

**TECHNICAL SERVICE CONTRACT  
FOR THE ----- FIELD**

**BETWEEN**

-----  
**OF THE IRAQI MINISTRY OF OIL (ROC)**

**AND**

-----

**AND**

-----

**TECHNICAL SERVICE CONTRACT  
FOR THE ----- FIELD**

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**TECHNICAL SERVICE CONTRACT  
FOR ----- FIELD**

This Technical Service Contract ("Contract") is made and entered into this \_\_\_ day of \_\_\_\_\_ yyy, by and between: \_\_\_\_\_, an Iraqi State oil company, the Republic of Iraq ("Regional Operating Company or ROC") of the **First Part**, and \_\_\_\_\_, a \_\_\_\_\_ company established and existing under the laws of \_\_\_\_\_, having its registered head office at \_\_\_\_\_ ("\_\_\_\_\_"); and \_\_\_\_\_, a \_\_\_\_\_ company established and existing under the laws of \_\_\_\_\_, having its registered head office at \_\_\_\_\_ ("\_\_\_\_\_"); and \_\_\_\_\_, a \_\_\_\_\_ company established and existing under the laws of \_\_\_\_\_, having its registered head office at \_\_\_\_\_ ("\_\_\_\_\_"); and (individually a "Company" and collectively the "Companies"); together with \_\_\_\_\_, an Iraqi State entity established and existing under the laws of the Republic of Iraq ("State Partner"),

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

ROC 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**, ROC, in its role as an Iraqi State oil and gas company, is exclusively entrusted with and authorized for development and production of the ----- Field, in accordance with the Law; and

**WHEREAS**, Contractor has sound financial standing, technical competency, and professional skills to provide any and all of the technical services warranted for rehabilitation, improved production, enhanced recovery, and generally all and any Petroleum Operations as defined herein; and

**WHEREAS**, the Parties mutually represent that they have the power, authority and desire to enter into this Technical Service Contract for the ----- Field 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 otherwise herein, any reference to an Article, Annex or Addendum shall be construed as reference to an Article, Annex or Addendum of this Contract. In this Contract, including its Annexes and Addenda, words in the singular include the plural and vice versa and except where the context otherwise requires, the following terms shall have the meanings set out as follows:

- 1.1 **“Accounting Procedure”** means the accounting procedures and requirements set out in Annex C.
- 1.2 **“Additional Appraisal Program”** means as defined in Article 11.1(b).
- 1.3 **“Affiliate”** in relation to any entity constituting Contractor, 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 ROC as well as companies and enterprises of Iraq's Ministry of Oil or Iraq National Oil Company (when established) shall be considered as ROC's Affiliates.

- 1.4 **“Appraisal”** or **“Appraisal Operations”** shall include, but not be limited to, such geological, geophysical, aerial and any other surveys and any interpretation of data relating thereto 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 and the purchase or acquisition of such supplies, materials and equipment therefore, as may be contained in approved Plans and Work Programs.
- 1.5 **“Associated Gas”** means Gas, occurring as gas-cap gas, which overlies and is in contact with crude oil in a reservoir and/or solution gas dissolved in crude oil in a reservoir.
- 1.6 **“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.
- 1.7 **“Baseline Production”** for any Quarter means the deemed Net Production for the said Quarter, at the deemed Baseline Production Rate.
- 1.8 **“Baseline Production Rate”** for any Quarter constitutes the amount for any Incremental Production under this Contract in such Quarter, being derived from an assumed decline from the Initial Production Rate at a compounded annual rate of five percent (5%) as from the Quarter following the Quarter in which the Effective Date occurs, calculated in accordance with Article 19.5(c).
- 1.9 **“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 economically appropriate to the operations in question in respect of new facilities 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.

- 1.10 "**Budget**" means the estimates of the expenditure expected to be incurred for implementing an approved Work Program for any Calendar Year or part thereof.
- 1.11 "**Calendar Month**" or "**Month**" means, in respect of any Month in a Calendar Year, a period commencing on the first day of such Month and ending on the last day of the same Month.
- 1.12 "**Calendar Quarter**" or "**Quarter**" means a period of three consecutive Months commencing on the first day of January, April, July or October in any Calendar Year.
- 1.13 "**Calendar Year**" means a period of twelve (12) consecutive Months commencing with the first day of January and ending with the last day of December, according to the Gregorian calendar.
- 1.14 "**Capital Cost**" means all costs and expenditures, excluding Operating Cost, related to Petroleum Operations pursuant to Annex C.
- 1.15 "**Cash Receipts**" means as defined in Article 19.5(d).
- 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 ----- Field area covered by this Contract; the coordinates of which are described in Annex A and outlined in Annex B.
- 1.20 "**Contractor**" means, on the Effective Date, Companies and State Partner, and at any time thereafter shall include their legal successors and permitted assignees.
- 1.21 "**Crude Oil**" means all hydrocarbons regardless of gravity which are produced and saved from the Field in the liquid state at an absolute pressure of fourteen decimal six nine six (14.696) pounds per square inch and a temperature of sixty (60) degrees Fahrenheit, including asphalt, tar, distillates or condensates obtained from oil-gas separation facilities within the Contract Area.
- 1.22 "**Data**" means as defined in Article 14.2.

- 1.23 "**Delivery Measurement Point**" or "**DMP**" means the point, immediately upstream of the Delivery Point, where the volume and quality of Export Oil that may be lifted by Contractor under this Contract is measured.
- 1.24 "**Delivery Point**" or "**DP**" means the point(s) where Contractor may lift Export Oil in lieu of its due and payable Supplementary Fees and Service Fees.
- 1.25 "**Development or Redevelopment Operations**" means any and all Petroleum Operations other than Appraisal and Production Operations, including primary and subsequent (secondary, tertiary or other) recovery projects and pressure maintenance, conducted with a view to redeveloping the Field including, but without limitations: the drilling, deepening, completing, plugging, side-tracking, re-completing and equipping of evaluation and development wells; the engineering, building and erecting or laying of production plants and facilities (such as, without limitation, separators, compressors, generators, pumps and tankage, gathering lines, pipelines, and all facilities required to be installed for production, pressure maintenance, treatment, storage and transportation of Petroleum, and loading the same into seagoing tankers); the obtaining of such materials, equipment, machinery, articles and supplies as may be required or expedient for the above activities; and all auxiliary operations, activities and services required or expedient for the better conduct or result of the above activities, including decommissioning and abandonment operations, all in accordance with approved Plans and Work Programs and Best International Petroleum Industry Practices.
- 1.26 "**Development Plan**" or "**Plan**" means a scheduled program and cost estimate specifying the Development or Redevelopment Operations required for developing and/or increasing the production capacity of the Field, which includes the Rehabilitation Plan, Enhanced Redevelopment Plan, and any subsequent Revisions thereof.
- 1.27 "**Dinar**" or "**IQD**" means the Iraqi Dinar.
- 1.28 "**Dollar**" or "**USD**" means the United States Dollar.
- 1.29 "**Effective Date**" means the date when all the conditions listed in Article 39 are satisfied.
- 1.30 "**Enhanced Redevelopment Plan**" means, pursuant to Article 11.3, the full Field redevelopment plan, based on all knowledge existing on the Effective Date as well as additional knowledge derived from the execution of the Rehabilitation Plan; all with the objective of increased and optimized production and enhanced recovery of Petroleum from the Field.
- 1.31 "**Expenditure**" means as defined in Article 19.5(d).
- 1.32 "**Export Oil**" means Crude Oil of standard Iraqi export blend.
- 1.33 "**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.
- 1.34 "**Field**" means the ----- Field within the Contract Area as defined in Annexes A, B and D, subject to the provisions of Article 5 hereof.
- 1.35 "**Field Operating Division**" or "**FOD**" means a non-profit, unincorporated, joint

operating entity, administratively and financially independent of the ROC; established in accordance with Articles 9.1, 9.10 and Addendum Three, exclusively to serve as Operator of the Field for conducting Petroleum Operations under the supervision, direction and management of the Contractor as well as the general supervision and control of the Joint Management Committee in accordance with the authorities set out in Article 13.2.

- 1.36 **"Financial Year"** means the Calendar Year starting on January 1<sup>st</sup> and ending on December 31<sup>st</sup> of the same year, both dates being inclusive.
- 1.37 **"Force Majeure"** means as defined in Article 31.
- 1.38 **"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".
- 1.39 **"Government"** means the Government of the Republic of Iraq.
- 1.40 **"Gross Negligence or Wilful Misconduct"** means any unjustifiable act or omission, but not mere negligence, that constitutes an intentional, deliberate, reckless or conscious disregard of Best International Petroleum Industry Practices or the terms of this Contract, where such act or omission results in loss, damage or harm by the Senior Supervisory Personnel of a Party or the FOD.
- 1.41 **"Improved Production Target"** means that Net Production Rate in Barrels of Crude Oil per day defined in Article 2.2(a)(i) measured by the same methodology and the same or equivalent equipment used for measuring the Initial Production Rate regardless of the installation of new or improved methods of measurement or equipment.
- 1.42 **"Incremental Production"**, during a certain period of time, means the incremental volume of Net Production from the Field during the said period that is realized in excess of the deemed Net Production volume at the Baseline Production Rate.
- 1.43 **"Incremental Production Rate"** in Barrels of Crude Oil per day, means the Incremental Production of Crude Oil for a certain period of time divided by the number of calendar days in that period of time.
- 1.44 **"Initial Production Rate"** means a Net Production Rate to be determined by the Parties before or on the Effective Date, in accordance with the methodology and the equipment for measuring such Net Production Rate, to be agreed by the Parties, that fairly represents the Net Production Rate as of the Effective Date.
- 1.45 **"Joint Management Committee"** or **"JMC"** means the committee formed pursuant to Article 13.
- 1.46 **"Law"** means any constitution, law, decree, resolution, statute, ordinance, rule, directive, order, treaty, code or regulation and any injunction or final non-appealable judgment, as adopted, enacted, issued, promulgated or ratified by the Republic of Iraq or, unless otherwise provided for herein, as such may from, time to time, be amended or repealed.

- 1.47 "**Lead Contractor**" means the Company that is appointed as from the Effective Date as the representative of Contractor and which is authorized to act on Contractor's behalf in the conduct of Petroleum Operations.
- 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 Service Fees and Supplementary Fees are due and payable.
- 1.50 "**Measurement Point**" means the place(s) at which volumes and qualities of Crude Oil pumped out, received, transmitted or delivered shall be measured, such as the Production Measurement Point and Delivery Measurement Point.
- 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 "**Natural Gas Liquids**" or "**NGL**" means the propane and heavier (C3+) components of natural gas that can be classified according to their vapour pressures as low vapour pressure (Condensate), intermediate vapour pressure (Natural Gasoline) and high vapour pressure (LPG).
- 1.54 "**Net Production**", over a certain period of time, means all Barrels of Crude Oil and NGL actually produced from the Field over the said period of time, less base sediments and water, saved, measured at the Production Measurement Point, and received by Transporter at the Transfer Point.
- 1.55 "**Net Production Rate**", in Barrels of Crude Oil per day, means the Net Production of Crude Oil and NGL for a certain period of time divided by the number of calendar days in that period of time.
- 1.56 "**Official Selling Price**" or "**OSP**" means SOMO's declared price for each of the Iraqi crude oil blends.
- 1.57 "**Operating Account**" means the account or set of accounts maintained by Contractor and Operator to record Petroleum Costs and Supplementary Costs.
- 1.58 "**Operating Cost**" means recoverable Contractor's costs, expenses, duties, fees, and charges related to Production Operations pursuant to Annex C.
- 1.59 "**Operator**" means the entity designated to conduct Petroleum Operations in accordance with Article 9, namely the ROC until the FOD takes responsibility for

Petroleum Operations and thereafter the FOD.

- 1.60 **"Participating Interest"** means, in respect of each Contractor's entity, the undivided share expressed as a percentage as defined in Article 27.1 for such party's participation in the rights, benefits, privileges, duties, liabilities and obligations of Contractor.
- 1.61 **"Performance Factor"**, for the purposes of Article 19.5(e), means the ratio of the Net Production Rate to the bid Plateau Production Target, although in no event shall it exceed one point zero (1.0).
- 1.62 **"Petroleum"** means all hydrocarbons including liquid and gaseous hydrocarbons produced and saved from the Field under this Contract.
- 1.63 **"Petroleum Costs"** means recoverable costs and expenditures incurred and/or payments made by Contractor 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, including Annex C.
- 1.64 **"Petroleum Operations"** means all Appraisal, Development, Redevelopment, Production Operations, and any other activities related thereto.
- 1.65 **"Plateau Production Period"** means a period of seven (7) Years starting with the earlier of three (3) Years from the approval date of the Enhanced Redevelopment Plan or the date on which the Plateau Production Target has been achieved for a continuous period of thirty (30) days, but in no event shall such period commence either earlier than the approval date of the Enhanced Redevelopment Plan or, subject to Article 12.2, later than six (6) Years from the Effective Date.
- 1.66 **"Plateau Production Target"** means the Net Production Rate that is to be achieved and sustained for the Plateau Production Period, as bid and as specified in Article 2.2(a)(ii).
- 1.67 **"Production Measurement Point"** or **"PMP"** means the point, immediately upstream of the Transfer Point within or close to the Contract Area, where the volume and quality of Net Production is measured.
- 1.68 **"Production Operations"** means, in respect of Contractor, any and all operations related to production of Petroleum, including (but not limited to) workovers, stimulations, remediation, restoration, operating, staffing, supervising, servicing, repairing, decommissioning and maintaining of any and all wells, plants, equipment, pipelines, tank-farms, terminals and all other installations and facilities.
- 1.69 **"Provisional Export Oil Price"** means the arithmetic average of SOMO's declared OSPs for the Delivery Point for the following destinations, 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 preceding Month to such Month if the price is not available.
- 1.70 **"Rehabilitation Period"** means the period starting from the Effective Date and ending thirty six (36) Months after the approval date of the Rehabilitation Plan.

- 1.71 "**Rehabilitation Plan**" means, pursuant to Article 11.1, the plan to be submitted by Contractor, based on existing knowledge of the Field on Effective Date, for the rehabilitation and improved/optimized production therefrom.
- 1.72 "**R-Factor**" is the ratio of cumulative Cash Receipts to cumulative Expenditures in the conduct of Petroleum Operations as defined in Article 19.5(d).
- 1.73 "**Remedial Program**" means as defined in Article 11.1(a).
- 1.74 "**Remuneration Fee**" means the fee paid to Contractor for Incremental Production as calculated pursuant to Article 19.5.
- 1.75 "**Remuneration Fee Bid**" or "**RFB**" USD \_\_\_\_\_ (\$x.yy) per Barrel of Crude Oil as utilized in Article 19.5.
- 1.76 "**Revision**", in respect of a Development Plan or Work Program and Budget, has the meaning given in Articles 12.4 and 12.3, respectively.
- 1.77 "**Senior Supervisory Personnel**" means, any individual who functions as its senior resident manager who directs 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.
- 1.78 "**Service Fees**" means those Petroleum Costs and the Remuneration Fee as defined in Article 19.6.
- 1.79 "**Service Fees Eligibility Date**" means the earlier of the end of the Rehabilitation Period or the date when the Improved Production Target is first achieved over thirty (30) consecutive days, provided that in no event can this date be earlier than the approval date of the Rehabilitation Plan.
- 1.80 "**SOMO**" means the Iraq State entity, Oil Marketing Company.
- 1.81 "-----" or "**ROC**" means an Iraqi State oil company operating the Field prior to the Effective Date.
- 1.82 "**State Partner**" means ----- in its capacity as an Iraqi State entity established and existing under the Law holding a share of Contractor's total Participating Interest as set out in this Contract.
- 1.83 "**Sub-Contractor**" means any company or person contracted by the Contractor and/or Operator to provide goods or services with respect to Petroleum Operations.
- 1.84 "**Supplementary Costs**" means recoverable costs and expenditures incurred by Contractor, other than those costs defined as Petroleum Costs in Article 19 and as determined in accordance with the provisions of this Contract.
- 1.85 "**Supplementary Fees**" means those Supplementary Costs invoiced by Contractor as defined in Article 19.3 and Annex C.

- 1.86 **"Tax"** means Iraqi corporate income tax pursuant to Article 23.
- 1.87 **"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.
- 1.88 **"Term"** means the term of this Contract as defined in Article 3.2.
- 1.89 **"Training, Technology and Scholarship Fund"** or **"Fund"** means the fund established as defined in Article 26.2.
- 1.90 **"Transfer Point"** or **"TP"** means the inlet flange(s) of the outgoing pipeline(s), immediately downstream of the Production Measurement Point, where Transporter shall receive Net Production from Operator.
- 1.91 **"Transportation Facilities"** means the pipelines, pumps, compressors, tanks, meters, and other transportation facilities for Crude Oil that are built by Contractor beyond the Transfer Point(s) or as otherwise provided and integrated into the Transportation System pursuant to this Contract.
- 1.92 **"Transportation System"** means, at any time, any and all transportation facilities beyond the Transfer Point(s) that are operated by or under control of the Transporter.
- 1.93 **"Transporter"** means the entity designated by ROC to operate the Transportation System for transporting Crude Oil beyond the Transfer Point(s) pursuant to Article 17 and Addendum Two; all on behalf of ROC.
- 1.94 **"Work Program"** means an itemisation and time schedule of Petroleum Operations.
- 1.95 **"Year"** means a period of twelve (12) consecutive Months to the Gregorian calendar, starting at some date and ending at the anniversary thereof.

**(End of Article 1)**

## **ARTICLE 2 – SCOPE OF CONTRACT**

- 2.1 This Contract is a Technical Service Contract for the rehabilitation of improved production and enhanced recovery of Petroleum from the ----- Field in accordance with the provisions herein. It includes 43 Articles, Annexes A, B, C, D, E, and F, and Addenda One, Two, Three, and Four; all attached hereto and made part hereof. In the event of a conflict between the Contract Articles and the Annexes or Addenda, the provisions of the Contract 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 of this Contract and in accordance with Best International Petroleum Industry Practices, shall:
- (a) provide or arrange to perform its obligations set out in this Contract through the Operator to carry out Petroleum Operations to rehabilitate, to further appraise, and to re-develop the Field for improved production and to carry out enhanced recovery of Petroleum from the Field in order to achieve the production targets set out below:
    - (i) the Improved Production Target being a Net Production Rate of 10% above the Initial Production Rate, to be achieved as soon as possible after the approval date of the Rehabilitation Plan; and
    - (ii) the Plateau Production Target at the Net Production Rate of ----- Barrels of Crude Oil and NGL per day for the Plateau Production Period. It is understood that the Plateau Production Target shall only include production from producing reservoirs as defined in Annex D, and is to be achieved, subject to Article 12.2, not later than six (6) Years from the Effective Date.
  - (b) annually assess and determine the maximum volume of reserves and resources of Petroleum in the Contract Area;
  - (c) provide or arrange to provide all capital, machinery, equipment, technology, personnel and services necessary to conduct Petroleum Operations through the Operator;
  - (d) incur all costs and expenses required for carrying out Petroleum Operations in accordance with approved Plans, Work Programs and Budgets in order to achieve the production levels set out in this Article 2; and
  - (e) fulfil all financial and other obligations of Contractor and enjoy all rights and benefits, in accordance with the provisions of this Contract.
- 2.3 Discovered but undeveloped reservoirs, as defined in Annex D, may be developed and produced under this Contract but shall be subject to a separately agreed remuneration fee which the Parties undertake to, in good faith, agree. If no such agreement is

reached within the period set forth in Article 5, ROC shall be free to develop such reservoirs in any manner it may deem appropriate, taking care not to hinder or unduly interfere with Petroleum Operations.

- 2.4 For a period of six (6) years from the Effective Date Contractor shall have the right to negotiate a separate agreement to explore for and develop the undiscovered potential reservoirs, as defined in Annex D. If no such agreement is reached in this time period, ROC shall be free to explore and develop such reservoirs in any manner it may deem appropriate, taking care not to hinder or unduly interfere with Petroleum Operations.
- 2.5 In the event of unintentional infringement on the undeveloped or undiscovered reservoirs, the Parties shall convene to agree in good faith on a proper course of action, taking into consideration the quantities of petroleum involved, safeguarding the interests of both Parties.
- 2.6 At any time, the entities then constituting Contractor shall be jointly and severally liable to ROC for all obligations of Contractor.

**(End of Article 2)**

### **ARTICLE 3 – TERM OF CONTRACT**

- 3.1 This 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. This Term is extendable pursuant to Article 31 or 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 ROC for an extension of the Term for a maximum period of five (5) Years, subject to newly negotiated terms and conditions.

**(End of Article 3)**

### **ARTICLE 4 – SIGNATURE BONUS**

- 4.1 Within thirty (30) days from the Effective Date the Companies shall deposit in cash into a bank account designated by ROC, their respective pro-rated Participating Interest share of a signature bonus of three ----- USD (US\$-----).
- 4.2 The signature bonus paid shall be considered Supplementary Costs and shall be recovered pursuant to and in accordance with Article 19.2(a).

**(End of Article 4)**

### **ARTICLE 5 – RELINQUISHMENT**

Contractor shall relinquish to ROC, within six (6) Years from the approval date of the Enhanced Redevelopment Plan, any discovered but undeveloped reservoir(s) not targeted in or for which Development Operations have not effectively started in accordance with the Enhanced Redevelopment Plan.

(End of Article 5)

**ARTICLE 6 – MINIMUM WORK OBLIGATION**

- 6.1 No later than thirty six (36) Months from the approval of the Rehabilitation Plan and according to the provisions set out in Annex E, to fulfil the Minimum Work Obligation specified therein Contractor shall itself or through the Operator prepare or provide the following activities:
- (a) preparation of the Rehabilitation Plan, Enhanced Redevelopment Plan, and Revisions;
  - (b) conduct of 3-D seismic surveys, including processing and interpretation thereof;
  - (c) conduct of detailed geological and reservoir engineering studies, including 3-D simulation for the reservoirs targeted for enhanced production;
  - (d) drilling appraisal and/or development wells with the aim of further Appraisal of the relevant reservoirs defined in Annex D, and achieving planned production in accordance with the Rehabilitation Plan;
  - (e) conduct of detailed laboratory and reservoir engineering studies to evaluate most suitable secondary and/or enhanced recovery mechanisms for the reservoirs targeted under the Rehabilitation Plan and Enhanced Redevelopment Plan; and
  - (f) performing engineering studies and building/upgrading all necessary surface installations required under the Rehabilitation Plan, and initiation of engineering work and infrastructure facilities expected to be incorporated in the Enhanced Redevelopment Plan.
- 6.2 Contractor shall spend a minimum amount of ----- USD (US\$-----) in the course of the Operator implementing the Minimum Work Obligation specified in Annex E. The Minimum Expenditure Obligation shall be deemed to have been met provided that the Minimum Work Obligations under Annex E are fulfilled.
- 6.3 Notwithstanding Article 6.2, Contractor shall invest the sums consistent with the amounts and timing contemplated in the relevant approved Plans, subject to the terms and conditions set forth in this Contract.
- 6.4 The performance of each Company and the fulfilment of its contractual and financial obligations under this Contract shall be guaranteed by an Affiliate in the form set out in Annex F where in the case of
- (a) ----- this shall be -----;
  - (b) ----- this shall be -----; and
  - (c) ----- this shall be -----.

Each such guarantee shall be effective as of the Effective Date and must be delivered

to ROC at Contract signing, and as provided in Article 28 in respect of assignees. Any such guarantee may be called by ROC on notice describing the default and issued to either Company in accordance with Annex F.

- 6.5 Ministry of Oil shall provide to Companies a guarantee through an instrument in the form set out in Annex F, to guarantee the performance of the State Partner, Transporter, ROC, SOMO and any other Iraqi State company in their fulfillment of their respective contractual and financial obligations under this Contract. Such guarantee shall be effective as of the Effective Date and must be delivered to Companies at Contract signing.
- 6.6 Substantial failure of Contractor to perform timely the levels of investment and to carry out the work contemplated in any approved Plan through the Operator shall lead to Contract termination in accordance with the provisions of Article 8.

**(End of Article 6)**

#### **ARTICLE 7 – ROC’S ASSISTANCE**

The Parties acknowledge that time is of the essence and as permitted by the Law ROC shall, in good faith, provide or procure the provisions of any approval, consent or review required under this Contract in a timely manner. In the event that Petroleum Operations are delayed, curtailed or prevented due to extended delays in acquiring necessary approvals, consents, entry visas, work permits or reviews under this Contract, clearing or demining operations, the Parties shall meet and agree appropriate remediation measures.

ROC shall:

- 7.1 provide Contractor with all available pertinent technical data, if any, (in addition to information provided to Companies during the bidding process) which may become available from time to time, to be used exclusively for Petroleum Operations;
- 7.2 provide Contractor with the inventory and equipment in its possession used in maintaining petroleum operations prior to the Effective Date;
- 7.3 provide Contractor within thirty (30) days of the Effective Date the available technical data, not already provided, related to the discovered but undeveloped reservoirs;
- 7.4 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 that a clearing operation is deemed necessary by either Party, Contractor shall prepare the respective work program for discussion with ROC prior to submission to the JMC for approval. Once such work program is approved by the JMC, Operator shall execute the de-mining work program through competent service providers and Contractor shall fund the related costs, which shall be considered as Supplementary Costs and recovered pursuant to Article 19;
- 7.5 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. ROC shall be solely liable for the conduct of all operations by the Iraqi armed forces and shall indemnify and hold Contractor harmless in respect of any liability or obligation due to any loss, damage, fee, compensation to any party for any acts or activities of the Iraqi armed forces or from being obliged to reimburse ROC for the cost and expense of providing security as contemplated herein. However, in the event that the Contractor, in its reasonable opinion and following consultation with ROC, considers the security provided for its personnel is inconsistent with its HSE policies, Best International Petroleum Industry Practices or inadequate to allow Petroleum Operations to be conducted safely and without threat to life, the Parties hereby agree supplementary measures shall be implemented by Contractor and FOD, as the case may be including, but not limited to, the engagement of competent private security providers licensed to operate in the Republic of Iraq, such costs being considered Petroleum Costs. Such arrangements shall be revised from time to time in response to changes in security conditions;

- 7.6 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 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, licences and renewals thereof, all for the purpose of conducting Petroleum Operations;
- 7.7 provide Contractor and Operator free of charge:
- (a) access to the Contract Area and to any other areas where Petroleum Operations are required;
  - (b) access to, and use of, water, including water for injection requirements, 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 it being agreed that costs relating to access to, and use of, water, including water for injection incurred outside the Contract Area shall be considered Supplementary Costs and recovered pursuant to Article 19.2 (c), or, at Contractor's option, could be considered Petroleum Costs. The Contractor shall be under no obligation to fund investments related to quantities of water in excess of those required for Petroleum Operations unless agreed otherwise;
  - (c) use of Petroleum for Petroleum Operations; and
  - (d) use of all existing wells and facilities related to the Field within the Contract Area.
- 7.8 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 the Parties.

**(End of Article 7)**

**ARTICLE 8 – TERMINATION**

8.1 Termination by ROC

- (a) ROC 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 is 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 ROC which is of material consideration for the execution of this Contract;
  - (ii) the last remaining Company assigns any interest, right or obligation under this Contract contrary to the provisions of Article 28; and
  - (iii) Contractor fails substantially to comply with approved Plans, Work Programs and Budgets.
- (b) If Contractor has remedied its breach pursuant to Article 8.1(a) within the three (3) Months' notice period, ROC shall consider the notice as ineffective and automatically revoked. If ROC reasonably believes that Contractor is doing its best to remedy the breach and its efforts look promising then ROC shall extend the notice period accordingly.
- (c) If ROC 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 ROC 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 ROC any unspent portion of the Minimum Expenditure Obligation, otherwise, ROC shall be entitled to recover such balance from Contractor by any means it may deem proper.
- (d) If Petroleum Operations are suspended or seriously jeopardized for a period exceeding twelve (12) consecutive Months due to Force Majeure, either ROC or Contractor may terminate this Contract by 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 ROC shall compensate Contractor for accrued but unpaid Supplementary Fees and Service Fees up to the date of termination.
- (e) If Contractor suspends its obligations in respect of Petroleum Operations by order or decree of the government of the home country of any of the Companies

or their parent companies, ROC 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, either Party shall have the right to terminate this Contract after giving the other Party two (2) Months written notice. Upon such termination, the provisions of Articles 8.1(c)(i), 8.1(c)(ii) and 8.1(c)(iii) 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 termination notice, Contractor gives ROC notice that it is able and willing to resume its obligations toward Petroleum Operations, ROC and Contractor shall agree on the best course of action to resume Contractor's obligations and on the payment by ROC of the outstanding Supplementary Fees and Service Fees that were due and payable to Contractor prior to the period of suspension. It is understood that Contractor shall not be entitled to any Supplementary Fees or Service Fees during the period of suspension.

- (f) Subject to Article 7, if Contractor fails to establish a normal presence in the Republic of Iraq, as manifested by the necessary personnel and equipment required to conduct Petroleum Operations within six (6) Months after the approval date of the Rehabilitation Plan, and in due consideration of Article 31.5, ROC 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.
- (g) The provisions of this Article 8.1 shall not prejudice Contractor's rights to refer any dispute in relation to the termination of this Contract to be resolved in accordance with Article 37.

## 8.2 Termination by Contractor:

- (a) If Contractor elects to terminate this Contract before the end of the Term, Contractor shall give ROC 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 ROC a further written notice of one (1) Month. Upon such termination the provisions of Article 8.1(c) shall apply.
- (b) In the event of termination of this Contract (whether by ROC or by Contractor), in accordance with this Article 8, Contractor hereby warrants that it shall not obstruct, hinder or otherwise interfere in anyway with Petroleum Operations by ROC or any third party.
- (c) The provisions of this Article 8.2 shall not prejudice ROC's rights to refer any dispute in relation to the termination of this Contract to be resolved in accordance with Article 37.

## 8.3 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.

- 8.4 In the event of the Contract being declared by any competent Iraqi authority invalid or voided under the Law, ROC hereby indemnifies and holds Contractor harmless for any and all costs actually incurred by Contractor, including, demobilisation costs, Petroleum Costs, Supplementary Costs paid by Contractor but not recovered, Remuneration Fees accrued but not paid at the date this Contract is declared invalid or voided and penalties, fines, levies, if any, imposed on Contractor under the Law.

**(End of Article 8)**

## **ARTICLE 9 – CONDUCT OF PETROLEUM OPERATIONS**

- 9.1 The Parties acknowledge that all measures and precautions shall be taken to safeguard against any possibility of interruption in the ongoing production from the Field as a result of activities under this Contract. For this purpose and for building upon the long experience of the existing operating manpower unit in the Field, and for securing the continuity of the necessary support by ROC, Contractor and ROC agree to the set up of the Field Operating Division or FOD. The FOD shall inherit the existing manpower unit, which shall be detached from ROC, to conduct Petroleum Operations.
- 9.2 To guard against any interruption in production from the Field, ROC shall continue to conduct Petroleum Operations until the FOD is established and takes over the conduct of Petroleum Operations. As from the Effective Date, ROC shall operate the Field in close coordination and consultation with Contractor; all under the supervision and control of the JMC. During the interim period while ROC is continuing to operate the Field, ROC shall hold Contractor harmless against any loss or damage caused by non-performance or breach by ROC of Best International Petroleum Industry Practices or the terms of this Contract. All costs paid by ROC for activities related to the Petroleum Operations after the Effective Date shall be reimbursed by the Contractor. The Contractor shall treat such reimbursements as Petroleum Costs.
- 9.3 Should permission be granted to third parties to operate within the Contract Area, such as for operations that are not related to Petroleum Operations and/or petroleum operations for the reservoir(s) that are excluded under Article 2.3 or those relinquished pursuant to Article 5, or for sole-risk operations under Article 12.6, if any, ROC shall take necessary measures to ensure that such operations within the Contract Area shall not obstruct, hinder, or unduly interfere with Petroleum Operations. ROC shall indemnify and hold Contractor harmless of any damage, cost, or delay caused by or resulting from any such third party operations.
- 9.4 Contractor shall appoint one of the Companies to serve as Lead Contractor. Hence, the Lead Contractor upon the Effective Date shall be ----. Contractor shall not change the Lead Contractor without prior written consent of ROC. As from the Effective Date, the Lead Contractor shall take a substantial role in all planning, decision-making and activities to ensure the efficient conduct of Petroleum Operations by ROC and shall represent Contractor in all matters related to the set-up of the FOD, all in accordance with approved Development Plans, Work Programs and Budgets, and Addendum Three.

- 9.5 Immediately following the Effective Date the ROC shall deliver to the Contractor and shall co-operate to refine, and agree no later than thirty (30) days thereafter, an interim Work Program and Budget capable of lasting until sixty (60) days after the approval of the Rehabilitation Plan.
- 9.6 Within thirty (30) days of the Effective Date, the Parties shall jointly commence setting up the FOD, which shall take over the conduct of Petroleum Operations under the general supervision and control of the JMC; all in accordance with this Contract, approved Plans, Work Programs and Budgets, and Addendum Three.
- 9.7 Promptly following the setting up of the FOD, the Contractor and ROC shall commence preparation of a plan and procedure for the transfer of direct operatorship from ROC to FOD, taking into consideration that the transfer plan shall include but not be limited to:
- (a) a list of the various positions to be taken over by the FOD;
  - (b) a schedule of transfer stages pursuant to which transfer shall be completed within twelve (12) Months of the Effective Date;
  - (c) inventories of the relevant facilities, equipment, documents, manuals, data and information necessary for the Petroleum Operations; and
  - (d) a list of the activities, facilities and infrastructure that will remain under the direct management and responsibility of ROC.
- 9.8 In accordance with the transfer schedule established in Article 9.7(b), ROC shall transfer to and do all things necessary to allow FOD to operate all facilities and equipment relating to Petroleum Operations and retain all documents, manuals, data and information regarding the use and operation of such facilities and equipment so that FOD personnel are able to manage and handle such facilities and equipment in accordance with Best International Petroleum Industry Practices applicable on the date on which such facilities and equipment are transferred. ROC shall keep managing and funding the common activities and facilities that remain under its direct responsibility, as per Article 9.7(d) above, in close coordination and consultation with the FOD.
- 9.9 The transfer of the accounting and financial aspects shall be handled in accordance with Article 12 of Annex C attached hereto.
- 9.10 After the FOD has taken over conduct of Petroleum Operations and has become Operator and in accordance with the authorities of the Joint Management Committee as set out in Article 13.2 Contractor shall supervise, direct and manage all the planning, decisions, surveillance, and day-to-day conduct of Petroleum Operations by the FOD, as set forth in more detail in Addendum Three. In general, Contractor shall make available appropriate managerial and technological skills and personnel to the FOD to ensure that Petroleum Operations can be performed in accordance with Best International Petroleum Industry Practices. In particular, Contractor shall prepare and submit for approval the Rehabilitation Plan and Enhanced Redevelopment Plan and their Revisions, and all annual Work Programs and Budgets and their Revisions. The establishment of the FOD shall in no way relieve Contractor of its obligations to achieve the production targets under this Contract.
- 9.11 It is understood that any commitments entered into by ROC prior to the Effective Date

that cover activity in support of the Minimum Work Obligations shall be funded by Contractor, which funding shall be Petroleum Costs. However, Contractor shall have the right to review these commitments and, following consultation with ROC, may request ROC to terminate such commitments subject to the provision of suitable alternative arrangements put in place by Contractor or FOD, as the case may be.

- 9.12 Not later than the twentieth (20<sup>th</sup>) day of each Calendar Month, the Operator shall furnish Contractor with a detailed written estimate of its total cash requirements for the succeeding Calendar Month expressed in Dollars, in accordance with approved Work Programs and Budgets.
- 9.13 Such estimate shall take into consideration any forecast cash balance at Calendar Month end. Payment by Contractor for the succeeding Calendar Month shall be made directly to the correspondent bank designated in Article 9.14 below 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.
- 9.14 Each of Operator and Contractor are authorized to keep, at their own disposal, abroad the foreign funds advanced by Contractor, in an account opened with a first class international bank. Interest or similar income generated by the account shall be credited to the account. Withdrawals from said account shall be used to pay for goods and services abroad and to transfer 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.
- 9.15 Operator shall diligently conduct Petroleum Operations in compliance with the Law, and in accordance with Best International Petroleum Industry Practices.
- 9.16 Operator's activities aboveground and underground shall be designed to achieve efficient and safe production of Petroleum. Operator shall ensure that all materials, equipment, and facilities used in Petroleum Operations comply with generally accepted engineering norms, are of proper and acceptable construction, and are kept in good working order throughout the Term. The Parties shall at least one (1) Year before the expiry of this Contract agree on a detailed procedure for handing-over the Field and related facilities to ROC as a going concern.
- 9.17 Operator shall in accordance with the Law and Article 41 take all appropriate and necessary measures to safeguard the environment and prevent or minimise the effect of any pollution which may result from Petroleum Operations.
- 9.18 Each of Contractor, ROC 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. Contractor and Operator shall develop procedures and guidance documents to secure compliance with the above.

9.19 Operator shall conduct Petroleum Operations in accordance with the provisions of this Contract, and under the general supervision and control of the JMC.

9.20 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 FOD, adhere to employment and training programs which shall aim at the Iraqization of Operator's manpower pursuant to a plan to be submitted by the Operator and approved by the JMC; no later than three (3) Years from the Effective Date;
- (c) utilize Sub-Contractors and suppliers of proven capability and professional experience on competitive basis, and in accordance with the tendering procedures established pursuant to Article 9.22(c); subject to the provisions of Article 29, keeping JMC informed accordingly. Any purchase order and sub-contract shall be in accordance with approved Work Programs and Budgets;

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

- (i) by FOD up to or equal to twenty million USD (US\$20,000,000) in value;
  - (ii) by JMC if exceeding twenty million USD (US\$20,000,000) and up to or equal to one hundred million USD (US\$100,000,000) in value;
  - (iii) by ROC if exceeding 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 ROC exceeds forty five (45) days then approval of any such purchase order or sub-contract is deemed to have been provided by ROC. If ROC 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 ROC.

9.21 Operator shall place fixtures and installations inside and outside the Contract Area, as shall be necessary to carry out Petroleum Operations, in accordance with the approved Plans. Fixtures and installations relating to 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 Crude Oil Transfer Agreement.

9.22 Promptly after the Effective Date, but not later than six (6) Months thereafter, Contractor 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. Salaries and terms of employment of Iraqis shall be determined by consultation between ROC and Contractor subject to the Law; ;
- (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), taking into account, where applicable, the provisions of this Contract, Best International Petroleum Industry Practices, and the Law; and
- (d) detailed accounting system to be adopted by Contractor and Operator based on the provisions of Annex C.

**(End of Article 9)**

#### **ARTICLE 10 – ASSOCIATED GAS**

- 10.1 Associated Gas shall not be flared except pursuant to the Law, and as provided herein.
- 10.2 Operator may use, free of charge and on a priority basis, the quantity of Associated Gas necessary for Petroleum Operations including for re-injection into the reservoir(s) for the purpose of pressure maintenance, enhanced recovery or temporary storage, and for power generation.
- 10.3 All Associated Gas produced from the Field, which is not used in Petroleum Operations pursuant to Article 10.2 shall be delivered unprocessed to ROC, at the outlet of the relevant crude oil separators or such other point as Contractor and ROC may agree. Contractor shall be under no obligation to provide compression or treatment facilities for Associated Gas, unless otherwise agreed by the Parties in an approved Plan.
- 10.4 If requested by ROC Contractor shall submit to the JMC, as part of any Plan, a proposal for economically and technically feasible schemes for the utilisation, and/or disposal of all the excess Associated Gas not used in Petroleum Operations. Contractor shall be under no obligation to implement such schemes unless otherwise agreed by the Parties in an approved Plan.
- 10.5 Quantities of Associated Gas made available to, but not received by ROC, may be flared. Upon prior consent of ROC, Operator may flare Associated Gas; provided, however, that the period and volume of Associated Gas flaring shall be kept to the absolute minimum. Associated Gas may also be flared in limited quantities for testing and maintenance purposes and in emergency cases.
- 10.6 If agreed in an approved Plan Contractor shall finance and/or through the Operator build Transportation Facilities downstream of the delivery point set out in Article 10.3.

Transportation Facilities built by Operator related to the transportation of Associated Gas beyond the delivery point set out in Article 10.3 shall be handed over upon completion and commissioning to the relevant Iraqi entity designated by ROC, which shall thereafter be responsible for the operation and maintenance thereof.

- 10.7 All costs and expenses incurred by Contractor in connection with the production, re-injection, treatment, transportation, delivery, and disposal of Associated Gas within the Contract Area shall be recovered as Petroleum Costs. All costs and expenses incurred by Contractor in connection with Articles 10.3, 10.4 and 10.6 shall be considered Supplementary Costs.
- 10.8 The Natural Gas Liquids (NGL) resulting from infield Associated Gas condensation or extraction processes, if any, that are delivered to ROC where one Barrel of NGL is equivalent to one Barrel of Crude Oil for the purposes of Remuneration Fee under Article 19.5.

**(End of Article 10)**

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

- 11.1 Promptly after the Effective Date, and in any case not later than six (6) Months thereafter, Contractor shall prepare and submit for JMC approval the Rehabilitation Plan, based on the available knowledge of the Field including a detailed Work Program and Budget for the remainder of the current Calendar Year. While focusing on near-term Petroleum Operations related to additional Appraisal activities and increased production from the Field, the said Plan shall also anticipate the overall targets and phases of redevelopment of the Field for the Term. The Rehabilitation Plan shall particularly include:
- (a) a "Remedial Program" for the immediate and near-term actions to be taken to halt any non-optimal operations, to arrest production decline, and to achieve a sustainable and improved production rate pursuant to Article 2.2(a)(i), all in accordance with Best International Petroleum Industry Practices; and
  - (b) an "Additional Appraisal Program" for the currently producing as well as the discovered but undeveloped reservoir(s) in the Contract Area which require and justify further Appraisal works, 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 Additional Appraisal Program is aimed at acquiring technical data required to conceive the Enhanced Redevelopment Plan.
- 11.2 Contractor shall prepare 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, estimated cost, duration of each operation, estimated monthly rate of production for each reservoir in the Contract Area. Annual Work Programs shall also include forecasts of yearly activities including costs 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.

- 11.3 Within six (6) Months after the completion of the Additional Appraisal Program, but no later than three (3) Years from Effective Date, Contractor shall submit for approval the Enhanced Redevelopment Plan, which shall, upon endorsement by ROC, supersede the Rehabilitation Plan.
- 11.4 Contractor and Operator each in accordance with their respective roles under the provisions of this Contract shall conduct Petroleum Operations in a manner that is designed to achieve the Improved Production Target as soon as possible but no later than the end of the Rehabilitation Period, and the Plateau Production Target no later than six (6) Years after the Effective Date. The Enhanced Redevelopment Plan (and any Revision) submitted by Contractor for approval must contemplate achieving the Plateau Production Target within the designated time periods.
- 11.5 Contractor may further prepare and submit for ROC's endorsement Revisions of the Enhanced Redevelopment Plan as deemed necessary.
- 11.6 All Plans and production schedules shall be based on sound geological, reservoir, engineering and economical principles, all in accordance with Best International Petroleum Industry Practices and with the objective of optimizing production and maximizing the volume of Petroleum to be produced from the Contract Area.

**(End of Article 11)**

## **ARTICLE 12 – APPROVAL OF DEVELOPMENT PLANS AND WORK PROGRAMS**

- 12.1 Following the establishment of the FOD, no Petroleum Operations shall be carried out unless and until the relevant Work Program and Budget, Plan, or their Revisions have been duly approved.
- 12.2 Contractor shall prepare and submit to the JMC in a timely manner its proposals concerning the Plans, or their Revisions, as well as the associated annual Work Programs and Budgets, and any administrative, accounting or other operating procedures, complete with supporting studies, data and information, for approval in accordance with the following procedure:
- (a) within fourteen (14) days of receiving Contractor's proposal or revised proposal, in respect of annual Work Programs and Budgets, and any administrative, accounting or other operating procedures, the JMC shall review and shall either approve the proposal or return it to 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 for approval;
  - (b) within twenty (20) days of receiving Contractor's proposal or proposed Revision in respect of Development Plans the JMC shall review the proposal and pass it to ROC for endorsement or return to the Contractor with recommended changes. Contractor shall amend the proposal and re-submit it to the JMC for approval no later than thirty (30) days thereafter;
  - (c) within thirty (30) days of receiving a Development Plan from the JMC, the ROC

shall advise Contractor and the JMC of its endorsement or rejection. In the event of a rejection ROC shall provide written advice as to the reasons for its rejection;

- (d) it is understood that the Parties shall use their best endeavours to expedite the approval process through close interaction and consultation, and, if necessary, through the intervention of their senior managements;
- (e) if line items of an annual Work Program or Budget remain unresolved after submission to senior management the Parties agree that the Operator will be authorized to act as though the most recent submission by the Contractor has been approved until such time as final resolution of disputed items has occurred; and
- (f) time periods in this Article 12.2 shall be subject to appropriate extensions corresponding to any delay resulting from Force Majeure or as otherwise agreed between the Parties. In either case, if the total period taken for approval and endorsement by ROC of the Rehabilitation Plan or the Enhanced Redevelopment 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, it shall be implemented by Operator under the general supervision and control of the JMC in accordance with the authorities set out in Article 13.2. Operator may make minor changes to the details of an approved Work Program and Budget, provided, however, such changes shall not change the budgeted amount for each major line item by more than ten percent (10%), change the total approved Budget by more than five percent (5%), or alter the general objectives of the Work Program. Otherwise, the change shall be considered a Revision of said Work Program or Budget requiring JMC's prior approval unless such changes are warranted due to emergency or extraordinary circumstances requiring immediate action, including but not limited to safeguarding lives or property, protection of the environment or health reasons. Such changes shall be reported by Operator to the Parties and the JMC within five (5) working days.

12.4 Any modification to an approved Plan that alters its general objectives or changes its total estimated cost by more than ten percent (10%), shall be considered a Revision of said Plan and shall be subject to approval in accordance with this Article 12.

12.5 ROC shall have the right to review the proposed or target level of production in respect of any proposed or approved annual Work Program and may, with reasonable justification and upon written notification, require Contractor and 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) to minimize Associated Gas wastage, provided however ROC shall, at all times, use best endeavours to take all Associated Gas;
- (c) for safety consideration;
- (d) for operational consideration;

- (e) for Government imposed curtailment; and
- (f) for curtailments due to failure of Transporter to receive Net Production at the Transfer Point through no fault of Contractor or Operator.

In case reduction of production of Crude Oil is applied as per Articles 12.5(e), ROC shall apply such reduction in a non-discriminatory manner to all of its and its Affiliates' production from the Republic of Iraq. Contractor and Operator shall comply with such reduction upon receipt of notification from ROC to this effect. During the periods when the rate of production is decreased due to minimising Associated Gas wastage under Article 12.5(b), production curtailment imposed under Article 12.5(e) or Article 12.5(f), the Remuneration Fee Bid adjustment under Article 19.5(e) shall cease to apply. Immediately after such ROC notice of minimizing Associated Gas wastage or production curtailment 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 Field 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 decreased under Article 12.5(b) or curtailed under Article 12.5(e) or Article 12.5(f).

- 12.6 ROC may, at any time, by written notice, request Contractor and Operator to execute specific works or build specific facilities not included in the currently approved Plan or Work Program. Within ninety (90) days of receiving such notice, Contractor and Operator shall amend the relevant Plan or Work Program and Budget accordingly. All costs associated with the construction and operation of the additional facilities or works paid for by the Contractor shall be considered Supplementary Costs. If Contractor decides not to share the possible risks and rewards of such works and facilities in accordance with this Contract, the expenditure incurred shall be borne by ROC, and the said works shall be conducted by and for ROC'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, a joint management committee, referred to herein as the "Joint Management Committee" or "JMC", for the purpose of general supervision and control of Petroleum Operations. The JMC shall consist of eight (8) members. ROC shall nominate four (4) members, including the Chairman. Contractor shall nominate four (4) members, including the Deputy Chairman and the Secretary. 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 The JMC 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, Budgets and production schedules, and any Revisions thereof;

- (c) review and approval of operating procedures prepared pursuant to Article 9;
  - (d) review and/or approval of the award of sub-contracts and purchase orders as applicable pursuant to Article 9;
  - (e) approval of training programs and Iraqization plans for developing Iraqi personnel pursuant to Articles 9 and 26;
  - (f) supervision and control of the implementation of approved Plans and Work Programs and the overall policy of Operator in accordance with Article 9.10;
  - (g) review and approval of manpower strength and organisation chart of Operator;
  - (h) review of Quarterly statements, annual accounts and other financial statements;
  - (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; and
  - (j) recommendation of the appointment of the independent international auditor as per Article 20.
- 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 unanimous decision in respect of any issue, then the issue shall be promptly referred to the senior management of the Parties for resolution. 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 Operator to the Parties.
- 13.4 The 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 (4) times each Calendar Year. 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. Contractor through the 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, on seven (7) days prior notice other than in the case of an urgent action, add any matter related to Petroleum Operations not listed by Operator to any JMC meeting agenda.
- 13.5 The 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 costs incurred by Contractor and approved by the JMC for carrying out JMC or sub-committee duties shall be considered as Petroleum Costs.
- 13.7 Decisions made by JMC 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 ROC.
- 14.2 Contractor and Operator shall provide ROC, 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 ROC, original material. Where such material is capable of reproduction or division and originals have been delivered to ROC, Contractor and Operator may export samples or other reproduced material for processing or laboratory examination or analysis, taking into consideration whether such analysis can be conducted in the Republic of Iraq. Contractor and Operator shall guarantee their proper handling and keeping, and that such exports shall be returned to the Republic of Iraq within a maximum period of three (3) Months from the date of completion of any study, analysis or processing thereof, except for the consumable samples and materials.
- 14.4 Contractor and Operator shall save and keep in the Republic of Iraq, for a minimum period of one (1) Year, representative portions of each sample of cores and cuttings taken from drilled wells, to be disposed of or forwarded in a manner directed by ROC.
- 14.5 Contractor shall work with ROC to establish 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 once the FOD is established report in writing to ROC 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 Operator has operated;
  - (c) account of the expenditure on Petroleum Operations in accordance with the Accounting Procedure; and
  - (d) maps indicating all bore-holes, wells and other Petroleum Operations.
- 15.3 Contractor and Operator shall prepare at all times during the Term accurate and current records of their operations. Such records shall be maintained by Contractor and Operator in accordance with procedures to be established by the JMC 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 Duly authorised inspectors of ROC shall, upon written prior notice to the Operator and Contractor, have access to the Contract Area and any other area where Petroleum Operations are being carried out, for the purpose of inspection of the same. Such inspectors may examine the books, registers and records of Operator and may require Operator to make a reasonable number of surveys, drawings, tests and the like for the purpose of enforcing the provisions of this Contract. They shall, for this purpose, be entitled to make reasonable use or inspection of devices, machinery and instruments used for measurement and other Petroleum Operations. The inspectors shall make all reasonable efforts to conduct any inspection in a manner that will result in a minimum of inconvenience and interruption to the Petroleum Operations, and the inspectors shall always take due account of the advice from the Operator and the Contractor when conducting the inspections. Such inspectors shall be given assistance by the agents and employees of Operator to facilitate the objectives of their task and to avoid endangering or hindering the safety or efficiency of Petroleum Operations. Operator shall offer such inspectors all privileges and facilities afforded to its own staff in the Field and shall provide them, free of charge, with reasonable office space and adequately furnished housing and lodging while they are in the Field whether on temporary or permanent basis.
- 16.2 Competent Government authorities shall have access to the Contract Area and to the operations conducted thereon 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 CRUDE OIL/ EXPORT OIL**

- 17.1 The volume and quality of Crude Oil shall be measured at a Production Measurement Point, immediately upstream of the Transfer Point. The location of the PMP and TP shall be specified in the approved Rehabilitation Plan so as to be within or close to the Contract Area.
- 17.2 In accordance with Addendum Two, the Operator shall deliver Net Production to Transporter at the Transfer Point. The transportation of Crude Oil from the Transfer Point to the Delivery Point shall be carried out by the Transporter, under the terms of Addendum Two and the Crude Oil Transfer Agreement. Transporter shall act exclusively on behalf of ROC, and the Contractor and Operator shall have no liability or obligations in respect of the transportation of Crude Oil from the Transfer Point to the Delivery Point, except as set forth in Annex E.

Where production from the Contract Area is curtailed or suspended, other than for minor service outages, through failure of Transporter to receive the same at the Transfer Point through no fault of the Operator or Contractor, the Parties shall meet and agree, as soon as possible, appropriate measures to compensate the Contractor in accordance with Article 12.5.

- 17.3 Methods and procedures for measurement of volume and quality of Crude Oil at the Transfer Point shall be as per Addendum Two and the Crude Oil Transfer Agreement. 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 Crude Oil may be commingled with crude oil produced from other fields. If Contractor chooses to receive Supplementary Fees or Service Fees in the form of Export Oil, the quality of Export Oil that may be lifted by Contractor at the Delivery Point shall be any available standard Iraqi export blend of nearest quality to that produced from the Field.
- 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, Annex C and Addendum Four.
- 17.6 If agreed in an approved Plan, Contractor shall finance and/or through the Operator build Transportation Facilities downstream of the Transfer Point. In the event that Contractor finances and/or builds such Transportation Facilities, they shall be handed over to the Transporter upon completion and commissioning.
- 17.7 Any cost and expenses incurred by Contractor pursuant to Article 17.6 shall be considered as Supplementary Costs.

**(End of Article 17)**

**ARTICLE 18 – VALUATION OF EXPORT OIL**

- 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:
- 18.2.1 the Month of loading for such quantity;
  - 18.2.2 the quality and Delivery Point for such quantity; and
  - 18.2.3 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 actualising 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 liftings) 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 – SUPPLEMENTARY FEES AND SERVICE FEES**

- 19.1 For the Petroleum Operations performed under this Contract, Contractor is entitled to Supplementary Fees and Service Fees. In accordance with this Article 19, Supplementary Fees shall be comprised of Supplementary Costs. Service Fees shall be comprised of Petroleum Costs and a Remuneration Fee.
- 19.2 Supplementary Costs

Contractor shall start charging Supplementary Costs to the Operating Account as from the Effective Date, in accordance with this Contract and the Accounting Procedure but the same shall be due and payable according to the following:

- (a) the signature bonus paid under Article 4 shall be amortized and recovered over twenty (20) equal Quarterly payments beginning with the ninth Quarter following the Quarter in which the Effective Date occurs;

- (b) de-mining costs incurred pursuant to Article 7.4 shall accrue and be recovered over eight (8) equal Quarterly payments beginning with the first Quarter following the date on which de-mining costs start being incurred;
- (c) costs or expenses incurred pursuant to Articles 7.7 (b), 10.4, 10.6, 12.6, and 17.6 for additional facilities shall accrue and be payable beginning in the first Month of the Calendar Quarter following their payment date;
- (d) costs or expenditures incurred pursuant to Article 41.16 for remediation of pre-existing environmental conditions shall accrue and be payable beginning in the first Month of the Calendar Quarter following their payment date; and
- (e) outstanding balances on all Supplementary Costs shall bear interest at LIBOR plus one percent (1%) from the date when Supplementary Costs are 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.

### 19.3 Supplementary Fees

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

- (a) Supplementary Fees shall be deemed to cover all amounts due to Contractor for Supplementary Costs.
- (b) Supplementary Fees shall become due and payable as detailed in Article 19.2 and shall be paid to the extent of ten percent (10%) of the deemed revenues of the Baseline Production.
- (c) Any due and payable Supplementary Fees that remain unpaid in respect of any Calendar Quarter shall be carried forward and paid in succeeding Quarter(s) until fully paid.
- (d) ROC reserves the right at any time by notice to Contractor to decrease the amortization periods specified in Articles 19.2(a) and 19.2(b), and/or increase the percentage of Baseline Production specified in Article 19.3(b).

### 19.4 Petroleum Costs

Contractor shall start charging Petroleum Costs to the Operating Account as from the Effective Date, in accordance with this Contract and the Accounting Procedure, but the same shall be due and payable only after the Service Fees Eligibility Date.

19.5 Remuneration Fee

Contractor shall become entitled to the Remuneration Fee and shall start charging the same to the Operating Account only after the Service Fees Eligibility Date.

- (a) For each Calendar Quarter, commencing with the Calendar Quarter following the Quarter in which the Service Fees Eligibility Date occurs, the Remuneration Fee shall be an amount equal to the product of the Remuneration Fee per Barrel applicable to such Quarter, multiplied by the Incremental Production applicable to such Quarter and subject to the performance adjustment in Article 19.5(e).
- (b) The Remuneration Fee per Barrel of Crude Oil applicable for all Calendar Quarters during any given Calendar Year shall be determined on the basis of the R-Factor calculated at the end of the preceding Calendar Year for the Field as follows:

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

- (c) For the purposes of calculating Baseline Production and Incremental Production, the Baseline Production Rate for any Quarter, expressed to the nearest Barrel of oil per day, will be calculated according to the product of the Initial Production Rate and a Decline Factor for that Quarter according to the formulae:

$$BPR_n = IPR * DF_n$$

and

$$DF_n = DF \text{ raised to the power } ((n)/4)$$

where:

$$BPR_n = \text{Baseline Production Rate for Quarter } n$$

$$IPR = \text{Initial Production Rate}$$

$$DF_n = \text{Decline Factor for Quarter } n$$

$$n = \text{Number of the Quarter following the Quarter in which the Effective Date occurs}$$

$$DF = 0.95$$

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

For the purposes of calculating the R-Factor:

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

- (i) Service Fees paid to Contractor as provided in Articles 19.6; plus
- (ii) any Contractor's incidental income (of the type specified in the Accounting Procedure) arising from Petroleum Operations; and

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 Year of:

- (i) Petroleum Costs; plus
  - (ii) Training, Technology and Scholarship Fund as per Article 26. For the avoidance of doubt, this expense is included as Expenditures for purposes of determining the R-Factor, but shall not be Petroleum Costs.
- (e) During the Plateau Production Period the Remuneration Fee payable in respect of any Quarter shall be adjusted by multiplying it by the Performance Factor. However, any adjustment to the Remuneration Fee under this Article may cease to apply in accordance with Article 12.5 in relation to: (i) minimizing Associated Gas wastage (under Article 12.5(b)); (ii) Government imposed production curtailment (under Article 12.5(e)); and/or (iii) where normal production is curtailed or suspended through failure of Transporter to receive the same at the Transfer Point through no fault of the Operator or Contractor (under Article 12.5(f)).

#### 19.6 Service Fees

- (a) The Service Fees due to Contractor shall be paid without interest, in Export Oil at the Delivery Point or, at Contractor's option, in cash, in USD, within sixty (60) days of the submission of an invoice pursuant to Article 9 of the Accounting Procedure. For payment of Contractor's entitlement in Export Oil, the Export Oil Price shall be determined in accordance with Article 18. Contractor shall notify ROC of its election whether to receive Service Fees in cash or in Export Oil no later than the end of the Rehabilitation Period and thereafter annually seven (7) months prior to the commencement of each Calendar Year or ROC is unable to pay the Service Fees in Export Oil for any reason whatsoever then payment shall be made in cash.
- (b) The Service Fees and Supplementary Fees shall be deemed to cover all costs, expenses, liabilities and remuneration to Contractor under this Contract. ROC shall not be obliged to pay any other compensation whatsoever to the Contractor for the fulfilment of its obligations under this Contract unless otherwise provided for under this Contract.
- (c) Service Fees shall become due and payable starting with the first Calendar Quarter following the Quarter in which the Service Fees Eligibility Date occurs

and shall be paid to the extent of fifty percent (50%) of the deemed revenues of the Incremental Production. It is understood that payment of due and payable Petroleum Costs shall have priority over the payment of due and payable Remuneration Fees.

- (d) Any due and payable Service Fees that remain unpaid in respect of any Calendar Quarter shall be carried forward and paid in succeeding Quarter(s) until fully paid.
- 19.7 For the purpose of calculating the Supplementary Fees and Service Fees only, the Baseline Production and Incremental Production of Crude Oil under Articles 19.3 (b) and 19.6 (c) shall be valued at the Provisional Export Oil Price, pursuant to Articles 17 and 18.
- 19.8 Subject to Article 8, any due and payable Supplementary Fees and Service Fees that remain outstanding at the expiry or termination of this Contract shall become immediately due and payable within thirty (30) days thereof, or under such other terms as may be agreed by the Parties.
- 19.9 In case the Supplementary Fees or Service Fees are paid in Export Oil, ROC shall arrange with SOMO to deliver to Contractor at the Delivery Point an amount of Export Oil, at the relevant Export Oil Price, equivalent to the amount of Supplementary Fees or Service Fees owed and payable hereunder. Contractor's Quarterly lifting of Export Oil shall be estimated in advance on the basis of Supplementary Fees and Service Fees due and payable in the Lifting Quarter, unpaid Supplementary Fees or Service Fees carried forward, production schedule and Provisional Export Oil Price. Contractor's final lifting shall be adjusted on the basis of actual amounts of Supplementary Fees or Service Fees owed as computed under this Article 19, and on the applicable Export Oil Price in accordance with the provisions of Article 18, Annex C and Addendum Four.

**(End of Article 19)**

## **ARTICLE 20 – BOOKS OF ACCOUNT, ACCOUNTING AND AUDIT**

- 20.1 Contractor and Operator shall maintain at their business offices in the Republic of Iraq books of account, in accordance with the Accounting Procedure, generally accepted accounting principles used in the international petroleum industry, and such other books, records and original supporting documents necessary to show the work performed and expenditures and costs incurred including the quantity and value of all Petroleum produced, saved, and delivered as well as the quantity and value of Export Oil received by Contractor at the Delivery Point.
- 20.2 Contractor and Operator shall keep books of account and accounting records in Dollars and in the English language. Contractor and Operator shall also prepare and keep an Arabic summary of the main items of these books of account and accounting records.
- 20.3 Operator shall furnish to the Parties or their designees 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 the Parties and shall be signed by the

authorised representative of Operator or his deputy and delivered to the Parties or their designees 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 costs is correct;
  - (b) the costs are in accordance with this Contract;
  - (c) the costs are properly classified in accordance with the expenditure classification;
  - (d) documentation exists to justify such costs and expenditures; and
  - (e) no evidence exists of fraudulent records and accounts in respect of the costs incurred.
- 20.5 Contractor shall, within forty five (45) days after the end of each Quarter, submit to ROC a statement of Supplementary Costs and Petroleum Costs showing costs incurred by Contractor during such Quarter, and when applicable a statement for cost recovery for that Quarter as per Annex C.
- 20.6 Contractor and Operator shall submit to ROC 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 ROC 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, ROC has not advised Contractor and Operator of its objections, the said books, records and supporting documents shall be considered approved. Audits conducted by auditors appointed under Article 20.4, the Iraqi Supreme Auditing Board or ROC shall be conducted in accordance with generally accepted accounting principles used in the international petroleum industry.
- 20.8 If the ROC has an objection to any costs or expenses as reported and invoiced by the Contractor, the ROC will notify the Contractor of its objection in writing but shall pay both the disputed and undisputed amounts pending resolution of the matter. Within one (1) Month from the date of Contractor's receipt of ROC's objection, Contractor and ROC 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 three (3) Months following their appointment, provide their solution to the dispute that is in line with the provisions of this Contract and Annex C. Failing such settlement, either Party may refer the matter to arbitration pursuant to Article 37.
- 20.9 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 authorised 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 under this Contract in freely convertible foreign currencies supplied from abroad.
- 21.3 Contractor and Operator are authorized to open and operate accounts in foreign banks outside 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 any 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 the Republic of Iraq 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 or 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 ROC upon their landing in the Republic of Iraq.
- 22.2 Notwithstanding the above, Contractor and Operator shall be entitled to the full and free use of such assets for the purpose and Term of this Contract. During the Term, ROC 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 or Operator or belonging to Sub-Contractors who perform services or carry out works in connection with Petroleum Operations. Contractor and Operator and non-Iraqi Sub-Contractors may import such equipment on a temporary basis. Unless otherwise agreed by ROC, such equipment shall be re-exported from the Republic of Iraq subject to the provisions of Article 25, as and when they are 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 corporate income tax in accordance with the Law.
- 23.2 In no event shall ROC be liable under this Contract for any taxes payable by Companies outside of the Republic of Iraq.
- 23.3 For the avoidance of doubt, it is the understanding of the Parties that the sole tax liability of Contractor under this Contract shall not exceed corporate income tax levied at a rate not to exceed thirty five percent (35%) of Contractor's taxable profit under the Law which shall, as between the Contractor and ROC, be deemed to be the Remuneration Fee received during the relevant Tax Year calculated in accordance with Article 19.5 ("Contractor's Income Tax Liability").
- 23.4 In the event Contractor is subject to any demand to pay other taxes (other than or in excess of Contractor's Income Tax Liability) ROC shall bear and pay on behalf of each entity constituting Contractor all such other or additional taxes and shall indemnify and hold each entity constituting Contractor harmless against any and all liabilities relating to the payment of such other or additional taxes.

(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 this Contract be construed as creating, any mining partnership, joint venture, commercial partnership or other partnership between the Parties.
- 24.2 Except for the period when ROC is Operator or as otherwise provided in this Contract, Contractor shall indemnify and hold ROC 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 and/or their Sub-Contractors in their conduct of Petroleum Operations. All costs incurred by Contractor to indemnify and hold ROC harmless as aforesaid shall be considered as Petroleum Costs except in the case of Gross Negligence or Wilful Misconduct on the part of the Contractor and/or Operator and/or their Sub-Contractors.
- 24.3 Except for the period when ROC is Operator and in respect of the Contract Area, Contractor shall be liable for any loss of or damage to any installations belonging to ROC or any third party arising from Gross Negligence or Wilful Misconduct of Contractor and/or Operator or their Sub-Contractors.
- 24.4 Notwithstanding the foregoing, under no circumstances shall Contractor, its Affiliates or Operator be liable to ROC, its Affiliates or any third party, for consequential or indirect damages, losses, expenses or liabilities, loss of profit, loss of production, reservoir or formation damage or other losses whether or not similar to the foregoing and

howsoever arising.

- 24.5 Contractor shall establish an insurance plan, to be approved by the ROC, for its operations hereunder and obtain the insurance policies in favour of ROC and/or Contractor, as provided for in accordance therewith. Such insurances 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/or Operator shall ensure that Sub-Contractors adequately insure their risks under their relevant sub-contracts.
- 24.6 Such insurance plan shall require that the Contractor obtains and maintains insurance from an Iraqi insurance company or foreign insurance company permitted to conduct business in the Republic of Iraq to cover the risks associated with the Petroleum Operations and any other activities related thereto and as may be required by Law during the Term, including third party liability and environmental damage and injury, where such coverage is available in the Republic of Iraq and available 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 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 or reinsurance obtained and maintained by Contractor and/or Operator whether obtained inside or outside the Republic of Iraq and any amounts paid for deductibles, losses, or claims in excess of such insurances and not attributable to the Gross Negligence or Wilful Misconduct of Contractor or Operator or their Sub-Contractors under this Contract shall be considered as Petroleum Costs.
- 24.8 Contractor and/or Operator shall notify ROC 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, Operator and Sub-Contractors engaged in carrying out 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. Importation of machinery, equipment, vehicles, materials, supplies, consumables and movable property to be used solely for the purpose of carrying out Petroleum Operations and supporting activities shall be exempted from customs duties to the extent they are imported in the name of ROC. Any other customs duties relevant to carrying out of Petroleum Operations and supporting activities shall be recoverable as Petroleum Costs. Contractor, Operator and Sub-Contractors shall comply with the applicable administrative formalities in this respect.
- 25.2 Expatriate employees of Contractor, 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 property is

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, Operator or Sub-Contractors on temporary basis and no longer required for Petroleum Operations or supporting activities shall, unless otherwise agreed by ROC, 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 items imported under this Contract shall be subject to ROC's prior consent and to the 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 which are payable 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 Contractor and Operator to select and employ such number of personnel as, in the opinion of the Contractor or Operator, are required for carrying out Petroleum Operations in a safe, cost effective and efficient manner, Contractor and 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 ROC in consultation with Contractor, 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 USD (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 twelve (12) Months after the Effective Date, Contractor shall, in consultation with ROC, 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 increased employment of Iraqi nationals and a commensurate reduction of expatriate employees.

26.5 Each Company may separately negotiate, in good faith, technical assistance agreements with ROC to make available, on commercially agreeable terms, technology and information of a proprietary nature for use in the Republic of Iraq by ROC 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 remaining Participating Interest of seventy five percent (75%) shall be apportioned between the Companies as follows:

-----: ----- (-----%);  
-----: ----- (-----%);  
-----: ----- (-----%);

27.2 Companies shall pay for all of the State Partner's share of Petroleum Costs and Supplementary Costs during the Term and any extension thereto. The Companies shall have all Petroleum Costs paid as Service Fees and Supplementary Costs paid as Supplementary Fees, however the State Partner shall be entitled to receive its twenty-five percent (25%) Participating Interest of any Remuneration Fee paid to Contractor.

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 ROC. The direct or indirect transfer of shares or other ownership interests in any Company (except for the transfer of shares in a listed parent company) shall constitute an assignment of rights and obligations under this Contract and shall be subject to this Article 28.

28.2 By providing ROC one (1) Month prior written 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. 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, the Company shall submit to ROC a request to this effect giving detailed evidence of the technical and financial competence of the recommended assignee. ROC shall consider the said request and notify Company of its approval or otherwise within three (3) Months of receipt thereof. Before such assignment becomes effective, the foreign assignee shall

first provide ROC with a guarantee acceptable to ROC in the form set out in Annex F after which ROC shall, to the extent of the assigned Participating Interest, release assignor from its obligations under this Contract and any guarantee provided to it by assignor.

- 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, ROC shall within the period set out under Article 28.3 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 entity constituting Contractor may pledge, or otherwise encumber totally or partially, its rights under this Contract to an internationally recognized bank and/or financing institution acceptable to ROC (such acceptance not to be unreasonably withheld) provided that such pledge or encumbrance shall not in any way affect the rights or interests of ROC.
- 28.6 Without prejudice to the provisions of the Heads of Joint Operating Agreement (Addendum One) between the entities constituting Contractor, in the event that any Company (or the Affiliated company that provides a guarantee) becomes bankrupt, or makes an arrangement with or assignment in favour 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 a wholly-owned and controlled Affiliate, ROC shall have the right to terminate the participation of such Company in this Contract by a written notice to Contractor. The rights and obligations of such Company shall be assigned to the remaining Companies proportionately to their respective Participating Interests or as they may otherwise mutually agree.
- 28.7 The State Partner shall have the right to assign its Participating Interest only to an entity that is entirely owned and controlled by the Government otherwise any assignment by the State Partner of its Participating Interest shall require 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 save harmless ROC against all penalties, fines and other liabilities of every kind for breach of the Law by Contractor or Operator.
- 29.2 Notwithstanding the provisions of Article 29.1, Contractor, Operator and their Sub-Contractors shall, in accordance with the Law, be exempted from customs and stamp duties on the execution of this Contract, and from restrictions concerning work licences and employment of expatriates, subject to the provisions of Article 9.22. However, Contractor, Operator and their Sub-Contractors shall submit all data and information required by the relevant Iraqi authorities in this respect.

- 29.3 Contractor and Operator shall in all their sub-contracts, include a provision whereby Sub-Contractors shall undertake to abide by and comply with the Law.
- 29.4 Subject to Article 29.5 if, after the Effective Date, the financial interests of Contractor are adversely and substantially affected by a change to the Law that was in force 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 Wilful Misconduct of Contractor or Operator), the Parties shall, within ninety (90) days, agree on necessary adjustments to the relevant provisions of this Contract in order to maintain Contractor's financial interests under this Contract reasonably unchanged.
- 29.5 It is the understanding of the Parties that the income tax payable by Contractor for any Tax Year shall not exceed Contractor's Income Tax Liability for such Tax Year. Contractor shall bear such income tax once applicable, according to the Law, provided, however, in the event the Contractor's income tax liability due under the Law exceeds Contractor's Income Tax Liability then ROC shall assume, pay and discharge in the name and on behalf of each entity constituting Contractor, any excess tax liability arising under the Law over Contractor's Income Tax Liability. ROC shall reimburse the same entities for the amount exceeding the Contractor's Income Tax Liability should said excess amount be paid by them.
- 29.6 Should the Parties be unable to agree within ninety (90) days on any amendments to be made in respect of Articles 29.4 and 29.5, or such other period as may be agreed by the Parties, the dispute may be resolved in accordance with Article 37.

**(End of Article 29)**

### **ARTICLE 30 – LOCAL GOODS AND SERVICES**

- 30.1 Works and services performed in the Republic of Iraq through sub-contracts shall be carried out on a competitive basis. Preference shall always be given to Iraqi entities and firms, or foreign firms in association therewith, provided that their relevant capabilities and prices are competitive with those available in the international market.
- 30.2 Preference shall be given to locally manufactured and/or available goods, materials, equipment, consumables and the like provided that 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 contracts with 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 event, and shall include, but without limitation, Acts of God, war (whether declared or undeclared), force of nature, insurrection, riot, fire, and with respect to Contractor only legislation/order of the Government and other acts or circumstances beyond the control of either Party affected by it, provided always that such acts or circumstances are not attributable to the Party invoking Force Majeure or its Affiliates. The inability to pay monies due shall not constitute a condition of Force Majeure.
- 31.4 In the event that the 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, and the Parties shall meet shortly after a notice sent by the Contractor to ROC to, in good faith, agree on modifications to this Contract which will enable the Contractor's rights and obligations to be restored. If the Parties are unable to reach an agreement on the possible modifications to be made to this Contract within thirty (30) days, such disagreement shall be submitted to arbitration in accordance with the provisions of Articles 37.4 to 37.8.
- 31.5 It is agreed by the Parties that the security conditions prevailing in the Contract Area on Contract signing date shall not constitute a condition of Force Majeure for either Party. The Parties also agree that the political and security conditions generally prevailing in the Republic of Iraq on the Contract signing date shall not constitute a condition of Force Majeure for either Party unless these conditions prevent the implementation of Petroleum Operations.

(End of Article 31)

**ARTICLE 32 – ENTIRE AGREEMENT AND AMENDMENTS**

- 32.1 This Contract constitutes the entire agreement between ROC and Contractor relating to the Field. Hence it supersedes any previous representations, whether explicit or implicit, and any prior agreement of any kind or nature, whether oral or written, in this respect.
- 32.2 This Contract shall not be amended or supplemented except by an instrument in writing

signed by duly authorized representatives of both Parties.

- 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, the 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 provisions.
- 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 the Parties and their Affiliates and shall not be disclosed or communicated to any third party without the other Party's prior written consent, except (i) to Affiliates; (ii) to any professional consultant retained by a Party, or (iii) where it is necessary for the approval, implementation and/or financing of Petroleum Operations; provided that in all cases of disclosure the party to whom the information is disclosed shall agree 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 such confidential information becoming available to a Party from a third party (unless the third party acts in violation of a confidentiality obligation of which the Party is aware);
  - (c) if such confidential information is independently developed by a Party or its Affiliates; or
  - (d) to the extent that such confidential information is required by the 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 laws or agreements, the entities constituting Contractor agree to make available on reasonable terms the benefits of their most appropriate technical expertise and technology (and that of their Affiliates) for application in the conduct of Petroleum Operations, including such technology as can best improve the economic yield or performance of the Petroleum reservoirs operated by the Operator under this Contract. Any such technology shall remain the property of the relevant entities constituting Contractor (or their Affiliates), subject to any licensing or other appropriate arrangements entered into in connection with

Petroleum Operations. The Operator shall be entitled to use such technology only for Petroleum Operations, subject to the terms of such licensing or other arrangements.

- 33.5 Any technology specifically developed by the Contractor or the Operator in the course of their activities under this Contract shall be owned by both the entities constituting Contractor and ROC 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 be in English. However, Contractor and Operator shall use the Arabic language or both Arabic and English in all their correspondence and dealings with Government entities in the Republic of Iraq.
- 35.3 Contractor and Operator shall have no obligation to use any language other than English in their contractual relationships with Sub-Contractors and vendors in connection with Petroleum Operations.

**(End of Article 35)**

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

- 36.1 Each Company shall establish a presence in the Republic of Iraq as required by the Law.
- 36.2 Lead Contractor shall, within ninety (90) days of the Effective Date, establish an office in Baghdad, Iraq and shall maintain such office for the Term. ROC shall assist Lead Contractor in establishing and maintaining the said office.
- 36.3 Lead Contractor shall notify ROC of the address of its office in Baghdad and of the name of its authorised representative in the Republic of 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, ROC 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 ROC in connection with or in relation to this Contract.

- 36.4 Lead Contractor shall notify ROC 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 endeavour 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 by the Parties to their senior management for resolution. 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 Party, refer the matter to arbitration as stipulated hereunder. It is understood that the rights and obligations under this Contract constitute commercial rather than sovereign rights or obligations.

#### **Expert**

- 37.3 If any Dispute arises between the Parties with respect to relevant technical matters, such Dispute may, at the election of either Party, be referred to an independent expert ("Expert") for determination. 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 incorporated, and shall have no interest in or relation to either 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 costs of the Expert determination shall be shared equally by the Parties in Dispute.

#### **Arbitration**

- 37.4 All Disputes arising out of or in connection with this Contract, other than those Disputes that have been finally settled by reference to either senior management or Expert, shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by three arbitrators appointed in accordance with the said Rules.
- 37.5 The seat of the arbitration shall be Paris, France, unless agreed otherwise by the Parties to the Dispute.

- 37.6 The language of arbitration shall be the English language. The award of arbitration shall be in English and shall be final and binding on the Parties to the Dispute. Judgment on the award rendered may be entered and enforced 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 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.

ROC

-----  
-----

Lead Contractor

-----  
-----

**Copy to:**

-----

- 38.2 Notices to either Party shall be deemed validly served when delivered in person, at the office of that Party mentioned above in the Republic of Iraq, during regular office hours and during working days and if received outside business hours, on the next following working day, or when received, if posted by registered mail, to the address of the office of the said Party, or when dispatched and acknowledged, if sent by telex or facsimile, or by any other mode mutually agreed between the Parties. Notices to and from Lead Contractor and/or ROC should be copied to each Company, where in the case of ----- and ----- the addresses are:

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**(End of Article 38)**

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

The Contract shall enter into force upon (i) it being signed by the Parties, (ii) the Initial Production Rate being agreed on by the Parties and (iii) ROC notifying and representing to Contractor in writing that ratification has occurred and the Contract is enforceable in accordance with the Law.

**(End of Article 39)**

### **ARTICLE 40 – WAIVER**

40.1 Failure or delay on the part of either Party to exercise any right, power or privilege under this Contract shall not operate as a waiver thereof.

40.2 No waiver by either Party of any one or more obligations or defaults by the other Party in the performance of this Contract shall operate or be construed as a waiver of any other obligations or defaults whether of a like or of a different character.

**(End of Article 40)**

### **ARTICLE 41 – PROTECTION OF THE ENVIRONMENT**

41.1 In performance of this Contract, Operator shall conduct Petroleum Operations with due regard to the protection of the environment and conservation of natural resources and shall in particular:

(a) adopt Best International Petroleum Industry Practices in conducting and monitoring its Petroleum Operations and take necessary and adequate steps to:

(i) prevent environmental damage and, should such environmental damage occur, minimize such damage and the consequential effects thereof on property and people;

(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

(b) comply with the requirements of the Law and reasonable requirements of ROC.

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

41.3 If ROC in its reasonable opinion believes that any works or installations erected by Operator or any operations conducted by Operator are not in accordance with the Law and are damaging or may damage the environment, or are causing or may cause pollution, ROC shall give notice to Contractor and Operator to promptly consider and

develop for JMC approval a remedial action plan and measures to mitigate such damage within a reasonable period as may be agreed in the remedial action plan to repair any such damage. If ROC deems it necessary, it may also require Operator to suspend Petroleum Operations in whole or in part until Operator has commenced such remedial measures or has repaired any damage caused.

- 41.4 The measures and methods to be used by Operator for the purpose of complying with the terms of Article 41.1(a)(i) shall be determined in timely consultation with ROC and Contractor upon the commencement of Petroleum Operations by the FOD or later when there is a significant change in the scope or method of conducting Petroleum Operations and shall take into account the international standards applicable in similar circumstances and the relevant environmental impact study carried out in accordance with Article 41.5. Contractor shall notify ROC and Operator, in writing, of the measures and methods finally determined by Contractor and approved in accordance with Article 12 and shall cause such measures and methods to be reviewed from time to time in the light of prevailing circumstances.
- 41.5 Contractor shall cause a person or persons with special knowledge on environmental matters, to carry out two environmental impact studies in order:
- (a) to determine at the time of the studies the prevailing conditions relating to the environment, human beings and local communities, the flora and fauna in the Contract Area and in the adjoining or neighbouring areas; and
  - (b) to establish the likely effect on the environment, human beings and local communities, the flora and fauna in the Contract Area and in the adjoining or neighbouring areas in consequence of the relevant phase of Petroleum Operations, and to submit, for consideration by the Parties, methods and measures contemplated in Article 41.4 for minimizing environmental damage and carrying out site restoration activities.
- 41.6 The first of these environmental impact studies shall act as the baseline study for purposes of Article 41.14 and shall be concluded promptly after the Effective Date but in any event before commencement of any fieldwork by the FOD.
- 41.7 The second environmental impact study shall be submitted by Contractor as part of the Enhanced Redevelopment Plan.
- 41.8 The studies mentioned in Article 41.5 above shall contain proposed environmental guidelines to be followed in order to minimize environmental damage and shall include, but not be limited to, the following, to the extent appropriate to the respective study taking into account the phase of operations to which the study relates:
- (a) proposed access cutting;
  - (b) clearing and timber salvage;
  - (c) wildlife and habitat protection;
  - (d) fuel storage and handling;
  - (e) use of explosives;

- (f) camps and staging;
- (g) liquid and solid waste disposal;
- (h) cultural and archaeological sites;
- (i) selection of drilling sites;
- (j) terrain stabilization;
- (k) protection of freshwater horizons;
- (l) blow-out prevention plan;
- (m) flaring during completion and testing of Gas and Crude Oil wells;
- (n) abandonment of wells;
- (o) rig dismantling and site completion;
- (p) reclamation for abandonment;
- (q) noise control;
- (r) debris disposal; and
- (s) protection of natural drainage and water flow.

41.9 Subject to the provisions of the Law on the protection of the environment, any new project or expansion or modernization projects for Petroleum Operations for which a proposal, other than a Plan, is submitted by Contractor, ROC 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 actual or pending receipt of the necessary environmental clearance, the JMC shall decide upon the proposal of Contractor within thirty (30) days thereafter.

41.10 Contractor and/or Operator shall ensure that:

- (a) the pertinent completed results of the environmental impact studies are made available to its employees and to Sub-Contractors to develop adequate and proper awareness of the measures and methods of environmental protection to be used in carrying out Petroleum Operations; and
- (b) the contracts entered into between Contractor and/or 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 and Operator's obligations in relation to the environment under this Contract.

41.11 Operator shall, in cooperation with Contractor, prior to conducting any drilling activities, prepare and submit for review by ROC contingency plans for dealing with crude oil spills, blowouts, fires, accidents and emergencies, designed to achieve rapid and effective emergency response. The plans referred to above shall be discussed with ROC 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 forthwith notify ROC 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 the Petroleum Operations affecting the environment, Operator shall, in consultation with Contractor, take such action as may be prudent and necessary in accordance with Best International Petroleum Industry Practices.
- 41.12 In the event that Contractor and Operator fail to comply with any of the terms contained in Article 41.11, ROC, after giving Contractor and Operator reasonable notice in the circumstances, may take any emergency response action which may be necessary to ensure compliance with the terms of the relevant contingency plan and to recover from Contractor, immediately after having taken such action, all costs and expenditures incurred in connection with such action together with such interest as may be determined in accordance with Annex C.
- 41.13 Where the Contract Area is partly located in areas forming part of formally designated national parks, sanctuaries, mangroves, wetlands of national importance, biosphere reserves and other biologically sensitive areas passage through these areas shall generally not be permitted unless permitted by the Law. 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 ROC for the benefit of Operator.
- 41.14 In accordance with Article 41.6, the environmental impact study shall act as the baseline study to determine the obligations and liability of Contractor and Operator for the environment which shall be limited to damage to the environment which:
- (a) occurs after the Effective Date and prior to the expiry or termination of this Contract; and
  - (b) results from an act or omission of Contractor or Operator.
- 41.15 Except for cases of Gross Negligence and Wilful Misconduct on the part of Contractor and/or Operator, all costs incurred towards protection of or damage to the environment shall be treated as Petroleum Costs.
- 41.16 Any costs approved by ROC and incurred by the Contractor in remediation of conditions existing prior to the Effective Date and identified in the first study noted in Article 41.6 shall be considered Supplementary Costs.
- 41.17 In the event that Petroleum Operations are delayed, curtailed or prevented due to extended delays in acquiring necessary environmental approvals, the Parties shall meet and agree an appropriate extension of the Term together with all rights and obligations hereunder, subject to the provisions of Article 8.

**(End of Article 41)**

## **ARTICLE 42 – SITE RESTORATION AND DECOMMISSIONING**

- 42.1 On expiry or termination of this Contract or relinquishment of part of the Contract Area, Contractor shall, subject to Article 5, remove all equipment and installations from the relinquished area or former Contract Area in a manner agreed with ROC pursuant to an abandonment plan.
- 42.2 Around mid-Term, Contractor shall prepare a proposal for JMC approval relating to site restoration including a decommissioning plan.

**(End of Article 42)**

## **ARTICLE 43 – GENERAL BUSINESS ETHICS**

- 43.1 In the performance of this Contract, Contractor, Operator, ROC or any of their Affiliates and every other person acting on their behalf (“Related Person”) shall ensure that they each strictly comply with general business ethics, the provisions of the United Nations Convention against Corruption and any provision of any act, rule or regulation of the laws of the country of incorporation of such entity or such entity’s ultimate parent company pertaining to anti-bribery, anti-corruption, anti-money laundering, the export or import of technical data, restrictive trade practices regardless of their technical applicability to the relevant person (the “Business Ethics Laws”).
- 43.2 Contractor and Operator shall in their sub-contracts stipulate their right to terminate the sub-contracts with immediate effect in case of violation of the general business ethics or Business Ethics Laws by Sub-Contractor or suppliers, and Contractor and/or Operator shall terminate a sub-contract in case of such a violation at their discretion or if ROC requests Contractor or Operator to do so.
- 43.3 Neither Contractor, Operator, ROC nor their Related Persons shall, in relation to or in the performance of this Contract, give or receive from any director, employee or agent of the other or its Affiliates, any gift, entertainment or other benefit of more than minimal cost or value or any commission, fee or rebate, and any hospitality shall be held within reasonable limits.
- 43.4 Each of ROC and the entities constituting Contractor warrant that neither they nor any of their Related Persons has taken or will take any action or failed to take or will fail to take any action where such action or failure to act would result in a violation of any Business Ethics Law by any Party and that each of them or their Related Persons 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 or related to the signing of this Contract, any ancillary document related to this Contract or any matter arising out or related to the Petroleum Operations, 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 entity’s 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 six (6) originals (each in Arabic and English) at Baghdad on the day and year first above written.

For and on behalf of ROC:

\_\_\_\_\_Witness\_\_\_\_\_

For and on behalf of Contractor

\_\_\_\_\_Witness \_\_\_\_\_  
(Company)

\_\_\_\_\_Witness \_\_\_\_\_  
(Company)

\_\_\_\_\_Witness \_\_\_\_\_  
(Company)

\_\_\_\_\_Witness \_\_\_\_\_  
(State Partner)

## **ANNEX A – DESCRIPTION OF CONTRACT AREA**

**This Annex A is attached to and made part of the Technical Service Contract for the----- Contract Area.**

**The Contract Area is defined by the corner points for numbered as shown for U.T.M. Zone---  
--- and connected by straight lines as shown in Annex B.**

<b>CORNER POINT</b>	<b>NORTHING</b>	<b>EASTING</b>
A		
B		
C		
D		
E		
F		
G		
H		

**(End of Annex A)**

**ANNEX B – MAP OF CONTRACT AREA**

This Annex is attached to and made part of the Technical Service Contract for the -----  
Contract Area. .

**(End of Annex B)**

## **ANNEX C – ACCOUNTING PROCEDURE**

This Annex C shall be attached to and made part of the Technical Service Contract of the -----  
--- Field ("Contract"). Terms defined in the Contract shall have the same meanings for the  
purpose of this Annex C.

### **ARTICLE 1 – GENERAL PROVISIONS**

#### 1.1 Definitions

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

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

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

#### 1.2 Purpose of Accounting Procedure

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

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

#### 1.3 Operating Account and Records

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 accounting principles, all  
in accordance with and subject to the provisions of this Contract.

(a) The accounts and records shall show, among other things, the following:

(i) Costs of assets including:

1. drilling in general and cost of each well;
2. production facilities such as flow lines and degassing stations in  
sufficient details;
3. Crude Oil and Associated Gas Transportation Facilities;
4. tank-farms and pumping stations; and
5. infrastructure facilities and industrial centres.

(ii) Cost of Materials showing in detail the cost and quantity of each item.  
The method of pricing should be stated.

(iii) Operating Costs analysed by main items such as salaries, Materials and

services as defined or described in this Accounting Procedure.

- (b) Contractor's and Operator's books shall be kept in the Republic of Iraq in English language (with Arabic language summary). All transactions shall be recorded in Dollars, in accordance with the provisions of Article 20 of this Contract.
- (c) Accounts shall be kept according to the accounting system approved by the JMC pursuant to Article 9.22(d) of this Contract.
- (d) Contractor and Operator shall maintain appropriate cost control records to meet the requirements and obligations under this Contract.
- (e) Petroleum production, storage and transfer records shall be maintained according to this Contract and consistent with Best International Petroleum Industry Practices.
- (f) Expenditures shall be charged in Dollars as follows:
  - (i) all Dollar Expenditures shall be charged in the amount incurred;
  - (ii) for accounting purposes, all Dinar Expenditures shall be translated into Dollars at the exchange rate prevailing on the date of the relevant Expenditure in accordance with the regulations of the Central Bank of Iraq;
  - (iii) Expenditures in currencies other than Dollars or Dinars, shall be charged in the equivalent amount in Dollars, using the actual exchange rate applied by the relevant first class international bank on the date of payment;
  - (iv) a record shall be kept of the exchange rates actually used in converting Dinars and other non-Dollar Expenditures into Dollars; and
  - (v) on the date of each balance sheet, monetary items in currencies other than Dollars shall be translated to Dollars at the rate of exchange applicable on such balance sheet date.

#### 1.4 Statements

##### (a) Quarterly Statements

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

##### (b) Yearly Statements

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

## 1.5 Audits

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

**(End of Article 1)**

## **ARTICLE 2 – OPERATING ACCOUNT**

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

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

### 2.1 Personnel

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

The actual cost of all 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 the Republic of 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 that are statutory or customary for Operator. This procedure shall also be applied with respect to personnel of ROC seconded to Operator.

#### (b) Assigned Personnel

The cost of the personnel of Contractor's Affiliates working in the Republic of Iraq or in other countries (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 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

ROCial 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 Contractor's Affiliates.

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

(c) Personnel Engaged in Other Activities

If local personnel or assigned personnel are engaged in other activities in the Republic of 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 Contractor or Operator in organising, setting up and conducting training activities for their Iraqi personnel engaged in Petroleum Operations or Contractor's training activities under Addendum Three, including the planning, designing, constructing, commissioning and running training facilities and the related software.

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

2.2 Materials and Stock

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

2.3 Transportation

(a) Transportation of Personnel and Materials

Transportation of Materials necessary for the performance of Petroleum Operations, including costs of packaging, brokerage, insurance and other related costs. Personnel transportation costs, to the extent covered by the established policy of Operator, shall include travel expenses for personnel and their immediate families to and from the personnel's points of origin at the time employment commences, at the time of final departure and for vacations, as well as travel expenses in the Republic of 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 the Republic of Iraq for periods exceeding six (6) consecutive Months.

(b) Transportation Facilities

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

2.4 Buildings and Equipment

- (a) Costs of buildings, equipment, furniture and fixtures and their maintenance and related costs and 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 Contractor or 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 rental basis at rates to be approved by the JMC;
- (c) all Specific Services performed under an assistance agreement between Contractor and any Affiliate;

"Specific Services" shall mean services, activities, studies and projects of a technical nature as well as computer services, carried out or procured by the Affiliate at the Contractor or Operator's specific request under a purchase order procedure, for the benefit of Petroleum Operations. Specific Services shall also include studies and specific tasks such as, administrative, accounting, financial, tax, legal or other services when requested by Contractor or 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 Affiliate and approved by the JMC 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 through exercise of reasonable care and diligence in operations and not resulting from Contractor's failure to timely file and diligently pursue claims against insurance companies. Contractor shall furnish ROC with written notice with details of damages or losses sustained in excess of ten thousand USD (US\$10,000) per occurrence as soon as practicable.

## 2.7 Legal Expenses

All costs and expenses of actual or potential 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 judgements obtained against the Parties or any of them on account of Petroleum

Operations, and actual expenses incurred by Contractor and/or Operator and/or ROC in securing evidence or expert advice for the purpose of defending any such action or claim pursued or urged in connection with operations under this Contract.

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

## 2.8 Taxes

Pursuant to Article 23 and subject to other provisions of this Contract, taxes (other than corporate income tax), levies, duties, imposts (if any) and/or charges and fees paid by Contractor (but not previously paid directly by ROC) 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 Contractor or Operator pursuant to this Contract.
- (b) Any costs sustained by Contractor or 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 damage or loss 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 in consequence of, or because of insurance related disputes, claims 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 or Operator in settling any and all losses, claims, damages, judgement and other expenses, including related legal expenditures. Any such loss, claim or damage shall be charged to the Operating Account unless otherwise provided for under Article 24.7 of this Contract.

## 2.10 Currency Exchange

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

## 2.11 Tariffs

Subject to the provision of Article 3 of this Annex C, all sums paid to ROC inside or outside the Contract Area, contractor(s) on petroleum fields outside 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 the Republic of Iraq.

2.13 Environment

All costs incurred for the protection, cleanup or restoration of the environment pursuant to the Law or this Contract.

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 a Company's head office or its Affiliates shall be compensated by a charge based on one percent (1%) of Petroleum Costs and Supplementary Costs (excluding the signature bonus paid under Article 4 of the Contract) during each Calendar Year or a fraction thereof.

The basis of applying this percentage shall be the total of Supplementary Costs (excluding the signature bonus paid under Article 4 of the Contract) and Petroleum Costs incurred in respect of Petroleum Operations and charged under this Accounting Procedure to the Operating Account during each Financial Year or fraction thereof, excluding administrative overhead as allowed in this section.

The above administrative overhead charges shall be paid i) while ROC is Operator 50% to ROC and fifty (50)% to Companies, and ii) once FOD becomes Operator 100% to Companies pursuant to Article 19 of this Contract.

2.15 To the extent any of the costs identified in Article 2 of this Annex C would qualify as eligible costs pursuant to Articles 4, 7.4, 7.7(b) 10.4,10.7, 12.6, 17.6, or 41.16 of this Contract, such costs shall be considered Supplementary Costs and not Petroleum Costs, unless Contractor indicates that it elects to include said costs as 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.

**(End of Article 2)**

**ARTICLE 3 – INFORMATION TO JMC AND ROC**

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

3.1 Regarding Personnel Costs:

- (a) estimate of the overall amount thereof;
- (b) analysis and explanation of the applicable personnel policy and practice of Contractor or Operator and Contractor or Operator's Affiliates;
- (c) reasonable breakdown of the aforesaid Expenditures as per details stated in this Accounting Procedure; and
- (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; and
- (c) Tariffs and rates expected to apply in respect to such services, especially to assigned personnel.

3.3 Regarding Tariffs:

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

**(End of Article 3)**

**ARTICLE 4 – CHARGING PRINCIPLES**

4.1 Purchases

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

Materials purchased from third parties shall be charged at 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, licence 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 entities constituting Contractor or their respective Affiliates, shall be priced at cost, and provided that such cost is not higher than the price for new Material of the same quality, obtained on comparable terms and conditions, prevailing in the international market at the time such new Material was supplied to Contractor.

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 each Calendar Year. Such rates should be in line with those currently prevailing in the area where Petroleum Operations are located for equipment and facilities comparable in terms of availability, safety, efficiency and quality.

**(End of Article 4)**

### **ARTICLE 5 – INVENTORIES**

At all times, Contractor 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 ROC 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 ROC. 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 USD (US\$10,000) shall be reported to ROC.

**(End of Article 5)**

### **ARTICLE 6 – DISPOSAL OF MATERIALS**

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

**(End of Article 6)**

**ARTICLE 7 – SUMS RECEIVED FROM THIRD PARTIES**

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

**(End of Article 7)**

**ARTICLE 8 – BASIS OF ACCOUNTING**

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

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

**(End of Article 8)**

**ARTICLE 9 – PAYMENT OF SERVICE FEES AND SUPPLEMENTARY FEES**

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

- 9.1 Due Service Fees and Supplementary Fees brought forward from the previous Quarter, if any;
- 9.2 Service Fees and Supplementary Fees during Quarter;
- 9.3 Total Service Fees and Supplementary Fees for the Quarter (9.1 + 9.2);
- 9.4 Service Fees and Supplementary Fees received and/or quantity and value of Export Oil lifted by Contractor for the Quarter according to the lifting procedure as referred to in Addendum Four;
- 9.5 Amount of Service Fees and Supplementary Fees to be carried forward into the succeeding Quarter if any (9.3 – 9.4), and
- 9.6 Excess, if any, of the value of Service Fees and Supplementary Fees received and/or Export Oil lifted by Contractor over Service Fees and Supplementary Fees due for the Quarter (9.4 – 9.3). Such excess shall be set off in the next calculation of Contractor's outstanding Service Fees and Supplementary Fees payable in the immediately succeeding Quarter in accordance with Article 19 of this Contract.

**(End of Article 9)**

## **ARTICLE 10 – NON- RECOVERABLE COSTS**

The following list of items shall be treated as non-recoverable costs for the purpose of cost recovery:

- 10.1 Except for the period when ROC is Operator, costs incurred as a result of any proven Gross Negligence or Wilful Misconduct of Contractor/Operator including any amount paid in settlement of any claim alleging Gross Negligence or Wilful Misconduct whether or not Gross Negligence or Wilful Misconduct is admitted or whether such sum is stated to be paid on an ex-gratia or similar basis;
- 10.2 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;
- 10.3 Any costs, charges or expenses including donations relating to public relations or enhancement of Contractor's corporate image and interests, unless expressly approved by the JMC and endorsed by ROC;
- 10.4 Any expenditure incurred which is not related to Petroleum Operations or on matters or activities beyond the Delivery Point(s);
- 10.5 Corporate income tax;
- 10.6 Training, Technology and Scholarship Fund; and,
- 10.7 Any other expenditure which is stated elsewhere in this Contract to be non-recoverable expenditure.

**(End of Article 10)**

## **ARTICLE 11 – CONTROL STATEMENTS AND MAJOR ACCOUNTS**

- 11.1 Contractor shall annually prepare, from the statements of expenditure prepared pursuant to Article 1.4 of this Annex C 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 ROC not later than ninety (90) days following the end of such Year.
- 11.2 For the purpose of classifying costs, expenses and expenditures for cost recovery and Minimum Work Obligations, costs, expenses and expenditures shall be recorded in major accounts including Capital Cost and Operating Cost.

**(End of Article 11)**

## **ARTICLE 12 – TRANSFER PROCEDURE FOR THE OPERATING ACCOUNT**

- 12.1 In accordance with this Contract, when the FOD becomes the Operator, the ROC shall transfer to the FOD all the accounting records relating to the Operating Account.

12.2 In conducting the transfer of the books of account and inventory and check of all properties in accordance with the provisions of this Accounting Procedure, the implementation procedure for the transfer and verification, the accounting files to be transferred and accounting matters to be settled as well as other details, shall be agreed upon through consultation in advance between the ROC and the FOD. The transfer procedure shall be completed within the period agreed upon by the Parties. Thereafter, owing to the needs of any Party, FOD shall allow such Party's staff access to the books of accounts within the relevant periods and provide them with duplicates of the relevant accounting records, if necessary.

**(End of Article 12)**

**ARTICLE 13 – EXTERNAL AUDITOR’S CERTIFICATE**

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

**(End of Article 13)**

**(End of Annex C)**

**ANNEX D – DEFINITION OF RESERVOIRS**

This Annex D is attached to and made part of the Technical Service Contract for ----- Contract Area.

**SECTION 1 – PRODUCING RESERVOIRS**

(a) \_\_\_\_\_ RESERVOIR

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

(b) \_\_\_\_\_ RESERVOIR

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

(c) \_\_\_\_\_ RESERVOIR

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

**SECTION 2 – DISCOVERED UNDEVELOPED RESERVOIRS**

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**SECTION 3 – UNDISCOVERED POTENTIAL RESERVOIRS**

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**(End of Annex D)**

## **ANNEX E – MINIMUM WORK OBLIGATION**

**This Annex is attached to and made part of the Technical Service Contract for the -----  
----- Contract Area.**

### **SECTION 1 – ADDITIONAL APPRAISAL OPERATIONS**

- (a) Acquire a ----- square kilometre 3-D seismic survey over the Contract Area, including processing and interpretation thereof;
- (b) 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 producing and undeveloped reservoirs that will be the subject of the Rehabilitation and Enhanced Redevelopment Plans. Integrate all relevant available data and information, including such data existing prior to the execution of Appraisal Operations.

### **SECTION 2 – REHABILITATION WORK**

- (a) Drill ----- new wells;
- (b) Workover ----- existing wells; install ----- in ----- wells, perform stimulations in ----- wells;
- (c) Agree and execute a thorough Reservoir Surveillance plan to acquire sufficient data for development planning and operations; expected to comprise in the order of ----- well integrity surveys, PLTs, RSTs, well tests and PVT measurements;
- (d) Commission of the new ----- BWPD injection plant including provision of additional water filter units and refurbishment of the existing --- kilometres water supply pipeline;
- (e) Refurbish existing or, as necessary, construct additional field gathering and processing facilities required to process the expected production levels resulting from implementation of the Rehabilitation Plan; in particular expansion of power generation and distribution by an expected - ----- MW; addition of ----- flow tanks totalling ----- cubic metres of oil; provision of fiscal metering at the Production Measurement Point;
- (f) Perform engineering studies for improved and enhanced production, plus initiate any studies necessary for preparation of the Enhanced Redevelopment Plan;

**(End of Annex E)**

**ANNEX F – FORMS OF GUARANTEE**

**ANNEX F – FORMS OF GUARANTEE**

**FORM I: FOR A COMPANY**

We refer to the Technical Service Contract for .....Oil Field, (hereinafter referred to as the "Contract") entered into on this day of ..... yyyy, between .....X... and .....ROC....., an Iraqi State oil company.

In consideration of the rights and obligations of .....X..... being a wholly-owned and controlled Affiliate of .....Y....., as a Party to this Contract, .....Y....., 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 .....X..... such technical and financial resources as may be required to perform and fulfill its obligations under this Contract, as may be amended from time to time by the Parties thereto, including payment to ROC of the balance (if any) of the Minimum Expenditure Obligation in case of termination of this Contract, if applicable.

The obligations of .....Y ..... hereunder shall be to the extent of the Participating Interest that ....X.....may have at the time under this Contract.

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

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

Signed for and on behalf of

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

**FORM 2: FOR ROC, IRAQ OIL MARKETING COMPANY (SOMO), AND STATE PARTNER**

We refer to the Technical Service Contract for ..... Oil Field (hereinafter referred to as the "Contract ") entered into on this day of.....yyyy, between ..... and Iraq ..... Oil Company (hereinafter referred to as "ROC").

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

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

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

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

shall be bound by this Contract.

Signed for and on behalf of Ministry of Oil

Name:

Title:

**(End of Annex F)**

## **ADDENDUM ONE – HEADS OF JOINT OPERATING AGREEMENT**

This Addendum One is attached to and made part of the Technical Service Contract for the ----  
----- Field ("Contract"). Terms defined in the Contract shall have the same meanings for the  
purpose of this Heads of Agreement. The parties to the Joint Operating Agreement are the  
Companies and the State Partner.

### **ARTICLE 1 – SCOPE**

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

**(End of Article 1)**

### **ARTICLE 2 – PARTICIPATING INTEREST**

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

**(End of Article 2)**

### **ARTICLE 3 – LEAD CONTRACTOR**

- 3.1 The Lead Contractor appointed in accordance with the Contract shall act for the  
Participants.
- 3.2 The Lead Contractor may, at any time resign as such by giving the Participants notice  
in writing. The Lead Contractor shall cease to be Lead Contractor 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 the JOA. Pursuant to  
Article 9.4 of this Contract, replacement of the Lead Contractor shall be subject to the  
prior approval of the ROC.

**(End of Article 3)**

### **ARTICLE 4 – OPERATING COMMITTEE**

- 4.1 An Operating Committee composed of representatives of the Participants shall be  
established and shall act for the entire duration of JOA to make decisions and establish  
joint policies and make proposals to be submitted to ROC or the JMC, 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 shall be made by the affirmative vote of the representatives of 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 provided that Lead Contractor shall have at least one (1) of the members provided to Contractor and the State Partner shall have one (1) member.

**(End of Article 4)**

#### **ARTICLE 5 – WORK PROGRAMS AND BUDGETS**

For each Calendar Year, the Lead Contractor 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 Lead Contractor for the following Calendar Year and shall adopt, not later than August 30, a Work Program and Budget to be submitted to the Operator for further study and possible modification before referring to the JMC pursuant to Article 12.2 of the Contract.

**(End of Article 5)**

#### **ARTICLE 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), generally accepted accounting practices used in the international petroleum industry and shall be subject to periodic inspection and audit.

**(End of Article 6)**

#### **ARTICLE 7 – DEFAULTS**

- 7.1 Any Company that fails to pay when due its Participating Interest share of costs and expenses shall be in default (hereinafter referred to as "Defaulting Company"). The Operator shall as soon as practicable notify all Participants of such default and the Operator shall keep the Participants informed thereafter of material events in relation thereto. The amount not paid by the Defaulting Company shall bear interest from the date due until fully paid. 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 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 Article 7.1, 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%) per annum.

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 Service Fees and Supplementary Fees, as applicable, which shall vest in and be the property of the Non-Defaulting Companies. The Service Fees due to the Defaulting Company shall proportionately be paid to the Non-Defaulting Companies, which Fees 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 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.

**(End of Article 7)**

#### **ARTICLE 8 – WITHDRAWAL**

After the Minimum Work Obligations have been fulfilled, any Company may elect, and subject to ROC's prior written consent, by giving notice to the other Participants, to withdraw from the Contract and the JOA. Each of the other Participants may also give notice that it desires to withdraw from the Contract and the JOA. Should all Participants 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 Participants give such notice of withdrawal, then the withdrawing Participants 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 Participants' Participating Interests; otherwise, all Participants shall be deemed to have decided to withdraw from the Contract and the JOA.

**(End of Article 8)**

#### **ARTICLE 9 – ASSIGNMENT**

Each Participant may assign, subject to any requirement under the Contract, all or part of, its Participating Interest to an 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 assignment.

Without prejudice to the provisions of the Contract, no assignment 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 assignment by a Participant of its interest under the Contract and the JOA to third parties shall be subject to ROC's approval and its pre-emptive right and to the preferential rights of the other Participants. The assignee shall be bound by the Contract and the JOA.

**(End of Article 9)**

#### **ARTICLE 10 – RELATION OF THE PARTICIPANTS**

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

**(End of Article 10)**

#### **ARTICLE 11 – GOVERNING LAW AND ARBITRATION**

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

**(End of Article 11)**

#### **ARTICLE 12 – EFFECTIVE DATE AND TERM**

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

**(End of Article 12)**

#### **ARTICLE 13 – JOINT OPERATING AGREEMENT (JOA)**

Within six (6) Months from the Effective Date, the Participants shall enter into the JOA which shall embody the principles stipulated in this 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 Article 13)**

**(End of Addendum One)**

## **ADDENDUM TWO – HEADS OF CRUDE OIL TRANSFER AGREEMENT**

### **ARTICLE 1 – DEFINITIONS**

This Addendum Two is attached to and made part of the Technical Service Contract for the ----  
----- Field ("Contract"). Terms defined in the Contract shall have the same meanings for the  
purpose of this Heads of Agreement. The parties to the Crude Oil Transfer Agreement are the  
Contractor, ROC and Transporter.

**(End of Article 1)**

### **ARTICLE 2 – SCOPE**

This Heads of Agreement prescribes the basic principles to be included in a Crude Oil Transfer  
Agreement to be executed by and between the Contractor, Transporter and ROC for  
transportation of Net Production from the Transfer Point to the Delivery Point.

**(End of Article 2)**

### **ARTICLE 3 – SCOPE OF CRUDE OIL TRANSFER AGREEMENT**

Provided Operator complies with its obligations under the Contract and this Addendum related  
to the Transportation System, Transporter, on behalf of ROC, shall receive from Operator on  
behalf of Contractor at the Transfer Point the Net Production for transportation to the Delivery  
Point.

**(End of Article 3)**

### **ARTICLE 4 – FACILITIES AT THE TRANSFER POINT**

For the purpose of the transfer of Crude Oil, Operator may use a parcel of land at the Transfer  
Point and construct necessary facilities thereon.

**(End of Article 4)**

### **ARTICLE 5 – TRANSFER RATE**

Operator on behalf of Contractor shall have the right and the obligation to tender Crude Oil at  
the Transfer Point at a certain average rate as per the current approved production schedule  
for the Contract Area based on the approved Rehabilitation or Enhanced Redevelopment Plan.  
However, Operator in co-ordination with Transporter may transfer Crude Oil at a peak rate up  
to twenty percent (20%) above the approved average rate for temporary periods to  
compensate for any 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 Transporter and that the throughput of the pipeline system is consequently  
restricted, Operator shall reduce its deliveries accordingly. Any such reduction shall be on a  
non-discriminatory basis .

**(End of Article 5)**

**ARTICLE 6 – TRANSFER CONDITIONS**

Crude Oil shall be transferred at the Transfer Point from one or more Crude Oil quality streams in accordance with the approved Rehabilitation or Enhanced Redevelopment Plan, and at the pressure commensurate with the pressure required by the Transportation System. The quality of each Crude Oil stream transferred at the Transfer Point shall be subject to certain conditions and specifications to be agreed upon by Transporter and Operator on behalf of Contractor. Operator on behalf of Contractor shall not mix any additives with the Crude Oil tendered for transportation, without prior written approval of Transporter.

**(End of Article 6)**

**ARTICLE 7 – MEASURING**

Operator shall install, maintain and operate all facilities necessary for the measurement of Crude Oil at each Production Measurement Point. Operator shall notify ROC and Contractor prior to any calibration of such measurement facilities and allow ROC's and Contractor'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 a 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 Best International Petroleum Industry Practices. The Parties shall agree the procedure(s) for measuring the volume and quality of Crude Oil and Export Oil and, the Parties' right of (i) access to the Production and Delivery Measurement Points and (ii) witnessing calibration and testing of such Points.

**(End of Article 7)**

**ARTICLE 8 – TRANSPORTATION SYSTEM**

- 8.1 Unless related to obligations under Annex E, Contractor shall have no obligation to build Transportation Facilities downstream of the Transfer Point unless this is agreed and incorporated in the Rehabilitation and/or Enhanced Redevelopment 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, ROC, Transporter or Contractor may propose to construct facilities beyond the Transfer Point, in addition to or to modify the existing Transportation Facilities. Contractor and Operator may 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 Transportation Facilities over to Transporter. Operator shall provide Transporter with all documents and standard warranties provided by manufacturers relating to the said Facilities. Operator, on behalf of Contractor, and Transporter shall agree in advance on a procedure for smooth hand-over of the Transportation Facilities after completion and commissioning.

**(End of Article 8)**

#### **ARTICLE 9 – EFFECTIVE DATE AND TERM**

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

**(End of Article 9)**

#### **ARTICLE 10 – GOVERNING LAW AND ARBITRATION**

The Crude Oil 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 Crude Oil Transfer Agreement or the operations carried out thereunder, including without limitation any dispute as to the validity, interpretation, enforceability or breach of the Crude Oil Transfer Agreement, shall be settled by arbitration in accordance with the procedures set forth in Article 37 of the Contract.

**(End of Article 10)**

#### **ARTICLE 11 – RELATED PROCEDURES**

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

**(End of Article 11)**

#### **ARTICLE 12 – TRANSPORTATION AGREEMENT**

Within six (6) Months from the Effective Date, the Contractor shall enter into the Crude Oil Transfer Agreement with ROC and Transporter which shall embody the principles in this 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 Article 12)**

**(End of Addendum Two)**

**ADDENDUM THREE – HEADS OF AGREEMENT FOR ESTABLISHMENT OF THE  
FIELD OPERATING DIVISION (FOD)**

This Addendum Three is attached to and made part of the Technical Service Contract for the ----- Field (“Contract”) (FOD). Terms defined in the Contract shall have the same meanings for the purposes of this Heads of Agreement. The parties to the full agreement shall be the Parties to the Contract: ROC and Contractor.

**ARTICLE 1 – ESTABLISHING OF THE FIELD OPERATING DIVISION**

- 1.1 Pursuant to Article 9 of the Contract, ROC and Contractor shall set up a non-incorporated joint operating entity. FOD shall have all the necessary authorities to enable it to discharge its duties in this regard. In accordance with the authorities of the JMC as set out in Article 13.2 Contractor shall supervise, direct and manage all the planning, decisions, surveillance, and day to day conduct of Petroleum Operations by the FOD. Contractor shall act for and on behalf of the FOD to allow the FOD to perform its role under the terms of the Contract and for those purposes shall contract with and represent the FOD before all persons and entities including but not limited to , Sub Contractors, vendors or service providers and other third parties. The FOD shall be established promptly after the Effective Date, but shall fully take over the conduct of Petroleum Operations within twelve (12) Months from the Effective Date. The establishment of the FOD shall in no way relieve Contractor of its obligations to achieve the production targets under the Contract.
- 1.2 FOD shall conduct its activities in accordance with the provisions of the Contract, this Addendum Three and such agreements as may be entered into in the future by the parties to this Addendum Three.
- 1.3 Contractor and ROC shall agree, at least three (3) Months prior to FOD taking over operatorship, on the procedure to secure a smooth transfer of Petroleum Operations from ROC to FOD.

**(End of Article 1)**

**ARTICLE 2 – FOD NAME**

The name of FOD shall be the ----- Field Operating Division.

**(End of Article 2)**

**ARTICLE 3 – HEADQUARTERS OF FOD**

The FOD shall have its own head office distinct from that of ROC, Contractor, and Companies.

**(End of Article 3)**

#### **ARTICLE 4 – FOD OBJECTIVES**

- 4.1 FOD shall assume the authorities and duties of the Operator, and shall conduct Petroleum Operations on behalf of the Parties, and to the account of Contractor, all in accordance with the provisions of the Contract and this Addendum Three.
- 4.2 FOD shall implement approved Development Plans, Work Programs and Budgets in accordance with the Contract. FOD shall keep account of all costs, expenses and expenditures for such Petroleum Operations under the terms of the Contract and Annex C attached thereto.
- 4.3 In conducting Petroleum Operations, FOD and Sub-Contractors shall comply with the Law.

**(End of Article 4)**

#### **ARTICLE 5 – ROLE OF CONTRACTOR**

After the FOD has taken over conduct of Petroleum Operations and has become Operator, Contractor shall in accordance with the authorities of the JMC as set out in Article 13.2 of the Contract supervise, direct and manage all the planning, decisions, surveillance, and day-to-day conduct of Petroleum Operations by the FOD, as set forth in more detail in this Article 5. In general, Contractor shall make available appropriate managerial and technological skills and personnel to the FOD with a view to ensuring that Petroleum Operations can be performed in accordance with Best International Petroleum Industry Practices. The role of Contractor with respect to Petroleum Operations shall include the following:

- 5.1 preparing the Rehabilitation Plan, the Enhanced Redevelopment Plan, and all Revisions, as well as Work Programs and Budgets and their Revisions;
- 5.2 supporting FOD in the implementation of Plans and Work Programs;
- 5.3 supporting FOD in connection with the use of advanced technology provided by Contractor in connection with Petroleum Operations, including where appropriate providing necessary technical experts, and field supervisors, and providing training to Operator with a view to allowing FOD to take the greatest responsibility practicable for the day-to-day conduct of such activities;
- 5.4 supporting FOD with respect to the organization of Engineering, Procurement, Installation and Construction procedures, including the establishment of contracting procedures in accordance with Best International Petroleum Industry Practices and relevant Laws and regulations of the Republic of Iraq;
- 5.5 supporting FOD in connection with financial and accounting matters, including the organization of financing for Petroleum Operations and the negotiation of appropriate financing documentation; the implementation of internal control and financial reporting systems sufficient to allow compliance with the requirements of the Contract and applicable Laws of the Republic of Iraq; the negotiation of engagement arrangements with external auditors (subject to approval by the JMC) including the determination of the scope of work and remuneration of such auditors;

- 5.6 providing necessary administrative support with respect to the organization of activities of the JMC, including assistance in establishing operating procedures for meetings and written consents of the JMC members, assistance in preparing reports and presentations for the JMC, establishment of administrative support services for the JMC (maintenance of minute books, payment of reasonable expenses relating to meetings, furnishing of documents and information prior to JMC meetings);
- 5.7 providing such additional support as may be reasonably required in order to allow Petroleum Operations to be conducted in accordance with Best International Petroleum Industry Practices, and as may be approved or requested by the JMC; and
- 5.8 Contractor shall provide the foregoing services and support either by making personnel with relevant managerial, technical or financial expertise available to FOD, or by providing such services and support directly, or through an Affiliate, as determined by the JMC.

**(End of Article 5)**

#### **ARTICLE 6 – FINANCING**

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

**(End of Article 6)**

#### **ARTICLE 7– FUNCTION OF FOD**

FOD shall not own any right, title or interest under the Contract or in the Petroleum produced from the Contract Area. FOD shall function as Operator and shall assume all relevant responsibilities of Operator under this Contract.

**(End of Article 7)**

#### **ARTICLE 8– JOINT MANAGEMENT COMMITTEE**

A JMC shall be formed pursuant to Article 13 of this Contract for the purpose of overall supervision and control of Petroleum Operations. In addition to the authorities and duties set forth in Article 13.2 of the Contract, following the establishment of FOD, the JMC shall have the following duties and authorities:

- 8.1 general supervision and control of the conduct of Petroleum Operations by FOD in accordance with the authorities set out in Article 13.2 of the Contract;
- 8.2 the establishment of the operating organisation 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 FOD;

- 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 FOD, and the definition of their respective powers, subject to the approval of ROC which shall not be unreasonably withheld;
- 8.6 the establishment and update of the organisation chart of FOD, including the identification of the positions to be filled through secondment from ROC or Contractor, respectively, and those to be filled through direct employment or on a contractual basis. The Contractor should be prepared to fill positions within the FOD as and where required upon the request of the JMC, provided however that the Companies shall have the right to fill up to 15% of the positions with secondees from Contractor, the remaining 85% shall be filled by ROC secondees and/or directly recruited through the FOD;
- 8.7 establishment of the employment procedures and personnel regulations of FOD; and
- 8.8 prior approval of the terms of the service or secondment agreements to be entered into by FOD with ROC and Contractor.

**(End of Article 8)**

#### **ARTICLE 9 – MANAGEMENT**

During its first two years of operation the FOD shall be managed by Joint General Managers, one appointed by each of the Lead Contractor and the ROC. Thereafter, management of the FOD shall be through a General Manager and Deputy General Manager, nominated initially by the Contractor and ROC respectively, with the nomination rights alternating every two (2) years. Departmental Managers of FOD shall be appointed by the Joint General Managers or thereafter by the General Manager and Deputy General Manager after the first two (2) years. The General Manager shall be the chief executive officer of the FOD. The General Manager(s) shall consult with, recommend to and agree with the JMC the most efficient way to organise the FOD.

**(End of Article 9)**

#### **ARTICLE 10 – EMPLOYMENT REGULATIONS**

FOD shall give preference to Iraqi personnel in accordance with Article 9 of the Contract.

Secondees of Contractor or ROC shall be exclusive to the operations of the FOD and shall have no other work obligation or assignment within the organization supplying such secondees, unless agreed by ROC and Lead Contractor.

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

**(End of Article 10)**

**ARTICLE 11 – LIABILITY**

Liabilities shall be pursuant to the Contract.

**(End of Article 11)**

**ARTICLE 12 – DURATION OF FOD**

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

**(End of Article 12)**

**ARTICLE 13 – FULL AGREEMENT ON THE FOD**

Pending the conclusion by the Parties of the full agreement, these Heads of Agreement setting forth the principal terms of the agreement shall apply.

**(End of Article 13)**

**ARTICLE 14 – HAND-OVER OF OPERATORSHIP**

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

**(End of Article 14)**

**ARTICLE 15 – GOVERNING LAW AND ARBITRATION**

The Law shall apply to FOD, if and to the same extent they apply to Contractor, ROC and/or the Contract in accordance with Article 29. The FOD agreement shall be governed by, and construed in accordance with, the Law. Any dispute arising from or in connection with the FOD agreement shall be settled in accordance with Article 37 of the Contract.

**(End of Article 15)**

**ARTICLE 16 – CONFIDENTIALITY**

Confidentiality provisions of Article 33 of the Contract shall apply for these Heads of Agreement, subsequent full agreement and operations of FOD.

**(End of Article 16)**

**ARTICLE 17 – EFFECTIVE DATE AND TERM**

These 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 full FOD agreement taking effect. The full FOD Agreement shall be entered into no later than six (6) Months from the Effective Date.

(End of Article 17)

(End of Addendum Three)

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

This Addendum Four is attached to and made part of the Technical Service Contract of ----- Field ("Contract"). 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), ROC and Contractor.

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

##### **ARTICLE 1 – DEFINITIONS**

For the purpose of this Heads of Agreement, terms defined in these Heads of Agreement shall have the same meanings except for the definition of the Parties:

"Parties" means Seller and Buyer.

"Buyer" means Contractor.

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

"ROC" means Regional Oil Company.

(End of Article 1)

##### **ARTICLE 2 – QUANTITY**

###### **2.1 Forward Quantity Statement**

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

Quarter, shall be carried forward, all pursuant to Article 19 of the Contract and the Annex C.

ROC 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 these Heads of Agreement, the Parties may establish a specialized "Joint Committee" with representatives from ROC, Contractor, and SOMO.

## 2.2 Lifting Statement

The Seller shall furnish to the Buyer and the Joint Committee a statement setting out the actual Barrels of the Export Oil lifted per Month during a Lifting Quarter and the actual Price for the Month of lifting ("Lifting Statement"), within 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 these Heads of 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 lift 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 Article hereunder will reduce the outstanding balance of due Service Fees and Supplementary Fees under the Contract, as reflected in the then most current Quarterly report. If either of the Parties wish to exercise this option to deliver excess Export Oil in any Lifting Quarter, it must notify the other Party 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.

**(End of Article 2)**

## **ARTICLE 3 – DELIVERY**

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

**(End of Article 3)**

## **ARTICLE 4 – EFFECTIVE DATE AND TERM**

These Heads of Agreement shall come into effect from the Effective Date and shall continue in

effect until the Contract terminates or the Parties and ROC enter into the Export Oil Sales Agreement whichever is earlier.

**(End of Article 4)**

#### **ARTICLE 5 – PRICE**

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

**(End of Article 5)**

#### **ARTICLE 6 – PAYMENT**

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

**(End of Article 6)**

#### **ARTICLE 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 ROC hereto to act in any manner which is not in compliance with the Law.

**(End of Article 7)**

#### **ARTICLE 8 – EXPORT OIL SALES AGREEMENT**

Contractor, ROC 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, the Contract and it may include such other provisions as 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.

**(End of Article 8)**

#### **ARTICLE 9- GENERAL TERMS AND CONDITIONS (PART 2)**

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

**(End of Article 9)**

**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 Service Fees and Supplementary Fees Reports agreed (for next Quarter)	15 <sup>th</sup>
	Nov.	Forward Quantity Statement for First Lifting Quarter (Price = October price)	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 Service Fees Report agreed	10 <sup>th</sup> 15 <sup>th</sup>
	Feb.	Forward Quantity Statement, for Second Lifting Quarter (Price=January price) 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 and Quarterly Service Fees and Supplementary Fees Report agreed (Adjustment made for First Quarter actuals)	10 <sup>th</sup> 15 <sup>th</sup>
	May	Forward Quantity Statement (For Third Quarter) (Price = April price) June crude nomination	1 <sup>st</sup> 10 <sup>th</sup>
	June	July crude nomination	10 <sup>th</sup>
Third Lifting Quarter	July	August crude nomination Lifting Statement and Quarterly Service Fees and Supplementary Fees Report agreed (Adjustment made for Second Quarter actuals)	10 <sup>th</sup> 15 <sup>th</sup>
	Aug.	Forward Quantity Statement ( For Fourth Quarter) (Price = July price) September crude nomination	1 <sup>st</sup> 10 <sup>th</sup>
	Sep.	October crude nomination	10 <sup>th</sup>
Fourth Lifting Quarter	Oct.	November crude nomination Lifting Statement and Quarterly Service Fees and Supplementary Fees Report agreed (Adjustment made for Third Quarter actuals)	10 <sup>th</sup> 15 <sup>th</sup>

Nov.	Forward Quantity Statement ( For next Quarter) (Price = October price) December crude nomination	1 <sup>st</sup> 10 <sup>th</sup>
Dec.	January crude nomination	10 <sup>th</sup>

**(End of Addendum Four)**