

(MODEL- DPC)

DEVELOPMENT AND PRODUCTION CONTRACT

FOR..... OIL FIELD

BETWEEN

----- OF THE REPUBLIC OF IRAQ

AND

**DEVELOPMENT AND PRODUCTION CONTRACT
FOR OIL FIELD**

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**DEVELOPMENT AND PRODUCTION CONTRACT
FOR OIL FIELD**

This Contract is made and entered into this ----- day of----- 200 -, by and between:
-----, **the Republic of Iraq** (referred to as “**Authority**”) of the **First Part**, and
-----, a company established and existing under the laws of ..., having its registered
head office at ----- (referred to as “-----”)
-----, a company established and existing under the laws of ..., having its
registered head office at ----- (referred to as “-----”)
-----, a company established and existing under the laws of ..., having its
registered head office at ----- (referred to as “-----”),
together with -----, an Iraqi entity established and existing under the laws of Iraq
(hereinafter referred to as “**State Partner**”),
Company(s) and State Partner are collectively referred to as “**Contractor**”, of the **Second
Part**,
Authority and Contractor are referred to either individually as “Party” or collectively as
“Parties”

WHEREAS, the Republic of Iraq is the sole owner of all natural resources within its territory
and offshore areas and has the right to explore, develop, extract, exploit and utilise such
natural resources, therefrom; and

WHEREAS, the Iraqi Oil and Gas Law No. ...of 2007 has entrusted Authority with exploration,
development and production of Petroleum within ----- of the Republic of Iraq; and

WHEREAS, Company has sound financial standing and technical competency to carry out
Appraisal, Development and Production Operations and generally all and any Petroleum
Operations as hereinafter defined; and

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

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

ARTICLE 1 - DEFINITIONS

Except as specifically provided otherwise herein, any reference to an Article, Sub-Article, Annex or Addendum shall be construed as reference to an Article, Sub-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 and requirements set out in Annex "C".

1.2. "Affiliate" in relation to any entity constituting Contractor, means:

- a company which controls such entity, or
- a company which is controlled by such entity, or
- 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, companies and enterprises of Authority shall be considered as Authority's Affiliates.

1.3. "Appraisal Program" 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 therefor, as may be contained in approved Work Programs and Budgets.

1.4. "Average Daily Production" means the total cumulative production of Crude Oil for a certain period of time divided by the number of calendar days in that period of time.

1.5. "Barrel" means a quantity consisting of forty two (42) United States gallons under a pressure of one (1) atmosphere and a temperature of sixty (60) degrees Fahrenheit.

1.6. "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.

1.7. "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.

1.8. "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.

1.9. "Capital Cost" means all costs and expenditure, excluding Operating Cost, which are incurred by Contractor in carrying out Appraisal and Development Operations in accordance with approved Work Programs and Budgets. It is understood that all Petroleum Costs before the First Commercial Production are considered as Capital Cost.

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- 1.10. "Contract Area" means the development and production area covered by this Contract, as described in Annex A and outlined in Annex B.
- 1.11. "Contractor" means, at the Effective Date, State Partner and Company, and at any time thereafter shall include their legal successors and permitted assignees.
- 1.12. "Contractor/Operator" means Contractor and/or Operator.
- 1.13. "Cost Oil" means that portion of Net Production allocated to Contractor for recovery of Petroleum Costs pursuant to Sub-Article 19.1.
- 1.14. "Crude Oil" means all hydrocarbons regardless of gravity which are produced and saved from the Contract Area 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 and the liquid hydrocarbons known as distillates or condensates obtained from Natural Gas at facilities within the Field other than a Gas Plant.
- 1.15. "Crude Oil Price" means the price of one (1) barrel of Crude Oil Free on Board (FOB) at the Delivery Point, computed in accordance with provisions of Article 18 and Addendum Two.
- 1.16. "Date of Transfer of Operatorship" means the date on which the Joint Operating Company (JOC) shall take over the conduct of Petroleum Operations pursuant to Addendum Three.
- 1.17. "Delivery Point" or "DP" means the point(s), at the loading flanges of the relevant loading terminal(s), where Contractor's entitlement of Export Oil under this Contract shall be delivered.
- 1.18. "Development Operations" means any and all operations, including primary and subsequent (secondary, tertiary or other) recovery projects and pressure maintenance, conducted with a view to developing the Field including, but without limitations: the drilling, deepening, completing, plugging, side-tracking, re-completing and equipping of evaluation and development wells; the engineering, building and erecting or laying of production plants and facilities (such as, without limitation, separators, compressors, generators, pumps and tankage, gathering lines, pipelines, and all facilities required to be installed for production, pressure maintenance, treatment, storage and transportation of Petroleum, 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, all in accordance with the approved Development Plan and good international petroleum industry practices.
- 1.19. "Development Plan" means a scheduled program and cost estimate specifying the Development Operations required to develop and/or increase the production capacity of the Field, which includes the Preliminary Development Plan, General Development

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Plan and subsequent revisions thereof.

- 1.20. "Dinar" or "Local Currency" means the currency of the Republic of Iraq.
- 1.21. "Dollar" or "USD" means dollar of the United States of America.
- 1.22. "Effective Date" means the date when this Contract, signed by the Parties, comes into force in accordance with the provisions of Article 40.
- 1.23. "Export Oil" means crude oil of standard Iraqi export blend of comparable quality to the Crude Oil, out of which Contractor shall lift its entitlements under the Contract at the Delivery Point.
- 1.24. "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.
- 1.25. "Field" means the part of Oil Field limited to the drilled and undeveloped reservoirs defined in Annex D, the area limits of which shall be defined as and when the Appraisal Operations are carried out, all within the Contract Area and subject to the provisions of Article 5 hereof.
- 1.26. "Financial Year" means the Calendar Year starting on January 1st and ending on December 31st of the same year, both dates being inclusive.
- 1.27. "First Commercial Production" means the date on which loading of the first commercial cargo of the Export Oil is completed by Contractor in the course of a regular program for production and export from the Field under the Transportation Agreement at the Delivery Point.
- 1.28. "Government" means the Government of the Republic of Iraq.
- 1.29. "Joint Operating Company" or "JOC" means the organisation designated in accordance with Article 9 to take over the conduct of Petroleum Operations pursuant to Addendum Three.
- 1.30. "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 Production Measurement Point "PMP" and Delivery Measurement Point "DMP".
- 1.31. "Minimum Work and Expenditure Obligations" means the minimum work and financial commitments undertaken by Contractor under Article 6, and Annex E.
- 1.32. "Natural Gas" or "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.
- 1.33 "Net Production" means all barrels of Crude Oil produced from the Contract Area,

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less base sediments and water which are beyond the permissible limits to be defined as per Clause 5 of Addendum Two, saved and not used in Petroleum Operations and measured upstream of the Transfer Point at the Production Measurement Point, less the pipeline and terminal losses between the Transfer Point and Delivery Point, as provided in Addendum Two hereto (Head of Transportation Agreement).

- 1.34. "Operator" means one of the entities of which Contractor is comprised that is designated under this Contract to conduct Petroleum Operations on behalf of Contractor in accordance with Article 9.
- 1.35. "Operating Cost" means all costs, expenses, duties and fees related to Production Operations as well as head office overhead charges pursuant to Annex C.
- 1.36. "Pay-out" means the first day of the Quarter following the Quarter in which, for the first time, there are no recoverable Petroleum Costs to be carried forward in accordance with Sub-Article 19.1.
- 1.37. "Participating Interest" means, in respect of each entity constituting Contractor, the undivided share expressed as a percentage for such party's participation in the rights and obligations under the Contract.
- 1.38. "Petroleum" means all hydrocarbons including liquid and gaseous hydrocarbons produced and saved from the Field under this Contract.
- 1.39. "Petroleum Costs" means costs and expenditures incurred and/or payments made by Contractor in connection with or in relation to the carrying out of Petroleum Operations (except as otherwise stipulated herein) determined in accordance with the provisions of this Contract and Annex C.
- 1.40. "Petroleum Operations" means all Appraisal, Development, and Production Operations and other activities related thereto, under this Contract.
- 1.41. "Production Operations" means any and all operations related to production of Petroleum including (but not limited to) workovers, stimulations, operating, staffing, supervising, servicing, repairing and maintaining of any and all wells, plants, equipment, pipelines, tankfarms, terminals and all other installations and facilities.
- 1.42. "Profit Oil" means that portion of Net Production remaining after deduction of both Royalty and Cost Oil, which shall be shared between the Parties pursuant to Sub-Article 19.2.
- 1.43. "R- Factor" or "R/C" at any time is the ratio of Contractor's cumulative income actually received up to that time (out of Cost Oil plus Profit Oil share) divided by Contractor's cumulative expenditure actually incurred up to that time (recoverable Petroleum Costs + non-recoverable like bonuses, training, rentals etc.)
- 1.44. "Royalty" is the percentage of Net Production of Crude Oil that is allocated to the Government as per Sub-Article 23.1. The Government has the option to take Royalty

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in cash or in kind.

- 1.45. "Quarter" means a period of three (3) consecutive months commencing with the first day of January, April, July or October, according to the Gregorian calendar.
- 1.46. "Sub-Contractor" means the suppliers, contractors and sub-contractors of the Operator, at whatever level.
- 1.47. "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 any applicable tax Laws and Regulations of Iraq.
- 1.48. "Transfer Point" means the inlet flange(s) of the outgoing pipeline(s), immediately after the Measurement Point at the Field, where Transporter shall receive Crude Oil for transportation to the Delivery Point.
- 1.49. "Transporter" means the entity designated by Authority to transport Crude Oil beyond the Transfer Point pursuant to Article 17 and Addendum Two.
- 1.50. "Transportation Facilities" means the pipelines, pumps, tanks, meters, and other transportation facilities constructed and integrated by Contractor into the Transportation System pursuant to the Contract.
- 1.51. "Transportation System" means, at any time, any and all installations, equipment or facilities up to and including the loading flange(s) at the relevant loading terminal(s) operated by or under the control of the Transporter, which are necessary for transportation, storage, metering and loading of Crude Oil / Export Oil under Addendum Two and the subsequent Transportation Agreement.
- 1.52. "Work Program" means an itemisation and time schedule of the Petroleum Operations to be carried out under this Contract.
- 1.53. "Year" means a period of twelve (12) consecutive months according to the Gregorian calendar.

End of Article 1

ARTICLE 2 - SCOPE OF CONTRACT

2.1. This Contract is a Petroleum Development and Production Contract, in accordance with the provisions herein contained. It includes 41 Articles, Annexes A, B, C, D, E, F and G, and Addenda One, Two and Three 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 Articles shall prevail.

Contractor, subject to the provisions herein contained, shall:

- (a) carry out Petroleum Operations to study, appraise, develop, and produce the relevant reservoirs of the Field, with a target to achieve a sustainable production level of (--) thousand Barrels of Crude Oil per day within (..) Years from the Effective Date in accordance with approved Development Plans.
- (b) provide all capital, machinery, equipment, technology, personnel and services necessary for carrying out Petroleum Operations,
- (c) incur all costs and expenses required for carrying out Petroleum Operations in accordance with approved Work Programs and Development Plans with a view to achieving the production level set out in Sub-Article 2.1(a) above.
- (d) fulfil all financial and other obligations of Contractor and enjoy all rights and benefits, in accordance with the provisions of the Contract.

2.2. Notwithstanding the above, the scope of the Contract does not include any undiscovered potential reservoirs deeper than ----- Formation as described in Annex D. However, should the Parties mutually opt to explore and/or develop such reservoirs; this shall be subject to a separate agreement. If no such agreement is reached, Authority shall be free to develop and produce such reservoirs at any time and in any manner it may deem appropriate, taking care not to hinder or unduly interfere with Petroleum Operations. Should Contractor unintentionally infringe on said reservoirs, or on relinquished reservoirs, the Parties shall convene to agree in good faith on a proper course of action, taking into consideration the quantities of Petroleum involved, to safeguard the interests of Authority.

2.3. At any time, the entities then constituting Contractor shall be jointly and severally responsible towards Authority for all obligations of Contractor under the Contract.

End of Article 2

ARTICLE 3 - TERM OF CONTRACT

- 3.1. The Contract shall come into force on the Effective Date, as defined herein.
- 3.2. The term of the Contract shall be twenty three (23) Years from the Effective Date; but not exceeding twenty (20) Years from the approval date of the General Development Plan as defined in Article 11 and Annex E.
- 3.3. This term may be extended for a maximum period of five (5) Years, subject to newly negotiated terms and conditions. Contractor may submit a written request to Authority for such extension at least one (1) Year, prior to expiry date of the Contract. At its sole election, Authority may invite Contractor for negotiating the new terms and conditions of such extension. Failing to reach agreement on the said extension by the expiry date of the Contract, the same shall be considered expired by the end of its original term.

End of Article 3

ARTICLE 4 – SIGNATURE BONUS

The Company shall within thirty (30) days from the Effective Date pay to the Authority a non-recoverable signature bonus of ... (--) million USD to be deposited in cash into a bank account designated by Authority.

End of Article 4

ARTICLE 5 - RELINQUISHMENT

- 5.1. Contractor shall relinquish to Authority within three (3) years from the approval date of the General Development Plan, any reservoir(s) not included in the approved General Development Plan.
- 5.2. Unless otherwise agreed by Authority, Contractor shall relinquish within six (6) years after the approval date of the General Development Plan, any reservoir(s) included therein if Development Operations in respect of such reservoir(s) have not commenced in a proper manner.
- 5.3. Authority shall be free to appraise, develop and produce relinquished reservoir(s) taking care not to hinder or unduly interfere with Petroleum Operations.

End of Article 5

ARTICLE 6 - MINIMUM WORK AND EXPENDITURE OBLIGATIONS

- 6.1. Contractor shall carry out within the respective periods of time and according to the provisions set out in Annex E, the Minimum Work Obligations specified therein, for the following activities:
- (a) Preparation of the Preliminary Overall Work Program and the General Development Plan.
 - (b) Conduct of seismic surveys, including processing and interpretation thereof.
 - (c) Carrying out of detailed geological and reservoir engineering studies, including (3-D) simulation for the reservoirs programmed to come into early production.
 - (d) Drilling appraisal and/or development wells with the aim of appraising the reservoirs defined in Annex "D", and achieving planned initial production in accordance with the Initial Development Plan.
 - (e) Conduct of detailed laboratory and reservoir engineering studies to evaluate most suitable secondary recovery mechanisms for the reservoirs programmed to come into production within the General Development Plan.
 - (f) Performing engineering studies and building all necessary surface installations required for initial production, transport, storage and booster pumping facilities, and initiation of engineering work and infrastructure facilities required by the General Development Plan.
- 6.2. Contractor shall spend a minimum amount of-----(-) million USD in carrying out the Minimum Work Obligations in accordance with the provisions of Annex "E", within the first three (3) Years from the Effective Date (referred to herein as "Minimum Expenditure Obligation").
- 6.3. Notwithstanding the provisions of Sub-Article 6.2 hereof, for the purpose of achieving the objectives of the Contract, the following cumulative amounts are expected to be invested by Contractor by the ends of the Years during the phases defined hereunder from the Effective Date:
- (a) -----(-) million USD by the end of the second (2nd) Year.
 - (b) -----(-) million USD by the end of the fourth (4th) Year.
 - (c) -----(-) million USD by the end of the sixth (6th) Year.
- 6.4. If actual expenditure during any of the above phases, show that Contractor needs to incur less amounts of investments than those expected in Sub-Article 6.3 hereabove in order to achieve the objectives of the approved Development Plan, then the Parties shall convene, discuss and agree on necessary modifications to the Development Plan and corresponding Work Programs and budgets for the succeeding Years, with a view to expanding and/or speeding up the implementation of the approved Development Plan and/or performing additional or complementary works related to the Contract.
- 6.5. If actual expenditure during any of the above phases, show that Contractor needs to incur greater amounts of investments than those expected in Sub-Article 6.3 hereabove in order to achieve the objectives of the approved Development Plan, then the Parties

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shall convene and agree on necessary revisions to the Development Plan and corresponding Work Programs and budgets for the succeeding Years.

- 6.6. The performance of each non-Iraqi entity constituting Contractor and the fulfilment of its contractual and financial obligations under the Contract shall be guaranteed by its Parent Company(s) through an instrument in the form set out in Annex G, such guarantee being delivered to Authority on the date of execution hereof in respect of Company, and as provided in Article 28 in respect of foreign entities being assignees in accordance with the said Article 28.
- 6.7 Notwithstanding the Minimum Expenditure Obligation, substantial failure of Contractor to execute the Minimum Work Obligations shall be subject to the provision of Sub-Article 8.1.1 (c).

End of Article 6

ARTICLE 7 - AUTHORITY'S ASSISTANCE

Authority shall:

- 7.1. provide Contractor, within thirty (30) days of the Effective Date, with the available technical data pertaining to the Field, to be used exclusively for Petroleum Operations.
- 7.2. make available to Contractor such land as may reasonably be required for the conduct of Petroleum Operations. Such land shall be free of any hazardous war remnants and free of any claims by third parties. Any expenditure that Contractor may incur to prepare the said land for Petroleum Operations shall be considered as Petroleum Costs.
- 7.3. support and assist Contractor in obtaining the office space and its equipment, accommodation, communication facilities and permits, the necessary visas, permits, getting through customs procedures, wayleaves, easements, rights of way, licences and renewals thereof, all for the purpose of conducting Petroleum Operations.
- 7.4. Contractor is hereby allowed:
 - (a) free access to the Contract Area and to the existing roads and bridges leading to it.
 - (b) free of charge use of water available in the vicinity of the Contract Area for the purpose of Petroleum Operations. However, all installations for off-take, treatment, distribution, and disposal of water shall be the responsibility of Contractor.
 - (c) free of charge use of Petroleum produced by Contractor from the Field for Petroleum Operations.
 - (d) use of existing wells and facilities related to the Field within the Contract Area subject to the provisions of Sub-Article 27.3.

End of Article 7

ARTICLE 8 - TERMINATION

- 8.1. Termination by Authority
 - 8.1.1. Authority may terminate the Contract by giving Contractor three (3) months written notice if the last remaining non-Iraqi entity constituting Contractor becomes bankrupt or be declared insolvent, or if Contractor commits a breach of a material obligation of the Contract, including but not limited to:
 - (a) Contractor knowingly submits false statement to Authority which is of material consideration for the execution of the Contract.
 - (b) Last non-Iraqi entity constituting Contractor assigns any interest, right or obligation under the Contract contrary to the provisions of Article 28.
 - (c) Contractor fails substantially to comply with approved Development Plans, Work Programs and budgets.
 - 8.1.2. If Contractor has remedied its breach by the end of the above three (3) months' notice, Authority shall consider its notice as being ineffective. If Authority reasonably believes

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that Contractor is doing its best to remedy the breach and its efforts look promising then Authority may extend the notice period accordingly.

8.1.3. If Authority shall terminate the Contract in accordance with Sub-Article 8.1.1, Contractor shall:

(a) forfeit all its rights and interests under the Contract.

(b) indemnify and save Authority harmless against any and all actions, claims, demands and proceedings that may arise out of such termination.

(c) pay Authority the balance, if any, of the Minimum Expenditure Obligation referred to in Sub-Article 6.2. Otherwise, Authority shall be entitled to recover such balance from Contractor by any means it may deem proper.

8.1.4 If Petroleum Operations are suspended or seriously jeopardized for a period exceeding eighteen (18) Months due to "Force Majeure" as per Article 31, (but for reasons other than legislation/order of Government), Authority may terminate this Contract by giving Contractor two (2) months written notice. Upon such termination, Authority shall compensate Contractor for non-recovered Petroleum Costs up to the date of termination notice.

8.1.5. If Contractor is unable to continue with Petroleum Operations by order or decree of the government of any of the non-Iraqi entities constituting Contractor, Authority shall have the right to take over the conduct of Petroleum Operations in any way it deems appropriate after giving Contractor one (1) month notice to this effect. However, if such situation continues for a period exceeding one (1) year, Authority shall have the right to terminate the Contract by giving Contractor two (2) months notice. Upon such termination, the provisions of Sub-Article 8.1.3 shall apply. However, if at any time during the take over by Authority as above and prior to the end of termination notice, Contractor gives Authority notice that it is able and willing to resume Petroleum Operations, Authority and Contractor shall agree on the best course of action to resume Petroleum Operations and on the settlement of financial matters relating to the period of take over.

8.2. Termination by Contractor

If Contractor elects to terminate the Contract before the end of its term, Contractor shall give Authority three (3) months notice to this effect giving reasons for such election. If by the end of the said notice the Parties have not agreed on a course of action other than termination then Contractor may terminate the Contract by giving Authority a further notice of one (1) month. Upon such termination the provisions of Sub-Article 8.1.3 shall apply.

8.3. In the event of termination of the Contract (whether by Authority or by Contractor), in accordance with this Article 8, Contractor hereby warrants that it shall not obstruct, hinder or otherwise interfere in anyway in the carrying out of Petroleum Operations by Authority or any third party.

End of Article 8

ARTICLE 9 - CONDUCT OF PETROLEUM OPERATIONS

- 9.1. Contractor shall carry out Petroleum Operations on the Field on an exclusive basis. In case permission would 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 relinquished pursuant to Article 5 under this Contract, if any, Authority shall take necessary measures to ensure that third party operations within the Contract Area shall not obstruct, hinder, or unduly interfere with Petroleum Operations.
- 9.2. Contractor shall entrust the conduct of Petroleum Operations to one of the entities of which it is comprised. Pursuant to the above, the Operator upon the Effective Date shall be
Contractor shall not change the Operator without the prior written consent of Authority.
- 9.3. Operator shall open and maintain a branch office in the Republic of Iraq. Authority shall assist Operator in this respect. The said branch office shall serve as Contractor's office under Article 36.
- 9.4. Contractor shall diligently conduct Petroleum Operations in compliance with Oil and Gas Law No... of 2007, and in accordance with good international petroleum industry practice.
- 9.5. Contractor's activities aboveground and underground shall be designed to achieve efficient and safe production of Petroleum from the Field. Operator shall ensure that all materials, equipment, and facilities used in Petroleum Operations comply with generally accepted engineering norms, are of proper and accepted construction, and are kept in good working order throughout the term of the Contract. The Parties shall at least one (1) Year before the expiry of the Contract agree on a detailed procedure for handing-over the Field and related facilities to Authority as a going concern.
- 9.6. Operator shall take all appropriate and necessary measures, in accordance with Iraqi Laws and international standards to safeguard the environment and prevent pollution which may result from Petroleum Operations, and minimise the effect of any pollution which may occur.
- 9.7. Contractor shall take all appropriate and necessary measures, in accordance with Iraqi laws and international standards, to uphold transparency and accountability and fight corruption.
- 9.8. Until the takeover of Petroleum Operations by the Joint Operating Company (JOC), pursuant to Sub-Article 9.13, Contractor shall conduct Petroleum Operations in accordance with the provisions of this Contract, and under the general supervision and control of Authority's Representatives(s) or the JMC, as the case may be.
- 9.9. Pursuant to Sub-Article 9.7, Operator shall:
- (a) provide all personnel required for the Petroleum Operations, giving first priority to Iraqi nationals, taking into consideration qualifications and experience.
 - (b) adhere to employment and training programs which shall aim at the Iraqization of Operator's manpower within a short period to be defined by the JMC.
 - (c) utilize Sub-Contractors and suppliers of proven capability and professional

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experience on competitive basis, keeping JMC informed accordingly. However, prior approval shall be obtained on award of any individual purchase order or sub-contract as follows, giving details of bids received and the basis for recommended award:

- By JMC if exceeding five (5) million USD in value.
- By Authority if exceeding ten (10) million USD in value.

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

9.10. 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 Development Plans. Fixtures and installations relating to the transportation and export of Crude Oil / Export Oil shall be handed over upon completion and commissioning to the Transporter which will thereafter be responsible for the operation and maintenance of such fixtures and installations in accordance with the provisions of Addendum Two and the subsequent Transportation Agreement.

9.11. Promptly after the Effective Date, but not later than six (6) months, Operator shall prepare and submit for Authority's 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 allowance 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 applicable laws and regulations. Equitability of basic salaries and terms of employment between Iraqis and non-Iraqis of similar qualification and experience shall be observed, difference being the allowances and special benefits as appropriate for non-Iraqis.

(b) Benefits and allowances to be paid in 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 competitive basis, taking into account provisions of Contract and applicable laws and regulations.

(d) Detailed accounting system to be adopted by Operator based on the provisions of Annex C.

9.12. After the first "Cost Recovery Date" when Contractor has for the first time recovered hundred percent (100%) of its cumulative Petroleum Costs, Contractor and an Iraqi entity designated by Authority "Authority Entity" shall form a Joint Operating Company (referred to as "JOC"), which shall come into existence as specified in Article 9.13 and which thereafter shall conduct Production Operations under this Contract in accordance with approved Development Plans and Work Programs and Budgets. The principal terms of the charter of the JOC is attached hereto as Addendum Three.

9.13 Within twelve (12) Months of the Cost Recovery Date as specified in Article 9.12, the charter of the JOC shall take effect and the JOC shall automatically come into existence without any further procedures and actions for and on behalf of Contractor

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and the entity designated by Authority "Authority Entity". The date on which the Joint Operating Company (JOC) shall take over the conduct of Petroleum Operations pursuant to Addendum Three is referred to as the "Date of Transfer of Operatorship".

- 9.14 The parties which shall constitute the JOC shall agree in due time to a procedure for the transfer of Petroleum Operations from Operator to the JOC subject to Authority's approval taking into consideration that the transfer plan shall include but not be limited to;
- (i) An arrangement for the establishment of the JOC;
 - (ii) A list of the various positions to be taken over by the JOC;
 - (iii) A schedule of transfer stages; and in any case within twelve (12) months of coming into existence of the JOC pursuant to Article 9.13.
 - (iv) Inventories of the relevant facilities, equipment, documents, manuals, data and information necessary for the Petroleum Operations;
- 9.15. Operator, on behalf of Contractor, shall in accordance with the transfer schedule as per Article 9.14 above, transfer to the JOC's takeover personnel, control of all facilities and equipment relating to Petroleum Operations and all documents, manuals, data and information regarding the use and operation of such facilities and equipment so that the JOC personnel are able to manage and handle such facilities and equipment in accordance with petroleum industry standards.
- 9.16. The transfer in respect of the accounting and financial aspects shall be handled in accordance with the Clause 11 of Annex C attached hereto.
- 9.17. During the preparations for the transfer of Petroleum Operations to the JOC and in the course of the actual transfer, Operator, on behalf of Contractor, shall perform the functions and fulfil his obligations provided for in the Contract in respect of Petroleum Operations. Thereafter, the functions, obligations and rights of the Operator provided for under the Contract shall, by analogy, be applicable to the JOC in accordance with the provisions of the Contract and Addendum Three attached hereto.
- 9.18. After the JOC has taken over the Petroleum Operations and has become Operator, Contractor shall still have the obligation to provide the JOC with the relevant technical and personnel training assistance and continue to perform its other obligations under the Contract in accordance with the provisions of Addendum Three.
- 9.19. Expenses incurred in the transfer and takeover of Petroleum Operations by the JOC shall be paid by Contractor and charged to the Operating Account in accordance with the provisions of Annex C.
- 9.20. Not later than the twentieth (20th) day of each Calendar Month, the JOC shall furnish Contractor with a detailed written estimate of its total cash requirements for the succeeding Calendar Month expressed in Dollars, in accordance with all current and approved Work Programs and Budgets.
Such estimate shall take into consideration any cash expected to be on hand at Calendar Month end. Payment by Contractor for the appropriate period of each Calendar Month shall be made directly to the correspondent bank designated in Article 9.19 below on the first (1st) day and fifteenth (15th) day respectively, or the next following working day, if such day is not a working day.

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- 9.21. JOC is authorized to keep at its own disposal abroad in an account opened with a correspondent bank to an Iraqi bank, the foreign funds advanced by Contractor. Interest or similar income generated by the account shall be credited to the account. Withdrawals from said account shall be used for payment for goods and services abroad and for transferring to a local bank in Iraq the required amounts to meet expenditures in Dinars for the JOC in connection with its activities under this Contract, converted at the applicable rate of exchange available for relevant commercial activity as published by the Iraqi Central Bank on the date of conversion. Within 60 (sixty) days after the end of each Financial Year, JOC shall submit to the appropriate exchange control authorities in Iraq a statement, duly certified by a recognized firm of independent auditors, showing the fund credited to the account, the disbursements made out of the account and the balance outstanding at the end of such Financial Year.
- 9.22. By the fifteenth (15th) July of each Calendar Year, JOC shall prepare an annual Petroleum production schedule, and a Work Program and Budget for the succeeding Calendar Year, and submit it for examination and comment by Contractor. OC shall then make such revisions as it deems appropriate in the light of any such comment, and not later than the fifteenth (15th) August of each Calendar Year shall submit the said Petroleum production schedule and Work Program and Budget to the Board of Directors of the JOC for its approval, which shall not be unreasonably withheld. The JOC shall then submit the said Petroleum Production schedule and Work Program and Budget to Authority for approval. Following such approval, JOC shall carry out the approved Work Program and observe the production schedule, in accordance with the approved Budget and the provisions of the Contract.
- 9.23. The JOC shall implement its works and conduct its activities with high competence, in a manner consistent with internationally recognized good oil field practices.
- 9.24. After the JOC comes into existence, Contractor shall continue to prepare, and obtain Authority's approval to, an annual Exploration Work Program and Budget in accordance with Article 11 and 12, if applicable.
- 9.25. The JOC shall within ten (10) days after the end of each Calendar Month prepare and submit to the Parties a detailed statement for the prior Calendar Month, setting forth the quantity of Average Daily Production. The JOC will allocate to each Party and each Party will take possession of its share of Petroleum, in accordance with Articles 17, 18 and 19 hereof. Each Party will bear the cost, risks and expenses pertaining to the Petroleum at the Delivery Point. The Cost Recovery and the Production Sharing Petroleum and the shares thereof shall be allocated between Crude Oil and Natural Gas in accordance with Article 17, 18 and 19.

End of Article 9

ARTICLE 10 - GAS

- 10.1. Gas shall not be flared except pursuant to the Oil and Gas Law No... of 2007, any regulations thereto, and as provided herein.

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- 10.2. Contractor shall submit to Authority, as part of any Development Plan, proposed economically and technically feasible schemes for utilisation, and/or disposal of all the excess Gas not used in Petroleum Operations including, treatment and processing in an NGL/LPG plant, delivery of dry Gas into a nearby Gas trunk line, and power generation for the full power requirements of the Field. Gas may also be used for re-injection into the reservoir(s) for the purpose of pressure maintenance, enhanced recovery or temporary storage, and other possible utilization.
- 10.3 Gas treatment includes sweetening to no higher than 7.5 ppm of H₂S, dehydration to no higher than (-12 degrees C.) of water dew point, dew pointing to no higher than (-8 degrees C.) of hydrocarbon dew point and sulphur recovering, all for delivery to Authority as dry gas, domestic LPG and solid sulphur. Heavy condensate (C5 +) may be spiked into Crude Oil stream. Gas processing is for maximizing NGL/LPG extraction.
- 10.5 Contractor may use, free of charge, the quantity of Gas necessary for Petroleum Operations.
- 10.6. All Gas produced from the Field, which is neither used in Petroleum Operations nor utilized pursuant to Sub-Articles 10.2 above shall be delivered to Authority, at delivery points and subject to specifications to be defined in the Initial Development Plan pursuant to Sub-Article 10.3 above. Quantities of Gas made available to, but not received by, Authority may be flared.
- 10.7. Notwithstanding the provisions of Sub-Article 10.1, Contractor may flare gas; provided, however, that the period of Gas flaring shall not exceed eighteen (18) months from First Commercial Production and provided further that the quantity of Gas flared shall not exceed twenty five (25) million Standard Cubic Feet per day, unless otherwise agreed by Authority. Gas may also be flared in limited quantities for testing and maintenance purposes and in emergency cases.
- 10.8. Fixtures and installations built by Contractor related to the transportation of dry gas and LPG shall be handed over upon completion and commissioning to the relevant Iraqi entity designated by Authority, which shall thereafter be responsible for the operation and maintenance thereof.
- 10.9. All costs and expenses incurred by Contractor in connection with the production, re-injection, treatment, delivery, and disposal of Gas under the Contract, including notably the costs incurred by Contractor pursuant to Sub-Article 10.6, shall be recovered as Petroleum Costs.
- 10.10. However, if found feasible, the Parties may agree a Gas processing project for LPG extraction, which shall be subject to a separate agreement between the Parties.

End of Article 10

ARTICLE 11 - WORK PROGRAMS AND DEVELOPMENT PLANS

- 11.1. Promptly after the Effective Date, and in any case not later than six (6) months, Contractor shall prepare a "Preliminary Overall Work Program", with corresponding cost estimates, presenting, in the light of the available knowledge of the Field, the overall targets and phases of development of the Field for the duration of the Contract, as well as specific Petroleum Operations related to additional Appraisal activities and initial production from the Field. Such Preliminary Overall Work Program shall include:
- (a) "Initial Development Plan" for the reservoir(s) of the Field which can be developed and go into early production at a reasonable commercial rate.
 - (b) Appraisal program for the reservoir(s) of the Field 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 Appraisal program is aimed at acquiring technical data required to conceive the "General Development Plan" embracing the whole Field.
- 11.2. Contractor shall, within forty five (45) days of Authority's approval of the Preliminary Overall Work Program, prepare a detailed Work Program and budget for the remainder of the current Calendar Year. Thereafter, Contractor shall similarly 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 quarterly periods 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 of the Field and shall include forecast of yearly activities for the four (4) year period following the end of the relevant Calendar Year or the period up to the termination of the Contract whichever is shorter.
- 11.3. Within six (6) months after the achievement of the Appraisal Program, Contractor shall prepare with the participation of Authority's specialists the General Development Plan, with the corresponding cost estimates, which shall upon approval by Authority, supersede the Initial Development Plan.
- 11.4. Contractor shall further prepare and submit for Authority's approval revised Development Plans and corresponding cost estimates as necessary in the course of implementing Development Plans.
- 11.5. All Development plans shall be based on sound geological, engineering and economical principles and shall be prepared with the participation of Authority, in accordance with good international petroleum industry practice, and with the objective of optimizing the volume of recoverable reserves of Petroleum from the Field.
- 11.6. Development Plan(s) shall include the following as a minimum:
- (a) Details of the proposed development area;
 - (b) Summary of reservoir studies;
 - (c) Proposals relating to additionally required Field Appraisal, if any;
 - (d) Proposals relating to the spacing, drilling and completion of wells and the surface facilities, installations and pipelines required for the production, storage, transportation and loading of Crude Oil/Export Oil;

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- (e) Proposal relating to the gathering, treatment, utilisation and disposal of associated Gas;
- (f) Forecast of annual production and an estimate of relevant investments involved.

End of Article 11

ARTICLE 12 - APPROVAL OF DEVELOPMENT PLANS AND WORK PROGRAMS

- 12.1 No Petroleum Operations shall be carried out unless and until the relevant Work Program and Budget and Development Plans or their Revisions have been duly approved by Authority in writing.
- 12.2 In a timely manner, Contractor shall prepare and submit to both Authority and the JMC its proposals of the Preliminary Overall Work Program, the General Development Plan or their Revisions as well as the annual Work Programs and budgets or their Revisions, and any administrative, accounting or other operating procedures, complete with supporting studies, data and information, for approval in accordance with the following procedure:
- (i)- Within thirty (30) days of receipt thereof, JMC shall review the same and shall submit to both Authority and Contractor the recommended changes, if any.
 - (ii)- Within twenty (20) days of receiving the JMC recommendation, Authority shall review the same, and shall advise both Contractor and JMC of its approval, which shall be final, or its comments and suggested modifications.
 - (iii)- Within thirty (30) days of receipt of Authority's comments and suggested modifications (if any), Contractor shall incorporate the same and transmit the revised proposal to Authority and JMC. Otherwise, Contractor shall, within fifteen (15) days, review Authority's comments and suggestions, meet Authority if necessary, accommodate any standing differences, and transmit to both Authority and the JMC the revised proposal.
 - (iv)- Within fifteen (15) days of receipt thereof, Authority shall review the revised proposal and shall advise both Contractor and the JMC of its final approval of the same or reasons for non-approval.
- 12.6. Contractor shall promptly issue the Development Plans, Work Programs and budgets and any operating procedures, as finally approved by Authority to Operator for implementation.
- 12.7. After the approval of the annual Work Program and budget by Authority, it shall be implemented by Operator under the supervision and control of JMC. Operator may make minor changes to the details of an approved Work Program and budget, provided, however, such changes shall not change the budgeted amount for each major line item by more than ten percent (10%), change the total approved budget by more than five percent (5%), or alter the general objectives of the Work Program. Otherwise, the change shall be considered a Revision calling for Authority's prior approval unless such changes are warranted under emergency or extraordinary circumstances requiring immediate action, including but not limited to action required for safeguarding lives or property, protection of the environment or health reasons. Such emergency changes shall be reported by Contractor to Authority within five (5) working days.

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- 12.8. Any modification to the approved Development Plan shall be considered as a Revision of the said Plan which shall be subject to Authority's approval in accordance with this Article 12, if such modifications alter the general objectives of the approved Development Plan or change the total estimated Capital Cost by more than ten percent (10%).
- 12.9. Authority shall have the right to review the proposed level of production in respect of any proposed or approved annual Work Program and may, upon written notification, request Contractor to increase or decrease the rate of production from any Oil Field located in a Development Area for any of the following reasons:
- (a) To optimize oil and gas recovery;
 - (b) To minimize gas wastage;
 - (c) For safety consideration;
 - (d) For operational consideration; and
 - (e) For Government imposed curtailment

In case reduction of production of Crude Oil is to be applied by the Government as per (e) above, Authority shall apply such reduction in a non-discriminatory manner. Contractor shall comply with such reduction upon receipt of notification from Authority to this effect.

In the event that imposed production curtailment exceeds ten percent (10%) of the then current approved production schedule and for a total period exceeding one (1) Year, then the Parties shall meet to agree in good faith on a possible revised production schedule with a view to enabling Contractor to recover from the Field soonest possible, and in accordance with good oil field practice, the volume of Crude Oil lost as a result of the reduction in excess of the stated limits taking the Crude Oil quality into account.

- 12.9. Authority may, at any time, by written notice, request Contractor to execute specific works or build specific facilities related to Petroleum Operations. Within ninety (90) days of receiving such notice, Contractor shall amend the relevant Work Program and budget or Development Plan accordingly. 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 Authority. If Contractor is unwilling to execute such works, Authority shall have the right to appoint a third party to execute such works taking care not to hinder or unduly interfere with Petroleum Operations, and the said works shall be for Authority's sole risk and reward.

End of Article 12

ARTICLE 13 - JOINT MANAGEMENT COMMITTEE

- 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" (JMC), for the purpose of general supervision and control of Petroleum Operations. Authority shall nominate three (3) members, while each entity constituting

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Contractor shall nominate one (1) member; provided that in case Contractor is constituted of one entity, it will nominate three (3) members. A member from the Operator shall serve as the Secretary of the Committee. The chairman shall be appointed by Authority from among its representatives. The Parties shall also designate one alternate to each of their representatives and shall promptly inform each other in writing of any change of the representatives or alternates thereof.

13.2. JMC shall have the following duties and authorities:

- a) Review and recommendation of Preliminary Overall Work Program, Development Plans and cost estimates and any revisions thereof.
- b) Review and recommendation of annual Work Programs, production schedules, and budgets and any revisions thereof.
- c) Review and recommendation of operating procedures pursuant to Sub-Article 9.11.
- d) Review and/or approval of the award of sub-contracts and purchase orders as applicable pursuant to Sub-Article 9.9(c).
- e) Approval of training programs and Iraqization plans for developing Iraqi personnel in various aspects of Petroleum Operations, pursuant to Sub-Articles 9.9 (a) & (b) and 26.1.
- f) Supervision and control of the implementation of approved Development Plans and Work Programs and the overall policy of Operator.
- g) Review and/or approval of manpower strength and organisation chart of Operator with respect to Petroleum Operations.
- h) Review of audited quarterly statements, annual accounts and other financial statements related to Petroleum Operations.
- i) Review of periodical and other reports submitted by Contractor/Operator and issue of comments and recommendations to ensure proper implementation of Petroleum Operations in accordance with the provisions of the Contract.
- j) Recommendation of the appointment of the independent international auditor as per Sub-Article 20.4 herein.
- k) Recommendation of the designation of the independent inspector referred to in Addendum Two and the subsequent Transportation Agreement.

13.3. Decisions of JMC shall be taken by unanimous votes of the members or their alternates present at the meeting. Quorum shall be at least two (2) representatives or alternates of each Party. Decisions taken by JMC shall be recorded in official minutes signed by the members present and communicated by Operator to the Parties.

13.4. JMC shall meet whenever necessary or expedient for the implementation of the Contract and at any time a Party requests a meeting to be held. In any event JMC shall meet at least once every Quarter. A meeting of JMC may be convened by either Party giving not less than twenty (20) days prior notice to the other Party or, in a case requiring urgent action, by giving such shorter notice as may be reasonable. Operator shall prepare the agenda and necessary documents prior to such meetings and

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communicate the same to the members of JMC.

- 13.5. JMC may adopt such procedures as it deems appropriate regarding the conduct of its functions, meetings, and other related matters. For the purpose of facilitating the conduct of its functions, JMC may appoint such appropriate sub-committees as shall from time to time be required.
- 13.6. JMC's duties and authorities as per Sub-Article 13.2 hereabove shall be transferred to the Board of Directors (BOD) which shall be formed pursuant to Addendum Three for the purpose of overall control and supervision of Petroleum Operations to be conducted by the Joint Operating Company (JOC). JMC shall be dissolved on the Date of Transfer of Petroleum Operations when the said BOD shall assume its duties and authorities in accordance with Addendum Three.
- 13.7. All costs incurred by Contractor and approved by the JMC for the carrying out of JMC duties shall be considered as Petroleum Costs.

End of Article 13

ARTICLE 14 - DATA AND SAMPLES

- 14.1. All original data and samples obtained by Contractor shall be the property of Authority.
- 14.2. Contractor may remove and export, for the purpose of laboratory examination or analysis, petrological specimens or samples, including samples of cores and cuttings, of Petroleum or water encountered in a borehole or well and provide Authority, free of charge, with samples and specimens of equivalent size and quality, before such exportation.
- 14.3. Originals of technical data and records including magnetic tapes etc. may be exported after providing Authority with copies of the same, provided that Contractor/Operator guarantees their proper storage and keeping, and that such exports shall be returned to Iraq within a maximum period of three (3) months from the date of completion of any study, analysis or processing that they may have been used for.
- 14.4. Contractor shall save and keep in Iraq, for a minimum period of one (1) Year, representative portions of each sample of cores and cuttings taken from drilled wells, to be disposed of or forwarded to Authority in a manner directed by Authority.
- 14.5. Contractor shall provide Authority with copies of any and all data, including but not limited to geological and geophysical reports, logs and well surveys reports, information, interpretation of data and all other information or work product pertaining to the Field in Contractor's possession.

End of Article 14

ARTICLE 15 - REPORTS AND RECORDS

- 15.1. Contractor shall report in writing to Authority 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;
 - (b) Within three (3) months of the last day of December covering the previous Calendar Year.

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- 15.2. A report under Sub-Article 15.1 shall contain, without limitation, the following in respect of the period which it covers:
- (a) Details of Petroleum Operations and the factual information obtained;
 - (b) Description of the area in which Contractor has operated;
 - (c) Account of the expenditure on Petroleum Operations in accordance with the Accounting Procedure;
 - (d) Maps indicating all bore-holes, wells and other Petroleum Operations.
- 15.3. Contractor shall prepare at all times during the term of this Contract accurate and current records of its operations. Such records shall be maintained by Contractor in accordance with procedures to be established by the JMC and in accordance with good international petroleum industry practice.
- 15.4. Operator's reports on Petroleum Operations shall comply with the relevant provisions of Iraq Oil and Gas Law No. of 2007.

End of Article 15

ARTICLE 16 - ACCESS AND INSPECTION

16.1. Authority's Inspectors

Duly authorised inspectors of Authority shall 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 the 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. Such inspectors shall be given assistance by the agents and employees of Operator to facilitate the objectives of their task and to avoid endangering or hindering the safety or efficiency of Petroleum Operations. Operator shall offer such inspectors all privileges and facilities afforded to its own staff in the Field and shall provide them, free of charge, with reasonable office space and adequately furnished housing and lodging while they are on the Field whether on temporary or permanent basis.

16.2. Government Authorities

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 relevant Laws and Regulations. 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 Operator in implementing the provisions of this Article shall be considered as Petroleum Costs.

End of Article 16

ARTICLE 17 - MEASUREMENT, TRANSPORT AND DELIVERY OF CRUDE OIL/EXPORT OIL

- 17.1. The volume and quality of Crude Oil shall be measured at a Measurement Point (MP) within the Contract Area; location of which to be agreed upon by the Parties.
- 17.2. The volume and quality of Export Oil delivered to Contractor shall be measured at the Delivery Measurement Point (DMP).
- 17.3. The transportation of Crude Oil/Export Oil from the PMP down to DMP shall be carried out by the Transporter, under the terms of Addendum Two and the subsequent Transportation Agreement.
- 17.4. Methods and procedures for measurement of volume and quality of Crude Oil at PMP and Export Oil at DMP shall be as per Addendum Two and the subsequent Transportation Agreement.
- 17.5 Crude Oil may be commingled with crude oil of comparable quality produced from other fields. Volume of Export Oil delivered to Contractor at the Delivery Point (DP) shall be adjusted for quality in accordance with Addendum Two.
- 17.6. The volume of Export Oil to be delivered to Contractor at DP shall be determined in accordance with Articles 18 and 19 and Addendum Two.
- 17.7. Title to Export Oil, delivered to Contractor, together with corresponding risks, shall pass to Contractor at DP.
- 17.8. The Transporter shall be entitled to a fee per Barrel for all Crude Oil measured at PMP. The said fee shall be as defined in Addendum Two and the subsequent Transportation Agreement.
- 17.9. Contractor shall build in a timely manner the necessary Transportation Facilities for the transportation of Crude Oil to the Delivery Point, including a pipeline and storage tanks, as determined by Authority in due time. The above facilities shall be handed over to the Transporter upon completion and commissioning.
- 17.10. All cost and expenses incurred by Contractor pursuant to Sub-Articles 17.8 and 17.9 shall be considered as Petroleum Costs.

End of Article 17

ARTICLE 18 – VALUATION OF CRUDE OIL / EXPORT OIL

- 18.1. The quantity of each quality grade of Export Oil to which Contractor shall be entitled under Article 19 during any Quarter shall be determined and evaluated on the basis of Export Oil Price for that Quarter.
The Crude Oil Price for each quality shall be calculated by adjusting the Export Oil Price for that quality pursuant to the quality adjustment formula as per Addendum Two.
- 18.2. It is the intent of both Parties that Export Oil Price for each quality of Export Oil during any Quarter shall reflect the prevailing market price F.O.B. Delivery Point for the said quality of Export Oil for that Quarter.
- 18.3. The Export Oil Price for any Quarter for each quality of Export Oil delivered to

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Contractor shall be the weighted average price actually realised F.O.B. Delivery Point expressed in Dollar per Barrel for cargoes delivered during the Quarter either by Authority or by Contractor to third parties in arm's length sales (i.e excluding barter, counter trade, processing or sales to Affiliate) whichever is higher.

- 18.4. If during any month no volume of Export Oil is disposed of by Authority or by Contractor in arm's length sales as aforesaid, then Authority and Contractor shall meet and mutually agree on the Export Oil Price to be used for that month taking into account prevailing market price for crude oils of similar grade, quality, quantity, sales terms and geographical market during the said month.
- 18.5. Within twenty (20) days following the end of each Quarter, each entity constituting Contractor shall submit to Authority a report with the actual prices realised for cargoes delivered in each month of the Quarter to third parties in arm's length sales. The report shall also include full supporting documentation, including copies of relevant commercial invoices, and give specific details of volumes, relevant contract terms, customers, pricing and payment terms and detailed price calculations.
 - 18.5.1. It is understood that in case title to Export Oil passes to a third party at a point other than DP or in case of CIF or C&F sales, appropriate and applicable deduction shall be made for transportation, insurance charges and oceanic losses in order to calculate the price F.O.B. Delivery Point.
 - 18.5.2. Prices on credit basis shall be appropriately adjusted to provide for payment within thirty (30) days from the date of the bill of lading.
- 18.6. Within fifteen (15) days following the delivery to Authority of the information required under Sub-Article 18.5 hereof, Authority shall calculate and determine the Export Oil Price for that Quarter in accordance with the procedures set out in Sub-Article 18.3 hereof.
- 18.7. If Contractor considers the Export Oil Price so determined by Authority does not reflect the market conditions prevailing during the relevant Quarter, Contractor and Authority shall meet within fifteen (15) days following Price notification by Authority in order to mutually agree on the Export Oil Price by reference to the actual prices realized by Authority and Contractor for cargoes delivered during such month of that Quarter to third parties on arm's length sales and, prices of other crude oil which were sold on the market in arm's length deals between willing sellers and willing buyers during the same period taking into account similar grade, quality, quantity, geographical areas and sales terms.
- 18.8. If at the end of the said fifteen (15) days period provided for hereabove, or after the meeting referred to in Sub-Article 18.4, the Parties fail to agree on an Export Oil Price for the Quarter, then Iraqi Minister of Oil shall finally determine the Export Oil Price for such Quarter taking into consideration prevailing market prices during that Quarter. The Export Oil Price so determined by the Iraqi Minister of Oil shall be final and binding for both Parties.
- 18.9. Notwithstanding the provisions hereinabove, should Iraq apply, within the term of the Contract, a particular pricing formula or posted price per quality of Export Oil, such pricing formula or posted price shall be considered the applicable Export Oil Price for that quality of Export Oil.
- 18.10. Contractor shall cooperate with the Iraqi State Oil Marketing Organization (SOMO) in areas such as:

- (a) Follow-up of the export quality of Crude Oil.
- (b) Market studies and outlet forecast in various market areas.
- (c) Other information concerning Crude Oil market conditions.

End of Article 18

ARTICLE 19 – COST RECOVERY AND REMUNERATION

19.1. Cost Recovery

Contractor shall recover all costs and expenses paid as Petroleum Costs in accordance with the provisions of the Contract and the Accounting Procedure in respect of Petroleum Operations to the extent and out of a maximum of percent (-- %) of the Crude Oil remaining after deducting Royalty from Net Production (hereinafter referred to as "Cost Oil"). Petroleum Costs not recovered in any Quarter shall be carried forward and recovered in succeeding Quarters until fully recovered. For the purpose of cost recovery, Cost Oil shall be valued at Crude Oil Price in accordance with Article 18.

19.2. Profit Oil Split

The Crude Oil remaining after deducting both Royalty and Cost Oil from Net Production, hereinafter referred to as Profit Oil or "PO", shall be shared between Authority and Contractor pursuant to the provisions of Sub-Articles 19.3 and 19.4 herein below.

19.3 The Parties' shares of Profit Oil in any Year shall be determined on the basis of the "R-Factor" actually achieved by Contractor at the end of the preceding Year for the Field as provided in the table herein below.

The R-Factor achieved by Contractor as at the end of any Year shall be calculated by dividing the aggregate value of the addition of each of the annual cash incomes (accumulated, without interest, up to and including that Year starting from the Year in which Production first arose) by the aggregate value of the addition of each of the annual expenditures (accumulated, without interest, up to and including that Year starting from the Year in which Appraisal and Development Costs were first incurred).

Contractor shall be entitled to receive the following percentage of the Profit Oil from the Field with effect from the start of the succeeding Year:

R-Factor	Contractor's Profit Oil Share (%)
Less than 1.0	Bid
1.0 to less than 1.5	Bid
1.5 to less than 2.0	Bid
2.0 to less than 2.5	Bid
2.5 to less than 3.0	Bid
3.0 to less than 3.5	Bid
Equal to or more than 3.5	Bid

The value of the Contractor's R-Factor at the end of any Year in respect of the Field shall be calculated on the basis of the actual cash flows specified in 19.4 hereunder. However, the amount of Profit Oil to be shared between Authority and the Contractor

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shall be determined for each Quarter on an accumulative basis. Pending finalization of accounts, where Authority has elected to take its Profit Oil share in kind, Profit Oil shall be shared on the basis of provisional estimated figures of Contract Costs, production, prices, receipts, income and any other income or allowable deductions and on the basis of the value of the R-Factor achieved at the end of the preceding Year. All such provisional estimates shall be recommended by the Joint Management Committee and approved by Authority. When it is necessary to convert monetary units into physical units of production equivalents or vice versa, the price or prices determined pursuant to Article 18 for Crude Oil shall be used. Within thirty (30) days of the end of each Year, a final calculation of Profit Oil based on actual costs, quantities, prices and income for the Year shall be completed and any necessary adjustments to the sharing of Profit Oil shall be agreed upon between the Authority and the Contractor within thirty (30) days and made within thirty (30) days thereafter.

19.4 Calculation of the R-Factor for Profit Oil Sharing Purposes

In accordance with the provisions of Article 19.3, the sharing of Profit Oil in any Year shall be determined by the "R-Factor" earned by Contractor from the then Petroleum Operations at the end of the preceding Year. These measures of profitability shall be calculated on the basis of the appropriate cash flows as specified hereunder:

The cash receipt of Contractor from Petroleum Operations in any particular Year is the aggregate value for the Year of the following:

Cost Oil entitlement of Contractor as provided in Article 19.1; plus
Profit Oil entitlement of Contractor as provided in Article 19.3; plus
Contractor's all incidental income (of the type specified in the Accounting Procedure) arising from Petroleum Operations;

The "expenditure" made by Contractor in the Field in any particular Year is the aggregate value for the Year of:

Contractor's Appraisal and Development Costs incurred on or in the Field, plus
Operating Cost incurred on Production Operations.
For the purposes of the calculation of the R-Factor, costs or expenditures which are not allowable as provided in the Accounting Procedure shall be excluded from Petroleum Costs and be disregarded.

The R-Factor achieved by the Contractor as at the end of any Year shall be calculated by dividing the aggregate value of the addition of each of the annual cash incomes (accumulated, without interest, up to and including that Year starting from the Year in which Production first arose) by the aggregate value of the addition of each of the annual expenditures (accumulated, without interest, up to and including that Year starting from the Year in which Appraisal and Development Costs were first incurred).

Profit Oil from the Field in any Year shall be shared between the Authority and the Contractor in accordance with the value of the R-Factor earned by the Contractor as at the end of the previous Year pursuant to Articles 19.3, hereinabove.

19.5. Windfall Profit from Escalated Crude Oil Prices

When in a Quarter the average Crude Oil Price (hereinafter referred to as "P_{avg}") exceeds the respective Crude Oil Base Prices stated below, Contractor shall in the succeeding Quarter make profit return payment to Authority, in cash or in kind at

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Authority's sole election, for incremental revenue obtained from Contractor's Profit Oil share "CPO" lifted by Contractor for in accordance with the following formula:

(a) When P is equal to or greater than BP1 but less than or equal to BP2, then:

$$\begin{aligned} \text{Profit Oil return (USD, when in cash)} &= (P_{\text{avg}} - \text{BP1}) * F1 * \text{CPO} \\ \text{Profit Oil return (Barrel, when in kind)} &= \frac{(P_{\text{avg}} - \text{BP1}) * F1 * \text{CPO}}{P_{\text{avg}}} \end{aligned}$$

(b) When P_{avg} is greater than BP2, then:

$$\text{Profit Oil return (USD, when in cash)} = [(\text{BP2} - \text{BP1}) * F1 + (P_{\text{avg}} - \text{BP2}) * F2] * \text{CPO}$$

$$\text{Profit Oil return (Barrel, when in kind)} = \frac{[(\text{BP2} - \text{BP1}) * F1 + (P - \text{BP2}) * F2] * \text{CPO}}{P_{\text{avg}}}$$

Where: F1 = 0.75 F2 = 0.90

The respective Crude Oil Base Prices shall be set on the Effective Date as follows and will be increased by two percent (2 %) annually:

Levels	Crude Oil Base Price \$/b
BP1
BP2

19.6 Contractor's entitlement to Cost Oil and Profit Oil shall be estimated in advance on the basis of un-recovered costs carried forward, budgeted costs, production schedule and estimated Crude Oil Price. Contractor's final entitlement shall be calculated on the basis of actual figures of recoverable costs and production, and on the applicable Crude Oil Price in accordance with the provisions of Article 18 and Addendum Two, taking into account the differentials in quality between Crude Oil and Export Oil.

19.7. Each of the entities constituting Contractor shall have the right to separately take and dispose of the Export Oil to which it is entitled under the Contract.

End of Article 19

ARTICLE 20 - BOOKS OF ACCOUNT, ACCOUNTING AND AUDIT

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

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

20.3. Contractor shall furnish to Authority or its designee monthly reports showing the quantity of Petroleum produced and saved from the Field. Such reports shall be prepared in accordance with practices generally used in the international petroleum industry and in a form agreed upon with Authority and shall be signed by the authorised representative of Contractor or his deputy and delivered to Authority or its designee within thirty (30) days after the end of the month covered by such report.

20.4. The Parties shall mutually appoint an independent auditor of international qualification and standing to audit the books and accounts of Contractor and report thereon. The

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costs of such audit, together with the audit fees of the Iraqi Supreme Auditing Board for statutory audit of the Contractor's branch office in Iraq, shall be considered as Petroleum Costs. Below are some criteria that the auditors may adopt for cost recovery purposes:

- (i) The record of costs is not correct; or
- (ii) The costs are not in accordance with the Contract governing such costs; or
- (iii) The cost is not properly classified in accordance with the expenditure classification; or
- (iv) Absence of support documentation to justify such costs and expenditures; or
- (v) Evidence exists of fraudulent records and accounts in respect of the costs incurred; or
- (vi) The condition of the materials furnished by Contractor does not match with the prices listed in the statement of costs and expenditures.

20.5. Contractor shall, within thirty (30) days after the end of each Quarter, submit to Authority for its approval a statement of Petroleum Costs showing costs incurred by Contractor during such Quarter, and when applicable a statement for cost recovery and of Cost Oil for that Quarter as per Annex C. These statements shall be supported by a report from the independent auditor referred to in Sub-Article 20.4. If within twelve (12) months after the end of the relevant Quarter, Authority has not advised Contractor of its objections, the same shall be considered approved.

20.6. Contractor shall submit to Authority for its approval a set of accounts audited by the independent auditor for each Calendar Year not later than March 15 of the following Calendar Year to show the results of Petroleum Operations. If within twelve (12) months after the end of the relevant Calendar Year, Authority has not advised Contractor of its objections to such account; the same shall be considered approved.

20.7. Contractor's books, records and necessary supporting documents shall be made available for auditing by Authority at any time during regular working hours for twenty four (24) months from the end of each Quarter to which such documents relate. If within such twenty four (24) months, Authority has not advised Contractor of its objections, the said books, records and supporting documents shall be considered approved.

20.8 Costs and expenses to which Authority has taken objection as prescribed hereinabove shall be excluded from the statement for recovery as Petroleum Costs. During the first three (3) months period from the date of such objection, Contractor and Authority shall mutually agree to either seek in good faith an acceptable solution or nominate one (1) expert or more to settle the matter within three (3) month period according to the provisions of the Contract and Annex C.

20.9. The aforesaid books of account and other books and records referred to above shall be made available by Contractor at all reasonable times for auditing by duly authorised representatives of the Government, in accordance with prevailing laws and regulations.

End of Article 20

ARTICLE 21 - EXCHANGE AND CURRENCY CONTROL

21.1 Contractor shall have the right of availability, free possession, use of, and internal and external disposal of foreign currency.

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- 21.2 Contractor shall provide funds necessary for Petroleum Operations in Iraq under this Contract in freely convertible foreign currencies supplied from abroad.
- 21.3 Contractor is authorized to open and operate accounts in foreign banks outside 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 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 Iraq.
- 21.4 Contractor and its non-Iraqi Sub-contractors shall have the right to retain abroad all funds received by it abroad including proceeds from the sale of its share of exported Crude Oil or Gas.
- 21.5 Contractor and its non-Iraqi Sub-contractors shall have the right to open and maintain bank accounts in foreign and/or local currencies in Iraq in accordance with Central Bank of Iraq regulations and retain or dispose of any funds therein for its Petroleum Operations in 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, in connection with or in relation to Petroleum Operations, cost of which are subject to recovery in accordance with the provisions of this Contract, shall become the property of Authority upon their landing at the Republic of Iraq.
- 22.2. Notwithstanding the above, Contractor shall be entitled to the full and free use of such assets for the purpose and duration of the Contract. During the term of the Contract, Authority 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 Sub-Article 22.1 hereof shall not apply to equipment leased by Contractor or belonging to its Sub-Contractors who perform services or carry out works in connection with Petroleum Operations. Contractor and its non-Iraqi Sub-Contractors may with the prior approval of Authority, import such equipment on temporary basis which, unless otherwise agreed by Authority, shall be re-exported from 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 – ROYALTY AND TAXES

- 23.1. Pursuant to the Iraqi Oil and Gas Law No..... of 2007, Government shall take Royalty upfront at the rate of twelve point five percent (12.5%) of the Net Production as from the First Commercial Production. Government has the option to take Royalty in cash or in kind. If in cash, the valuation of Crude Oil for Royalty payment shall be as per Article 18. The Royalty amount due to Government shall be payable latest by the end of the succeeding Month.
- 23.2. Contractor or the entities constituting Contractor shall be subject to the laws in force from time to time in Iraq which impose taxes, levies, duties and other financial charges on, or measured by, income or profits, including those taxes imposing commercial and industrial profit tax, municipal tax, defence tax, tax on income or dividends and all other

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laws of similar nature (the "Iraqi Taxes"), and shall comply with the requirements of such laws with respect to the filing of returns, assessment of tax and the keeping of books and records.

- 23.3. The Parties agree that the share of production allocated to Authority pursuant to Article 19 has been negotiated so as to specifically include the Iraqi Taxes as defined in Sub-Article 23.1 owing by Contractor in Iraq.
- 23.4. Authority agrees to pay on time and on behalf of Contractor or the entities constituting Contractor the Iraqi Taxes to which Contractor or the entities constituting Contractor is subject to in Iraq.
- 23.4. Authority shall furnish to Contractor or non-Iraqi entities constituting Contractor annual receipts evidencing the payment of the Iraqi Taxes. Such receipts shall be issued by the competent authority indicating the amount and other particulars customary for such receipt and stating that Contractor and the non-Iraqi entities constituting Contractor have satisfied the payment of these taxes in Iraq.
- 23.6. Non-Iraqi Sub-Contractors and their non-Iraqi personnel, and Contractor's or Operator's non-Iraqi personnel shall be exempted from payment of Iraqi Taxes as defined in Sub-Article 23.1 in respect of Petroleum Operations and their income or profits arising from or related to the Contract.

End of Article 23

ARTICLE 24 - INDEMNITY AND INSURANCE

- 24.1. Contractor shall indemnify and hold Authority 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 its Sub-Contractors in their conduct of Petroleum Operations. All costs incurred by Contractor to indemnify and hold Authority 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 or its Sub-Contractors.
- 24.2. Contractor shall be liable to Authority for any loss of or damage to any installations belonging to Authority arising from gross negligence or wilful misconduct of Contractor and shall be liable to any third party for any loss or damage arising from gross negligence or wilful misconduct of Contractor. Notwithstanding the foregoing, under no circumstances shall Contractor be liable for consequential damages such as loss of profit and loss of production. For the purpose of the Contract, "gross negligence or wilful misconduct" means any unjustifiable act or omission which constitutes an intentional, deliberate and conscious disregard of reasonable and prudent petroleum operating practices or terms of the Contract.
- 24.3. Contractor shall obtain and maintain insurances with an Iraqi insurance company to cover the risks in connection with or in relation to the Petroleum Operations and any other activities related thereto and as may be required by law in Iraq during the term of the Contract, including third party liability and environmental damage and injury. The Iraqi 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 Iraqi insurance company's net retention.
- 24.4. Contractor shall establish an insurance plan, to be approved by the JMC, for its operations hereunder and obtain the insurance policies in accordance therewith. Such

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insurances shall cover the types of exposure that are normally covered in the international petroleum industry, including but not limited to damages to equipment, installations and third party liabilities. Contractor shall ensure that its Sub-Contractors adequately insure their risks under their relevant sub-contracts.

- 24.5. The cost of insurances obtained and maintained by Contractor and any amounts paid for losses or claims in excess of such insurances and not attributable to the gross negligence or wilful misconduct of Contractor or its Sub-Contractors under this Contract shall be considered as Petroleum Costs.
- 24.6. Contractor shall notify Authority of the issue and terms of all insurance policies obtained by it under this Contract.

End of Article 24

ARTICLE 25 - IMPORTS AND EXPORTS

- 25.1. Contractor and its respective Sub-Contractors engaged in carrying out Petroleum Operations under this Contract shall be permitted to import and shall be exempted from customs duties with respect to the 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 under this Contract. However, they shall fill-in relevant forms and provide the required data and information in order to complete the necessary formalities in this respect.
- 25.2. Expatriate employees of Contractor and its Sub-Contractors shall be permitted to import and shall be exempted from customs duties with respect to the reasonable importation of household goods and personal effects, provided that such properties are imported for the sole use of the employee and his family and provided further that such imported property shall be re-exported by employee, without any export duty or impost upon termination of his employment, or be disposed of in Iraq in accordance with the prevailing Government Rules and Regulations.
- 25.3. Items imported by Contractor or its Sub-Contractors on temporary basis and no longer required for Petroleum Operations or supporting activities shall, unless otherwise agreed by Authority, be re-exported without any export duty or impost.
- 25.4. The sale in Iraq of any imported items under this Contract shall be subject to Authority's prior consent and to the prevailing Government Rules and Regulations.
- 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 to be paid to Governmental Entities for services rendered.
- 25.6. Contractor shall be permitted to export and shall be exempted from any export duty or impost with respect to the exportation of Crude Oil to which Contractor shall be entitled under the Contract except for port dues to be payable for services rendered by the port authorities. Such port dues shall not be recoverable.

End of Article 25

ARTICLE 26 - TRAINING

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- 26.1. Contractor shall, after consultation with Authority, prepare and carry out specialised annual training programs for its Iraqi employees engaged in Petroleum Operations with respect to various specialisations of the petroleum industry. The costs and expenses of such training programs shall be considered as Petroleum Costs.
- 26.2. Contractor shall allocate during the Term of the Contract an annual amount of two hundred (200) thousand USD as "Training Budget" for the purpose of training a number of personnel from Authority in various specialties related to oil industry. This Training Budget shall not be recoverable as Petroleum Costs.
- 26.3. Pursuant to Sub-Articles 26.1 and 26.2, Contractor shall give the Iraqi trainees opportunities to attend and participate in training programs offered by entities constituting Contractor or its Affiliates or third parties with respect to various specialisations of the petroleum industry.

End of Article 26

ARTICLE 27 - PARTICIPATION

- 27.1. An Iraqi entity designated by Authority shall, on the Effective Date, have ----percent (--%) of Contractor's total Participating Interest under the Contract, thus becoming one of the entities constituting Contractor, referred to herein as "State Partner". Hence, on the Effective Date, Company(s) shall have the Participating Interest of ----percent (-- %).
- 27.2. The amount of ----- (--) million USD, which Authority has incurred related to exploration on the Field as well as construction of infrastructures such as a road to the Field (referred to hereinafter as "Historical Cost") shall be deemed as an advance payment by State Partner. Petroleum Costs shall be born solely by non-Iraqi entities constituting Contractor until such time the non-Iraqi entities have incurred the amount of ----- (--) million USD. Thereafter, State Partner and Company(s) shall finance Petroleum Costs in accordance with their respective Participating Interest.
- 27.3. The said Historical Cost will be registered as Contractor's expenditure as from the Effective Date, charged and recoverable as Petroleum Costs by State Partner.
- 27.4. Participation shall further be subject to the provisions of Addendum One to this Contract.

End of Article 27

ARTICLE 28 - ASSIGNMENT

- 28.1. Neither Contractor nor any entity constituting Contractor shall have the right to assign any of its Participating Interest, shares, rights, privileges, duties or obligations under the Contract without the prior written consent of Authority, except to a recognized Affiliate, provided that such Affiliate shall be qualified with respect to its technical and financial competence. Contractor or any entity constituting Contractor shall give Authority one (1) month prior notice of its intention to this effect, provided further that such assignment shall not release Contractor or any entity constituting Contractor of its obligations under the

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Contract and it shall remain jointly responsible together with the assignee Affiliate for the proper and timely execution of the Contract.

- 28.2. In the event that Contractor, or any entity constituting Contractor, wishes to assign in whole or in part any of its Participating Interest, shares, rights, privileges, duties or obligations under the Contract to a third party, Contractor shall submit to Authority a request to this effect giving detailed evidence of the technical and financial competence of the recommended assignee. Authority shall consider the said request and notify Contractor of its approval or otherwise within three (3) months of receipt thereof. Before the assignment, as provided for in this Sub-Article 28.2, becomes effective, the foreign assignee shall first provide Authority with a guarantee from its parent company as set out in Annex G.
- 28.3. If Contractor wishes to assign part of its Participating Interest in the Contract to a third party pursuant to Article 28.2, Authority shall have the option to take such part and assign it to a nominated Iraqi entity at the same terms and conditions offered to the third party.
- 28.4. For the purpose of financing Petroleum Operations, Contractor or any entity constituting Contractor may pledge, or otherwise encumber totally or partially its rights under the Contract to an internationally recognized bank and/or financing institution acceptable to Authority provided that such pledge or encumbrance shall not in any way affect the rights or interests of Authority.
- 28.5 Notwithstanding the above, Contractor shall not assign its obligations or duties as Operator during the period from Effective Date to the time of establishment of the Joint Operating Company pursuant to (Addendum Three) except to an Affiliate or to an Iraqi entity subject to the approval of Authority.
- 28.6. Without prejudice to the provisions of the Head of Joint Operating Agreement (Addendum One) between the entities constituting Contractor, in the event that any entity constituting Contractor 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 the Contract contrary to the provisions therein, or goes into liquidation other than for reconstruction or amalgamation with an Affiliate, Authority shall have the right to terminate the participation of such entity in the Contract upon thirty (30) days notice to Contractor. The rights and obligations of such entity shall be assigned to the remaining entities constituting Contractor proportionately to their respective Participating Interests or as they may otherwise mutually agree.

End of Article 28

ARTICLE 29 - LAWS AND REGULATIONS

- 29.1. Contractor shall be bound and shall comply, in all respects, with the provisions of all laws, regulations, by-laws and orders from time to time in force in Iraq. Contractor shall indemnify and save Authority harmless against all penalties, fines and other liabilities of every kind for breach of any such laws, regulations, by-laws or orders.
- 29.2. Notwithstanding the provisions of Sub-Article 29.1 hereof, Contractor shall be exempted from customs duties and stamp duty on the execution of the Contract, and from restrictions concerning work licences and employment of expatriates, subject to the provisions of Sub-Article 9.8. However, Contractor shall submit all data and

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information required by the relevant Iraqi authorities in this respect.

- 29.3. Contractor shall in all its sub-contracts, include a provision whereby its Sub-Contractors shall undertake to abide by and comply with all Iraqi laws, regulations, by-laws and orders as above.
- 29.4. If, after the Effective Date, the financial interests of Contractor are adversely and substantially affected by the issuance of new Laws and/or regulations or by any amendments to the Laws and/or regulations by the Government or by the amendment to the Laws and regulations which were in force in the Republic of Iraq on the Effective Date, or by revocation, modification, or non renewal of any approvals, consents or exemptions granted to Contractor pursuant to this Contract, 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 the Contract reasonably unchanged.

End of Article 29

ARTICLE 30 - LOCAL GOODS AND SERVICES

- 30.1. Works and services performed in Iraq through sub-contracts shall be carried out on competitive basis. Preference shall always be given to Iraqi entities and firms or in association therewith, provided that their relevant capabilities are comparable to those available in the international market and their prices do not exceed international prices by more than ten percent (10%).
- 30.2. Preference shall be given to locally manufactured and/or available goods, materials, equipment, consumables and the like as long as their technical specification, availability and time of delivery are comparable to those available in the international market and their prices do not exceed international prices by more than ten percent (10%).
- 30.3. Contractor shall ensure that its entities, Operator, 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 include, but without limitation, Act of God, war (whether declared or undeclared), force of nature, insurrection, riot, fire, legislation/order of the Government and other acts and unforeseen 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.

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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 of this Contract together with all rights and obligations thereunder shall be extended accordingly, subject to the provisions of Article 8.

End of Article 31

ARTICLE 32 - ENTIRE AGREEMENT AND AMENDMENTS

32.1 This Contract constitutes the entire agreement between Authority 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 representatives of both Parties authorised for those purposes hereto.

32.3 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

33.1 All information in connection with or in relation to this Contract shall be kept confidential by both Parties and their Affiliates and by any entity constituting either Party. Such information shall not be disclosed or communicated to any third party except where it is necessary for the implementation and/or financing of Petroleum Operations under the Contract, in which case it shall be subject to the same confidentiality obligation, or where such information is requested by law or by a competent court or for arbitration purposes.

33.2 Authority shall keep confidential any information, data, reports and computer software of proprietary nature to Contractor. Such information may only be disclosed or communicated to a third party with the consent in writing of Contractor.

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 36 - LANGUAGE

35.1. This Contract is executed in the Arabic and English languages, both having equal force.

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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 shall use Arabic language or both Arabic and English in all its correspondence and dealings with Government entities in Iraq.

End of Article 35

ARTICLE 36 - CONTRACTOR'S OFFICE IN IRAQ

- 36.1. Contractor shall, within ninety (90) days of the Effective Date, establish an office in Baghdad, Iraq and shall maintain such office for the whole term of the Contract in accordance with the prevailing laws and regulations in Iraq. Authority shall assist Contractor in establishing the said office.
- 36.2. Contractor shall notify Authority of the address of its office in Baghdad and of the name of its authorised representative in Iraq who shall be assigned on full time resident status. The said representative shall be entrusted with sufficient powers and authorities to represent and bind Contractor in all dealings with the Government, Authority and third parties in Iraq, to receive legal notices served on Contractor, and to comply with lawful directions and orders given by the competent Government authorities and Authority in connection with or in relation to the Contract.
- 36.3. Contractor shall notify Authority 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

This Contract shall be governed by, interpreted and construed in accordance with the Laws of the Republic of Iraq.

End of Article 37

ARTICLE 38 - SETTLEMENT OF DISPUTES - ARBITRATION

- 38.1. The Parties shall endeavour to settle amicably any dispute arising out of or in connection with or in relation to this Contract or any provision thereof. Where no such settlement is reached, then the matter may, as appropriate, be referred to the senior management of both Parties. Failing the above, either Party may refer the matter 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 neither Party shall have the right to claim immunity in this respect.

Expert

- 38.2 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 for evaluation. Such Expert shall be agreed upon by the Parties 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 either of the Parties is organized, and shall have no interest or relation with 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 act as an expert and not as an arbitrator. The related costs and expenditure for referring issues for Expert evaluation shall be shared equally by the Parties.

Arbitration

- 38.3. Any dispute referred to arbitration shall be settled in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce, except that in the event of any conflict between these Rules and the provisions of this Article 37, the provisions of this Article 37 shall govern.
- 38.4. Arbitration shall take place in Geneva, Switzerland, unless agreed otherwise by the Parties.
- 38.5. The Arbitration Tribunal shall consist of three (3) Arbitrators. Each Party shall appoint one Arbitrator and the two Arbitrators thus appointed shall appoint the third Arbitrator who shall act as the Chairman. The said Chairman shall not originate from or be a national of the country of either of the Parties and shall have no interest or relation whatsoever with either Party or with any of the entities constituting the Parties.
If the two Arbitrators fail to reach such agreement within thirty (30) days, then the Chairman shall be appointed by the head of the Court of Arbitration Geneva, Switzerland at the request of either Party.
- 38.6. 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. Judgment on the award rendered may be entered in any court having jurisdiction in recognition and enforcement thereof.
- 38.7. Unless otherwise agreed by Authority, the operations and the activities of the Parties with respect to the performance of the Contract need not be stopped or delayed pending the award of arbitration.
- 38.8. The right of either Party to arbitration in accordance with this Article 38 shall survive the termination of this Contract.

End of Article 38

ARTICLE 39 - NOTICES

- 39.1. All notices, statements and other communication to be given, submitted or made by any Party to another under this Contract shall be considered sufficiently given when sent in writing and shall be addressed to the Parties at their addresses set out below or such other address as may be intimated by the Parties.

Authority

Contractor

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

End of Article 39

ARTICLE 40 – RATIFICATION AND EFFECTIVE DATE

The signed Contract shall be valid unless it is rejected by the Federal Oil and Gas Council in accordance with the Iraqi Oil and Gas Law No. – of 2007. Authority shall promptly notify Contractor in writing of the enforceability and of the Effective Date of the Contract, which Date shall be subsequent to the date of such notification by Authority.

End of Article 40

ARTICLE 41 – WAIVER

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

41.2 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 41

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

For and on behalf of Authority

_____ Witness _____

For and on behalf of Contractor

_____ Witness _____
(Company)

_____ Witness _____
(State Partner)

**ANNEX A
DESCRIPTION OF CONTRACT AREA**

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

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

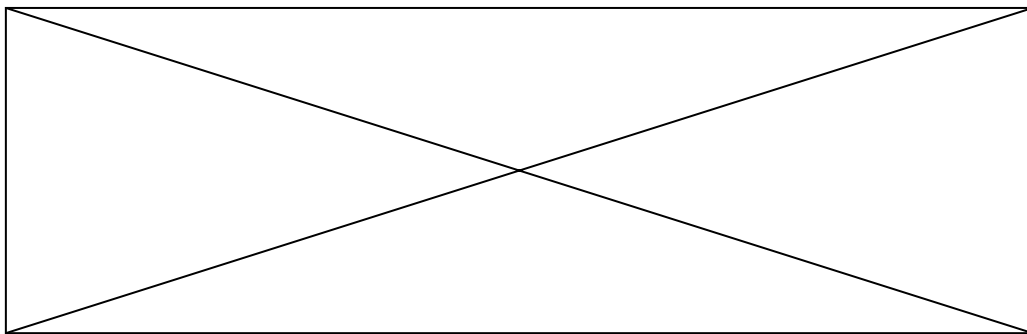
U.T.M. Coordinates

POINTS	NORTHING	EASTING
A		
B		
C		
D		
E		
F		
G		

End of Annex A

**ANNEX B
MAP OF CONTRACT AREA**

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



ANNEX C ACCOUNTING PROCEDURE

This Annex is attached to and forms part of the Contract for ... Oil Field.

1.0. GENERAL PROVISIONS

1.1. Definitions

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

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

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

1.2. Purpose of Accounting Procedure

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

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

1.3. Operating Account and Records

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

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

1.3.1.1 Costs of assets including:

- a) Cost of drilling in general and cost of each well.
- b) Cost of production facilities such as flow lines and degassing stations in sufficient details.
- c) Cost of oil and gas pipelines.
- d) Cost of tankfarms and pumping stations.
- e) Cost of infrastructure facilities and industrial centres.

1.3.1.2 Cost of Materials showing in details cost and quantity of each item. The method of pricing should be stated.

1.3.1.3 Operating costs analysed by main items such as salaries, Materials and services as defined and detailed in this Accounting

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Procedure.

- 1.3.2. Contractor's books shall be kept in Iraq in English language (with Arabic language summary), all transactions shall be recorded in Dollar, in accordance with the provisions of Article 20 of the Contract.
- 1.3.3. Accounts may be kept according to the usual accounting system of Operator.
- 1.3.4. Contractor shall maintain appropriate cost control records to meet the requirements and obligations under the Contract.
- 1.3.5. Petroleum production, storage and transfer records shall be maintained according to the Contract and to practices generally used in the international petroleum industry.
- 1.3.6. Expenditures shall be charged in Dollar as follows:
 - 1.3.6.1 All Dollar expenditures shall be charged in the amount incurred;
 - 1.3.6.2 For accounting purposes, all Dinar expenditures shall be translated into Dollars at the exchange rate as defined in Article 21 of the Contract on the date of the relevant expenditure.
 - 1.3.6.3 Expenditures in currencies other than Dollars or Dinars, shall be charged in the equivalent amount in Dollar, using the actual exchange rate applied by the relevant first class international bank on the date of payment;
 - 1.3.6.4 A record shall be kept of the exchange rates actually used in converting Dinars and other non-Dollar expenditures into Dollars.
 - 1.3.6.5 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

1.4.1. Quarterly Statements

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

1.4.2. Yearly Statements

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

1.5. Audits

Quarterly and Yearly statements shall be supported by a report issued by an

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independent auditor of international qualification appointed according to Sub-Article 20.4 of the Contract. The auditor report shall include a statement that the accounts and statements are prepared according to the terms and conditions of the Contract and this Accounting Procedure.

2.0. OPERATING ACCOUNT

Subject to the provisions of the Contract and this Accounting Procedure, Contractor shall charge the Operating Account with all Petroleum Costs. Such Petroleum Costs shall be prepared on cash basis and shall include, but not limited to, the following items:

2.1. Personnel

2.1.1. Operator's locally recruited personnel

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

2.1.2. Assigned personnel

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

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

The charges for personnel assigned on a temporary basis (less than six (6) consecutive months) shall be made in accordance with Sub-Article 2.5.3.

2.1.3. Personnel engaged in other activities

If local personnel or assigned personnel are engaged in other activities in Iraq in addition to Petroleum Operations, the cost of such personnel or assigned personnel shall be allocated on a time sheet or pro rata basis

according to sound and acceptable accounting principles.

2.1.4. Training Costs

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

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

2.2. Materials

The cost of Materials purchased or furnished to Petroleum Operations as detailed under Sub-Article 4.1 hereinafter.

2.3. Transportation

2.3.1. 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 Iraq for personnel and their immediate families incurred as a result of transfers from one location to another, and travel expenses relating to the periodical recuperation leaves of field personnel. Costs related to immediate families shall be charged for personnel assigned to work in Iraq for periods exceeding six (6) consecutive months.

2.3.2. Transportation and delivery of Crude Oil

All costs and expenses for the transportation and delivery of Crude Oil up to Delivery Point according to Article 17 of the Contract and Addendum Two attached thereto.

2.4. Buildings and equipment

2.4.1. Costs of building, 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 Iraq;

2.4.2. Costs of vehicles and their maintenance and operation;

2.4.3. Costs of computers and software and their maintenance and operation.

2.5. Services

The services required by Operator for Petroleum Operations which may include but

are not limited to:

- 2.5.1. 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.
- 2.5.2. Use of equipment and facilities of Operator for Petroleum Operations on rental basis at rates to be approved by JMC.
- 2.5.3. All Specific Services performed under an assistance agreement between Operator and its head office Affiliate.

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

Specific Services shall be charged at cost in accordance with the tariffs and price lists established each Year by the head office Affiliate and approved by JMC on 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 or not resulting of Contractor's failure to timely file and diligently pursue claims against insurance companies. Contractor shall furnish Authority with written notice with details of damages or losses sustained in excess of ten thousand Dollars (US\$10,000) per occurrence as soon as practicable.

2.7. Legal expenses

All costs and expenses of litigation, or 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 under the Contract, and actual expenses incurred by Contractor and/or Authority in securing evidence for the purpose of defending any such action or claim pursued or urged in connection with operations under the Contract.

In the event actions or claims affecting the interest hereunder shall be handled by the legal staff of Authority in Iraq, a compensation commensurate with cost of providing and furnishing such services shall be paid to Authority and charged to the Operating Account.

2.8. Taxes

Pursuant to Article 23 of the Contract and subject to its other provisions of the Contract, taxes, levies, duties, imposts (if any) and/or charges and fees paid by Contractor (but which were not previously paid directly by Authority) to Government

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Authorities as assessed or levied upon or in connection with Petroleum Operations.

2.9. Insurance and claims

- 2.9.1. The premium of any insurance policy secured by Operator pursuant to the Contract.
- 2.9.2. Any costs sustained by Contractor arising out of an event covered by insurance. Such costs include, but are not limited to, repairs and replacements of Materials in the Contract Area resulting from damages or losses incurred because of fire, flood, storm, theft, accident, or any other similar risk.
- 2.9.3. All costs and expenses associated with suing, labouring and travelling for, or any other cost incurred in consequence of, or because of insurance related disputes or litigation with any party including any insurer itself, 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.
- 2.9.4. Any compensation received, or any claim collected from insurers or third parties shall be credited to the Operating Account. If no insurance is carried for a particular risk, all related actual expenditures incurred and paid by Contractor in settling any and all losses, claims, damages, judgement and other expenses, including related legal expenditures. Any such loss, claim or damage shall be charged to the Operating Account unless it is a direct result of Contractor's failure to act in accordance with the standards of insurance required by the Contract or instructions of JMC.

2.10. Currency Exchange

The gain or loss, if any, through currency translation or exchange pursuant to the provisions of Article 21 of the Contract and Sub-Article 1.3.6 of this Accounting Procedure.

2.11. Tariffs

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

2.12. Surface Rights

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

2.13. Environment

All costs incurred for the protection of environment pursuant to the Contract and applicable laws and regulations.

2.14. Administrative Overhead and General Expenses

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

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

From the Date of Transfer of Operatorship pursuant to Sub-Article 9.13 of the Contract, the payment for the above administrative overhead charges shall be shared equally between Contractor and Authority Entity.

3.0. INFORMATION TO JMC AND AUTHORITY

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

3.1. Regarding personnel costs

- 3.1.1. Estimate of the overall amount thereof;
- 3.1.2. Analysis and explanation of the applicable personnel policy and practice of Operator and Operator's Affiliates;
- 3.1.3. Reasonable breakdown of the aforesaid expenditures as per details stated in this Annex;
- 3.1.4. Rates and/or methods of apportionment of such costs.

3.2. Regarding Specific Services

- 3.2.1. Estimate of the overall amount thereof;
- 3.2.2. Reasonable breakdown of such services by major natures;
- 3.2.3. Tariffs and rates expected to apply in respect thereof especially assigned personnel.

3.3. Regarding tariffs

- 3.3.1. Estimate of the overall amount to be paid;
- 3.3.2. Reasonable breakdown of the aforesaid expenditures.

4.0. CHARGING PRINCIPLES

4.1. Purchases

- 4.1.1 All Materials purchased for Petroleum Operations shall be based on competitive prices selected from offers of reputable manufacturers or suppliers.

Materials and equipment 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 plus purchasing and forwarding costs.

- 4.1.2 The Parties may furnish Materials from their own stock according to the following conditions:

4.1.2.1. New Materials

New Material transferred from the warehouses or other facilities of Company or the State Partner or their respective Affiliates, shall be priced at cost, provided that the cost of Materials so supplied is not higher than the international prices for Materials of the same quality, obtained on comparable terms and conditions, prevailing in the international market at the time such Materials were supplied to Contractor.

4.1.2.2. Used Material

Generally, all Materials shall be new. However and only to the extent reasonably practical and economical used Materials in good conditions, may be procured.

The price charged for used Materials will be original price discounted by a percentage representing the Materials utilisation. Such percentage shall be assessed by a special committee according to the conditions of the Materials.

All such Materials shall be covered by inspection certificates from independent third party inspectors. Costs of such certificates shall be charged to the Operating Account.

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:

- 4.2.1. Costs that may be directly charged to a relevant subdivision of the Operating Account shall be so charged:

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

4.3. Use of Equipment and Facilities owned by Entities Constituting Contractor

For the use of any such wholly owned equipment, 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 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.

5.0. 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 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 at least ninety (90) days before any inventory is to begin so that Authority 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 Authority. Inventory adjustments shall be made by Contractor to the Operating Account if required; provided, however, that any inventory adjustment exceeding a value of ten thousand Dollars (US\$10,000) shall be reported to Authority.

6.0. DISPOSAL OF MATERIALS

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

7.0. SUMS RECEIVED FROM THIRD PARTIES

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

8.0. BASIS OF ACCOUNTING

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

However, for the purposes of Cost Recovery as per Article 19 of the Contract, the relevant calculations shall be based on cash basis, that is, costs shall be considered only when paid and revenues only when collected.

9.0. COST RECOVERY STATEMENT

Contractor shall, pursuant to Article 19 of the Contract, render to Authority as promptly as practical but not later than forty five (45) days after the end of the last month of a Quarter, a statement of Petroleum Cost for the Quarter based on the Operating Account and showing the following details:

- 9.1. Recoverable costs brought forward from the previous Quarter, if any;
- 9.2. Recoverable costs during Quarter;
- 9.3. Total recoverable costs for the Quarter (9.1 + 9.2);
- 9.4. Quantity and value of Cost Oil taken and separately disposed of by Contractor for the Quarter according to the lifting procedure as referred to in Addendum Two;
- 9.5. Amount of costs recovered for the Quarter according to the lifting procedure as referred to in Addendum Two;
- 9.6. Amount of recoverable costs to be carried forward into the succeeding Quarter if any (9.3 – 9.5), and
- 9.7. Excess, if any, of the value of Cost Oil taken by Contractor over costs recoverable for the Quarter (9.4 – 9.3). Such excess shall be set off in the next calculation of Contractor's share of production in accordance with Article 19 of the Contract.

10.0. NON- RECOVERABLE COSTS

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

- 10.1. Costs incurred as a result of any proven gross negligence and/or wilful misconduct of Contractor/Operator including any amount paid in settlement of any claim alleging gross negligence and/or wilful misconduct whether or not gross negligence and/or wilful misconduct is admitted or whether such sum is stated to be paid on an ex-gratia or similar basis;
- 10.2. Replacement and/or repair costs in respect of assets or other property which is uninsured or under-insured and liability incurred to third parties on the basis of strict liability, in each case which has been agreed between Authority and Contractor to be insured but which Contractor has failed to insure;
- 10.3. Any bonus payment under Article 4 of the Contract;
- 10.4. 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; and such expenditure includes, but is not limited to, interest, commissions, fees and brokerage;
- 10.5. Any costs, charges or expenses including donations relating to public relations or enhancement of Contractor's corporate image and interests;
- 10.6. Any expenditure incurred which is not related to Petroleum Operations or on matters or activities beyond the Delivery Point(s);

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10.7. Any other expenditure not falling within any of the above items which is stated elsewhere in the Contract to be non-recoverable expenditure, or costs stated not to be allowable costs for the purpose of calculating Cost Oil.

11.0. EXTERNAL AUDITOR'S CERTIFICATE

Contractor shall provide Authority with a certificate from the external auditor of the head office Affiliate of Operator to the effect that the charges and the rates applied pursuant to Sub-Articles 2.1.2 to 2.5.3 here above represent actual costs.

End of Annex C

**ANNEX D
DEFINITION OF RESERVOIRS**

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

SECTION 1: MAIN RESERVOIRS

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

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

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

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

SECTION 2: OTHER RESERVOIRS

These include the other drilled reservoirs of..... Field between and Reservoirs. Contractor shall appraise and either include in the General Development Plan of the Field, where their levels and schedules of production shall be stipulated, or relinquish to Authority as per Article 5 of the Contract.

SECTION 3: UNDRILLED POTENTIAL RESERVOIRS

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

End of Annex D

**ANNEX E
MINIMUM WORK OBLIGATIONS**

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

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

SECTION 1 – PROGRAMS AND DEVELOPMENT PLANS

- a) Pursuant to Sub-Article 11.1 of the Contract, Contractor shall prepare and submit to Authority the Preliminary Overall Work Program, with corresponding cost estimates within a period not exceeding six (6) months from the Effective Date.
- b) Contractor shall prepare and submit to Authority the General Development Plan and corresponding cost estimates within a period not exceeding thirty six (36) months from the Effective Date.
- c) Pursuant to Sub-Article 11.2 of the Contract, Contractor shall prepare and submit to Authority the necessary annual Work Programs and corresponding budgets.

SECTION 2 – APPRAISAL WORK

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

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

SECTION 3 – DEVELOPMENT WORK

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

- a) convert, .. (..) existing wells and.. (..) appraisal wells, to production wells ;
- b) perform engineering studies for initial production, including transport, and storage and booster pumping facilities, plus initiate any engineering studies required under the General Development Plan, including the studies for the

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utilisation and disposal of Natural Gas;

- c) build field gathering and processing facilities necessary to cope with a potential daily average production of up to -----(--) thousand Barrels of Crude Oil per day;
- d) build a gas pipeline between the Field and a tie-in point on the nearest dry gas trunk line;
- e) build a Crude Oil pipeline from the Field to a tie-in point on the nearest existing trunk line;
- f) build, at -----, storage facilities with a minimum net capacity of five hundred (500) thousand Barrels for ... crude oil, complete with other common tie-in-facilities as required for integration into the existing facilities;
- g) commence development work for necessary infrastructure facilities required for the subsequent phase of development in accordance with the General Development Plan; and
- h) commence building of permanent field gathering and production facilities for Crude Oil and Gas.

End of Annex E

**ANNEX F
FORM OF PARENT COMPANY GUARANTEE**

FORM I: FOR COMPANY

We refer to the Development and Production Contract for Oil Field ----- (hereinafter referred to as the "Contract") entered into on this day of 200-, betweenX... and Authority, Iraq.

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

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

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

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

Signed for and on behalf of

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

(.....)

FORM 2: FOR ASSIGNEES

We refer to the Development and Production Contract for Oil Field ----- (hereinafter referred to as the "Contract") where.....X..... holds a Participating Interest of percent (....%)

In consideration of the intent of.....X..... assigning a Participating Interest of percent (.... %) to.....Y.....which is an affiliate ofZ..., a company duly organized and existing under the laws of and whose registered office is at

In consideration of the rights and obligations ofY..... becoming a Party to the Contract subsequent to this possible assignment,Z..... hereby undertakes to make available or cause to be made available toY..... such technical and financial resources as may be required to perform and fulfil its obligations under the Contract, as may be amended from time to time by the Parties thereto, including payment to Authority of the balance (if any) of the Minimum Expenditure Obligations in case of termination of the Contract.

The obligations ofZ..... hereunder shall be to the extent of the Participating Interest thatY..... may have at the time under the Contract.

This Guarantee shall extend to any Affiliate ofY..... which may become a Party to the Contract.

This Guarantee shall come into force from the effective date of the Assignment Agreement withY..... and shall remain valid as long asY....., or its Affiliate, shall be bound by the Contract.

Signed for and on behalf of

(.....Z.....)

(.....)

ADDENDUM ONE
HEADS OF JOINT OPERATING AGREEMENT

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 entities constituting Contractor (hereinafter referred to as "Party" or "Parties") for carrying out Petroleum Operations under the Contract.

2. PARTICIPATING INTEREST

Each Party shall have the undivided percentage interest determined under the Contract and/or as agreed by the Parties ("Participating Interest"), provided that each Party's Participating Interest shall not be less than five percent (5 %). Each Party shall participate in proportion to its respective Participating Interest in all costs, expenses and liabilities incurred pursuant to the Contract or JOA and shall own, in the same proportion, the Contractor's rights under the Contract and the Parties' right under the JOA.

3. OPERATOR

- 3.1 An Operator shall be appointed in accordance with the Contract, who shall have exclusive management and control of Petroleum Operations pursuant to the Contract.
- 3.2 Operator may, subject to Authority's approval, at any time resign as such by giving the Parties notice in writing. Operator shall cease to be Operator if: (a) it dissolves, liquidates or terminates its legal existence; (b) it becomes insolvent, bankrupt or is placed in receivership; (c) its Participating Interest is reduced to less than ten percent (10%); or (d) it takes no action within thirty (30) days after notification to it by a Party to remedy a material breach of JOA.

4. OPERATING COMMITTEE

- 4.1 An Operating Committee composed of representatives of the Parties shall be set up and shall act for the entire duration of JOA to make decisions and establish joint policies and make proposals to be submitted to Authority or JMC, as well as to make any other decisions necessary or expedient for the orderly supervision and direction of the operations.
- 4.2 The decisions of the Operating Committee on all matters coming before it shall be made by the affirmative vote of the representatives of two (2) or more non-affiliated Parties having a combined voting right of at least seventy percent (70%), each Party being entitled to have and to exercise through its representatives a voting right equal numerically to its Participating Interest. Major issues shall be decided upon by the unanimous vote of the Parties. The Operating Committee shall also decide upon Contractor's representation in JMC and BOD, but there shall always be one (1) representative from State Partner in JMC or BOD.

5. WORK PROGRAMS AND BUDGETS

For each Calendar Year, the Operator shall prepare and submit to the Parties Work Programs and budgets not later than the first day of October 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 itemised estimate of the corresponding expenditures. The Operating Committee shall, not later than sixty (60) days prior to the commencement of each Calendar Year, review and discuss the Work Program and budget submitted by Operator for the following Calendar Year and shall adopt a Work Program and budget to be submitted to Authority for approval.

6. COSTS AND EXPENSES

All costs and expenses, except in the cases of sole risk operations in connection with the Contract or JOA, shall be borne by the Parties in proportion to their respective Participating Interest. All costs and expenses that are incurred in the conduct of operations under JOA shall be determined and recorded according to an accounting procedure (without prejudice to Annex-B of the Contract) and generally accepted accounting principles and shall be subject to periodic inspection and audit.

7. DEFAULTS

- 7.1 Any Party (excluding State Partner) that fails to pay when due its Participating Interest share of costs and expenses shall be in default (hereinafter referred to as "Defaulting Party"). The Operator shall as soon as practicable notify all Parties of such default and the Operator shall keep the Parties informed thereafter of material events in relation thereto. The amount not paid by the Defaulting Party shall bear interest from the date due until paid in full. After any default has continued for thirty (30) days, the Defaulting Party 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 Parties (excluding State Partner) shall pay the defaulted amount on behalf of the Defaulting Party, in proportion to their Participating Interests or in any other proportion they may agree upon.
- 7.2 The Defaulting Party 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 Parties have paid any amounts under Sub-Article 7.1, to the Non-Defaulting Parties, in proportion to the amounts so paid by them, of all amounts which the Defaulting Party 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 Party, after the commencement of Commercial Production, has not remedied the default by the thirtieth (30th) day, then, during the continuance of such default, the Defaulting Party shall not be entitled to its Participating Interest share of Crude Oil, which shall vest in and be the property of the Non-Defaulting Parties, and Operator shall be authorised to sell such entitlement at the best price obtainable under the circumstances and, after deducting all costs, charges and expenses incurred by Operator in connection with such sale, pay the proceeds proportionately to the Non-Defaulting Parties, which proceeds shall be credited against all monies advanced by such Non-Defaulting Parties on behalf of the Defaulting Party. The balance of such proceeds, if any, shall be paid to the Defaulting Party when such

default has been remedied.

- 7.3 State Partner may ask the other Parties by a prior notice to pay its Participating Interest share of costs and expenses in foreign currency on its behalf. The other Parties shall share such costs and expenses in proportion to their Participating Interest, unless agreed otherwise. The amount so paid by the other Parties on behalf of State Partner shall bear interest at the rate of LIBOR plus percent (.%) per annum with effect from its due date until it is fully recovered. If upon commencement of Commercial Production, there shall be any amount due from State Partner, a portion of the share of State Partner out of the Cost Oil to which Contractor is entitled may be utilised by the other Parties to recover the amount due from State Partner.

8. DISPOSITION OF CRUDE OIL

Each Party shall have the right and the obligation to own, take in kind and separately dispose of its Participating Interest share of total production available to the Parties pursuant to the Contract in accordance with the agreed procedure.

9. WITHDRAWAL

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

10. ASSIGNMENT

Company may transfer, subject to any requirement under the Contract, all or part of, its Participating Interest under the Contract and the JOA to an Affiliate without the consent of the other Parties; provided that Company 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 Company shall notify the other Parties of any such transfer. Without prejudice to the provisions of the Contract, no transfer of any interest under the Contract and the JOA to third parties may be made by any Party without the written consent of the other Parties which consent shall not be unreasonably withheld. The transfer by a Party of its interest under the Contract and the JOA to third parties shall be subject to Authority's approval and its pre-emptive right and to the preferential rights of the other Parties. The assignee or transferee shall be bound by the Contract and the JOA.

11. RELATION OF THE PARTIES

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

12. GOVERNING LAW AND ARBITRATION

The JOA shall be governed by, construed, interpreted and applied in accordance with the laws of Iraq. 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 Geneva, Switzerland in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce by three (3) arbitrators appointed in accordance with the said Rules.

13. EFFECTIVE DATE AND TERM

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

14. JOINT OPERATING AGREEMENT (JOA)

Within six (6) months from the Effective Date of the Contract, the Parties shall enter into the Joint Operating Agreement (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 Addendum One

ADDENDUM TWO
HEADS OF TRANSPORTATION AGREEMENT

1. DEFINITIONS

Terms defined in the Development and Production Contract shall have the same meanings for the purpose of this Heads of Transportation Agreement.

2. SCOPE

This Heads of Agreement is to provide for the basic principles to be included in a Transportation Agreement to be executed by and between the Contractor and Transporter for transportation of Crude Oil produced from the Field under the Contract. Contractor and Transporter shall also be referred to hereinafter as "Party" or "Parties" as appropriate.

3. SCOPE OF TRANSPORTATION AGREEMENT

Provided Contractor complies with its obligations under the Contract and this Addendum related to the Transportation System, Transporter shall receive at the Transfer Point quantities of Crude Oil from the Field tendered by Contractor for transportation, and shall deliver to Contractor at the Delivery Point a quantity of Export Oil equivalent to Contractor's entitlement of Crude Oil under the Contract.

4. FACILITIES AT THE TRANSFER POINT

For the purpose of the transfer of Crude Oil, Contractor may use a piece of land at the Transfer Point and construct necessary facilities on such land. Contractor shall construct the facilities required at the Transfer Point under the Contract.

5. TRANSFER RATE

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 Field based on the approved Development Plan. However, Contractor/Operator in co-ordination with Transporter, may transfer Crude Oil at a peak rate up to fifteen percent (15%) above the approved average rate for temporary periods to take account of operational constraints. In the event that the throughput capacity of the pipeline system or the related facilities is constrained for unforeseeable occurrences beyond the control of the Parties and that the throughput of Crude Oil through the pipeline system has to be restricted as a consequence of such constraint, Contractor/Operator shall reduce its deliveries accordingly.

6. TRANSFER CONDITIONS

Crude Oil shall be transferred at the Transfer Point from one or more Crude Oil streams in accordance with the approved Development Plan, and at the pressure commensurate with the pressure required by the existing system. The quality of

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each Crude Oil stream transferred at the Transfer Point shall be subject to certain conditions and specifications to be agreed upon by Transporter and Contractor. Contractor/Operator shall not mix any additives to the Crude Oil tendered for transportation, without prior written approval of Transporter.

7. ADJUSTMENT FOR QUALITY

Due to commingling of Crude Oil with other crude oils, Contractor shall receive at the Delivery Point, Export Oil which is different in quality from the Crude Oil transferred at the Transfer Point. Consequently, Contractor's entitlement of Export Oil shall be computed taking into account such difference in quality by a method to be agreed upon in the Transportation Agreement.

8. DELIVERY OF EXPORT OIL

Transporter shall deliver to Contractor at the Delivery Point the quantity of Export Oil corresponding to its entitlement of Crude Oil under the Contract.

9. MEASURING

Contractor shall install, upstream of the Transfer Point, metering and other related facilities, and the quantity and quality of Crude Oil tendered for transportation at the Transfer Point shall be determined at said metering facilities. If upon any test, measuring equipment is found to be inaccurate such that the inaccuracy result in a total measurement error exceeding a certain percent to be agreed upon by the PARTIES, previous readings at such equipment shall be corrected to zero error for the period to be agreed upon by the PARTIES. Similarly, Export Oil shall be measured at Delivery Measurement Point.

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

10. LOSSES

Parties shall bear a share of normal operational losses occurring during transportation of Crude Oil through pipeline system, relating facilities and terminal, which shall be equal to zero point two percent (0.2%) of Crude Oil tendered for transportation each day at the Transfer Point. Parties shall also contribute to incidental losses that may occur under circumstances beyond the reasonable control of Transporter, pro rata to Field's throughput in the affected facility prior to occurrence of the incident.

11. LINEFILL AND TERMINAL DEAD STOCK

A certain initial quantity of Crude Oil received for transportation at the Transfer Point shall be considered as linefill, and a certain quantity of Crude Oil shall represent Contractor's share of the terminal dead stock. Contractor shall not be entitled to receive a corresponding quantity of Crude Oil for such linefill and terminal dead stock. The quantities referred to above shall be agreed upon by

Transporter and Contractor.

12. FEE AND PAYMENT

Contractor shall pay monthly to Transporter a throughput fee per Barrel of Crude Oil transferred by Contractor for transportation, as measured at the Transfer Point, but in no case less than fifty percent (50%) of the current approved production schedule.

The fee shall be zero point five (0.5) Dollar per barrel on the Effective Date, and shall be subject to escalation in accordance with the formula to be agreed upon in the Transportation Agreement.

13. TRANSPORTATION SYSTEM

13.1 Contractor/Operator shall place fixtures and installations related to the Transportation System pursuant to the approved Development Plan, which shall be handed upon completion and commissioning to Transporter.

13.2 Contractor/Operator shall ensure the participation of Transporter's representatives during engineering and construction of the Transportation Facilities, as well as training Transporter's personnel on operation and maintenance of such Facilities to be conducted before handing over of the fixtures and installations to the Transporter provided for in Clause 13.1 above. Contractor/Operator shall provide Transporter with all documents and guarantees relating to the said Facilities. Contractor/Operator and Transporter shall agree in advance on a procedure for smooth hand-over of the Transportation Facilities after completion and commissioning.

13.3 In order to improve the efficiency and/or to increase the capacity of the Transportation System, Authority, Transporter, or Contractor may propose to construct facilities in addition to or to modify the existing transportation facilities including major replacements. Such additions and/or modifications shall be carried out by Contractor/Operator or Transporter. Contractor shall participate in the financing of the same in proportion to the production of the Field in relation with other users and such participation shall be considered as Petroleum Costs.

14. ASSIGNMENT

In the event Contractor ceases to operate the Field, it shall assign all its rights and obligations under the Transportation Agreement to its successor, and such successor becomes a Party to the Transportation Agreement as from the date of such assignment.

15. 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 Contract terminates or upon the Parties entering into the Transportation Agreement, whichever is the earlier.

16. GOVERNING LAW AND ARBITRATION

The Transportation Agreement shall be governed by, construed, interpreted and

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applied in accordance with the laws of Iraq. Any dispute, controversy or claim arising out of or in relation to or in connection with the Transportation Agreement or the operations carried out thereunder, including without limitation any dispute as to the validity, interpretation, enforceability or breach of the Transportation Agreement, shall be settled by arbitration in Geneva, Switzerland in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce by three (3) arbitrators appointed in accordance with the said Rules.

17. RELATED PROCEDURES

Procedures for lifting, storage, tanker nomination and other related activities will be agreed upon by proper parties at reasonable time prior to the First Commercial Production.

18. TRANSPORTATION AGREEMENT

Within six (6) months from the Effective Date of the Contract, the Contractor shall enter into Transportation Agreement with 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 Addendum Two

ADDENDUM THREE
HEADS OF AGREEMENT FOR
THE JOINT OPERATING COMPANY (JOC)

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

1. Establishing of the Joint Operating Company (“JOC”)

- 1.1 Pursuant to Article 9.2 of the Contract, a Joint Operating Company (“JOC”) of limited liability shall be established under the Laws of Iraq. JOC shall come into existence within twelve (12) months after Pay-out and it shall commence the conduct of Petroleum Operations on the Date of Transfer of Operatorship which Date shall be within thirty (30) days from the date of its coming into existence.
- 1.2 JOC shall be owned fifty one percent (51%) by an Iraqi entity designated by Authority (hereinafter referred to “Authority Entity”) and forty nine percent (49%) by Contractor. JOC will bear the Iraqi nationality and shall conduct its activities in accordance with the provisions of the Contract, this Addendum Three and subsequent Charter of JOC.
- 1.3 The authorized capital of JOC shall be determined by mutual agreement in accordance with the applicable laws of Iraq. Authority Entity and Contractor shall each pay for, hold and own throughout the life of JOC the capital stock of JOC in accordance with the percentage ownership stipulated in Clause 1.2 herein above.
- 1.4 Contractor and Authority Entity shall agree, at least three (3) months prior to the Date of Transfer of Operatorship, on the procedure to secure a smooth transfer of Petroleum Operations from Contractor to JOC.

2. JOC Name

The name of JOC shall be ... Oil Operating Company.

3. Headquarters of JOC

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

4. JOC Objectives

- 4.1 JOC shall act as the Operator that conducts Petroleum Operations in accordance with the provisions of the Contract.
- 4.2 JOC shall prepare and, after approval, implement Development Plans, Work Programs and Budgets in accordance with the Contract. JOC shall keep account of all costs, expenses and expenditures for such Petroleum Operations under the terms of the Contract and Annex C attached thereto.
- 4.3 In conducting Petroleum Operations under the Contract, JOC and its Sub-Contractors enjoy the same privileges and exemptions as Contractor and shall comply with applicable laws, regulations, by-laws

and orders from time to time in force in Iraq in accordance with Article 29 of the Contract.

4.4 JOC shall assume, as from the Date of Transfer of Operatorship, all the rights and obligations of Contractor/Operator wherever they appear in the Contract to the extent they are relevant to the carrying out of Petroleum Operations by Operator.

5. Financing

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

6. Function of JOC

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

7. Board of Directors

7.1 A Board of Directors (BOD) shall be formed for the purpose of overall supervision and control of Petroleum Operations to be conducted by JOC. This Board of Directors shall consist of eight (8) directors, four (4) to be designated by Authority and four (4) to be designated by Contractor. An alternate to each director shall also be designated. BOD shall assume its duties and authorities as from the Date of Transfer of Operatorship. The chairman shall be designated by Authority and the deputy chairman by Contractor.

7.2 Meetings of the Board of Directors shall be valid, if at least three (3) directors from each side are present and any decision taken at such meetings must have the affirmative vote of at least five (5) members present in that meeting, however, the decisions on Development Plans, Work Programs and budgets shall require the affirmative vote of at least six (6) members present at the meeting.

7.3 All reasonable costs and expenses of the Board of Directors shall be recovered as Petroleum Costs.

8. Duties and Authorities of Board of Directors

Pursuant to Sub-Article 13.6 of the Contract, the Board of Directors (BOD) shall assume all the duties and authorities of the Joint Management Committee (JMC). Additionally, BOD shall have the following duties and authorities:

8.1 Overall supervision and control of JOC.

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 JOC.

8.4 The establishment of the procedures for the funding of Petroleum

Operations by Contractor.

- 8.5 The appointment and replacement of the General Manager, the Deputy General Manager and the other senior divisional managers of JOC, and the definition of their respective powers.
- 8.6 The establishment and update of the organisation chart of JOC, including the identification of the positions to be filled through secondment from Authority or Contractor respectively and those to be filled through direct employment.
- 8.7 Establishment of the employment procedures and personnel regulations of JOC.
- 8.8 Prior approval of the terms of the service or secondment agreements to be entered into by JOC with Authority and Contractor.
- 8.9 Any other authority not specifically conferred by law or by the charter of JOC which the Board of Directors has not entirely delegated.

9. Management

The General Manager and Deputy General Manager of JOC shall be appointed by the Board of Directors from candidates nominated by Authority Entity and Contractor respectively. Divisional Managers of JOC shall be appointed by the Board of Directors in consultation with the General Manager and Deputy General Manager. The General Manager shall be the chief executive officer of JOC.

10. Employment Regulations

JOC shall give preference to Iraqi personnel in accordance with Article 9.9 of the Contract.

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

11. Duration of JOC

11.1 The duration of JOC shall extend up to the end of the term of the Contract, including any extensions thereof.

11.2 Neither Contractor nor Authority Entity shall assign, sell or otherwise transfer its interest in the JOC except by mutual agreement; provided, however, that when an entity constituting Contractor assigns its interest under the Contract and Joint Operating Agreement to any party, its interest in the JOC shall be assigned proportionately.

12. Dissolution of JOC

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

13. Charter of JOC

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

- 14. Modification of the Charter of JOC**
Contractor and Authority Entity may, by mutual agreement, modify the terms of the Charter of JOC provided that such modification will not be in conflict with the provisions of this Addendum or the Contract and is approved by Authority.
- 15. Hand-over of Operatorship**
Operatorship including all books and records shall be transferred to JOC.
- 16. Governing Law and Arbitration**
All laws and regulations, by-laws and orders from time to time in force in Iraq shall apply to JOC, if and to the same extent they apply to Contractor and/or the Contract in accordance with Article 29. Any dispute arising from or in connection with this Agreement or the charter of JOC shall be settled in accordance with Article 39 of the Contract.
- 17. Confidentiality**
Confidentiality provisions of Article 34 of the Contract shall apply for this Heads of Agreement, subsequent charter and operations of JOC.
- 18. Effective Date and Term**
This Heads of Agreement shall come into force on the Effective Date of the Contract and shall continue in effect until the Contract terminates or upon the Parties entering into the charter of JOC, whichever is the earlier.

End of Addendum Three