

**GAS DEVELOPMENT AND PRODUCTION
SERVICE CONTRACT**

FOR THE _____ CONTRACT AREA

BETWEEN

**_____ OIL COMPANY
OF THE IRAQI MINISTRY OF OIL**

AND

AND

[State Partner]

**GAS DEVELOPMENT AND PRODUCTION SERVICE CONTRACT
FOR THE _____ CONTRACT AREA**

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**GAS DEVELOPMENT AND PRODUCTION SERVICE CONTRACT
FOR THE _____ CONTRACT AREA**

This Gas Development and Production Service Contract ("**Contract**") is made and entered into this [] day of [] 201_, by and between:

[] Oil Company, an Iraqi State oil company, established and existing under the laws of the Republic of Iraq, having its registered office at [] ("____") as the **First Party**, and

[], a company established and existing under the laws of [], having its registered office at [] ("_____"), and

[], a company established and existing under the laws of [], having its registered office at [] ("_____"),

(individually a "**Company**"; and collectively the "**Companies**"); together with

[], an Iraqi State entity established and existing under the laws of the Republic of Iraq, having its registered office at _____ Governorate, Iraq ("**State Partner**"), as the **Second Party**

Companies and State Partner are collectively referred to as "**Contractor**",

ROC and Contractor are referred to, individually, as "**Party**" or, collectively, as "**Parties**".

WITNESSETH

WHEREAS all oil and gas resources within the territory and offshore areas of the Republic of Iraq are owned by all the people of the Republic of Iraq, and the Iraqi Government, representing the whole Iraqi people, has sole right to explore, develop, extract, exploit and utilize such natural resources therefrom; and

WHEREAS ROC, in its role as an Iraqi State oil and gas company, is exclusively entrusted with and authorized for the exploration, appraisal, development and production of the _____ Contract Area; in accordance with the Law; and

WHEREAS Contractor has sound financial standing, technical competency, and professional skills to carry out Exploration, Appraisal, Development and Production Operations and generally all and any Petroleum Operations as defined herein; and

WHEREAS the Parties mutually represent that they have the power, authority, and desire to enter into the Contract for the Exploration, Appraisal, Development and Production of the _____ Contract Area as defined herein;

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

ARTICLE 1 – DEFINITIONS

Except as specifically provided herein, any reference to an Article, Annex, or Addendum shall be construed as a reference to Article, Annex, or Addendum to this Contract. In this Contract, including its Annexes and Addenda, words in the singular include the plural and vice versa and except where the context otherwise requires, the following terms shall have the meanings set out as follows:

1.1 **"Accounting Procedures"** means the accounting procedures and requirements set out in Annex C.

1.2 **"Affiliate"** in relation to any Contractor's entity, means:

- (a) a company which controls such entity, or
- (b) a company which is controlled by such entity, or
- (c) a company which is controlled by a company which controls such entity.

For the purpose of this definition, **"control"** means the power to dictate and conduct the policy of a company through the control, directly or indirectly, of more than fifty percent (50%) of the shares or voting rights in such company. For the purposes of this Contract, subsidiaries of ROC as well as companies and enterprises of Iraq Ministry of Oil or Iraq National Oil Company (when established) shall be deemed ROC's Affiliates.

1.3 **"Appraisal"** or **"Appraisal Operations"** means any and all operations such as (but not be limited to) geological, geophysical, aerial and any other surveys and any interpretation of data relating thereto as may be contained in approved Work Programs and Budgets and the drilling of such shot-holes, core holes, stratigraphic tests, holes for the appraisal of Petroleum and other related holes and wells, the production testing, PVT and core analyses and the purchase or acquisition of such supplies, materials and equipment thereof, all as may be contained in approved Work Programs and Budgets.

1.4 **"Associated Gas"** means Natural Gas, occurring as gas-cap gas, which overlies and is in contact with Crude Oil in a reservoir and/or solution gas dissolved in Crude Oil in a reservoir.

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

1.6 **"Barrel of Oil Equivalent"** or **"BOE"** means one (1) Barrel of Crude Oil or one (1) Barrel of NGLs or six thousand (6,000) SCF of Dry Gas.

1.7 **"Best International Petroleum Industry Practices"** means all those uses and practices that are, at the time in question, generally accepted in the international petroleum industry as being good, safe, economical, environmentally sound and efficient in exploring for, developing, producing, processing and transporting Petroleum. They should reflect standards of service and technology that are either state-of-the-art or otherwise appropriate to the operations in question and should be applied using standards in all matters that are no less rigorous than those in use by the Companies in other global operations.

1.8 **"BOD"** means the Board of Directors formed pursuant to Addendum 3.

1.9 **"Budget"** means the estimates of the expenditure expected to be incurred for implementing an approved Work Program for any Calendar Year or part thereof.

1.10 **"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.

- 1.11 **"Calendar Quarter"** means a period of three consecutive Calendar Months commencing on the first day of January, April, July or October of any Calendar Year.
- 1.12 **"Calendar Year"** means a period of twelve (12) consecutive Months commencing with the first day of January and ending on the last day of December, both dates being inclusive, according to the Gregorian calendar.
- 1.13 **"Capital Cost"** means all recoverable costs and expenditures, excluding Operating Cost, related to Petroleum Operations pursuant to Annex C.
- 1.14 **"Cash Receipts"** means as defined in Article 19.4.
- 1.15 **"Commercial Production"** means production of Petroleum from the Contract Area (excluding production for testing purposes) and delivery of the same at the relevant Transfer Point(s) under a program of regular production and transfer.
- 1.16 **"Company"** means any entity that is a signatory party to this Contract and that forms part of the Contractor, excluding the State Partner, and at any time thereafter shall include their legal successors and permitted assignees.
- 1.17 **"Companies"** means, collectively, each Company that comprises the Contractor, excluding the State Partner, and at any time thereafter shall include their legal successors and permitted assignees.
- 1.18 **"Contract"** means this agreement between the Parties, including the Annexes and Addenda attached hereto, as amended or supplemented from time to time in accordance with this Contract.
- 1.19 **"Contract Area"** means the exploration, appraisal, development and production area covered by this Contract, as described in Annex A and outlined in Annex B.
- 1.20 **"Contractor's Operator"** means the Company designated as Operator as from the Effective Date pursuant to Article 9.2.
- 1.21 **"Contractor"** means Companies and State Partner, and at any time thereafter shall include their legal successors and permitted assignees.
- 1.22 **"Crude Oil"** means all hydrocarbons regardless of gravity which may be produced and saved from the Contract Area in the liquid state at absolute pressure of fourteen decimal six nine six (14.696) pounds per square inch and sixty (60) degrees Fahrenheit, including asphalt and tar, but excluding NGL that is not blended with Crude Oil.
- 1.23 **"Data"** means as defined in Article 14.2.
- 1.24 **"Date of Transfer of Operatorship"** means the date on which the Joint Operating Company shall take over the conduct of Petroleum Operations pursuant to Article 9.4 and Addendum Three.
- 1.25 **"Deemed Revenue"** means, for a given Quarter, the Net Production expressed in Barrels of Oil Equivalent, multiplied by the Provisional Export Oil Price for that Quarter.
- 1.26 **"Delivery Point"** means the point(s) where Contractor may lift Export Oil pursuant to the provisions of this Contract.
- 1.27 **"Development"** or **"Development Operations"** means any and all operations, including primary and subsequent (secondary, tertiary or other) recovery projects and pressure maintenance, conducted with a view to developing the Contract Area including, but without limitations: the drilling, deepening, completing, plugging, side-tracking, re-completing and equipping of evaluation and development wells; the engineering, building and erecting or laying of production plants and facilities (such as, without limitation,

separators, compressors, generators, pumps and tankage, gathering lines, pipelines, and all facilities required to be installed for production, pressure maintenance, treatment, storage and transportation of Petroleum); construction of facilities and installations for the treatment and processing of Natural Gas; the obtaining of such materials, equipment, machinery, articles and supplies as may be required or expedient for the above activities including decommissioning and abandonment operations; and all auxiliary operations, activities and services required or expedient for the better conduct or result of the above activities, all in accordance with the approved Development Plan and Best International Petroleum Industry Practices.

- 1.28 **"Development Plan"** or **"Plan"** means a scheduled program and cost estimate specifying the Petroleum Operations required for developing and/or increasing the production capacity from the Contract Area, which includes the Preliminary Development Plan, Final Development Plan, and any Revisions.
- 1.29 **"Dinar"** means the Iraqi Dinar.
- 1.30 **"Discovery"** means the discovery of an accumulation of hydrocarbons whose existence until that moment was unproven by drilling.
- 1.31 **"Dollar"** or **"US\$"** means the United States Dollar.
- 1.32 **"Dry Gas"** means Natural Gas after extraction of Natural Gas Liquids.
- 1.33 **"Effective Date"** means the date upon which this signed Contract becomes valid and enforceable as notified by ROC to Contractor in writing, in accordance with the provisions of Article 39.
- 1.34 **"Expenditure"** means as defined in Article 19.4.
- 1.35 **"Exploration"** means the drilling or deepening of wells to a formation specified as an undiscovered potential reservoir as specified in Annex D including conducting any formation tests thereon.
- 1.36 **"Export Oil"** means crude oil of a standard Iraqi export blend.
- 1.37 **"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.
- 1.38 **"Final Development Plan"** has the meaning given in Article 11.
- 1.39 **"Financial Year"** means the Calendar Year.
- 1.40 **"First Commercial Production"** means Commercial Production at the Net Dry Gas Production Rate, which shall be achieved by Contractor within three (3) Years from the approval date of the Preliminary Development Plan pursuant to Article 2.2 and Article 6, subject to Article 11.3.
- 1.41 **"Force Majeure"** means as defined in Article 31.
- 1.42 **"Gas"** or **"Natural Gas"** means a mixture of hydrocarbons and varying quantities of non-hydrocarbons that exist either in the gaseous phase or in solution with Crude Oil in natural underground reservoirs and when produced remain in gaseous phase at atmospheric conditions of temperature and pressure, and is classified as either Associated Gas or Non-Associated Gas.
- 1.43 **"Government"** means the Government of the Republic of Iraq.
- 1.44 **"Gross Negligence"** or **"Willful Misconduct"** means any unjustifiable act or omission by Senior Supervisory Personnel which constitutes an intentional, deliberate, reckless or conscious disregard of the Best International Petroleum Industry Practices or terms of

this Contract in connection with Petroleum Operations.

- 1.45 **"Joint Management Committee"** or **"JMC"** means the committee formed pursuant to Article 13.
- 1.46 **"Joint Operating Company"** or **"JOC"** means the company to be established in the Republic of Iraq pursuant to Article 9 for taking over the conduct of Petroleum Operations in accordance with Addendum Three.
- 1.47 **"Law"** means Iraqi laws or regulations, as they may change from time to time.
- 1.48 **"LIBOR"** or **"London Inter-Bank Offered Rate"** means the interest rate determined as the arithmetic average (rounded upward to the nearest one thousandth of a percentage point) of the offered rates for deposits in Dollars for a period of three (3) months as published by the Financial Times (London Edition) on the date which is one (1) business day prior to the beginning of the said three (3) months period corresponding to each interest period. Should the Financial Times rate not be published for a period of seven (7) consecutive days, the Wall Street Journal (New York Edition) shall be used.
- 1.49 **"Lifting Quarter"** means the Quarter during which Export Oil is available for lifting by Contractor at the Delivery Point, under this Contract and Addendum Four, where any Lifting Quarter shall be the Quarter following the Quarter in which Petroleum Costs, Supplementary Costs and Remuneration are due and payable.
- 1.50 **"LPG"** means liquefied petroleum gas, normally a mixture of propane and butane.
- 1.51 **"MSCF"** means one thousand (1,000) SCF.
- 1.52 **"MMSCF"** means one million (1,000,000) SCF.
- 1.53 **"MMSCFD"** means MMSCF per day.
- 1.54 **"Minimum Expenditure Obligation"** means that amount which shall be the minimum amount to be spent by the Contractor as specified in Article 6.2.
- 1.55 **"Minimum Work Obligation"** means the minimum work commitment undertaken by Contractor under Article 6, and Annex E.
- 1.56 **"Natural Gas Liquids"** or **"NGLs"** means the propane and heavier components of Natural Gas that can be classified according to their vapor pressures; as low vapor pressure (Condensate), intermediate vapor pressure (Natural Gasoline) and high vapor pressure (LPG).
- 1.57 **"Natural Gasoline"** means the pentane and heavier part of Natural Gas Liquids with a vapor pressure intermediate between Condensate and LPG; having a boiling point within the range of gasoline. It is liquid at atmospheric pressure and temperature; but volatile and unstable; can be blended with other hydrocarbons to produce commercial gasoline.
- 1.58 **"Natural Gas Condensate"** or **"Condensate"** is a mixture of hydrocarbon liquids that are present as gaseous components in the raw Natural Gas produced from the Contract Area. It condenses out of the raw Gas if the temperature is reduced to below the hydrocarbon dew point temperature of the raw Gas. It contains hydrocarbons that are liquid at normal surface temperature and pressure.
- 1.59 **"Net Crude Oil Production"**, over a certain period of time, means the volume of Crude Oil, actually produced during the said period of time, saved and not used for Petroleum Operations, treated to certain specifications as per the approved Preliminary Development Plan, the Final Development Plan, or their Revisions, measured and received by Transporter at the Transfer Point.

- 1.60 **"Net Dry Gas Production"**, over a certain period of time, means all the Standard Cubic Feet of Gas, actually produced during the said period of time, saved and not used for Petroleum Operations, treated to certain specifications, as identified in Annex G, after extraction of Natural Gas Liquids, and as per the approved Preliminary Development Plan, the Final Development Plan, or their Revisions, measured and received by Transporter at the Transfer Point(s).
- 1.61 **"Net Dry Gas Production Rate"**, in MMSCFD, means the Net Dry Gas Production for a certain period of time divided by the number of calendar days in that period of time.
- 1.62 **"Net NGL Production"**, over a certain period of time, means the volume of NGLs, actually produced during the said period of time, saved and not used for Petroleum Operations, treated to certain specifications as per the approved Preliminary Development Plan, the Final Development Plan, or their Revisions, measured and received by Transporter at the Transfer Point.
- 1.63 **"Net Production"** means the sum of Net Dry Gas Production, expressed in Barrels of Oil Equivalent, Net Crude Oil Production and Net NGL Production.
- 1.64 **"Non-Associated Gas"** means Natural Gas, which is found in a reservoir that does not contain significant quantities of Crude Oil.
- 1.65 **"Official Selling Price"** or **"OSP"** means SOMO's declared price for each Iraqi Export Oil blend.
- 1.66 **"Operating Cost"** means recoverable Contractor's costs, expenses, duties, fees, and charges related to Production Operations pursuant to Annex C.
- 1.67 **"Operator"** means the entity that is designated to conduct Petroleum Operations under this Contract being either the Contractor's Operator, or the Joint Operating Company, all in accordance with Article 9 and Addendum Three.
- 1.68 **"Participating Interest"** means, in respect of each Contractor's entity, the undivided share expressed as a percentage for such party's participation in the rights, benefits, privileges, duties, liabilities and obligations of Contractor.
- 1.69 **"Performance Factor"**, for the purposes of Article 19.5, means the ratio of the Net Dry Gas Production Rate to the bid Plateau Production Target although in no event shall it exceed one (1.0).
- 1.70 **"Petroleum"** means all hydrocarbons, including liquid and gaseous hydrocarbons, produced and saved from the Contract Area.
- 1.71 **"Petroleum Costs"** means recoverable costs and expenditures incurred and payments made by Contractor and/or Operator in connection with or in relation to the conduct of Petroleum Operations (except corporate income taxes paid in the Republic of Iraq or elsewhere, or as otherwise stipulated herein) determined in accordance with the provisions of this Contract and the Accounting Procedures.
- 1.72 **"Petroleum Operations"** means any and all Exploration, Appraisal, Development and Production Operations and other activities related thereto, including transportation of Petroleum to the Transfer Point(s), and abandonment operations including site restoration and decommissioning under this Contract.
- 1.73 **"Plateau Production Period"** means a period of thirteen (13) Years starting with the earlier of three (3) Years from the approval of the Final Development Plan or the date on which the Net Dry Gas Production Rate equals or exceeds the Plateau Production

- Target for a continuous period of thirty (30) days, but in no event starting later than six (6) Years from the Effective Date (subject to Article 11.3).
- 1.74 **"Plateau Production Target"** is the Net Dry Gas Production Rate that was bid and is to be achieved and sustained for the Plateau Production Period as specified in Article 2.2(c).
- 1.75 **"Preliminary Development Plan"** has the meaning given in Article 11.2.
- 1.76 **"Production Measurement Point"** means the point(s), immediately upstream of a Transfer Point, where Petroleum production is measured.
- 1.77 **"Production Operations"** means any and all operations related to production, transportation and storage of Petroleum, and the extraction of Natural Gas Liquids from Natural Gas, including (but not limited to) workovers, stimulations, remediation, restoration, operating, staffing, supervising, repairing, decommissioning and maintaining of any and all wells, plants, equipment, pipelines, tank-farms, terminals and all other installations and facilities.
- 1.78 **"Provisional Export Oil Price"** means the arithmetic average of SOMO's declared OSPs for the Delivery Point for the Americas, Europe and the Far East, for the Month preceding the Month in which the Forward Quantity Statement under Addendum Four is provided, or the Month preceding such Month if those OSPs are not available.
- 1.79 **"Quarter"** means a period of three consecutive Months commencing on the first day of January, April, July, or October of any Calendar Year.
- 1.80 **"Remuneration"** means the compensation due to Contractor under Article 19 and the Accounting Procedures.
- 1.81 **"Remuneration Fee"** means the fee in US\$ per BOE paid to Contractor for Net Production as calculated pursuant to Article 19.3.
- 1.82 **"Remuneration Fee Bid" or "RFB"** means _____ (US\$ X.XX) per Barrel of Oil Equivalent as utilized in Article 19.3.
- 1.83 **"Revision"**, in respect of a Work Program and Budget or Plan, has the meaning given in Articles 12.3 and 12.4, respectively.
- 1.84 **"R-Factor"** is the ratio of cumulative Cash Receipts to cumulative Expenditures in the conduct of Petroleum Operations pursuant to Article 19.4.
- 1.85 **"Senior Supervisory Personnel"** means in respect of any Party, any individual who functions as its senior resident manager directing all operations and activities of such Party in the country or region in which he is resident, and any manager who directly reports to such senior resident manager in such country or region, but excluding all managers or supervisors who are responsible for or in charge of installations or facilities, onsite drilling, construction or production and related operations, or any other field operations.
- 1.86 **"SOMO"** means Iraq Oil Marketing Company or its successors.
- 1.87 **"Standard Cubic Foot" or "SCF"** when applied to Gas means the volume of Gas that occupies one (1) cubic foot of space measured dry under an absolute pressure of fourteen point six nine six (14.696) pounds per square inch and a temperature of sixty (60) degrees Fahrenheit.
- 1.88 **"State Partner"** means _____, an Iraqi State entity established and existing under the Law.

- 1.89 **"Sub-Contractor"** means any company or person contracted by the Contractor or Operator to provide goods or services with respect to Petroleum Operations.
- 1.90 **"Supplementary Costs"** means recoverable costs and expenditures incurred by Contractor, other than those costs defined as Petroleum Costs and as determined in accordance with Articles 7.2, 12.7, 17.6 and 41.17, including interest due thereon.
- 1.91 **"Tax"** means as defined in Article 23.
- 1.92 **"Tax Year"** means the period of twelve (12) consecutive months according to the Gregorian calendar for which tax returns or reports are required according to the Law.
- 1.93 **"Term"** means the term of this Contract as defined in Article 3.2.
- 1.94 **"Training, Technology and Scholarship Fund" or "Fund"** means the fund established pursuant to Article 26.2.
- 1.95 **"Transfer Point"** means the inlet flange of an outgoing pipeline from a Production Measurement Point where Transporter shall receive Petroleum Production from Operator, as identified in Annex G.
- 1.96 **"Transporter"** means the entity(s) designated by ROC to operate the Transportation Facilities and Transportation Systems for transporting Petroleum from the Transfer Point(s) pursuant to Article 17 and Addendum Two.
- 1.97 **"Transportation Facilities"** means the pipelines, pumps, compressors, tanks, meters, and other transportation facilities that are built by Operator beyond the Transfer Point(s) for transporting Petroleum pursuant to this Contract.
- 1.98 **"Transportation System"** means, at any time, Transportation Facilities and all other facilities under control of the Transporter beyond the Transfer Point.
- 1.99 **"Work Program"** means an itemization and time schedule of the Petroleum Operations to be carried out under this Contract.
- 1.100 **"Year"** means a period of twelve (12) consecutive months according to the Gregorian calendar, starting on some date or any anniversary of the date.

(End of Article 1)

ARTICLE 2 – SCOPE OF CONTRACT

- 2.1 This Contract is a Gas Development and Production Service Contract for the _____ Contract Area, in accordance with the provisions herein. It includes 43 Articles, Annexes A, B, C, D, E, F and G, and Addenda One, Two, Three, and Four; all attached hereto and made part hereof. In the event of a conflict between this Contract's Articles and the Annexes or Addenda, the provisions of the Articles shall prevail. Any reference to an Addendum herein shall be deemed to include the fully-termed agreement which replaces such Addendum, unless the context requires otherwise.
- 2.2 Contractor, subject to the provisions herein and in accordance with Best International Petroleum Industry Practices, shall:
- (a) provide or arrange to provide services and technologies for conducting Petroleum Operations with the intention to achieve an optimal development of the discovered reservoirs identified in Annex D within the Contract Area;
 - (b) achieve First Commercial Production at a Net Dry Gas Production Rate equal to twenty-five percent (25%) of the Plateau Production Target as soon as possible

- 9.13 Not later than the twentieth (20th) day of each Month, the Operator shall furnish Contractor with a detailed written estimate of its total cash requirements for the succeeding Month expressed in Dollars, in accordance with approved Work Programs and Budgets. Such estimate shall take into consideration any cash expected to be on hand at Month end. Payment by Contractor for the succeeding Month shall be made directly to the bank designated in Article 9.14 on the first (1st) day of the Month, or the next following working day, if such day is not a working day.
- 9.14 Operator is authorized to keep at its own disposal abroad, in an account opened with a bank with a minimum credit rating of A in the publications of the Standard and Poor's Rating Group (or equivalent of Fitch Ratings or Moody's Investors Service), the foreign funds advanced by Contractor. Interest or similar income generated by the account shall be credited to the account. Withdrawals from said account shall be used for payment for goods and services abroad and for transferring to a local bank in the Republic of Iraq the required amounts to meet expenditures in Dinars for the Operator in connection with Petroleum Operations, converted at the applicable rate of exchange available as published by the Iraqi Central Bank on the date of conversion. Within sixty (60) days after the end of each Financial Year, Operator shall submit to the appropriate exchange control authorities in the Republic of Iraq a statement, duly certified by a recognized firm of independent auditors, showing the funds credited to the account, the disbursements made out of the account and the balance outstanding at the end of such Financial Year.
- 9.15 Operator shall diligently conduct Petroleum Operations in compliance with the Law, and in accordance with Best International Petroleum Industry Practices.
- 9.16 Operator's activities aboveground and underground shall be designed to achieve efficient and safe production of Petroleum from the Contract Area. Operator shall ensure that all materials, equipment, and facilities used in Petroleum Operations comply with generally accepted engineering norms, are of proper and acceptable construction, and are kept in good working order throughout the Term. The Parties shall at least one (1) Year before the expiry of this Contract agree on a detailed procedure for handing-over Contract Area Petroleum Operations and related facilities to ROC as a going concern.
- 9.17 Operator shall take all appropriate and necessary measures, in accordance with the Law, to safeguard the environment and prevent pollution which may result from Petroleum Operations, and to minimize the effect of any pollution which may occur.
- 9.18 Each of ROC, Contractor and Operator shall take all appropriate and necessary measures, in accordance with the Law and international standards to uphold transparency, accountability and the strict observance of general business ethics and anti-corruption laws and regulations. ROC, Contractor and Operator shall develop procedures and guidance documents to secure compliance with the above.
- 9.19 Operator shall conduct Petroleum Operations in accordance with the provisions of this Contract under the general supervision and control of the JMC or BOD, as the case may be.
- 9.20 Operator shall:
- (a) provide all personnel required for the Petroleum Operations, giving first priority to Iraqi nationals, provided the Iraqi nationals have the required qualifications and experience;
 - (b) without prejudice to the Contractor's right to occupy positions in the JOC, adhere to employment and training programs which shall aim at the Iraqization of

Operator's manpower; all pursuant to a plan to be submitted by the Operator for approval by the JMC or BOD no later than six (6) Years from the Effective Date;

- (c) utilize Sub-Contractors and suppliers of proven capability and professional experience on a competitive basis and in accordance with the tendering procedures established pursuant to Article 9.22(c), keeping the JMC or BOD informed accordingly. Any purchase order and sub-contract shall be in accordance with approved Work Programs and Budgets;

Operator may approve awards of any individual purchase order or sub-contract up to and including ten million Dollars (US\$10,000,000) in value. Prior approval shall be obtained before award of any individual purchase order or sub-contract, giving details of bids received and the basis for the recommended award, as follows:

- (i) by JMC or BOD for awards above ten million Dollars (US\$ 10,000,000) and up to and including one hundred million Dollars (US\$ 100,000,000) in value;
 - (ii) by ROC for awards above one hundred million USD (US\$100,000,000) in value, where such written approval shall not to be unreasonably withheld, provided if the total period taken by ROC exceeds forty five (45) days then approval of any such purchase order or sub-contract is deemed to have been provided by ROC. If ROC communicates within the specified period its non-approval of the award in question then the matter shall be promptly referred to the senior management of the Parties for resolution; and
- (d) prepare and issue reports pursuant to Article 15, and provide any further information as may reasonably be required by ROC.

9.21 Operator shall place fixtures and installations inside and outside the Contract Area as necessary to carry out Petroleum Operations, in accordance with approved Plans. Transportation Facilities that are integrated into the Transportation System shall be handed over upon completion and commissioning to the Transporter, which will thereafter be responsible for the operation and maintenance thereof, in accordance with the provisions of Addendum Two and the subsequent Petroleum Transfer Agreement.

9.22 Promptly after the Effective Date, but not later than six (6) months thereafter, Operator shall prepare and submit for JMC approval, in accordance with Article 12, the following operating procedures:

- (a) employment procedures and personnel regulations for locally recruited personnel including scales of salaries, wages, benefits, and all allowances applicable to the respective grade of staff and employees, together with employment requirements such as standard job descriptions and qualifications to fill the jobs, all in accordance with the Law and local market conditions. Equitability of basic salaries and terms of employment between Iraqis and non-Iraqis of similar qualification and experience shall be observed, with allowances and special benefits as appropriate for non-Iraqis;
- (b) benefits and allowances to be paid in the Republic of Iraq to assigned personnel referred to in Annex C during the assignment for Petroleum Operations;
- (c) tendering, bidding and contract awarding procedures for engineering, drilling, construction and other service contracts, and procedures for purchasing materials and equipment, all on a competitive basis (unless otherwise agreed by

- the JMC or BOD), taking into account provisions of this Contract, Best International Petroleum Industry Practices and the Law; and
- (d) a detailed accounting system to be adopted by Operator based on the provisions of Annex C.

(End of Article 9)

ARTICLE 10 – GAS AND NATURAL GAS LIQUIDS

- 10.1 ROC shall be responsible for the disposition of the Net Production from the Contract Area.
- 10.2 [Intentionally omitted.]
- 10.3 Except as provided for in Article 6.1(e), it is understood that this Contract is limited to the Appraisal, Development and Production of Non-Associated Gas reservoirs including the treatment and processing of the Natural Gas to produce dry gas and NGLs. However, pursuant to a separate agreement, the ROC may request Contractor to further explore for and, if successful, appraise, develop and produce any undiscovered potential reservoirs.
- 10.4 In the absence of such separate agreement within the period set forth in Article 2.3, ROC reserves the right thereafter to explore, appraise, develop, and produce such reservoirs, directly or through third parties, ensuring that Petroleum Operations are not hindered or delayed.
- 10.5 If Appraisal and Development activities in the Non-Associated Gas reservoirs that are among the reservoirs identified in Annex D, Section 1, identify Crude Oil in quantities that might reasonably warrant development, Contractor and ROC shall meet to determine whether to address such Crude Oil development in any Development Plan.
- 10.6 In the event the results of Appraisal and Development activities indicate that a discovered reservoir in Annex D is, considering Best International Petroleum Industry Practice, better developed as a Crude Oil accumulation, the Parties shall convene and may agree appropriate measures to preserve the interests and rights of both Parties.
- 10.7 In respect of each Calendar Quarter during the Term, ROC shall take and pay for, or pay for if not taken, the Net Dry Gas Production scheduled to be delivered in accordance with the approved Work Program for such Calendar Quarter. In respect of any Calendar Quarter the obligation to take, or pay for if not taken, Net Dry Gas Production in this Article 10.7 shall be reduced by the volume of Net Dry Gas Production scheduled to be delivered that (i) Contractor fails to deliver for any reason (except for ROC's failure to take), and (ii) ROC fails to take due to Force Majeure. The quantity of Net Dry Gas Production in any Calendar Quarter that ROC is obliged to take, or pay for if not taken, shall be further reduced where planned maintenance or any agreed construction or other activity has the effect of reducing deliveries from those reflected in the approved Work Program for such Calendar Quarter. For the purposes of determining ROC's obligation to pay for Net Dry Gas Production not taken, Contractor shall demonstrate, in a manner consistent with certification procedures normal in such circumstances, the Net Dry Gas Production Rate that wells and facilities are capable of producing and delivering to the ROC in such Calendar Quarter in accordance with the approved Work Program. For purposes of this Article 10.7, the obligation of ROC to "pay for" Net Dry Gas Production means the payment of Petroleum Costs, Supplementary Costs and Remuneration as

contemplated in this Contract. Volumes paid for but not taken shall be considered "Net Dry Gas Production" for all purposes under this Contract.

- 10.8 ROC shall have the right to take, and Contractor shall be obliged to make available to ROC, the Gas paid for but not taken during any Calendar Quarter in accordance with Article 10.7 over the remaining Term at the times and to the extent requested by ROC and without the requirement for payment of any kind. Contractor's obligation to make available additional quantities of Dry Gas during any period shall be subject to any adjustments under Article 10.8 and limited to those quantities of Dry Gas that can be delivered through available facilities during such period (over and above that needed for the delivery of Net Dry Gas Production scheduled for delivery during such period) in accordance with the Work Program then in effect and Best International Petroleum Industry Practices.
- 10.9 In the event it is subsequently determined that the Contractor was not capable of delivering the Net Dry Gas Production in any Quarter in respect of which payments have been made by ROC for Dry Gas not taken under Article 10.7, then each of the Petroleum Costs, Supplementary Costs and Remuneration payable shall be recalculated and any excess payments received by Contractor shall be repaid through a compensating adjustment in the invoice for the next Quarter following such determination.

(End of Article 10)

ARTICLE 11 – DEVELOPMENT PLANS AND WORK PROGRAMS

- 11.1 Contractor shall develop the discovered Non-Associated Gas reservoir(s) within the Contract Area and maintain the required delivery capacities in accordance with the approved Development Plans and terms of the Petroleum Transfer Agreement, the heads of which are set out in Addendum Two.
- 11.2 Promptly after the Effective Date, and in any case not later than six (6) months thereafter, Contractor shall prepare and submit the Preliminary Development Plan, presenting, in the light of the available knowledge of the reservoir(s) within the Contract Area, the overall targets and phases of development of the reservoir(s) within the Contract Area. The Preliminary Development Plan shall include:
- (a) a program designed to achieve the First Commercial Production as soon as possible but no later than three (3) Years from approval of the Preliminary Development Plan;
 - (b) a program for the Appraisal of reservoir(s) within the Contract Area which require and justify further Appraisal Operations, including a time schedule for geophysical surveys and any interpretations of data relating thereto, geological and reservoir engineering studies, as well as laboratory work and field data gathering programs. Appraisal is aimed at acquiring technical data required to conceive the Final Development Plan embracing the whole Contract Area;
 - (c) a program designed to explore undiscovered potential reservoirs, as specified in Annex D;
 - (d) a program for construction of processing plants and related facilities and installations, upstream of the Transfer Points and within the Contract Area, for the extraction of Natural Gas Liquids from Natural Gas; and

- (e) a Work Program and Budget for the remainder of the current Calendar Year.
- 11.3 ROC may approve the Preliminary Development Plan as a whole, or it may approve only the Appraisal and Exploration programs contemplated in Articles 11.2 (b) and (c), and the Work Program and Budget related thereto. In the latter case, ROC shall defer consideration of the program for First Commercial Production and for extraction of Natural Gas Liquids for a holding period of up to three (3) Years, to allow ROC time to secure access to adequate offtake arrangements. ROC may at any time terminate the holding period by written notice to Contractor, in which case Contractor shall submit an updated Preliminary Development Plan for approval within three (3) months of receipt of such notice. The Term and the scheduled time periods in Articles 2.2(b) and (c), Article 9.5, Article 11.5 and Article 11.6 (to the extent set forth therein) shall be extended by a period of time equal to the duration of the holding period. For the avoidance of doubt, Contractor shall continue to pursue the Appraisal and Exploration programs in the partially approved Preliminary Development Plan, and shall be obliged to fulfill the Minimum Work Obligation and the Minimum Expenditure Obligation notwithstanding the designation of such holding period.
- 11.4 Contractor shall prepare and submit for approval annual Work Programs and Budgets, including production schedules for the succeeding Calendar Years, not later than the first of October of each Calendar Year.
- Each annual Work Program and Budget shall set out in detail by Quarter all aspects of proposed Petroleum Operations to be carried out including all relevant data and information, the estimated cost and duration of each operation, the estimated monthly rate of production for each reservoir within the Contract Area and all other relevant data and information. The Work Program and Budget shall also include a forecast of yearly activities for the four (4) Year period following the end of the relevant Calendar Year or the period up to the expiry of this Contract whichever is shorter.
- 11.5 Within six (6) months after the completion of the Appraisal Program (or, if later, within six (6) months of the approval of the updated Preliminary Development Plan, if a holding period is designated pursuant to Article 11.3), Contractor shall prepare and submit for approval the Final Development Plan which shall, upon approval by ROC, supersede the Preliminary Development Plan.
- 11.6 Contractor and Operator shall conduct Petroleum Operations in a manner that is designed to achieve the Plateau Production Target within three (3) Years of the approval date of the Final Development Plan, but no later than six (6) Years after the Effective Date. If a holding period is designated pursuant to Article 11.3, such six (6) Year period shall be extended by the duration of such holding period. Development Plans submitted by Contractor for approval must contemplate achieving the Plateau Production Target within such time period.
- 11.7 Contractor shall prepare and submit Revisions and corresponding cost estimates as necessary for required approvals.
- 11.8 All Plans and production schedules shall be based on sound geological, reservoir, engineering, economic and health, safety and environmental principles, all in accordance with the Best International Petroleum Industry Practices, and with the objective of optimizing production and maximizing the volume of recoverable reserves of Petroleum from the Contract Area.
- 11.9 Final Development Plans shall include at a minimum the following:
- (a) details of the proposed development area;

- (b) summary of reservoir studies;
- (c) proposals relating to additionally required Appraisal, if any;
- (d) proposals relating to the spacing, drilling and completion of wells and the surface facilities, installations and pipelines required for the production, treating, transportation, processing and delivery of Dry Gas and NGLs of various grades at the Transfer Point(s);
- (e) forecast of annual production and an estimate of relevant investments involved; and a description of any Gas off-take arrangements at the relevant Transfer Points, and any Transportation Facilities to be constructed.

(End of Article 11)

ARTICLE 12 – APPROVAL OF DEVELOPMENT PLANS AND WORK PROGRAMS

- 12.1 No Petroleum Operations shall be carried out unless and until the relevant Work Program, Budget, and Development Plan, or their Revisions, have been duly approved.
- 12.2 Contractor shall prepare and submit to the JMC, or the BOD, in a timely manner its proposals concerning the Plans, or their Revisions as well as the annual Work Programs and Budgets or their Revisions, and any administrative, accounting or other operating procedures, complete with supporting studies, data and information, for approval in accordance with the following procedure:
 - (a) within fourteen (14) days of receiving Contractor's initial or revised proposal, in respect of annual Work Programs and Budgets, and any administrative, accounting or other operating procedures, the JMC or BOD shall either approve the proposal or return it to the Contractor with recommended changes. Contractor shall, within a further fourteen (14) days of receiving recommended changes, amend and re-submit the proposal to the JMC or BOD for approval;
 - (b) within twenty (20) days of receiving Contractor's proposed Plan or Revision the JMC or BOD shall review the Plan or Revision and pass to the ROC for endorsement or return to the Contractor with recommended changes. Contractor shall amend the Plan or Revision and re-submit to the JMC or BOD for recommendation to ROC no later than twenty (20) days thereafter;
 - (c) within thirty (30) days of receiving a Plan or Revision from the JMC or BOD, the ROC shall advise Contractor and the JMC or BOD of its endorsement or rejection. In the event of a rejection the ROC shall provide written advice as to the reasons for its rejection;
 - (d) it is understood that the Parties shall make their best endeavors to expedite the approval process through close interaction and consultation, and, if necessary, through the intervention of their senior managements;
 - (e) if certain aspects of a Work Program or Budget remain unresolved after submission to senior management the Parties agree that the Operator will be authorized to act as though the most recent submission by the Contractor has been approved until such time as final resolution of disputed items has occurred; and
 - (f) time periods in this Article 12.2 shall be subject to appropriate extensions corresponding to any delay resulting from Force Majeure or as otherwise agreed between the Parties. If the total period taken for approval and endorsement by

ROC of the Preliminary Development Plan or the Final Development Plan exceeds one hundred and twenty (120) days, then the Term together with all rights and obligations hereunder shall be extended to reflect the additional time taken for approvals.

- 12.3 After the approval of the annual Work Program and Budget by the JMC or BOD, it shall be implemented by Operator under the general supervision and control of the JMC or BOD. Operator may make minor changes to the details of an approved Work Program or Budget, provided, however, such changes shall not change the budgeted amount for each major line item by more than ten percent (10%), change the total approved Budget by more than five percent (5%), or alter the general objectives of the Work Program. Otherwise, the change shall be considered a Revision calling for the JMC's or BOD's prior approval unless such changes are warranted under emergency or extraordinary circumstances requiring immediate action, including but not limited to safeguarding lives or property, protection of the environment or for health reasons. Such emergency changes shall be reported by Operator to the JMC or BOD and ROC within five (5) working days.
- 12.4 Any modification to an approved Plan that alters the general objectives of that Plan or changes the total estimated cost by more than ten percent (10%) shall be considered a Revision which shall be subject to approval in accordance with this Article 12.
- 12.5 ROC shall have the right to review the proposed level of production in respect of any proposed or approved Work Program and may, upon written notification, require Contractor and/or Operator to modify the rate of production from the Contract Area for any of the following reasons:
- (a) to avoid material damage to reservoirs;
 - (b) for health, safety or environmental considerations;
 - (c) for short-term operational requirements required to bring Petroleum Operations into compliance with Best International Petroleum Industry Practices;
 - (d) for Government imposed curtailment; or
 - (e) for curtailments due to failure of Transporter to receive Dry Gas, NGLs or Crude Oil at Transfer Points through no fault of Contractor or Operator.
- 12.6 During the periods when the rate of production is decreased due to production curtailment imposed under Article 12.5(d) or Article 12.5(e), the provisions of Article 10.7 shall apply on the basis of the volumes in the production schedule in the approved Work Program in effect prior to the curtailment.
- 12.7 ROC may, at any time by written notice, request Contractor to fund and Operator to execute specific works or build specific facilities not included in approved Plans or associated Work Programs and Budgets. If agreed by Contractor, Operator shall amend the relevant Work Program, Budget or Development Plan within ninety (90) days of receiving such notice. All costs associated with the construction and operation of the additional facilities or works paid for by the Contractor shall be considered Supplementary Costs. If Contractor decides not to share the potential risks and rewards of such works and facilities in accordance with this Contract, the costs thereof shall be borne by ROC. In such event, ROC shall have the right to appoint a third party to execute the works taking care not to hinder or unduly interfere with Petroleum Operations, and the said works shall be conducted by and for ROC's sole risk and reward.

(End of Article 12)

ARTICLE 13 – JOINT MANAGEMENT OF PETROLEUM OPERATIONS

- 13.1 The Parties shall establish, within thirty (30) days from the Effective Date, the Joint Management Committee for the purpose of general supervision and control of Petroleum Operations until the Date of Transfer of Operatorship (after which date the functions of the JMC shall be transferred to the BOD). Unless agreed otherwise, ROC shall nominate ____ (__) members, including the chairman. Contractor's Operator shall nominate ____ (__) members, including the deputy chairman and the secretary, and the State Partner shall also nominate a member. The Parties shall also designate one alternate to each of their members and shall promptly inform each other in writing of any change of the members or alternates.
- 13.2 JMC or BOD shall have the following duties and authorities related to Petroleum Operations:
- (a) review and recommendation of Plans and any Revisions thereof;
 - (b) review and approval of annual Work Programs and Budgets, production schedules, and any Revisions thereof;
 - (c) review and approval of operating procedures pursuant to Article 9;
 - (d) review and/or approval of the award of contracts to Sub-Contractors and purchase orders as applicable pursuant to Article 9.20(c);
 - (e) approval of training programs and Iraqization plans for integrating Iraqi personnel into various aspects of Petroleum Operations, pursuant to Articles 9.22(a) and (b) and 26.2;
 - (f) supervision and control of the implementation of approved Development Plans and Work Programs and the overall policy of Operator;
 - (g) review and approval of manpower levels and organization chart of Operator;
 - (h) review of quarterly statements, annual accounts and other financial statements related to Petroleum Operations; and
 - (i) review of periodical and other reports submitted by Contractor or Operator and issue of comments and recommendations to ensure proper implementation of Petroleum Operations in accordance with the provisions of this Contract; and
 - (j) recommendation of the appointment of the independent international auditor as per Article 20.4.
- 13.3 Decisions of the JMC shall be taken by unanimous vote of the members or their alternates present at the meeting or by proxy. In the event that the JMC is unable to reach a unanimous decision in respect of any issue for which it is responsible under this Contract, then the issue shall be promptly referred to the senior management of the Parties for resolution. The quorum shall be at least ____ (__) members or alternates of each Party. Decisions taken by the JMC shall be recorded in official minutes signed by the members present and communicated by the Operator to the Parties.
- 13.4 JMC shall meet whenever necessary or expedient for the implementation of this Contract and at any time a Party requests a meeting to be held. In any event the JMC shall meet at least four times per Year, ideally every Quarter. A meeting of the JMC may be convened by either Party giving not less than twenty (20) days prior written notice to the other Party or, in a case requiring urgent action, by giving reasonable shorter notice, with decisions by way of circulated written resolutions. Operator shall prepare and communicate to the members of the JMC the agenda and necessary documents no less

ANNEX F – FORMS OF GUARANTEE

FORM 1: FOR COMPANY

To: ROC

We refer to the Gas Development and Production Service Contract for the _____ Contract Area, (hereinafter referred to as the "Contract") entered into on this day of [_____] 201_, between _____, [State Partner] and ROC, an Iraqi State oil company.

In consideration of the rights and obligations of _____ being a wholly-owned and controlled Affiliate of _____ ("_____") as a Party to the Contract, _____, a company duly organized and existing under the laws of [_____] and whose registered office is at [_____] hereby unconditionally and irrevocably undertakes, to make available or cause to be made available to _____ such technical and financial resources as may be required to perform and fulfill its obligations under the Contract, as may be amended from time to time by the Parties thereto, including payment to ROC of the balance (if any) of the Minimum Expenditure Obligation in case of termination of the Contract, if applicable.

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

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

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

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

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

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

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

Signed for and on behalf of

FORM 2- FOR ROC, SOMO, TRANSPORTER AND STATE PARTNER

To: _____

We refer to the Gas Development and Production Service Contract for the _____ Contract Area (hereinafter referred to as the "Contract ") entered into on this day of _____ 2009, between _____, [State Partner] and ROC.

In consideration of

- the rights and obligations of ROC as a Party to the Contract and being fully owned subsidiary of the Ministry of Oil of the Republic of Iraq; and
- _____ entering into the Contract

the Ministry of Oil, hereby unconditionally and irrevocably guarantees for the benefit of _____ to make available or cause to be made available to ROC such financial and technical resources as may be required to perform and fulfill its obligations under the Contract, as may be amended from time to time by the Parties thereto, for the Term of the Contract or as extended to enforce rights or obligations in relation to the Contract.

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

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

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

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

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

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

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

Signed for and on behalf of Ministry of Oil

Name: _____

Title: _____

(End of Annex F)

ANNEX G – TRANSFER POINTS AND QUALITY SPECIFICATIONS

(End of Annex G)

ADDENDUM ONE – HEADS OF JOINT OPERATING AGREEMENT

This Addendum One is attached to and made part of the Gas Development and Production Service Contract for the _____ Contract Area. Terms defined in the Development and Production Service Contract shall have the same meanings for the purpose of this Heads of Agreement. The parties to the Joint Operating Agreement are the entities constituting Contractor.

CLAUSE 1. SCOPE

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

CLAUSE 2. PARTICIPATING INTEREST

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

CLAUSE 3. OPERATOR

- 3.1 The Operator appointed in accordance with the Contract, shall have exclusive management and control of Petroleum Operations prior to the formation of the Joint Operating Company.
- 3.2 Operator may, at any time resign as such by giving the Participants notice in writing. Operator shall cease to be Operator if: (a) it or its guarantor dissolves, liquidates or terminates its legal existence; (b) it or its guarantor becomes insolvent, bankrupt or is placed in receivership; (c) its Participating Interest is reduced to less than twenty two point five percent (22.5%); or (d) it takes no action within thirty (30) days after notification to it by a Participant to remedy a material breach of this JOA. Pursuant to Article 9.3 of the Contract, replacement of the Operator shall be subject to ROC's prior approval.

CLAUSE 4. OPERATING COMMITTEE

- 4.1 An Operating Committee composed of representatives of the Participants shall be established and shall act for the duration of this JOA to make decisions and establish joint policies and make proposals to be submitted to the ROC, the JMC or the BOD, as well as to make any other decisions necessary or expedient for the orderly supervision and direction of the Petroleum Operations.
- 4.2 The decisions of the Operating Committee on all matters coming before it shall be made by the affirmative vote of the representatives of the Participants having a combined voting right of at least seventy percent (70%), each Participant being entitled to have and to exercise through its representatives a voting right equal numerically to its Participating Interest. The Operating Committee shall also decide upon Contractor's representation in

the JMC or BOD, provided that Contractor's Operator shall have at least one (1) of the members provided to Contractor and the State Partner shall have one (1) member.

CLAUSE 5. WORK PROGRAMS AND BUDGETS

For each Calendar Year, the Operator shall prepare and submit to the Participants Work Programs and Budgets not later than the first day of August of the preceding Year. Each such Work Program and Budget shall set out in a reasonably detailed manner the work to be carried out and shall include an itemized estimate of the corresponding expenditures. The Operating Committee shall review and discuss the Work Program and Budget submitted by Operator for the following Calendar Year and shall adopt, not later than August 30, a Work Program and Budget to be submitted to the Operator for further study and possible modification before referring it to the JMC or the BOD for approval pursuant to Article 12.2.

CLAUSE 6. COSTS AND EXPENSES

All costs and expenses of the Contractor for Petroleum Operations shall be borne by the Companies in proportion to their respective Participating Interest. All costs and expenses that are incurred in the conduct of operations under this JOA shall be determined and recorded according to an Accounting Procedure (without prejudice to Annex C of the Contract) and generally accepted accounting principles and shall be subject to periodic inspection and audit.

CLAUSE 7. DEFAULTS

7.1 Any Company that fails to pay when due its Participating Interest share of costs and expenses shall be in default (hereinafter referred to as ("Defaulting Company"). The Operator shall as soon as practicable notify all Participants of such default and the Operator shall keep the Participants informed thereafter of material events in relation thereto. The amount not paid by the Defaulting Company shall bear interest from the date due until paid in full at the rate specified in Clause 7.2 below. After any default has continued for thirty (30) days, the Defaulting Company shall not be entitled to attend Operating Committee meetings or to vote on any matter coming before the Operating Committee during the period such default continues. Non-Defaulting Companies (excluding State Partner) shall pay the defaulted amount on behalf of the Defaulting Company, in proportion to their Participating Interests or in any other proportion they may agree upon.

7.2 The Defaulting Company shall have the right to remedy the default at any time prior to forfeiture, as hereinafter provided, by payment in full to the Operator or, if the Non-Defaulting Companies have paid any amounts under Clause 7.1 of this JOA, to the Non-Defaulting Companies, in proportion to the amounts so paid by them, of all amounts which the Defaulting Company has failed to pay, together with interest thereon on a day to day basis at the rate of LIBOR plus five percent (5%).

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

monies advanced by such Non-Defaulting Companies on behalf of the Defaulting Company. The balance of such fees, if any, shall be paid to the Defaulting Company when such default has been remedied.

- 7.3 State Partner shall be carried by the other Companies for its Participating Interest share of Petroleum Costs and Supplementary Costs. The amount so paid by the Companies on behalf of State Partner shall be fully recovered by the Companies from the Petroleum Costs and Supplementary Costs paid under the Contract.
- 7.4 In no event shall State Partner be considered in default.

CLAUSE 8. WITHDRAWAL

After the Minimum Work Obligations have been fulfilled, any Company may elect, and subject to ROC's prior written consent, by giving notice to the other Participants, to withdraw from the Contract and the JOA. Each of the other Companies may also give notice that it desires to withdraw from the Contract and the JOA. Should all Companies give such notice of withdrawal, the Participants shall proceed to abandon the Contract Area and terminate the Contract and JOA. If less than all of the Companies give such notice of withdrawal, then the withdrawing Companies shall execute and deliver all necessary instruments and documents to assign their Participating Interest to the non-withdrawing Companies, without any compensation whatsoever. Such assignment to the non-withdrawing Companies shall be in proportion to their Participating Interests, unless otherwise agreed among them. The non-withdrawing Companies shall take the assignment of all of the withdrawing Companies' Participating Interests; otherwise, the Participants shall be deemed to have decided to withdraw from the Contract and the JOA. The withdrawing Participant shall remain responsible in proportion to its Participating Interest for any liability that may arise for any activity performed before its withdrawal and shall not be entitled to the Supplementary Costs, Petroleum Costs or Remuneration accrued on or after the date of its withdrawal.

CLAUSE 9. ASSIGNMENT

Each Participant may transfer, subject to any requirement under the Contract, all or part of, its Participating Interest under the Contract and the JOA to a wholly-owned Affiliate without the consent of the other Participants; provided that such Participant shall remain responsible for the performance of the financial and other obligations under the Contract and the JOA to the same extent as if the transfer had not occurred and provided further that the assigning Participant shall timely notify the other Participants of any such transfer. Without prejudice to the provisions of the Contract, no transfer of any interest under the Contract and the JOA to third parties may be made by any Participant without the written consent of the other Participants which consent shall not be unreasonably withheld. The transfer by a Participant of its interest under the Contract and the JOA to third parties shall be subject to ROC's approval and its pre-emptive right and to the preferential rights of the other Participants. The assignee or transferee shall be bound by the Contract and the JOA.

CLAUSE 10. RELATION OF THE PARTICIPANTS

Subject to Article 2.4 of the Contract, the rights, duties, obligations and liabilities of the Participants under this Heads of Agreement and the JOA shall be individual, not joint or collective. It is not the intention of the Participants to create, nor shall this Heads of Agreement or the JOA be deemed or construed to create a mining or other partnership, joint venture,

association or trust, or as authorizing any Participants to act as an agent, servant or employee for any other Participant for any purpose whatsoever except as explicitly set forth in the JOA.

CLAUSE 11. GOVERNING LAW AND ARBITRATION

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

CLAUSE 12. EFFECTIVE DATE AND TERM

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

CLAUSE 13. JOINT OPERATING AGREEMENT (JOA)

Within six (6) months from the Effective Date, the Participants shall enter into the Joint Operating Agreement which shall embody the principles stipulated in this JOA Heads of Agreement and it may include such other provisions as customarily used by international petroleum industry and shall continue in effect as long as the Contract is in effect.

(End of Addendum One)

ADDENDUM TWO – HEADS OF PETROLEUM TRANSFER AGREEMENT

CLAUSE 1. DEFINITIONS

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

CLAUSE 2. SCOPE

This Heads of Petroleum Transfer Agreement prescribes the basic principles to be included in a Petroleum Transfer Agreement to be executed by and between the Operator and Transporter for transportation of Petroleum produced from the Contract Area under the Contract.

CLAUSE 3. SCOPE OF PETROLEUM TRANSFER AGREEMENT

Provided Operator complies with its obligations under the Contract and this Addendum Two related to the Transportation System, Transporter, on behalf of ROC shall receive at the Transfer Point(s) the quantities of Petroleum from the Contract Area tendered by Operator and taken by ROC as contemplated in Article 10 of the Contract.

CLAUSE 4. FACILITIES AT THE TRANSFER POINT

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

CLAUSE 5. TRANSFER RATE

Operator shall have the right and the obligation to tender Petroleum at the Transfer Point(s) at a certain average rate as per the approved Plans and Revisions. However, Operator in coordination with Transporter may transfer Petroleum at a peak rate up to twenty percent (20%) above the approved average rate for temporary periods to compensate for operational constraints. In the event that the throughput capacity of the pipeline system or the related facilities is constrained for unforeseeable incidents beyond the control of the Operator or Transporter and the throughput of Petroleum through the pipeline system is consequently reduced, Operator shall reduce its deliveries accordingly. Any such reduction shall be on a non-discriminatory basis.

CLAUSE 6. TRANSFER CONDITIONS

Petroleum shall be transferred at the Transfer Point(s) from one or more Petroleum streams in accordance with the approved Plans, and at the pressure commensurate with the pressure required by the existing system. The quality of each Petroleum stream transferred at the Transfer Point(s) shall be subject to certain conditions and specifications to be agreed upon by Transporter and Operator. Operator shall not mix any additives to the Petroleum tendered for transportation, without prior written approval of Transporter.

CLAUSE 7. MEASURING

Operator shall install, maintain and operate all facilities necessary for the measurement of Petroleum at each Production Measurement Point. Operator shall notify ROC prior to any calibration of such measurement facilities and allow ROC's representatives to attend such calibration activities. Unless agreed otherwise by the Parties, any inaccuracy determined during such calibration activities shall be deemed to have existed since the mid-point between the last calibration and the current calibration. Similarly, Export Oil that may be lifted by Contractor shall be measured at the Delivery Measurement Point in accordance with standard SOMO measurement practices.

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

CLAUSE 8. TRANSPORTATION SYSTEM

- 8.1 Unless related to obligations under Annex E, Operator and Contractor shall have no obligation to build transportation facilities downstream of the Transfer Point unless this is agreed and incorporated in a Development Plan. In the event such facilities are built they shall be handed over to Transporter upon completion and commissioning.
- 8.2 In case a need arises to de-bottleneck, improve the efficiency and/or to increase the capacity of the Transportation System, ROC, Transporter, or Operator may propose to construct facilities beyond the Transfer Point, in addition to or to modify the existing Transportation Facilities. If agreed in a Plan, Operator and Contractor shall participate in the building and financing of the same in proportion to the production from the Contract Area in relation with other users and such participation shall be considered Supplementary Costs.
- 8.3 In the event that Contractor agrees to finance and build or improve such transportation facilities, Operator shall ensure the participation of Transporter's representatives during engineering and construction of the Transportation Facilities, as well as the training of Transporter's personnel concerning operation and maintenance to be conducted before handing them over to the Transporter. Operator shall provide Transporter with all documents and guarantees relating to the said Transportation Facilities. Operator and Transporter shall agree in advance on a procedure for smooth hand-over of the Transportation Facilities after completion and commissioning.

CLAUSE 9. EFFECTIVE DATE AND TERM

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

CLAUSE 10. GOVERNING LAW AND ARBITRATION

The Petroleum Transfer Agreement shall be governed by, construed, interpreted and applied in

accordance with the Law. Any dispute, controversy or claim arising out of or in relation to or in connection with the Petroleum Transfer Agreement or the operations carried out thereunder, including without limitation any dispute as to the validity, interpretation, enforceability or breach of the Petroleum Transfer Agreement, shall be settled by arbitration in accordance with the procedures set forth in Article 37 of the Contract.

CLAUSE 11. RELATED PROCEDURES

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

CLAUSE 12. PETROLEUM TRANSFER AGREEMENT

Within six (6) months from the Effective Date, the Operator shall enter into the Petroleum Transfer Agreement with Transporter which shall embody the principles in this Addendum Two and it may include such other provisions as customarily used by the international petroleum industry and shall continue in effect for as long as the Contract is in effect.

(End of Addendum Two)

ADDENDUM THREE – HEADS OF CHARTER OF JOINT OPERATING COMPANY

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

CLAUSE 1. ESTABLISHING OF THE JOINT OPERATING COMPANY

- 1.1 Pursuant to Article 9 of the Contract, a Joint Operating Company of limited liability may be established under the Law. The JOC shall be formed within twelve (12) months after ROC's decision to form the JOC, and shall commence the conduct of Petroleum Operations on the Date of Transfer of Operatorship, which date shall be within thirty (30) days after the formation of the JOC.
- 1.2 JOC shall be owned fifty percent (50%) by ROC and fifty percent (50%) by Contractor. JOC will bear Iraqi nationality and shall conduct its activities in accordance with the provisions of the Contract, this Addendum Three and the subsequent Charter of the JOC.
- 1.3 The authorized capital of the JOC shall be determined by mutual agreement in accordance with the Law. ROC and Contractor shall each pay for, hold and own throughout the life of the JOC the capital stock of the JOC in accordance with the percentage ownership stipulated in Clause 1.2.
- 1.4 Contractor and ROC shall agree, at least three (3) months prior to the Date of Transfer of Operatorship, on the procedure to secure a smooth transfer of Petroleum Operations from Contractor's Operator to the JOC.

CLAUSE 2. JOC NAME

The name of JOC shall be the _____ Operating Company.

CLAUSE 3. HEADQUARTERS OF JOC

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

CLAUSE 4. JOC OBJECTIVES

- 4.1 JOC shall assume the duties of the Operator to the extent they apply to the conduct of Petroleum Operations, but on behalf of the Parties, and to the account of Contractor, all in accordance with the provisions of the Contract and the charter of the JOC.
- 4.2 JOC shall implement approved Development Plans, Work Programs and Budgets in accordance with the Contract. JOC shall keep account of all costs, expenses and expenditures for such Petroleum Operations under the terms of the Contract and the Accounting Procedures.
- 4.3 In conducting Petroleum Operations, the JOC and its Sub-Contractors enjoy the same privileges and exemptions as Contractor or Operator to the extent these apply to the conduct of Petroleum Operations by Operator, and shall comply with the Law.

- 4.4 JOC shall assume, as from the Date of Transfer of Operatorship, all the rights and obligations of Contractor and/or Operator wherever they appear in the Contract to the extent they are relevant to the conduct of Petroleum Operations by the Operator.
- 4.5 After the JOC has taken over conduct of Petroleum Operations and has become Operator, Contractor shall have the obligation of joint management of the JOC through the BOD and a major role in all the planning, decisions, and day-to-day conduct of Petroleum Operations. In general, Contractor shall make available to the JOC its managerial and technological skills and personnel to ensure that Petroleum Operations are performed in accordance with Best International Petroleum Industry Practices. In particular, the establishment of the JOC shall in no way relieve Contractor of its obligations to achieve the production targets under the Contract.

CLAUSE 5. FINANCING

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

CLAUSE 6. FUNCTION OF JOC

- 6.1 The JOC shall not own any right, title or interest under the Contract or in the Petroleum produced from the Contract Area, and shall not be required as a principal for any financing. JOC shall function as Operator and shall assume all relevant responsibilities of Operator under the Contract.
- 6.2 The JOC shall not engage in any business or undertake any activity other than the performance of Petroleum Operations.

CLAUSE 7. BOARD OF DIRECTORS

- 7.1 A Board of Directors shall be formed for the purpose of overall supervision and control of Petroleum Operations to be conducted by the JOC. This BOD shall consist of eight (8) members, four (4) to be designated by ROC and four (4) to be designated by Contractor, including one member from the State Partner. An alternate to each member shall also be designated. The BOD shall assume its duties and authorities as from the Date of Transfer of Operatorship. The chairman shall be designated by ROC and the deputy chairman by Contractor.
- 7.2 Decisions of the BOD shall be taken by unanimous votes of the members or their alternates present at the meeting. Quorum shall be at least three (3) members or alternates including at least one member or alternate designated by the ROC and one member or alternate nominated by Contractor's Operator. Decisions taken by the BOD shall be recorded in official minutes signed by the members present and communicated by JOC to the Parties.
- 7.3 All reasonable costs and expenses of the BOD shall be recovered as Petroleum Costs.

CLAUSE 8. DUTIES AND AUTHORITIES OF BOARD OF DIRECTORS

The BOD shall assume all the duties and authorities of the JMC as specified in Article 13.2 of the Contract. Additionally, the BOD shall have the following duties and authorities:

- 8.1 overall supervision and control of the conduct of Petroleum Operations by the JOC;
- 8.2 the establishment of the operating organization and procedure;
- 8.3 the structuring of the accounting system and of the financial controls as well as the financial planning insofar as it is necessary to manage JOC;
- 8.4 the establishment of the procedures for the funding of Petroleum Operations by Contractor;
- 8.5 the appointment and replacement of the General Manager, the Deputy General Manager and the other senior divisional managers of JOC, and the definition of their respective powers;
- 8.6 the establishment and update of the organization chart of JOC, including the identification of the positions to be filled through secondment from ROC or Contractor respectively and those to be filled through direct employment, if any. The Contractor should be prepared to fill positions within the JOC as and where required upon the request of the BOD;
- 8.7 establishment of the employment procedures and personnel regulations of JOC;
- 8.8 prior approval of the terms of the service or secondment agreements to be entered into by JOC with ROC and Contractor of the Contract; and
- 8.9 the duties and authorities provided for in Article 13.2 and that were performed by the JMC prior to the Date of Transfer of Operatorship.

CLAUSE 9. MANAGEMENT

The General Manager and Deputy General Manager of JOC shall be appointed by the BOD from candidates nominated by ROC and Contractor, respectively. Departmental Managers of JOC shall be appointed by the BOD in consultation with the General Manager and Deputy General Manager. The General Manager shall be the chief executive officer of the JOC.

CLAUSE 10. EMPLOYMENT REGULATIONS

The JOC shall give preference to Iraqi personnel in accordance with Article 9.19 of the Contract. Seconded of Contractor or ROC shall be exclusive to the operations of the JOC and shall have no other work obligation or assignment within the organization supplying such seconded, unless agreed by the ROC and Contractor.

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

CLAUSE 11. LIABILITY

Liabilities shall be pursuant to the Contract.

CLAUSE 12. DURATION OF JOC

- 12.1 The duration of JOC shall extend up to the end of the Term, including any extensions thereof.
- 12.2 Neither Contractor nor ROC shall assign, sell or otherwise transfer its interest in the JOC except by mutual agreement; provided, however, that when a Company assigns its interest under the Contract and Joint Operating Agreement to any party, its interest in the JOC shall be assigned proportionately.

CLAUSE 13. DISSOLUTION OF JOC

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

CLAUSE 14. CHARTER OF JOC

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

CLAUSE 15. MODIFICATION OF THE CHARTER OF JOC

Contractor and ROC may, by mutual agreement, modify the terms of the Charter of the JOC provided that such modification will not be in conflict with the provisions of this Addendum Three or the Contract.

CLAUSE 16. HAND-OVER OF OPERATORSHIP

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

CLAUSE 17. GOVERNING LAW AND ARBITRATION

The Law shall apply to the JOC, if and to the same extent it applies to the Contractor, Operator and/or the Contract in accordance with Article 29. To the extent that the Parties determine that it would be appropriate to prepare a shareholders' agreement in respect of JOC, such shareholders agreement shall be governed by, and construed in accordance with, the Law. Any dispute arising from or in connection with such shareholders agreement or the charter of JOC shall be settled in accordance with Article 37 of the Contract.

CLAUSE 18. CONFIDENTIALITY

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

CLAUSE 19. EFFECTIVE DATE AND TERM

This Heads of Agreement shall come into force on the Effective Date and shall continue in effect

until the earlier of Contract expiry, Contract termination or upon the Parties entering into the Charter of the JOC. The full charter of the JOC shall be entered into no later than six (6) months from the ROC's decision to form the JOC.

(End of Addendum Three)

ADDENDUM FOUR – HEADS OF EXPORT OIL SALES AGREEMENT

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

SPECIAL TERMS (PART 1)

CLAUSE 1. DEFINITIONS

For the purpose of this Heads of Agreement, terms defined in the Contract shall have the same meanings except the definition of the Parties.

"Parties" means Seller and Buyer.

"Buyer" means Contractor.

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

CLAUSE 2. QUANTITY

2.1 Forward Quantity Statement

No later than the first day of the first Month of the Quarter immediately preceding any Lifting Quarter, Contractor shall invoice ROC the outstanding Petroleum Costs, Supplementary Costs and Remuneration due and payable to Contractor under the Contract as it estimates these will stand on the first day of the said Lifting Quarter. ROC shall review the invoice and will either confirm its accuracy, or advise Contractor of any errors. The invoice shall be agreed by Contractor and ROC by the 15th of said first Month.

Accordingly, no later than the first day of the second Month of the Quarter immediately preceding any Lifting Quarter, the Buyer shall furnish to the Seller a statement of the volume of Export Oil to be lifted from each standard export quality in each Month of the said Lifting Quarter ("Forward Quantity Statement"). The Forward Quantity Statement will be based on the Petroleum Costs, Supplementary Costs and Remuneration due and payable to Contractor as agreed by ROC, divided by the Provisional Export Oil Price. However, the volume of Export Oil to be lifted by Contractor in any Lifting Quarter shall not exceed the upper limit set for payment of due Petroleum Costs, Supplementary Costs and Remuneration, and the balance of such Petroleum Costs, Supplementary Costs and Remuneration, at the end of the said Lifting Quarter, shall be carried forward, all pursuant to Article 19 of the Contract and Annex C.

ROC shall review the Forward Quantity Statement, and will no later than the last day of the second Month of the preceding Lifting Quarter either confirm its accuracy, or advise Contractor of any errors in the calculation of the volumes to be lifted. The nominal quantity agreed for each Month may be varied by up to plus or minus five percent (5%)

as operational tolerance at the time of actual loading. Actual quantity lifted is based on net bill of lading.

For smooth and timely lifting and reporting under this Agreement, the Parties may establish a specialized "Joint Committee" with representatives from ROC, Contractor, and SOMO.

2.2 Lifting Statement

The Seller shall furnish to the Buyer and the Joint Committee a statement setting out the actual Barrels of the Export Oil lifted per lifting during a Lifting Quarter and the actual Price for each lifting ("Lifting Statement"), within thirty (30) days after the end of each Lifting Quarter. The Buyer shall review the Lifting Statement, and will advise the Seller of any errors in the calculations contained therein, within fifteen (15) days after receipt of the Lifting Statement, with a copy to the Joint Committee. Notwithstanding the above, it is agreed that the final certified shipping documents shall be controlling as to volumes lifted. Attachment A to this Agreement contains a sample schedule of notifications, lifting and adjustments applicable for lifting during a Year.

2.3 Option to Deliver Excess Volumes

ROC and/or Seller may, at their option, elect to deliver excess Export Oil over and above the offset volumes required in any Lifting Quarter under the Contract. The actual value of any such excess Export Oil lifted by the Buyer under the price clause hereunder will reduce the outstanding balance of due Petroleum Costs, Supplementary Costs and Remuneration under the Contract, as reflected in the then most current Quarterly report. If either of ROC or Seller wishes to exercise this option to deliver excess Export Oil in any Lifting Quarter, it must notify the Buyer of such election no later than the first day of the second Month of the preceding Quarter and the Buyer must confirm its agreement no later than ten (10) days after such notice.

CLAUSE 3. DELIVERY

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

CLAUSE 4. EFFECTIVE DATE AND TERM

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

CLAUSE 5. PRICE

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

CLAUSE 6. PAYMENT

The Proceeds receivable by the Seller under this Heads of Agreement shall be used to reduce the amounts owed to the Buyer by the ROC under the Contract and, therefore, no payments to the Seller are required for such Export Oil deliveries. The Buyer shall not be required to pay the Seller nor post letters of credit or other guarantees of payment, relative to such deliveries, except for deliveries in excess of amounts owed to the Buyer under the Contract.

CLAUSE 7. COMPLIANCE WITH LAWS

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

CLAUSE 8. EXPORT OIL SALES AGREEMENT

Contractor, ROC and SOMO shall in due time enter into the Export Oil Sales Agreement which shall embody the principles set out in this Heads of Agreement and it may include such other provisions as are customarily used by international petroleum industry and shall continue in effect for the Term of the Contract. Pending the execution of the Export Oil Sales Agreement, the provisions of this Heads of Agreement shall apply.

CLAUSE 9. GENERAL TERMS AND CONDITIONS (PART 2)

All other terms and conditions in Seller's General Terms and Conditions for Export Oil Sale/Purchase Contracts ("GTC") apply, except as amended in the special conditions here-above and excluding the commercial terms contemplated in such GTC.

Any provisions in Seller's GTC which allow the Seller to suspend delivery of Export Oil under this Heads of Agreement or the subsequent Export Oil Sales Agreement shall act only to cancel affected lifting which will be rescheduled by mutual agreement. The arbitration provisions (Article 37) and general business ethics (Article 43) of the Contract shall apply *mutatis mutandis*.

Attachment A to Addendum Four- Export Oil Lifting and Reporting

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

(End of Addendum Four)