinafter referred to as the “Contract”) entered into on this day of \_\_\_\_\_ 2009, between Gazprom, KOGAS, PETRONAS Carigali, TPAO and Oil Exploration Company and NOC, an Iraqi State oil company.

In consideration of the rights and obligations of Gazprom being a wholly-owned and controlled Affiliate of OAO Gazprom (“OAO Gazprom”) as a Party to the Contract, OAO Gazprom, a company duly organized and existing under the laws of \_\_\_\_\_ and whose registered office is at \_\_\_\_\_ hereby unconditionally and irrevocably undertakes, to make available or cause to be made available to Gazprom such technical and financial resources as may be required to perform and fulfill its obligations under the 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 Obligation in case of termination of the Contract, if applicable.

OAO Gazprom hereby unconditionally and irrevocably guarantees Gazprom in the performance and fulfillment of its obligations under the Contract.

The obligations of OAO Gazprom hereunder shall be limited to the extent of the Participating Interest held by Gazprom under the Contract.

This Guarantee shall extend to any Affiliated assignee of Gazprom which may become a Party to the Contract.

This Guarantee is issued for the benefit of NOC and cannot be assigned or transferred by it to any other party without the prior written consent of OAO Gazprom.

For purposes of this Guarantee, the capitalized terms used herein but which are undefined shall have the meaning ascribed to them in the Contract. A person who is not a party to this Guarantee shall have no third party rights to enforce or enjoy the benefit of any terms of this Guarantee.

This Guarantee shall be governed by and construed in accordance with the laws of the Republic of Iraq. Any dispute arising from this Guarantee shall be settled in accordance with the terms of Article 37 of the Contract.

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

Signed for and on behalf of

\_\_\_\_\_  
OAO Gazprom

**FORM 1: FOR KOGAS – NOT REQUIRED; CONTRACT SIGNED BY ULTIMATE PARENT COMPANY**

To: NOC

We refer to the Development and Production Service Contract for the Badra Contract Area, (hereinafter referred to as the “Contract”) entered into on this day of \_\_\_\_\_ 2009, between Gazprom, KOGAS, PETRONAS Carigali, TPAO and Oil Exploration Company and NOC, an Iraqi State oil company.

In consideration of the rights and obligations of KOGAS being a wholly-owned and controlled Affiliate of Korea Gas Corporation (“Korea Gas Corporation”) as a Party to the Contract, Korea Gas Corporation, a company duly organized and existing under the laws of \_\_\_\_\_ and whose registered office is at \_\_\_\_\_ hereby unconditionally and irrevocably undertakes, to make available or cause to be made available to KOGAS such technical and financial resources as may be required to perform and fulfill its obligations under the 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 Obligation in case of termination of the Contract, if applicable.

Korea Gas Corporation hereby unconditionally and irrevocably guarantees KOGAS in the performance and fulfillment of its obligations under the Contract.

The obligations of Korea Gas Corporation hereunder shall be limited to the extent of the Participating Interest held by KOGAS under the Contract.

This Guarantee shall extend to any Affiliated assignee of KOGAS which may become a Party to the Contract.

This Guarantee is issued for the benefit of NOC and cannot be assigned or transferred by it to any other party without the prior written consent of Korea Gas Corporation.

For purposes of this Guarantee, the capitalized terms used herein but which are undefined shall have the meaning ascribed to them in the Contract. A person who is not a party to this Guarantee shall have no third party rights to enforce or enjoy the benefit of any terms of this Guarantee.

This Guarantee shall be governed by and construed in accordance with the laws of the Republic of Iraq. Any dispute arising from this Guarantee shall be settled in accordance with the terms of Article 37 of the Contract.

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

Signed for and on behalf of

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Korea Gas Corporation

**FORM 1: FOR PETRONAS Carigali**

To: NOC

We refer to the Development and Production Service Contract for the Badra Contract Area, (hereinafter referred to as the "Contract") entered into on this day of \_\_\_\_\_ 2009, between Gazprom, KOGAS, PETRONAS Carigali, TPAO and Oil Exploration Company and NOC, an Iraqi State oil company.

In consideration of the rights and obligations of PETRONAS Carigali being a wholly-owned and controlled Affiliate of Petroliam Nasional Berhad ("PETRONAS") as a Party to the Contract, PETRONAS, a company duly organized and existing under the laws of Malaysia and whose registered office is at Tower One, Petronas Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia hereby unconditionally and irrevocably undertakes, to make available or cause to be made available to PETRONAS Carigali such technical and financial resources as may be required to perform and fulfill its obligations under the 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 Obligation in case of termination of the Contract, if applicable.

PETRONAS hereby unconditionally and irrevocably guarantees PETRONAS Carigali in the performance and fulfillment of its obligations under the Contract.

The obligations of PETRONAS hereunder shall be limited to the extent of the Participating Interest held by PETRONAS Carigali under the Contract.

This Guarantee shall extend to any Affiliated assignee of PETRONAS Carigali which may become a Party to the Contract.

This Guarantee is issued for the benefit of NOC and cannot be assigned or transferred by it to any other party without the prior written consent of PETRONAS.

For purposes of this Guarantee, the capitalized terms used herein but which are undefined shall have the meaning ascribed to them in the Contract. A person who is not a party to this Guarantee shall have no third party rights to enforce or enjoy the benefit of any terms of this Guarantee.

This Guarantee shall be governed by and construed in accordance with the laws of the Republic of Iraq. Any dispute arising from this Guarantee shall be settled in accordance with the terms of Article 37 of the Contract.

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

Signed for and on behalf of

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Petroliam Nasional Berhad

**FORM 1: FOR TPAO – NOT REQUIRED; CONTRACT SIGNED BY ULTIMATE PARENT COMPANY**

To: NOC

We refer to the Development and Production Service Contract for the Badra Contract Area, (hereinafter referred to as the “Contract”) entered into on this day of \_\_\_\_\_ 2009, between Gazprom, KOGAS, PETRONAS Carigali, TPAO, and Oil Exploration Company and NOC, an Iraqi State oil company.

In consideration of the rights and obligations of TPAO being a wholly-owned and controlled Affiliate of Türkiye Petrolleri Anonim Ortaklığı (“Türkiye Petrolleri Anonim Ortaklığı”) as a Party to the Contract, Türkiye Petrolleri Anonim Ortaklığı, a company duly organized and existing under the laws of \_\_\_\_\_ and whose registered office is at \_\_\_\_\_ hereby unconditionally and irrevocably undertakes, to make available or cause to be made available to TPAO such technical and financial resources as may be required to perform and fulfill its obligations under the 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 Obligation in case of termination of the Contract, if applicable.

Türkiye Petrolleri Anonim Ortaklığı hereby unconditionally and irrevocably guarantees TPAO in the performance and fulfillment of its obligations under the Contract.

The obligations of Türkiye Petrolleri Anonim Ortaklığı hereunder shall be limited to the extent of the Participating Interest held by TPAO under the Contract.

This Guarantee shall extend to any Affiliated assignee of TPAO which may become a Party to the Contract.

This Guarantee is issued for the benefit of NOC and cannot be assigned or transferred by it to any other party without the prior written consent of Türkiye Petrolleri Anonim Ortaklığı.

For purposes of this Guarantee, the capitalized terms used herein but which are undefined shall have the meaning ascribed to them in the Contract. A person who is not a party to this Guarantee shall have no third party rights to enforce or enjoy the benefit of any terms of this Guarantee.

This Guarantee shall be governed by and construed in accordance with the laws of the Republic of Iraq. Any dispute arising from this Guarantee shall be settled in accordance with the terms of Article 37 of the Contract.

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

Signed for and on behalf of

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Türkiye Petrolleri Anonim Ortaklığı

**FORM 2- FOR NOC, SOMO, TRANSPORTER AND STATE PARTNER**

To: Gazprom, KOGAS, PETRONAS Carigali and TPAO

We refer to the Development and Production Service Contract for the Badra Contract Area (hereinafter referred to as the “Contract”) entered into on this day of \_\_\_\_\_ 2009, between Gazprom, KOGAS, PETRONAS Carigali, TPAO and Oil Exploration Company and NOC.

In consideration of

- the rights and obligations of NOC as a Party to the Contract and being fully owned subsidiary of the Ministry of Oil of the Republic of Iraq; and
- Gazprom, KOGAS, PETRONAS Carigali and TPAO entering into the Contract

the Ministry of Oil, hereby unconditionally and irrevocably guarantees for the benefit of Gazprom, KOGAS, PETRONAS Carigali and TPAO 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 the Contract, as may be amended from time to time by the Parties thereto, for the Term of the Contract or as extended to enforce rights or obligations in relation to the Contract.

This Guarantee shall unconditionally and irrevocably extend to the obligations of Oil Marketing Company (SOMO), Transporter, the State Partner, and any Affiliate of NOC or the Ministry, which becomes a Party to the Contract and any references in the Guarantee to NOC shall be construed accordingly.

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

This Guarantee is issued for the benefit of Gazprom, KOGAS, PETRONAS Carigali and TPAO and cannot be assigned or transferred by it to any other party without the prior written consent of NOC.

For purposes of this Guarantee, the capitalized terms used herein but which are undefined shall have the meaning ascribed to them in the Contract.

This Guarantee shall be governed by and construed in accordance with the laws of Republic of Iraq. Any dispute arising from this Guarantee shall be settled in accordance with the terms of Article 37 of the Contract.

Address of the Ministry of Oil for purposes of enforcement of this Guarantee:

Petroleum Contract and Licensing Directorate, Ministry of Oil, Baghdad, Republic of Iraq, attention Director General

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 Development and Production Service Contract for the Badra Contract Area. Terms defined in the Development and Production Service Contract shall have the same meanings for the purpose of this Heads of Agreement. The parties to the Joint Operating Agreement are the entities constituting Contractor.

### **CLAUSE 1. SCOPE**

This Heads of Joint Operating Agreement is to provide for the basic principles to be included in a Joint Operating Agreement (“JOA”) to be executed among the entities constituting Contractor (hereinafter referred to individually as “Participant” or collectively as “Participants”).

### **CLAUSE 2. PARTICIPATING INTEREST**

Subject to Article 27 of the Contract, each Participant shall have the undivided percentage interest determined under the Contract and/or as agreed by the Participants (“Participating Interest”), provided that each Participant's Participating Interest shall not be less than seven point five percent (7.5%). Each Participant shall participate in proportion to its respective Participating Interest in all costs, expenses and liabilities incurred pursuant to the Contract or JOA and shall own, in the same proportion, the Contractor's rights under the Contract and the Participants' rights under the JOA.

### **CLAUSE 3. OPERATOR**

- 3.1 The Operator appointed in accordance with the Contract, shall have exclusive management and control of Petroleum Operations prior to the formation of the Joint Operating Company.
- 3.2 Operator may, at any time resign as such by giving the Participants notice in writing. 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 twenty two point five percent (22.5%); or (d) it takes no action within thirty (30) days after notification to it by a Participant to remedy a material breach of this JOA. Pursuant to Article 9.3 of the Contract, replacement of the Operator shall be subject to NOC's prior approval.

### **CLAUSE 4. OPERATING COMMITTEE**

- 4.1 An Operating Committee composed of representatives of the Participants shall be established and shall act for the duration of this 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. 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.

**CLAUSE 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 it to the JMC or the BOD for approval pursuant to Article 12.2.

**CLAUSE 6. COSTS AND EXPENSES**

All costs and expenses of the Contractor for Petroleum Operations 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 this JOA shall be determined and recorded according to an Accounting Procedure (without prejudice to Annex C of the Contract) and generally accepted accounting principles and shall be subject to periodic inspection and audit.

**CLAUSE 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 Companies (excluding State Partner) shall pay the defaulted amount on behalf of the Defaulting Company, 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 Companies have paid any amounts under Clause 7.1 of this JOA, to the Non-Defaulting Companies, 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%).

If a Defaulting Company has not remedied the default by the thirtieth (30<sup>th</sup>) day, then, during the continuance of such default, the Defaulting Company shall not be entitled to its Participating Interest share of Petroleum Costs, Supplementary Costs and Remuneration, which shall vest in and be the property of the Non-Defaulting Companies. The Petroleum Costs, Supplementary Costs and Remuneration due to the Defaulting Company shall proportionately be paid to the Non-Defaulting Companies, which Petroleum Costs, Supplementary Costs and Remuneration shall be credited against all monies advanced by such Non-Defaulting Companies on behalf of the Defaulting Company. The balance of such fees, if any, shall be paid to the Defaulting Company



when such default has been remedied.

- 7.3 State Partner shall be carried by the other Companies 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 the Contract.
- 7.4 In no event shall State Partner be considered in default.

#### **CLAUSE 8. WITHDRAWAL**

After the Minimum Work Obligations have been fulfilled, any Company may elect, and subject to NOC's prior written consent, by giving notice to the other Participants, to withdraw from the Contract and the JOA. Each of the other Companies may also give notice that it desires to withdraw from the Contract and the JOA. Should all Companies give such notice of withdrawal, the Participants shall proceed to abandon the Contract Area and terminate the 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 the Contract and the JOA. The withdrawing Participant shall remain responsible in proportion to its Participating Interest for any liability that may arise for any activity performed before its withdrawal and shall not be entitled to the Supplementary Costs, Petroleum Costs or Remuneration accrued on or after the date of its withdrawal.

#### **CLAUSE 9. ASSIGNMENT**

Each Participant may transfer, subject to any requirement under the Contract, all or part of, its Participating Interest under the 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 the Contract and the JOA to the same extent as if the transfer had not occurred and provided further that the assigning Participant shall timely notify the other Participants of any such transfer. Without prejudice to the provisions of the Contract, no transfer of any interest under the 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 the 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 the Contract and the JOA.

#### **CLAUSE 10. RELATION OF THE PARTICIPANTS**

Subject to Article 2.5 of the Contract, 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.

**CLAUSE 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 the Contract.

**CLAUSE 12. EFFECTIVE DATE AND TERM**

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

**CLAUSE 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 the Contract is in effect.

**(End of Addendum One)**

## **ADDENDUM TWO – HEADS OF PETROLEUM TRANSFER AGREEMENT**

### **CLAUSE 1. DEFINITIONS**

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

### **CLAUSE 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 the Contract.

### **CLAUSE 3. SCOPE OF PETROLEUM TRANSFER AGREEMENT**

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

### **CLAUSE 4. FACILITIES AT THE TRANSFER POINT**

For the purpose of the transfer of Petroleum, Operator may use a parcel of land at the Transfer Point(s) and construct necessary facilities thereon.

### **CLAUSE 5. TRANSFER RATE**

Operator shall have the right and the obligation to tender Petroleum at the Transfer Point(s) at a certain average rate as per the approved Plans and Revisions. However, Operator in coordination 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.

### **CLAUSE 6. TRANSFER CONDITIONS**

Petroleum shall be transferred at the Transfer Point(s) from one or more Petroleum streams in accordance with the approved Plans, and at the pressure commensurate with the pressure required by the existing system. The quality of each Petroleum stream transferred at the Transfer Point(s) 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.

**CLAUSE 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. Similarly, Export Oil that may be lifted by Contractor shall be measured at the Delivery Measurement Point in accordance with standard SOMO measurement practices.

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.

**CLAUSE 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. If agreed in a Plan, Operator and Contractor shall participate in the building and financing of the same in proportion to the production from the Contract Area 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.

**CLAUSE 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 the Contract or upon the Operator and Transporter entering into the Petroleum Transfer Agreement, whichever is the earlier.

**CLAUSE 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 the Contract.

**CLAUSE 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.

**CLAUSE 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 the Contract is in effect.

**(End of Addendum Two)**

### **ADDENDUM THREE – HEADS OF CHARTER OF JOINT OPERATING COMPANY**

This Addendum Three is attached to and made part of the Development and Production Service Contract for the Badra Contract Area. Terms defined in the Contract shall have the same meanings for the purposes of this Heads of Charter of Joint Operating Company Agreement (“Charter”). The parties to the Charter shall be the Parties to the Contract: NOC and Contractor.

#### **CLAUSE 1. ESTABLISHING OF THE JOINT OPERATING COMPANY**

- 1.1 Pursuant to Article 9 of the 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 Iraqi nationality and shall conduct its activities in accordance with the provisions of the 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 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 Clause 1.2.
- 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.

#### **CLAUSE 2. JOC NAME**

The name of JOC shall be [name of Contract Area] Operating Company.

#### **CLAUSE 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.

#### **CLAUSE 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 the Contract and the charter of the JOC.
- 4.2 JOC shall implement approved Development Plans, Work Programs and Budgets in accordance with the Contract. JOC shall keep account of all costs, expenses and expenditures for such Petroleum Operations under the terms of the Contract and the Accounting Procedures.
- 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 the 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 through the BOD 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 the Contract.

#### **CLAUSE 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 with approved Work Programs and Budgets in accordance with the provisions of the Contract.

#### **CLAUSE 6. FUNCTION OF JOC**

- 6.1 The JOC shall not own any right, title or interest under the Contract or in the Petroleum produced from the Contract Area, 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 the Contract.
- 6.2 The JOC shall not engage in any business or undertake any activity other than the performance of Petroleum Operations.

#### **CLAUSE 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 including at least one member or alternate designated by the NOC and one member or alternate 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.

#### **CLAUSE 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 the 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, if any. 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 the 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.

#### **CLAUSE 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.

#### **CLAUSE 10. EMPLOYMENT REGULATIONS**

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

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

#### **CLAUSE 11. LIABILITY**

Liabilities shall be pursuant to the Contract.

#### **CLAUSE 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 the Contract and Joint Operating Agreement to any party, its interest in the JOC shall be assigned proportionately.

**CLAUSE 13. DISSOLUTION OF JOC**

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

**CLAUSE 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.

**CLAUSE 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 the Contract.

**CLAUSE 16. HAND-OVER OF OPERATORSHIP**

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

**CLAUSE 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 the 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 the Contract.

**CLAUSE 18. CONFIDENTIALITY**

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

**CLAUSE 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 Addendum Three)**

## **ADDENDUM FOUR – HEADS OF EXPORT OIL SALES AGREEMENT**

This Addendum Four is attached to and made part of the Development and Production Service Contract of the Badra Contract Area. Terms defined in the Contract shall have the same meanings for the purpose of this Heads of Agreement. The parties to the Export Oil Sales Agreement are Iraq Oil Marketing Company (SOMO), NOC and Contractor.

### **SPECIAL TERMS (PART 1)**

#### **CLAUSE 1. DEFINITIONS**

For the purpose of this Heads of Agreement, terms defined in the 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.

#### **CLAUSE 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 Petroleum Costs, Supplementary Costs and Remuneration due and payable to Contractor under the Contract as it estimates 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 Contractor and NOC by the 15<sup>th</sup> of said first Month.

Accordingly, no later than the first day of the second Month of the Quarter immediately preceding any Lifting Quarter, 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 Petroleum Costs, Supplementary Costs and Remuneration due and payable to Contractor as agreed by NOC, divided by the Provisional Export Oil 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 Petroleum Costs, Supplementary Costs and Remuneration, and the balance of such Petroleum Costs, Supplementary Costs and Remuneration, at the end of the said Lifting Quarter, shall be carried forward, all pursuant to Article 19 of the Contract and Annex C.

NOC shall review the Forward Quantity Statement, and will no later than the last day of the Month of the preceding Lifting Quarter 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 lifting during a Lifting Quarter and the actual Price for each lifting (“Lifting Statement”), within thirty (30) 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 Option to Deliver Excess Volumes

The Parties may, at their option, elect to deliver excess Export Oil over and above the offset volumes required in any Lifting Quarter under the 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 Petroleum Costs, Supplementary Costs and Remuneration under the Contract, as reflected in the then most current Quarterly report. If either of the Parties wishes to exercise this option to deliver excess Export Oil in any Lifting Quarter, it must notify the Buyer of such election no later than the first day of the second Month of the preceding Quarter and the other Party must confirm its agreement no later than ten (10) days after such notice.

## **CLAUSE 3. DELIVERY**

FOB relevant Iraqi loading terminal or any other terminal as may be agreed by the Parties.

## **CLAUSE 4. EFFECTIVE DATE AND TERM**

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

## **CLAUSE 5. PRICE**

Export Oil Price shall be determined pursuant to Article 18 of the Contract.

## **CLAUSE 6. PAYMENT**

The Proceeds receivable by the Seller under this Heads of Agreement shall be used to reduce the amounts owed to the Buyer by the NOC under the 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 the Contract.

**CLAUSE 7. COMPLIANCE WITH LAWS**

Notwithstanding anything to the contrary herein, nothing in this Heads of Agreement is intended, and nothing herein should be interpreted or construed, to induce or require either Party or NOC hereto to act in any manner which is not in compliance with the Law.

**CLAUSE 8. EXPORT OIL SALES AGREEMENT**

Contractor, NOC 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 are customarily used by international petroleum industry and shall continue in effect for the Term of the Contract. Pending the execution of the Export Oil Sales Agreement, the provisions of this Heads of Agreement shall apply.

**CLAUSE 9. 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 hereabove and excluding the commercial terms contemplated in such GTC.

Any provisions in Seller's GTC which allow the Seller to suspend delivery of Export Oil under 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 (Article 37) and general business ethics (Article 43) of the Contract shall apply *mutatis mutandis*.

**Attachment A to Addendum Four- Export Oil Lifting and Reporting**

<b>Export Oil Lifting and Reporting (Assuming first lifting in January )</b>			<b>No Later Than</b>
Quarter preceding First Lifting Quarter	Oct.	Quarterly Petroleum Costs, Supplementary Costs and Remuneration Report (“Quarterly Report”) agreed (for First Lifting Quarter)	15 <sup>th</sup>
	Nov.	Forward Quantity Statement for First Lifting Quarter (Price = October price, or September price if Oct not available))	1 <sup>st</sup>
	Dec.	January crude nomination (acceptance of all Month nominations by 20 <sup>th</sup> )	10 <sup>th</sup>
First Lifting Quarter	Jan.	February crude nomination Quarterly Report agreed (for Second Lifting Quarter)	10 <sup>th</sup> 15 <sup>th</sup>
	Feb.	Forward Quantity Statement for Second Lifting Quarter (Price=January price, or December price if January not available) March crude nomination	1 <sup>st</sup> 10 <sup>th</sup>
	Mar.	April crude nomination	10 <sup>th</sup>
Second Lifting Quarter	Apr.	May crude nomination Lifting Statement	10 <sup>th</sup>
	May	Forward Quantity Statement (For Third Quarter) (Price = April price or March price if April not available) June crude nomination Quarterly Report agreed (Adjustment made for First Quarter actuals)	1 <sup>st</sup> 10 <sup>th</sup> 15 <sup>th</sup>
	June	July crude nomination	10 <sup>th</sup>
Third Lifting Quarter	July	August crude nomination Lifting Statement	10 <sup>th</sup>
	Aug.	Forward Quantity Statement ( For Fourth Quarter) (Price = July price, or June price if July not available) September crude nomination Quarterly Report agreed (Adjustment made for Second Quarter actuals)	1 <sup>st</sup> 10 <sup>th</sup> 15 <sup>th</sup>
	Sep.	October crude nomination	10 <sup>th</sup>
Fourth Lifting Quarter	Oct.	November crude nomination Lifting Statement	10 <sup>th</sup>
	Nov.	Forward Quantity Statement ( For next Quarter) (Price = October price, or September price if October not available) December crude nomination Quarterly Report agreed (Adjustment made for Third Quarter actuals)	1 <sup>st</sup> 10 <sup>th</sup> 15 <sup>th</sup>
	Dec.	January crude nomination	10 <sup>th</sup>

**(End of Addendum Four)**