

**TECHNICAL SERVICE CONTRACT  
FOR THE RUMAILA OIL FIELD**

**BETWEEN**

**SOUTH OIL COMPANY  
OF THE REPUBLIC OF IRAQ**

**AND**

**BP IRAQ LIMITED**

**AND**

**CNPC INTERNATIONAL (IRAQ) LIMITED**

**AND**

**SOMO**

**TECHNICAL SERVICE CONTRACT  
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**TECHNICAL SERVICE CONTRACT  
FOR RUMAILA OIL FIELD**

This Technical Service Contract ("Contract") is made and entered into this \_\_\_\_ day of \_\_\_\_\_ 2009, by and between:

**South Oil Company**, an Iraqi State oil company, the Republic of Iraq, having its registered office at \_\_\_\_\_ ("State Oil Company or SOC") of the **First Part**, and

**BP Iraq Limited**, a company established and existing under the laws of England and Wales, having its registered office at Chertsey Road, Sunbury on Thames, Middlesex, UK TW18 7BP ("BP"); and

**CNPC International (Iraq) Limited**, a company established and existing under the laws of the Virgin Islands, having its registered office at Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands ("CNPC"); and (individually a "Company" and collectively the "Companies"); together with

**SOMO**, an Iraqi State entity established and existing under the laws of the Republic of Iraq, having its registered office at \_\_\_\_\_, the Republic of Iraq ("State Partner"),

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

SOC 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 State of Iraq, being the sole representative of the whole people, acting through the Iraqi Government, has sole right to explore, develop, extract, exploit and utilize such natural resources, therefrom; and

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

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

**WHEREAS**, the Parties mutually represent that they have the power, authority and desire to enter into this Technical Service Contract for the Rumaila Oil Field as defined herein;

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

**ARTICLE 1 – DEFINITIONS**

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

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

- 1.4 **“Appraisal”** or **“Appraisal Operations”** shall include, but not be limited to, such geological, geophysical, aerial and any other surveys and any interpretation of data relating thereto and the drilling of such shot-holes, core holes, stratigraphic tests, holes for the appraisal of Petroleum and other related holes and wells, the production testing and the purchase or acquisition of such supplies, materials and equipment therefore, as may be contained in approved Plans and Work Programs.
- 1.5 **“Associated Gas”** means Gas, occurring as gas-cap gas, which overlies and is in contact with crude oil in a reservoir and/or solution gas dissolved in crude oil in a reservoir.
- 1.6 **“Barrel”** means a liquid quantity consisting of forty two (42) United States gallons under a pressure of one (1) atmosphere and a temperature of sixty (60) degrees Fahrenheit.
- 1.7 **“Baseline Production”** for any Quarter means the deemed Net Production for the said Quarter, at the deemed Baseline Production Rate.
- 1.8 **“Baseline Production Rate”** for any Quarter constitutes the amount for any Incremental Production under this Contract in such Quarter, being derived from an assumed decline from the Initial Production Rate at a compounded annual rate of five percent (5%) as from the Quarter following the Quarter in which the Effective Date occurs, calculated in accordance with Article 19.5(c).
- 1.9 **“Best International Petroleum Industry Practices”** means all those uses and practices that are, at the time in question, generally accepted in the international petroleum

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industry as being good, safe, economical, environmentally sound and efficient in exploring for, developing, producing, processing and transporting Petroleum. They should reflect standards of service and technology that are either state-of-the-art or otherwise economically appropriate to the operations in question in respect of new facilities and should be applied using standards in all matters that are no less rigorous than those in use by the Companies in other global operations.

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

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- 1.23 **"Delivery Point"** or **"DP"** means the point(s), at the relevant loading terminal(s), where SOC shall receive Crude Oil from Transporter, and where Contractor may lift Export Oil in lieu of its due and payable Supplementary Fees and Service Fees.
- 1.24 **"Development or Redevelopment Operations"** means any and all Petroleum Operations other than Appraisal and Production Operations, including primary and subsequent (secondary, tertiary or other) recovery projects and pressure maintenance, conducted with a view to redeveloping the Field including, but without limitations: the drilling, deepening, completing, plugging, side-tracking, re-completing and equipping of evaluation and development wells; the engineering, building and erecting or laying of production plants and facilities (such as, without limitation, separators, compressors, generators, pumps and tankage, gathering lines, pipelines, and all facilities required to be installed for production, pressure maintenance, treatment, storage and transportation of Petroleum, and loading the same into seagoing tankers); the obtaining of such materials, equipment, machinery, articles and supplies as may be required or expedient for the above activities; and all auxiliary operations, activities and services required or expedient for the better conduct or result of the above activities, all in accordance with approved Plans and Work Programs and Best International Petroleum Industry Practices.
- 1.25 **"Development Plan"** or **"Plan"** means a scheduled program and cost estimate specifying the Development or Redevelopment Operations required for developing and/or increasing the production capacity of the Field, which includes the Rehabilitation Plan, Enhanced Redevelopment Plan, and any subsequent Revisions thereof.
- 1.26 **"Dinar"** or **"IQD"** means the Iraqi Dinar.
- 1.27 **"Dollar"** or **"USD"** means the United States Dollar.
- 1.28 **"Economic Position"** means the Companies' reasonably projected financial interests under the Contract on the Effective Date along with any adjustment required to the Contract to ensure such Companies' financial interests are preserved for the Term of the Contract.
- 1.29 **"Effective Date"** means the date upon which the signed contract becomes ratified and enforceable as notified by SOC to Contractor in writing in accordance with Article 39.
- 1.30 **"Enhanced Redevelopment Plan"** means, pursuant to Article 11.3, the full Field redevelopment plan, based on all knowledge existing on the Effective Date as well as additional knowledge derived from the execution of the Rehabilitation Plan; all with the objective of increased and optimized production and enhanced recovery of Petroleum from the Field.
- 1.31 **"Expenditure"** means as defined in Article 19.5(d).
- 1.32 **"Export Oil"** means crude oil of standard Iraqi export blend that will result from the possible blending of Crude Oil with crude oils from other fields of similar quality to the Crude Oil stream(s) produced from the Field.
- 1.33 **"Export Oil Price"** means the price per Barrel of Export Oil Free on Board ("FOB") at the Delivery Point, determined in accordance with the provisions of Article 18.

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- 1.34 **"Field"** means the Rumaila Oil Field within the Contract Area, subject to the provisions of Article 5 hereof.
- 1.35 **"Field Operating Division" or "FOD"** means a non-profit, unincorporated, joint operating entity, administratively and financially independent of the SOC; established in accordance with Article 9.1 and Addendum Three, exclusively to serve as Operator of the Field for conducting Petroleum Operations under the direction and control of the Joint Management Committee. [Note – we would like to discuss further the legal status of the FOD and how it can discharge its obligations as Operator – proposals will be put forward separately and may result in further changes to the contract.]
- 1.36 **"Financial Year"** means the Calendar Year starting on January 1<sup>st</sup> and ending on December 31<sup>st</sup> of the same year, both dates being inclusive.
- 1.37 **"Force Majeure"** means as defined in Article 31.3.
- 1.38 **"Gas"** means a mixture of hydrocarbons and varying quantities of non-hydrocarbons that exist either in the gaseous phase or in solution with Crude Oil in natural underground reservoirs and when produced remain in gaseous phase at atmospheric conditions of temperature and pressure, and is classified as either "Associated Gas" or "Non-Associated Gas".
- 1.39 **"Government"** means the Government of the Republic of Iraq.
- 1.40 **"Gross Negligence or Wilful Misconduct"** means any unjustifiable act or omission, but not mere negligence, that constitutes an intentional, deliberate, reckless or conscious disregard of Best International Petroleum Industry Practices or the terms of this Contract, where such act or omission results in loss, damage or harm by the Senior Supervisory Personnel of a Party or the FOD.
- 1.41 **"Improved Production Target"** means that Net Production Rate in Barrels of Crude Oil per day defined in Article 2.2(a)(i).
- 1.42 **"Incremental Production"**, during a certain period of time, means the incremental volume of Net Production from the Field during the said period that is realized in excess of the deemed Net Production volume at the Baseline Production Rate.
- 1.43 **"Incremental Production Rate"** in Barrels of Crude Oil per day, means the Incremental Production of Crude Oil for a certain period of time divided by the number of calendar days in that period of time.
- 1.44 **["Initial Production Rate"** means a Net Production Rate calculated as the average daily production rate measured during the period commencing ninety (90) days prior to the Effective Date of nine hundred and fifty-six thousand, five hundred and fifty (956,550) Barrels of Crude Oil per day]

[Notes: 1) The BP and CNPC bid was based on the Initial Production Rate of 956,550bpd and not the higher rate recently provided by PCLD of 1,030,000bpd. This higher rate is a fundamental change to the bid basis which has commercial implications and is not accepted by BP/CNPC and should be discussed further with PCLD

2) In the absence of accurate metering or an agreed approach to



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measurement for the purposes of the Contract a priority needs to be provision of temporary metering and/or an agreed measurement methodology. This is fundamental to the operation of the Contract and inevitably will take some time to implement during which time Contractor will be working on the Field.

3) The principles relating to verification by independent audit and the methodology to calculate the Initial Production Rate are agreed. BP and CNPC shall propose how to address these issues at the next meeting. Overall contract drafting will be required to reflect these changes.]

- 1.45 "**Joint Management Committee**" or "**JMC**" means the committee formed pursuant to Article 13.
- 1.46 "**Law**" means any constitution, law, decree, resolution, statute, ordinance, rule, directive, order, treaty, code or regulation and any injunction or final non-appealable judgment, as adopted, enacted, issued, promulgated or ratified by the Republic of Iraq or, unless otherwise provided for herein, as such may from, time to time, be amended or repealed.
- 1.47 "**Lead Contractor**" means the Company that is appointed as from the Effective Date as the representative of Contractor and which is authorized to act on Contractor's behalf in the conduct of Petroleum Operations.
- 1.48 "**LIBOR**" or "**London Inter-Bank Offered Rate**" means the interest rate determined as the arithmetic average (rounded upward to the nearest one thousandth of a percentage point) of the offered rates for deposits in Dollars for a period of three (3) Months as published by the Financial Times (London Edition) on the date which is one (1) business day prior to the beginning of the said three (3) Months period corresponding to each interest period. Should the Financial Times rate not be published for a period of seven (7) consecutive days, the Wall Street Journal (New York Edition) shall be used.
- 1.49 "**Lifting Quarter**" means the Quarter during which Export Oil is available for lifting by Contractor at the Delivery Point, under this Contract and Addendum Four.
- 1.50 "**Measurement Point**" means the place(s) at which volumes and qualities of Crude Oil pumped out, received, transmitted or delivered shall be measured, such as the Production Measurement Point and Delivery Measurement Point.
- 1.51 "**Minimum Expenditure Obligation**" means that amount which shall be the minimum amount to be spent by the Contractor as specified in Article 6.2.
- 1.52 "**Minimum Work Obligation**" means the minimum work commitment undertaken by Contractor under Article 6, and Annex E.
- 1.53 "**Natural Gas Liquids**" or "**NGL**" means the propane and heavier (C3+) components of natural gas that can be classified according to their vapour pressures as low vapour pressure (Condensate), intermediate vapour pressure (Natural Gasoline) and high vapour pressure (LPG).
- 1.54 "**Net Production**", over a certain period of time, means all Barrels of Crude Oil actually produced from the Field over the said period of time, less base sediments and water,

saved, measured at the Production Measurement Point, and received by Transporter in accordance with Addendum Two.

- 1.55 **"Net Production Rate"**, in Barrels of Crude Oil per day, means the Net Production of Crude Oil and NGL for a certain period of time divided by the number of calendar days in that period of time.
- 1.56 **"Official Selling Price"** or **"OSP"** means SOMO's declared price for each of the Iraqi crude oil blends.
- 1.57 **"Operating Account"** means the account or set of accounts maintained by Contractor and Operator to record Petroleum Costs and Supplementary Costs.
- 1.58 **"Operating Cost"** means recoverable Contractor's costs, expenses, duties, fees, and charges related to Production Operations pursuant to Annex C.
- 1.59 **"Operator"** means the entity designated to conduct Petroleum Operations in accordance with Article 9, namely the SOC until the FOD takes responsibility for Petroleum Operations and thereafter the FOD.
- 1.60 **"Participating Interest"** means, in respect of each Contractor's entity, the undivided share expressed as a percentage as defined in Article 27.1 for such party's participation in the rights, benefits, privileges, duties, liabilities and obligations of Contractor.
- 1.61 **"Performance Factor"**, for the purposes of Article 19.5(e), means the ratio of the Net Production Rate to the bid Plateau Production Target, although in no event shall it exceed one point zero (1.0).
- 1.62 **"Petroleum"** means all hydrocarbons including liquid and gaseous hydrocarbons produced and saved from the Field under this Contract.
- 1.63 **"Petroleum Costs"** means recoverable costs and expenditures incurred and/or payments made by Contractor in connection with or in relation to the conduct of Petroleum Operations (except corporate income taxes paid in the Republic of Iraq or as otherwise stipulated herein) determined in accordance with the provisions of this Contract, including Annex C.
- 1.64 **"Petroleum Operations"** means all Appraisal, Development, Redevelopment, Production Operations, and any other activities related thereto.
- 1.65 **"Plateau Production Period"** means a period of seven (7) Years starting with the earlier of three (3) years from the approval date of the Enhanced Redevelopment Plan or the date on which the Plateau Production Target has been achieved for a continuous period of thirty (30) days, but in no event shall such period commence either earlier than the approval date of the Enhanced Redevelopment Plan or, subject to Article 12.2, later than six (6) years from the Effective Date.
- 1.66 **"Plateau Production Target"** means the Net Production Rate that is to be achieved and sustained for the Plateau Production Period, as bid and as specified in Article 2.2(a)(ii).
- 1.67 **"Production Measurement Point"** or **"PMP"** means the point, immediately upstream of the Transfer Point within or close to the Contract Area, where the volume and quality of Net Production is measured.

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- 1.68 "**Production Operations**" means, in respect of Contractor, any and all operations related to production of Petroleum, including (but not limited to) workovers, stimulations, remediation, restoration, operating, staffing, supervising, servicing, repairing, decommissioning and maintaining of any and all wells, plants, equipment, pipelines, tank-farms, terminals and all other installations and facilities.
- 1.69 "**Rehabilitation Plan**" means, pursuant to Article 11.1, the plan to be submitted by Contractor, based on existing knowledge of the Field on Effective Date, for the rehabilitation and improved/optimized production therefrom.
- 1.70 "**Rehabilitation Period**" means the period starting from the Effective Date and ending thirty six (36) months after the approval date of the Rehabilitation Plan.
- 1.71 "**Revision**", in respect of a Development Plan or Work Program and Budget, has the meaning given in Articles 12.4 and 12.3, respectively.
- 1.72 "**R-Factor**" is the ratio of cumulative Cash Receipts to cumulative Expenditures in the conduct of Petroleum Operations as defined in Article 19.5(d).
- 1.73 "**Remedial Program**" means as defined in Article 11.1(a).
- 1.74 "**Remuneration Fee**" means the fee paid to Contractor for Incremental Production as calculated pursuant to Article 19.5.
- 1.75 "**Remuneration Fee Bid**" or "**RFB**" means USD two (\$2.00) per Barrel of Crude Oil as bid and as utilized in Article 19.5.
- 1.76 "**Senior Supervisory Personnel**" means, any individual who functions as its senior resident manager who directs all operations and activities of such Party in the country or region in which he is resident, and any manager who directly reports to such senior resident manager in such country or region, but excluding all managers or supervisors who are responsible for or in charge of installations or facilities, onsite drilling, construction or production and related operations, or any other field operations.
- 1.77 "**Service Fees**" means those Petroleum Costs and the Remuneration Fee as defined in Article 19.6.
- 1.78 "**Service Fees Eligibility Date**" means the earlier of the end of the Rehabilitation Period or the date when the Improved Production Target is first achieved over thirty (30) consecutive days, provided that in no event can this date be earlier than the approval date of the Rehabilitation Plan.
- 1.79 "**SOMO**" means Iraq Oil Marketing Company.
- 1.80 "**South Oil Company**" or "**SOC**" means the Iraqi State petroleum company operating the Field prior to the Effective Date.
- 1.81 "**State Partner**" means SOMO in its capacity as an Iraqi State entity established and existing under the Law holding a share of Contractor's total Participating Interest as set out in this Contract.
- 1.82 "**Sub-Contractor**" means any company or person contracted by the Contractor and/or Operator to provide goods or services with respect to Petroleum Operations.

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- 1.83 **"Supplementary Costs"** means recoverable costs and expenditures incurred by Contractor, other than those costs defined as Petroleum Costs in Article 19 and as determined in accordance with the provisions of this Contract.
- 1.84 **"Supplementary Fees"** means those Supplementary Costs invoiced by Contractor as defined in Article 19.3 and Annex C.
- 1.85 **"Tax"** means Iraqi corporate income tax pursuant to Article 23.
- 1.86 **"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.
- 1.87 **"Term"** means the term of this Contract as defined in Article 3.2.
- 1.88 **"Training, Technology and Scholarship Fund"** or **"Fund"** means the fund established as defined in Article 26.2.
- 1.89 **"Transfer Point"** or **"TP"** means the inlet flange(s) of the outgoing pipeline(s), immediately downstream of the Production Measurement Point, where Transporter shall receive Net Production of Crude Oil from Operator.
- 1.90 **"Transporter"** means the entity designated by SOC to operate the Transportation System for transporting Crude Oil or Associated Gas beyond the Transfer Point(s) pursuant to Articles 10 and 17 and Addendum Two; all on behalf of SOC.
- 1.91 **"Transportation Facilities"** means the pipelines, pumps, compressors, tanks, meters, and other transportation facilities for Crude Oil or Associated Gas that are built by Contractor beyond the Transfer Point(s) or as otherwise provided and integrated into the Transportation System pursuant to this Contract.
- 1.92 **"Transportation System"** means, at any time, any and all transportation facilities beyond the Transfer Point(s) that are operated by or under control of the Transporter.
- 1.93 **"Voluntary Principles on Security and Human Rights"** means the principles attached hereto as Annex G.
- 1.94 **"Work Program"** means an itemisation and time schedule of Petroleum Operations.
- 1.95 **"Year"** means a period of twelve (12) consecutive Months to the Gregorian calendar, starting at some date and ending at the anniversary thereof.

**(End of Article 1)**

## **ARTICLE 2 – SCOPE OF CONTRACT**

- 2.1 This Contract is a Technical Service Contract for the rehabilitation of improved production and enhanced recovery of Petroleum from the Rumaila Oil Field in accordance with the provisions herein. It includes 43 Articles, Annexes A, B, C, D, E, and F, and Addenda One, Two, Three, and Four; all attached hereto and made part hereof. In the event of a conflict between the Contract Articles and the Annexes or Addenda, the provisions of the 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 contained and in accordance with Best International Petroleum Industry Practices, shall:
- (a) procure that the FOD performs or arranges to perform Petroleum Operations to rehabilitate, further appraise, and re-develop the Field for improved production and enhanced recovery of Petroleum from the Field in order to achieve the production targets set out below:
    - (i) the Improved Production Target being a Net Production Rate of 10% above the Initial Production Rate, to be achieved as soon as possible after the approval date of the Rehabilitation Plan; and
    - (ii) the Plateau Production Target at the Net Production Rate of two million eight hundred and fifty thousand (2,850,000) Barrels of Crude Oil and NGL per day for the Plateau Production Period. It is understood that the Plateau Production Target shall only include production from producing reservoirs as defined in Annex D.
  - (b) annually assess and determine the maximum volume of reserves and resources of Petroleum in the Contract Area;
  - (c) procure that the FOD provides or arranges to provide all capital, machinery, equipment, technology, personnel and services necessary for conducting Petroleum Operations;
  - (d) incur all costs and expenses required for carrying out Petroleum Operations in accordance with approved Plans, Work Programs and Budgets in order to achieve the production levels set out in this Article 2; and
  - (e) fulfil all financial and other obligations of Contractor and enjoy all rights and benefits, in accordance with the provisions of this Contract.
- 2.3 Discovered but undeveloped reservoirs, as defined in Annex D, may be developed and produced under this Contract but shall be subject to a separately agreed remuneration fee which the Parties undertake to, in good faith, agree. If no such agreement is reached within the period set forth in Article 5, SOC shall be free to develop such reservoirs in any manner it may deem appropriate, taking care not to hinder or unduly interfere with Petroleum Operations.
- 2.4 For a period of six (6) years from the Effective Date Contractor shall have the exclusive right to negotiate a separate agreement to explore for and develop the undiscovered potential reservoirs, as defined in Annex D. If no such agreement is reached in this time period, SOC shall be free to explore and develop such reservoirs in any manner it may deem appropriate, taking care not to hinder or unduly interfere with Petroleum Operations.
- 2.5 In the event of unintentional infringement on the undeveloped or undiscovered reservoirs, the Parties shall convene to agree in good faith on a proper course of action, taking into consideration the quantities of petroleum involved, safeguarding the interests of both Parties.

- 2.6 At any time, the entities then constituting Contractor shall be jointly and severally liable to SOC for all obligations of Contractor.

**(End of Article 2)**

### **ARTICLE 3 – TERM OF CONTRACT**

- 3.1 This Contract shall come into force on the Effective Date.
- 3.2 The basic term of this Contract ("Term") shall be twenty (20) Years from the Effective Date. This Term is automatically extendable pursuant to Article 31 or elsewhere in this Contract.
- 3.3 No later than one (1) Year prior to this Contract's expiry date, Contractor may submit a written request to SOC for an extension of the Term for a maximum period of five (5) Years, subject to newly negotiated terms and conditions.

**(End of Article 3)**

### **ARTICLE 4 – SIGNATURE BONUS**

- 4.1 Within thirty (30) days from the Effective Date the Companies shall deposit in cash into a bank account designated by SOC, their respective pro-rated Participating Interest share of a signature bonus of five hundred million USD (US\$500,000,000).
- 4.2 The signature bonus paid shall be considered Supplementary Costs and shall be recovered pursuant to and in accordance with Article 19.2(a).

**(End of Article 4)**

### **ARTICLE 5 – RELINQUISHMENT**

Contractor shall relinquish to SOC, within six (6) Years from the approval date of the Enhanced Redevelopment Plan, any discovered but undeveloped reservoir(s) not targeted in the Enhanced Redevelopment Plan.

**(End of Article 5)**

### **ARTICLE 6 – MINIMUM WORK OBLIGATION**

- 6.1 Contractor shall procure that the FOD provides or arranges to provide all the required services, by no later than 36 Months from the approval of the Rehabilitation Plan and according to the provisions set out in Annex E, to fulfil the Minimum Work Obligation specified therein, for the following activities:
- (a) preparation of the Rehabilitation Plan, Enhanced Redevelopment Plan, and Revisions;
  - (b) conduct of 3-D seismic surveys, including processing and interpretation thereof;

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- (c) conduct of detailed geological and reservoir engineering studies, including 3-D simulation for the reservoirs targeted for enhanced production;
  - (d) drilling appraisal and/or development wells with the aim of further Appraisal of the relevant reservoirs defined in Annex D, and achieving planned production in accordance with the Rehabilitation Plan;
  - (e) conduct of detailed laboratory and reservoir engineering studies to evaluate most suitable secondary and/or enhanced recovery mechanisms for the reservoirs targeted under the Rehabilitation Plan and Enhanced Redevelopment Plan; and
  - (f) performing engineering studies and building/upgrading all necessary surface installations required under the Rehabilitation Plan, and initiation of engineering work and infrastructure facilities expected to be incorporated in the Enhanced Redevelopment Plan.
- 6.2 Contractor shall spend a minimum amount of three hundred million USD (US\$300,000,000) in the course of the FOD implementing the Minimum Work Obligation specified in Annex E. The Minimum Expenditure Obligation shall be deemed to have been met provided that the Minimum Work Obligations under Annex E are fulfilled.
- 6.3 Notwithstanding Article 6.2, Contractor shall invest the sums consistent with the amounts and timing contemplated in the relevant approved Plans, subject to the terms and conditions set forth in this Contract.
- 6.4 The performance of each Company and the fulfilment of its contractual and financial obligations under this Contract shall be guaranteed by an Affiliate in the form set out in Annex F where in the case of
- (i) BP this shall be BP Exploration Operating Company Limited and
  - (ii) CNPC this shall be CNPC International Limited
- Each such guarantee shall be effective as of the Effective Date and shall be delivered to SOC at Contract signing, and as provided in Article 28 in respect of assignees.
- 6.5 Ministry of Oil shall provide to Companies a guarantee through an instrument in the form set out in Annex F, to guarantee the performance of the State Partner, Transporter, SOC, SOMO, and any other Iraqi State entity and their fulfillment of their respective contractual and financial obligations under this Contract.
- 6.6

**(End of Article 6)**

## **ARTICLE 7 – SOC’S ASSISTANCE**

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

SOC shall:

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- 7.1 provide Contractor with all pertinent technical data, if any, (in addition to information provided to Companies during the bidding process) which may become available from time to time, to be used exclusively for Petroleum Operations;
- 7.2 provide Contractor within thirty (30) days of the Effective Date the available technical data, not already provided, related to the discovered but undeveloped reservoirs;
- 7.3 ensure that the Contract Area, including all other areas where Petroleum Operations are required under this Contract, shall be free of any mines or hazardous war remnants and free of any claims by third parties. However, in the event that a clearing operation is deemed necessary by either Party, Contractor shall prepare the respective work program for discussion with SOC prior to submission to the JMC for approval. Once such work program is approved by the JMC, Operator shall execute the de-mining work program through competent service providers and Contractor shall fund the related costs, which shall be considered as Supplementary Costs and recovered pursuant to Article 19;
- 7.4 provide adequate security, through the Iraqi armed forces, within the Contract Area and any other areas in the Republic of Iraq in which Petroleum Operations or operations related to the Transportation Facilities are conducted including during travel to and from such areas. SOC shall be solely liable for the conduct of all operations by the Iraqi armed forces and shall indemnify and hold Contractor harmless in respect of any liability or obligation due to any loss, damage, fee, compensation to any party for any acts or activities of the Iraqi armed forces howsoever arising or being obliged to reimburse SOC for the cost and expense of providing security as contemplated herein. However, in the event that the Contractor, in its reasonable opinion, considers the security provided is inconsistent with its HSE policies, Best International Petroleum Industry Practices or inadequate to allow Petroleum Operations to be conducted safely and without threat to life, property or the environment, the Parties hereby agree supplementary measures shall be implemented by Contractor and FOD, as the case may be, including, but not limited to, the short or long-term engagement of competent private security providers licensed to operate in Iraq, such costs being considered Petroleum Costs;
- 7.5 provide assistance to Contractor and Operator as may reasonably be required to secure and renew all entry visas or work permits for employees of Contractor and Operator or Sub-Contractors and their dependents, all permits and registrations required for Contractor to open and maintain a branch office in the Republic of Iraq, all customs and other clearances required for imports and exports of equipment and supplies required for Petroleum Operations and assist Contractor and Operator in obtaining the office space, its equipment, accommodation, communication facilities and permits, way-leaves, easements, rights of way, licences and renewals thereof, all for the purpose of conducting Petroleum Operations;
- 7.6 provide Contractor and Operator free of charge:
  - (a) access to the Contract Area and to any other areas where Petroleum Operations are required;
  - (b) access to, and use of, water, including water for injection, within or outside the Contract Area for the purpose of Petroleum Operations, provided that all installations for off-take, treatment, distribution, and disposal of water shall be the responsibility of Contractor;



- (c) use of Petroleum for Petroleum Operations; and
- (d) use of all existing wells and facilities related to the Field within the Contract Area.

7.7 In the event of unintentional infringement on Petroleum Operations of either Party, the Parties shall convene to agree in good faith on a proper course of action, safeguarding the interests of both Parties and agree, as soon as possible, appropriate measures to compensate the Contractor and maintain Contractor's Economic Position.

**(End of Article 7)**

**ARTICLE 8 – TERMINATION**

8.1 Termination by SOC

- (a) SOC may terminate this Contract (i) by giving Contractor written notice if the last remaining Company (or its parent company that provides a guarantee) becomes bankrupt or is declared insolvent, or (ii) by giving Contractor three (3) Months written notice if Contractor commits a breach of a material obligation of this Contract, including but not limited to:
  - (i) Contractor knowingly submits a false statement to SOC which is of material consideration for the execution of this Contract; and
  - (ii) last remaining Company assigns any interest, right or obligation under this Contract contrary to the provisions of Article 28.
- (b) If Contractor has remedied its breach pursuant to Article 8.1.(a) within the three (3) Months' notice period, SOC shall consider the notice as ineffective and automatically revoked. If SOC reasonably believes that Contractor is doing its best to remedy the breach and its efforts look promising then SOC shall extend the notice period accordingly.
- (c) Subject to Article 37, if SOC terminates this Contract in accordance with Article 8.1(a) Contractor shall:
  - (i) forfeit all its future rights and interests under this Contract as from the date of termination;
  - (ii) release SOC from any and all actions, claims, demands and proceedings that may arise out of such termination other than in respect of a dispute in relation to such termination; and
  - (iii) pay SOC any unspent portion of the Minimum Expenditure Obligation, otherwise, SOC shall be entitled to recover such balance from Contractor by any means it may deem proper.
- (d) If Petroleum Operations are suspended or seriously jeopardized for a period exceeding six (6) consecutive Months due to Force Majeure, either SOC or Contractor may terminate this Contract by giving two (2) Months written notice. Upon such termination, the provisions of Articles 8.1(c)(i) and 8.1(c)(ii) shall apply, and SOC shall compensate Contractor for accrued but unpaid

Supplementary Fees and Service Fees up to the date of termination.

- (e) If Contractor suspends its obligations in respect of Petroleum Operations by order or decree of the government of any of the Companies, SOC shall have the right to assume full responsibility for Petroleum Operations in any way it deems appropriate after giving Contractor one (1) Month written notice to this effect. However, if such suspension continues for a period exceeding one (1) Year, either Party shall have the right to terminate this Contract after giving the other Party two (2) Months written notice. Upon such termination, the provisions of Articles 8.1(c)(i), 8.1(c)(ii) and 8.1(c)(iii) shall apply and Contractor shall be entitled to no compensation whatsoever. However, if at any time during the period when Contractor has suspended its obligations and prior to the end of termination notice, Contractor gives SOC notice that it is able and willing to resume its obligations toward Petroleum Operations, SOC and Contractor shall agree on the best course of action to resume Contractor's obligations and on the payment by SOC of the outstanding Supplementary Fees and Service Fees that were due and payable to Contractor prior to the period of suspension. It is understood that Contractor shall not be entitled to any Service Fees during the period of suspension.
- (f) If Contractor fails to establish a normal presence in the Republic of Iraq, as manifested by the necessary personnel and equipment required to support the FOD to conduct Petroleum Operations within six (6) Months after the approval date of the Rehabilitation Plan, and in due consideration of Article 31.5, SOC shall have the right to terminate this Contract after giving Contractor two (2) Months written notice. Upon such termination, the provisions of Article 8.1(c) shall apply.

#### 8.2 Termination by Contractor:

(a) If Contractor elects to terminate this Contract before the end of the Term, Contractor shall give SOC three (3) Months notice to this effect giving reasons for such election. If by the end of the said notice period the Parties have not agreed on a course of action other than termination then Contractor may terminate this Contract after giving SOC a further notice of one (1) Month. Upon such termination the provisions of Article 8.1(c) shall apply.

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

#### 8.3 The provisions of this Contract that by their nature survive termination or expiry of this Contract (including indemnities, liabilities, audit, confidentiality, governing law and arbitration) shall remain in full force and effect for a period of three (3) Years after such termination or expiry.

**(End of Article 8)**

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

9.1 The Parties acknowledge that all measures and precautions shall be taken to safeguard

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against any possibility of interruption in the ongoing production from the Field as a result of activities under this Contract. For this purpose and for building upon the long experience of the existing operating manpower unit in the Field, and for securing the continuity of the necessary support by SOC, Contractor agrees to the set up of the Field Operating Division or FOD. The FOD shall inherit the existing manpower unit, which shall be detached from SOC, to conduct Petroleum Operations.

- 9.2 To guard against any interruption in production from the Field, SOC shall continue to conduct Petroleum Operations until the FOD is established and takes over the conduct of Petroleum Operations. As from the Effective Date, SOC shall operate the Field in close coordination and consultation with Contractor; all under the supervision and control of the JMC. During the interim period while SOC is continuing to operate the Field, SOC shall indemnify and hold Contractor harmless against any loss or damage to Companies, the facilities, third parties and the environment howsoever arising and caused by non-performance or breach by SOC of Best International Petroleum Industry Practices or the terms of the Contract by SOC. All costs paid by the SOC for activities within the Contract Area after the Effective Date shall be reimbursed by the Contractor. The Contractor shall treat such reimbursements as Petroleum Costs.
- 9.3 Should permission be granted to third parties to operate within the Contract Area, such as for operations that are not related to Petroleum Operations and/or petroleum operations for the reservoir(s) that are excluded under Article 2.3 or those relinquished pursuant to Article 5, or for sole-risk operations under Article 12.6, if any, SOC shall take necessary measures to ensure that such operations within the Contract Area shall not obstruct, hinder, or unduly interfere with Petroleum Operations. SOC shall indemnify and hold Contractor harmless of any damage, cost, or delay caused by or resulting from any such third party operations.
- 9.4 Contractor shall appoint one of the Companies to serve as Lead Contractor. Hence, the Lead Contractor upon the Effective Date shall be BP. Contractor shall not change the Lead Contractor without prior written consent of SOC. As from the Effective Date, the Lead Contractor shall take a substantial role in all planning, decision-making and activities to ensure the efficient conduct of Petroleum Operations by the SOC and shall represent Contractor in all matters related to the set-up of the FOD, all in accordance with approved Development Plans, Work Programs and Budgets, and Addendum Three.
- 9.5 Immediately following the Effective Date the SOC shall deliver to the Contractor and will co-operate to refine, and agree no later than thirty (30) days thereafter, an interim Work Program and Budget capable of lasting until sixty (60) days after the approval of the Rehabilitation Plan.
- 9.6 Within thirty (30) days of the Effective Date, the Parties shall jointly commence setting up the FOD, which shall take over the conduct of Petroleum Operations under the general supervision and control of the JMC; all in accordance with this Contract, approved Plans, Work Programs and Budgets, and Addendum Three. [Note: We would like to discuss a practical program going forward to establish the FOD.]
- 9.7 Promptly following the setting up of the FOD the Contractor and SOC shall commence preparation of a plan and procedure for the transfer of direct operatorship from SOC to FOD, taking into consideration that the transfer plan shall include but not be limited to:
  - (a) a list of the various positions to be taken over by the FOD;

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- (b) a schedule of transfer stages pursuant to which transfer shall be completed within twelve (12) Months of the Effective Date;
  - (c) inventories of the relevant facilities, equipment, documents, manuals, data and information necessary for the Petroleum Operations; and
  - (d) a list of the activities, facilities and infrastructure that will remain under the direct management and responsibility of SOC.
- 9.8 In accordance with the transfer schedule established in Article 9.7(b), SOC shall transfer to and do all things necessary to allow FOD to control all facilities and equipment relating to Petroleum Operations and all documents, manuals, data and information regarding the use and operation of such facilities and equipment so that FOD personnel are able to manage and handle such facilities and equipment in accordance with Best International Petroleum Industry Practices applicable on the date on which such facilities and equipment are transferred. SOC shall keep managing and funding the common activities and facilities that remain under its direct responsibility, as per 9.7(d) above, in close coordination and consultation with the FOD.
- 9.9 The transfer of the accounting and financial aspects shall be handled in accordance with Article 12 of Annex C attached hereto.
- 9.10 After the FOD has taken over conduct of Petroleum Operations and has become Operator, Contractor shall, directly or through the JMC, supervise and control all the planning, decisions, surveillance, and day-to-day conduct of Petroleum Operations by the FOD, as set forth in more detail in Addendum 3. In general, Contractor shall make available appropriate managerial and technological skills and personnel to the FOD to ensure that Petroleum Operations can be performed in accordance with Best International Petroleum Industry Practices. In particular, Contractor shall prepare and submit for approval the Rehabilitation Plan and Enhanced Redevelopment Plan and their Revisions, and all annual Work Programs and Budgets and their Revisions. The establishment of the FOD shall in no way relieve Contractor of its obligations to achieve the production targets under this Contract.
- 9.11 It is understood that any commitments entered into by SOC prior to the Effective Date that cover activity in support of the Minimum Work Obligations shall be funded by Contractor, which funding shall be Petroleum Costs. However, Contractor shall have the right to review these commitments and, following consultation with the SOC, may request SOC to terminate such commitments subject to the provision of suitable alternative arrangements put in place by Contractor or FOD, as the case may be.
- 9.12 Not later than the twentieth (20<sup>th</sup>) day of each Calendar Month, the Operator shall furnish Contractor with a detailed written estimate of its total cash requirements for the succeeding Calendar Month expressed in Dollars, in accordance with approved Work Programs and Budgets.
- 9.13 Such estimate shall take into consideration any forecast cash balance at Calendar Month end. Payment by Contractor for the succeeding Calendar Month shall be made directly to the correspondent bank designated in Article 9.14 below on the first (1<sup>st</sup>) day of the Month, or the next following working day, if such day is not a working day.
- 9.14 Each of Operator and Lead Contractor are authorized to keep, at its own disposal,

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abroad the foreign funds advanced by Contractor, in an account opened with a first class international bank,. Interest or similar income generated by the account shall be credited to the account. Withdrawals from said account shall be used to pay for goods and services abroad and to transfer to a local bank in the Republic of Iraq the required amounts to meet expenditures in Dinars for the Operator in connection with Petroleum Operations, converted at the applicable rate of exchange available as published by the Iraqi Central Bank on the date of conversion. Within sixty (60) days after the end of each Financial Year, Operator shall submit to the appropriate exchange control authorities in the Republic of Iraq a statement, duly certified by a recognized firm of independent auditors, showing the funds credited to the account, the disbursements made out of the account and the balance outstanding at the end of such Financial Year.

- 9.15 Operator shall diligently conduct Petroleum Operations in compliance with the Law, and in accordance with Best International Petroleum Industry Practices.
- 9.16 Operator's activities aboveground and underground shall be designed to achieve efficient and safe production of Petroleum. Operator shall ensure that all materials, equipment, and facilities used in Petroleum Operations comply with generally accepted engineering norms, are of proper and acceptable construction, and are kept in good working order throughout the Term. The Parties shall at least one (1) Year before the expiry of this Contract agree on a detailed procedure for handing-over the Field and related facilities to SOC as a going concern.
- 9.17 Operator shall in accordance with the Law and Article 41 take all appropriate and necessary measures to safeguard the environment and prevent or minimise the effect of any pollution which may result from Petroleum Operations.
- 9.18 Each of Contractor, SOC and Operator shall take all appropriate and necessary measures, in accordance with the Law and international standards, to uphold transparency, accountability, and the strict observance of general business ethics and anti-corruption laws and regulations. Contractor and Operator shall develop procedures and guidance documents to secure compliance with the above.
- 9.19 Operator shall conduct Petroleum Operations in accordance with the provisions of this Contract, and under the general supervision and control of the JMC.
- 9.20 Operator shall:
  - (a) Provide all personnel required for the Petroleum Operations, giving first priority to Iraqi nationals, provided the Iraqi nationals have the required qualifications and experience;
  - (b) without prejudice to the Contractor's right to occupy positions in FOD, adhere to employment and training programs which shall aim at the Iraqization of Operator's manpower pursuant to a plan to be submitted by the Operator and approved by the JMC; no later than three (3) years from the Effective Date;
  - (c) utilize Sub-Contractors and suppliers of proven capability and professional experience on competitive basis, and in accordance with the tendering procedures established pursuant to Article 9.22(c); subject to the provisions of Article 29, keeping JMC informed accordingly. Any purchase order and sub-contract shall be in accordance with approved Work Programs and Budgets;

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

- (i) by FOD up to twenty million USD (US\$20,000,000) in value;
  - (ii) by JMC up to [fifty million USD (US\$50,000,000)] in value;
  - (iii) [by SOC if exceeding [fifty million USD (>US\$50,000,000)] in value, where such written approval shall not to be unreasonably withheld, provided if the total period taken by SOC exceeds [fourteen (14)] days then approval of any such purchase order or sub-contract is deemed to have been provided by SOC. If SOC 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 SOC.
- 9.21 Operator shall place fixtures and installations inside and outside the Contract Area, as shall be necessary to carry out Petroleum Operations, in accordance with the approved Plans. Fixtures and installations relating to the Transportation System shall be handed over upon completion and commissioning to the Transporter which will thereafter be responsible for the operation and maintenance thereof in accordance with the provisions of Addendum Two and the subsequent Crude Oil Transfer Agreement.
- 9.22 Promptly after the Effective Date, but not later than six (6) Months thereafter, Contractor shall prepare and submit for JMC approval, in accordance with Article 12, the following operating procedures:
- (a) employment procedures and personnel regulations for locally recruited personnel including scales of salaries, wages, benefits, and all allowances applicable to the respective grade of staff and employees, together with employment requirements such as standard job descriptions and qualifications to fill the jobs, all in accordance with the Law and local market conditions. Salaries and terms of employment between Iraqis and non-Iraqis of similar qualification and experience shall be equitably handled; differences being the compensation regulated in the Contractor's compensation policy, reflecting the home country compensation level;
  - (b) benefits and allowances to be paid in the Republic of Iraq to assigned personnel referred to in Annex C during the assignment for Petroleum Operations;
  - (c) tendering, bidding and contract awarding procedures for engineering, drilling, construction and other service contracts, and procedures for purchasing materials and equipment, all on a competitive basis (unless otherwise agreed by the JMC), taking into account the provisions of this Contract, Best International Petroleum Industry Practices, and the Law. Rules or regulations governing Government or regional authority procurement contracts shall not apply to this Contract; and
  - (d) detailed accounting system to be adopted by Contractor and Operator based on

the provisions of Annex C.

**(End of Article 9)**

**ARTICLE 10 – ASSOCIATED GAS**

- 10.1 Associated Gas shall not be flared except pursuant to the Law, and as provided herein.
- 10.2 Operator may use, free of charge and on a priority basis, the quantity of Associated Gas necessary for Petroleum Operations.
- 10.3 All Associated Gas produced from the Field, which is not used in Petroleum Operations pursuant to Article 10.2 shall be delivered unprocessed to SOC, at the outlet of the relevant crude oil separators or such other point as Contractor and SOC may agree. Contractor shall be under no obligation to provide compression or treatment facilities for Associated Gas, unless otherwise agreed by the Parties under a separate agreement.
- 10.4 If requested by SOC Contractor shall submit to the JMC, as part of any Plan, a proposal for economically and technically feasible schemes for the utilisation, and/or disposal of all the excess Associated Gas not used in Petroleum Operations. Contractor shall be under no obligation to implement such schemes unless otherwise agreed by the Parties under a separate agreement.
- 10.5 Quantities of Associated Gas made available to, but not received by, SOC may be flared. Upon prior consent of SOC, Operator may flare Associated Gas used for Petroleum Operations; provided, however, that the period and volume of Associated Gas flaring shall be kept to the absolute minimum. Associated Gas may also be flared in limited quantities for testing and maintenance purposes and in emergency cases.
- 10.6 If agreed in an approved Plan Contractor shall finance and/or procure that the FOD builds Transportation Facilities downstream of the Transfer Point. Transportation Facilities built by Contractor related to the transportation of Associated Gas beyond the Transfer Point shall be handed over upon completion and commissioning to the relevant Iraqi entity designated by SOC, which shall thereafter be responsible for the operation and maintenance thereof.
- 10.7 All costs and expenses incurred by Contractor in connection with the production, re-injection, treatment, transportation, delivery, and disposal of Associated Gas within the Contract Area shall be recovered as Petroleum Costs. All costs and expenses incurred by Contractor in connection with Article 10.3, 10.4 and Article 10.6 shall be considered Supplementary Costs.
- 10.8 The Natural Gas Liquids (NGL) resulting from infield Associated Gas condensation or extraction processes, if any, that are delivered to SOC at the Transfer Point(s) where one Barrel of NGL is equivalent to one Barrel of Crude Oil for the purposes of Remuneration Fee under Article 19.5.

**(End of Article 10)**

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

- 11.1 Promptly after the Effective Date, and in any case not later than six (6) Months thereafter, Contractor shall prepare and submit for JMC approval the Rehabilitation Plan, based on the available knowledge of the Field on the Effective Date including a detailed Work Program and Budget for the remainder of the current Calendar Year. While focusing on near-term Petroleum Operations related to additional Appraisal activities and increased production from the Field, the said Plan shall also anticipate the overall targets and phases of redevelopment of the Field for the Term. The Rehabilitation Plan shall particularly include:
- (a) a "Remedial Program" for the immediate and near-term actions to be taken to halt any non-optimal operations which arrest production decline and achieve a sustainable and improved production rate pursuant to Article 2.2(a)(i), all in accordance with Best International Petroleum Industry Practices; and
  - (b) an "Additional Appraisal Program" for the currently producing as well as the discovered but undeveloped reservoir(s) in the Contract Area which require and justify further Appraisal Operations, including a time schedule for geophysical surveys and any interpretations of data relating thereto, geological and reservoir engineering studies, as well as laboratory work and Field data gathering programs. The Additional Appraisal Program is aimed at acquiring technical data required to draft the Enhanced Redevelopment Plan.
- 11.2 Contractor shall prepare annual Work Programs and Budgets, including production schedules for the succeeding Calendar Years, not later than the first of October of each Calendar Year. Each annual Work Program and Budget shall set out in detail by Quarter all aspects of proposed Petroleum Operations to be carried out including all relevant data and information, estimated cost, duration of each operation, estimated Monthly rate of production for each reservoir in the Contract Area. Annual Work Programs shall also include forecasts of yearly activities including costs for the four (4) year period following the end of the relevant Calendar Year or the period up to the expiry of this Contract whichever is shorter.
- 11.3 Within six (6) Months after the completion of the Additional Appraisal Program, but no later than three (3) Years from Effective Date, Contractor shall submit for approval the Enhanced Redevelopment Plan, which shall, upon endorsement by SOC, supersede the Rehabilitation Plan.
- 11.4 Operator shall conduct Petroleum Operations in a manner that is designed to achieve the Improved Production Target as soon as possible but no later than the end of the Rehabilitation Period, and the Plateau Production Target no later than six (6) years after the Effective Date. The Enhanced Redevelopment Plan (and any Revision) submitted by Contractor for approval must contemplate achieving the Plateau Production Target within the designated time periods.
- 11.5 Contractor may further prepare and submit for SOC's endorsement Revisions of the Enhanced Redevelopment Plan as deemed necessary.
- 11.6 All Plans and production schedules shall be based on sound geological, reservoir, engineering and economical principles, all in accordance with Best International Petroleum Industry Practices and with the objective of optimizing production and



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maximizing the volume of Petroleum to be produced from the Contract Area. If based on data acquired during Field development the Parties, in accordance with Best International Practices, agree that a downward adjustment to the Plateau Production Target is required then the Parties shall meet to agree, in good faith, amendments required to the Contract.

(End of Article 11)

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

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

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endorsement of the Rehabilitation Plan or the Enhanced Redevelopment Plan exceeds one hundred and twenty (120) days, then the Term together with all rights and obligations hereunder shall be extended to reflect the additional time taken for approvals and the Parties shall agree in good faith a mechanism to maintain Contractor's Economic Position.

- 12.3 After the approval of the annual Work Program and Budget by the JMC, it shall be implemented by Operator under the general supervision and control of the JMC. Operator may make minor changes to the details of an approved Work Program and Budget, provided, however, such changes shall not change the budgeted amount for each major line item by more than ten percent (10%), change the total approved Budget by more than five percent (5%), or alter the general objectives of the Work Program. Otherwise, the change shall be considered a Revision of said Work Program or Budget requiring JMC's prior approval unless such changes are warranted due to emergency or extraordinary circumstances requiring immediate action, including but not limited to safeguarding lives or property, protection of the environment or health reasons. Such changes shall be reported by Operator to the Parties and the JMC within five (5) working days.
- 12.4 Any modification to an approved Plan that alters its general objectives or changes its total estimated cost by more than ten percent (10%), shall be considered a Revision of said Plan and shall be subject to approval in accordance with this Article 12.
- 12.5 SOC shall have the right to review the proposed or target level of production in respect of any proposed or approved annual Work Program and may, with reasonable justification and upon written notification, require Contractor and Operator to increase or decrease the rate of production from the Contract Area for any of the following reasons:
- (a) to avoid material damage to reservoirs;
  - (b) to minimize Associated Gas wastage, provided however SOC shall, at all times, use best endeavours to take all Associated Gas;
  - (c) for safety consideration;
  - (d) for operational consideration;
  - (e) for curtailments on production imposed by the Government due to its international commitments; and
  - (f) for curtailments due to failure of Transporter to receive Net Production at the Transfer Point through no fault of Contractor or Operator.

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

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curtailment the Parties shall agree in good faith a mechanism to compensate Contractor as soon as possible and maintain Contractor's Economic Position, which may include, amongst other things, a revised Field production schedule or an extension to the Term.

- 12.6 SOC may, at any time, by written notice, request Contractor and Operator to execute specific works or build specific facilities not included in the currently approved Plan or Work Program. Within ninety (90) days of receiving such notice, Contractor and Operator shall amend the relevant Plan or Work Program and Budget accordingly. All costs associated with the construction and operation of the additional facilities or works paid for by the Contractor shall be considered Supplementary Costs. If Contractor decides not to share the possible risks and rewards of such works and facilities in accordance with this Contract, the expenditure incurred shall be borne by SOC, and the said works shall be conducted by and for SOC's sole risk and reward.

(End of Article 12)

### **ARTICLE 13 – JOINT MANAGEMENT OF PETROLEUM OPERATIONS**

[Note – further discussion is required on the structure of the FOD which will result in changes to the Contract]

- 13.1 The Parties shall establish, within thirty (30) days from the Effective Date, a joint management committee, referred to herein as the "Joint Management Committee" or "JMC", for the purpose of general supervision and control of Petroleum Operations. The JMC shall consist of ten (10) members. The SOC shall nominate five (5) members, including the Chairman. Contractor shall nominate five (5) members, including the Deputy Chairman and the Secretary. The Parties shall also designate one alternate to each of their members and shall promptly inform each other in writing of any change of the members or alternates.
- 13.2 The JMC shall have the following duties and authorities related to Petroleum Operations:
- (a) review and recommendation of Plans and any Revisions thereof;
  - (b) review and approval of annual Work Programs, Budgets and production schedules, and any Revisions thereof;
  - (c) review and approval of operating procedures prepared pursuant to Article 9;
  - (d) review and/or approval of the award of sub-contracts and purchase orders as applicable pursuant to Article 9;
  - (e) approval of training programs and Iraqization plans for developing Iraqi personnel pursuant to Articles 9 and 26;
  - (f) supervision and control of the implementation of approved Plans and Work Programs and the overall policy of Operator;
  - (g) review and approval of manpower strength and organisation chart of Operator;
  - (h) review of Quarterly statements, annual accounts and other financial statements;
  - (i) review of periodical and other reports submitted by Contractor or Operator and

issue of comments and recommendations to ensure proper implementation of Petroleum Operations; and

- (j) recommendation of the appointment of the independent international auditor as per Article 20.
- 13.3 Decisions of the JMC shall be taken by unanimous vote of the members or their alternates present at the meeting or by proxy. In the event that the JMC is unable to reach unanimous decision in respect of any issue, then the issue shall be promptly referred to the senior management of the Parties for resolution. Quorum shall be at least four (4) members or alternates of each Party. Decisions taken by the JMC shall be recorded in official minutes signed by the members present and communicated by Operator to the Parties.
- 13.4 The JMC shall meet whenever necessary or expedient for the implementation of this Contract and at any time a Party requests a meeting to be held. In any event the JMC shall meet at least once every Quarter. A meeting of the JMC may be convened by either Party giving not less than twenty (20) days prior written notice to the other Party or, in a case requiring urgent action, by giving reasonable shorter notice, with decisions by way of circulated written resolutions. Operator shall prepare the agenda and necessary documents prior to such meetings and communicate the same to the members of the JMC. Either Party may, on seven (7) days prior notice other than in the case of an urgent action, add any matter related to Petroleum Operations not listed by Operator to any JMC meeting agenda.
- 13.5 The JMC may adopt such procedures as it deems appropriate regarding the conduct of its functions, meetings, and other related matters. For the purpose of facilitating the conduct of its functions, the JMC may appoint such appropriate sub-committees as shall from time to time be required.
- 13.6 All costs incurred by Contractor and approved by the JMC for carrying out JMC or sub-committee duties shall be considered as Petroleum Costs.

**(End of Article 13)**

#### **ARTICLE 14 – DATA AND SAMPLES**

- 14.1 All original data and samples obtained by Contractor or the Operator shall be the property of SOC.
- 14.2 Contractor and Operator shall provide SOC, free of charge, with copies of any and all data obtained as a result of Petroleum Operations including, but not limited to, geological, geophysical, geochemical, petrophysical, engineering, well logs, maps, magnetic tapes, cores, cuttings and production data as well as all interpretative and derivative data, including reports, analyses, interpretations and evaluation prepared in respect of Petroleum Operations (hereinafter referred to as "Data"). Contractor and Operator shall have the right to make use of such Data, free of charge, for the purpose of Petroleum Operations.
- 14.3 Contractor and Operator may, for use in Petroleum Operations, retain copies or samples of material or information constituting the Data and, with the approval of SOC, original

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material. Where such material is capable of reproduction or division and originals have been delivered to SOC, Contractor and Operator may export samples or other reproduced material for processing or laboratory examination or analysis, taking into consideration whether such analysis can be conducted in the Republic of Iraq. Contractor and Operator shall guarantee their proper handling and keeping, and that such exports shall be returned to the Republic of Iraq within a maximum period of three (3) Months from the date of completion of any study, analysis or processing thereof, except for the consumable samples and materials.

- 14.4 Contractor and Operator shall save and keep in the Republic of Iraq, for a minimum period of one (1) Year, representative portions of each sample of cores and cuttings taken from drilled wells, to be disposed of or forwarded in a manner directed by SOC.
- 14.5 Contractor shall assist, if possible, SOC to establish of entities in the Republic of Iraq capable of analyzing and processing Data obtained during Petroleum Operations.

**(End of Article 14)**

**ARTICLE 15 – REPORTS AND RECORDS**

- 15.1 Operator shall once the FOD is established report in writing to SOC the progress of Petroleum Operations according to the following schedule:
- (a) within one (1) Month of the last day of March, June, September and December covering the previous Quarter; and
  - (b) within three (3) Months of the last day of December (or such longer period reasonably required by Operator) covering the previous Calendar Year.
- 15.2 A report under Article 15.1 shall contain, without limitation, the following in respect of the period which it covers:
- (a) details of Petroleum Operations and the factual information obtained;
  - (b) description of the area in which Operator has operated;
  - (c) account of the expenditure on Petroleum Operations in accordance with the Accounting Procedure; and
  - (d) maps indicating all bore-holes, wells and other Petroleum Operations.
- 15.3 Contractor and Operator shall prepare at all times during the Term accurate and current records of their operations. Such records shall be maintained by Contractor and Operator in accordance with procedures to be established by the JMC in accordance with Best International Petroleum Industry Practices.
- 15.4 Operator's reports on Petroleum Operations shall comply with the Law.

(End of Article 15)

#### **ARTICLE 16 – ACCESS AND INSPECTION**

- 16.1 Duly authorised inspectors of SOC shall, upon written prior notice to the Operator and Contractor, have access to the Contract Area and any other area where Petroleum Operations are being carried out, for the purpose of inspection of the same. Such inspectors may examine the books, registers and records of Operator and may require Operator to make a reasonable number of surveys, drawings, tests and the like for the purpose of enforcing the provisions of this Contract. They shall, for this purpose, be entitled to make reasonable use or inspection of devices, machinery and instruments used for measurement and other Petroleum Operations. The inspectors shall make all reasonable efforts to conduct any inspection in a manner that will result in a minimum of inconvenience and interruption to the Petroleum Operations, and the inspectors shall always take due account of the advice from the Operator and the Contractor when conducting the inspections. Such inspectors shall be given assistance by the agents and employees of Operator to facilitate the objectives of their task and to avoid endangering or hindering the safety or efficiency of Petroleum Operations. Operator shall offer such inspectors all privileges and facilities afforded to its own staff in the Field and shall provide them, free of charge, with reasonable office space and adequately furnished housing and lodging while they are in the Field whether on temporary or permanent basis.
- 16.2 Competent Government authorities shall have access to the Contract Area and to the operations conducted thereon by Operator, in the course of carrying out their duties in accordance with the Law. Operator shall offer the necessary assistance and services to such officials free of charge in order to facilitate their objectives.
- 16.3 Reasonable costs and expenses incurred by Contractor or Operator in implementing the provisions of this Article shall be considered as Petroleum Costs.

(End of Article 16)

#### **ARTICLE 17 – MEASUREMENT, TRANSFER, AND DELIVERY OF CRUDE OIL/ EXPORT OIL**

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

Where production from the Contract Area is curtailed or suspended, other than for minor

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service outages, through failure of Transporter to receive the same at the Transfer Point through no fault of the Operator or Contractor, the Parties shall meet and agree, as soon as possible, appropriate measures to compensate the Contractor and maintain Contractor's Economic Position.

- 17.3 Methods and procedures for measurement of volume and quality of Crude Oil at the Transfer Point shall be as per Addendum Two and the Crude Oil Transfer Agreement. Methods and procedures for measurement of volume and quality of Export Oil at the Delivery Point shall be as per standard practice of SOMO in respect of the Export Oil.
- 17.4 Crude Oil may be commingled with crude oil produced from other fields. If a Company chooses to receive Supplementary Fees or Service Fees in the form of Export Oil, the quality of Export Oil that may be lifted by such Company at the Delivery Point shall be any available standard Iraqi export blend of nearest quality to that produced from the Field.
- 17.5 The volume of Export Oil that may be lifted by each Company at the Delivery Point shall be determined in accordance with Articles 18 and 19 and Addendum Four.
- 17.6 If agreed in an approved Plan, Contractor shall finance and/or build Transportation Facilities downstream of the Transfer Point. In the event that Contractor finances and/or builds such Transportation Facilities, they shall be handed over to the Transporter upon completion and commissioning.
- 17.7 Any cost and expenses incurred by Contractor pursuant to Article 17.6 shall be considered as Supplementary Costs.

**(End of Article 17)**

#### **ARTICLE 18 – VALUATION OF EXPORT OIL**

- 18.1 It is the intent of both Parties that the pricing of Export Oil for all purposes under this Contract shall reflect the prevailing export market price FOB Delivery Point.
- 18.2 The Export Oil Price for each quality of Export Oil that may be lifted by Contractor, during any Month of the Lifting Quarter, shall reflect SOMO's declared OSP for the scheduled Month of loading FOB Delivery Point for the relevant destination and for the said quality of Export Oil for that Quarter.
- 18.3 In the event that Export Oil market conditions oblige SOMO to adopt a different pricing mechanism, SOMO shall promptly advise Contractor of the new pricing mechanism. [In the event that the Contractor demonstrates to SOC that the OSP is not reflective of export market prices, the Parties shall meet and agree appropriate measures.] [Note: PCLD propose deleting the second sentence and inserting under Article 19.6 an annual election to lift Crude Oil and take cash. We shall revert on this proposal.]
- 18.4 The determination of the Export Oil Price, as above, (used for calculating the quantities of Export Oil that may be lifted by Contractor in each Month of the said Lifting Quarter) as well as adjustments required to the quantity of Export Oil to be lifted (due to the timing between estimated and actual dates of liftings) shall be pursuant to Addendum Four and Annex C (Article 9).

18.5 Contractor shall cooperate with SOMO in areas such as:

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

The costs of such cooperation shall be considered Petroleum Costs.

**(End of Article 18)**

### **ARTICLE 19 – SUPPLEMENTARY FEES AND SERVICE FEES**

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

19.2 Supplementary Costs

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

- (a) the signature bonus paid under Article 4 shall be amortized and recovered over twenty (20) equal Quarterly payments beginning with the ninth Quarter following the Quarter in which the Effective Date occurs;
- (b) de-mining costs incurred pursuant to Article 7.3 shall accrue and be recovered over eight (8) equal Quarterly payments beginning with the first Quarter following the date on which de-mining costs start being incurred;
- (c) costs or expenses incurred pursuant to Articles 10.4, 10.6, 12.6, and 17.6 for additional facilities shall accrue and be payable beginning in the first Month of the Calendar Quarter following their payment date;
- (d) costs or expenditures incurred pursuant to Article 41.16 for remediation of pre-existing environmental conditions shall accrue and be payable beginning in the first Month of the Calendar Quarter following their payment date; and
- (e) outstanding balances on all Supplementary Costs shall bear interest at LIBOR plus one percent (1%) from the date when Supplementary Costs are incurred until the date when Supplementary Fees are received.

19.3 Supplementary Fees

The Supplementary Fees due to Contractor shall be paid to each Company in Export Oil at the Delivery Point or, at SOC's option, in cash, in USD, within sixty (60) days of the submission of an invoice pursuant to Article 9 of the Accounting Procedure. For payment in Export Oil, the Export Oil Price shall be in accordance with Article 18. SOC shall notify Contractor of its election whether to pay Supplementary Fees in cash or in Export Oil within ten (10) days of receipt of Contractor's first invoice for payment of



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Supplementary Fees. Such election shall remain in effect for the remainder of this Contract, unless otherwise agreed by the Parties. SOC hereby warrants the provisions relating to Contractor’s entitlement to and payment of Supplementary Fees are compliant with the Law and/or other applicable laws, failing which then the Parties shall immediately meet to, in good faith, agree alternative measures (including but not limited to SOC issuing letters of credit to Companies) to ensure Contractor receives amounts due to Contractor under this Article 19.3.

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

19.4 Petroleum Costs

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

19.5 Remuneration Fee

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

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

R-Factor	Remuneration Fee per Barrel (USD)
Less than 1.0	2.00
1.0 to less than 1.25	1.60
1.25 to less than 1.5	1.20
1.5 to less than 2.0	1.00
2.0 and above	0.60

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

$$BPR_n = IPR * DF_n$$

and

$$DF_n = DF \text{ raised to the power } ((n-1)/4)$$

where:

$BPR_n$  = Baseline Production Rate for Quarter n

IPR = Initial Production Rate

$DF_n$  = Decline Factor for Quarter n

n = Number of the Quarter following the Quarter in which the Effective Date occurs

DF = 0.95

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

For the purposes of calculating the R-Factor:

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

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

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

- (i) Petroleum Costs; plus
- (ii) Training, Technology and Scholarship Fund as per Article 26. For the avoidance of doubt, this expense is included as Expenditures for purposes of determining the R-Factor, but shall not be Petroleum Costs.

- (e) During the Plateau Production Period the Remuneration Fee payable in respect of any Quarter shall be adjusted by multiplying it by the Performance Factor. However, any adjustment to the Remuneration Fee under this Article may cease to apply in accordance with Article 12.5 in relation to: (i) minimizing Associated Gas wastage (under Article 12.5(b)); (ii) Government imposed production curtailment (under Article 12.5(e)); and/or (iii) where normal production is curtailed or suspended through failure of Transporter to receive the same at the

Transfer Point through no fault of the Operator or Contractor (under Article 12.5(f)).

#### 19.6 Service Fees

- (a) The Service Fees due to Contractor shall be paid without interest, to each Company in Export Oil at the Delivery Point or, at each Company's option, in cash, in USD, within sixty (60) days of the submission of an invoice pursuant to Article 9 of the Accounting Procedure. For payment of Contractor's entitlement in Export Oil, the Export Oil Price shall be determined in accordance with Article 18. Each Company shall notify SOC of its election whether to receive Service Fees in cash or in Export Oil no later than the end of the Rehabilitation Period. Such election shall remain in effect for the remainder of this Contract, unless otherwise agreed by the relevant Parties. SOC hereby warrants the provisions relating to Contractor's entitlement to and payment of Service Fees are compliant with the Law and/or other applicable laws, failing which then the Parties shall immediately meet to, in good faith, agree alternative measures (including but not limited to SOC issuing letters of credit to Companies) to ensure Contractor receives amounts due to Contractor under this Article 19.6. [Note: Pending the outcome of the discussion under Article 18.3 then further amendments may be required under this Article 19.6.]
- (b) The Service Fees and Supplementary Fees shall be deemed to cover all costs, expenses, liabilities and remuneration to Contractor under this Contract. SOC shall not be obliged to pay any other compensation whatsoever to the Contractor for the fulfilment of its obligations under this Contract unless otherwise provided for under this Contract.
- (c) Service Fees shall become due and payable starting with the first Calendar Quarter following the Quarter in which the Service Fee Eligibility Date occurs and shall be paid to the extent of fifty percent (50%) of the deemed revenues of the Incremental Production. It is understood that payment of due and payable Petroleum Costs shall have priority over the payment of due and payable Remuneration Fees.
- (d) Any due and payable Service Fees that remain unpaid in respect of any Calendar Quarter shall be carried forward and paid in succeeding Quarter(s) until fully paid.

19.7 For the purpose of payment of Supplementary Fees and Service Fees, Baseline Production and Incremental Production of Crude Oil shall be valued at the average over the Quarter of the Export Oil Price, pursuant to Articles 17 and 18, taking the simple average of the Export Oil Price for different destinations where these exist.

19.8 Subject to Article 8, any due and payable Supplementary Fees and Service Fees that remain outstanding at the expiry or termination of this Contract shall become immediately due and payable within thirty (30) days thereof, or under such other terms as may be agreed by the Parties.

19.9 In case the Supplementary Fees or Service Fees are paid in Export Oil, SOC shall arrange with SOMO to deliver to the relevant Company at the Delivery Point an amount of Export Oil, at the relevant Export Oil Price, equivalent to the amount of Supplementary

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Fees or Service Fees owed and payable hereunder. Contractor's Quarterly lifting of Export Oil shall be estimated in advance on the basis of unpaid Supplementary Fees or Service Fees carried forward, production schedule and estimated Export Oil Price. Contractor's final lifting shall be adjusted on the basis of actual amounts of Supplementary Fees or Service Fees owed as computed under this Article 19, and on the applicable Export Oil Price in accordance with the provisions of Article 18, Annex C and Addendum Four.

(End of Article 19)

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

- 20.1 Contractor and Operator shall maintain at their business offices in the Republic of Iraq books of account, in accordance with the Accounting Procedure, generally accepted accounting principles used in the international petroleum industry, and such other books, records and original supporting documents necessary to show the work performed and expenditures and costs incurred including the quantity and value of all Petroleum produced, saved, and delivered as well as the quantity and value of Export Oil received by Contractor at the Delivery Point.
- 20.2 Contractor and Operator shall keep books of account and accounting records in Dollars and in the English language. Contractor and Operator shall also prepare and keep an Arabic summary of the main items of these books of account and accounting records.
- 20.3 Operator shall furnish to the Parties or their designees Monthly reports showing the quantity of Petroleum produced and saved from the Contract Area. Such reports shall be prepared in accordance with practices generally used in the international petroleum industry and in a form agreed upon with the Parties and shall be signed by the authorised representative of Operator or his deputy and delivered to the Parties or their designees within thirty (30) days after the end of the Month covered by such report.
- 20.4 The Parties shall jointly appoint an independent auditor of international qualification and standing to audit all the books and accounts of Contractor and Operator on an annual basis and report thereon. The costs of such audit, together with the audit fees of the Iraqi Supreme Auditing Board for statutory audit of the Contractor's branch office(s) in the Republic of Iraq, shall be considered as Petroleum Costs. For cost recovery purposes, the auditors shall in accordance with generally accepted accounting principles used in the international petroleum industry determine whether:
- (a) the record of costs is correct;
  - (b) the costs are in accordance with this Contract;
  - (c) the costs are properly classified in accordance with the expenditure classification;
  - (d) documentation exists to justify such costs and expenditures; and
  - (e) evidence exists of fraudulent records and accounts in respect of the costs incurred.
- 20.5 Contractor shall, within forty five (45) days after the end of each Quarter, submit to SOC a statement of Supplementary Costs and Petroleum Costs showing costs incurred by

- Contractor during such Quarter, and when applicable a statement for cost recovery for that Quarter as per Annex C.
- 20.6 Contractor and Operator shall submit to SOC a set of accounts audited by the independent auditor for each Calendar Year within three (3) Months from the last day of said Calendar Year to show the results of Petroleum Operations.
- 20.7 Contractor's and Operator's books, records and necessary supporting documents shall be made available for auditing by SOC at any time during regular working hours for twelve (12) Months from the end of each Quarter to which such documents relate. If within such twelve (12) Months, SOC has not advised Contractor and Operator of its objections, the said books, records and supporting documents shall be considered approved. Audits conducted by auditors appointed under Article 20.4, the Iraqi Supreme Auditing Board or SOC shall be conducted in accordance with generally accepted accounting principles used in the international petroleum industry.
- 20.8 If the SOC has an objection to any costs or expenses as reported and invoiced by the Contractor, the SOC will notify the Contractor of its objection in writing but shall pay both the disputed and undisputed amounts pending resolution of the matter. Within one (1) Month from the date of Contractor's receipt of SOC's objection, Contractor and SOC shall mutually agree to either seek in good faith an acceptable solution or nominate one (1) or more Experts to settle the matter. If the matter is referred to an Expert, the Expert shall, within three (3) Months following their appointment, provide their solution to the dispute that is in line with the provisions of this Contract and Annex C. Failing such settlement, either Party may refer the matter to arbitration pursuant to Article 37.
- 20.9 During, and for a period of one (1) Year after, the Term, the books of account and other books and records referred to above shall be made available by Contractor and Operator at all reasonable times for auditing by duly authorised representatives of the Government, in accordance with the Law.

**(End of Article 20)**

## **ARTICLE 21 – EXCHANGE AND CURRENCY CONTROL**

- 21.1 Contractor and Operator shall have the right of availability, free possession, use of, and internal and external disposal of foreign currency.
- 21.2 Contractor shall provide funds necessary for Petroleum Operations in the Republic of Iraq under this Contract in freely convertible foreign currencies supplied from abroad.
- 21.3 Contractor and Operator are authorized to open and operate accounts in foreign banks outside the Republic of Iraq and shall have the right to make payments out of the said accounts directly in foreign currencies for goods and services obtained for Petroleum Operations in the Republic of Iraq and to charge such payments in accordance with the provisions of this Contract without having first to transfer the funds for such payments to the Republic of Iraq.
- 21.4 Contractor and Operator and any non-Iraqi Sub-Contractors shall have the right to open and maintain bank accounts in foreign and/or local currencies in the Republic of Iraq in accordance with Central Bank of Iraq regulations and retain or dispose of any funds

therein for its Petroleum Operations in the Republic of Iraq in accordance with Central Bank of Iraq regulations.

**(End of Article 21)**

## **ARTICLE 22 – TITLE TO ASSETS**

- 22.1 All assets acquired and/or provided by Contractor or Operator, in connection with or in relation to Petroleum Operations, the costs of which are subject to cost recovery in accordance with the provisions of this Contract, shall become the property of SOC upon their landing in the Republic of Iraq.
- 22.2 Notwithstanding the above, Contractor and Operator shall be entitled to the full and free use of such assets for the purpose and duration of this Contract. During the Term, SOC and Contractor shall not assign, sell or otherwise dispose of such fixed and/or movable assets except by mutual agreement.
- 22.3 The provisions of Article 22.1 shall not apply to equipment leased by Contractor or Operator or belonging to Sub-Contractors who perform services or carry out works in connection with Petroleum Operations. Contractor and Operator and non-Iraqi Sub-Contractors may import such equipment on a temporary basis. Unless otherwise agreed by SOC, such equipment shall be re-exported from the Republic of Iraq subject to the provisions of Article 25, as and when they are no longer required for Petroleum Operations.

**(End of Article 22)**

## **ARTICLE 23 – TAXES**

- 23.1 Each entity comprising Contractor shall keep books of account and be individually liable for and shall pay corporate income tax in accordance with the Law.
- 23.2 In no event shall SOC be liable under this Contract for any taxes payable by Companies outside of the Republic of Iraq.
- 23.3 For the avoidance of doubt, it is the understanding of the Parties that the sole tax liability of Contractor under this Contract shall be corporate income tax at a rate not to exceed 35% levied on the Remuneration Fee calculated in accordance with Article 19.5. SOC shall secure that the provisions of the relevant Law are consistent with this understanding and afford Contractor such treatment under the Contract and the Law.
- 23.4 In the event Contractor is subject to any demand to pay other taxes (other than corporate income tax in accordance with Article 23.3) SOC shall bear and pay on behalf of Contractor all such other taxes and shall indemnify and hold Contractor harmless against any and all liabilities relating to the payment of such other taxes.

**(End of Article 23)**

## **ARTICLE 24 – PARTNERSHIP, INDEMNITY AND INSURANCE**

- 24.1 It is expressly agreed that it is not the purpose or intention of this Contract to create, nor shall this Contract be construed as creating, any mining partnership, joint venture,

commercial partnership or other partnership.

- 24.2 Except for the period when SOC is Operator or as otherwise provided in this Contract, Contractor shall indemnify and hold SOC harmless against all and any claims, actions, demands and proceedings made by third parties arising out of any loss or damage, resulting from an act or omission of Contractor and/or Operator in their conduct of Petroleum Operations. All costs incurred by Contractor to indemnify and hold SOC harmless as aforesaid shall be considered as Petroleum Costs except in the case of Gross Negligence or Wilful Misconduct on the part of the Contractor and/or Operator.
- 24.3 Except for the period when SOC is Operator and in respect of the Contract Area, Contractor shall be liable for any loss of or damage to any installations belonging to SOC or any third party arising from Gross Negligence or Wilful Misconduct of Contractor and/or Operator.
- 24.4 Notwithstanding the foregoing, under no circumstances shall Contractor, its Affiliates or Operator be liable to SOC, its Affiliates or any third party, for consequential or indirect damages, losses, expenses or liabilities, loss of profit, loss of production, punitive damages, business interruption, reservoir or formation damage or other losses whether or not similar to the foregoing and howsoever arising whether under the Contract, in tort or at law.
- 24.5 Contractor shall establish an insurance plan, to be approved by the JMC, for its operations hereunder and obtain the insurance policies in accordance therewith. Such insurances shall cover the types of exposure that are normally covered in the international petroleum industry, including but not limited to damage to equipment, installations and third party liabilities. Contractor and/or Operator shall ensure that Sub-Contractors adequately insure their risks under their relevant sub-contracts.
- 24.6 Such insurance plan shall require that the Contractor obtains and maintains insurance from an Iraqi insurance company or foreign insurance company permitted to conduct business in the Republic of Iraq to cover the risks associated with the Petroleum Operations and any other activities related thereto and as may be required by Law during the Term, including third party liability and environmental damage and injury, where such coverage is available in the Republic of Iraq and available on commercially reasonable terms. If such coverage is unavailable in the Republic of Iraq, insurance shall be obtained from a foreign insurance company. The insurance company shall arrange, in co-operation with Contractor to the extent needed, re-insurance placement for coverages on the international market for the part of exposure in excess of the insurance company's net retention.
- 24.7 The cost of insurance or reinsurance obtained and maintained by Contractor and/or Operator whether obtained in or outside Iraq and any amounts paid for deductibles, losses, or claims in excess of such insurances and not attributable to the Gross Negligence or Wilful Misconduct of Contractor or Operator under this Contract shall be considered as Petroleum Costs.
- 24.8 Contractor and/or Operator shall notify SOC of the issue and terms of all insurance policies obtained by it under this Contract.

(End of Article 24)

#### **ARTICLE 25 – IMPORTS AND EXPORTS**

- 25.1 Contractor, Operator and Sub-Contractors engaged in carrying out Petroleum Operations shall be permitted to import and shall be exempted from customs duties with respect to the importation of machinery, equipment, vehicles, materials, supplies, consumables and movable property to be used solely for the purpose of carrying out Petroleum Operations and supporting activities. Contractor, Operator and Sub-Contractors shall comply with the applicable administrative formalities in this respect.
- 25.2 Expatriate employees of Contractor, Operator and Sub-Contractors shall be permitted to import and shall be exempted from customs duties with respect to the reasonable importation of household goods and personal effects, provided that such property is imported for the sole use of the employee and his family and provided further that such imported property shall be re-exported by employee, without any export duty or impost upon termination of his employment, or be disposed of in the Republic of Iraq in accordance with the Law.
- 25.3 Items imported by Contractor, Operator or Sub-Contractors on temporary basis and no longer required for Petroleum Operations or supporting activities shall, unless otherwise agreed by SOC, be re-exported without any export duty or impost in accordance with the Law.
- 25.4 The sale in the Republic of Iraq of any items imported under this Contract shall be subject to SOC's prior consent and to the Law.
- 25.5 Customs duties, as used herein, shall include all duties, taxes and other financial imposts which may be due as a result of the importation of the above-mentioned items but, shall not include charges, dues or fees of general application to be paid to Governmental entities for services rendered.
- 25.6 Contractor shall be exempted from any export duty or impost with respect to the Export Oil that a Company may lift under this Contract, except for port dues of general application to all buyers which are payable for services rendered by the port authorities in accordance with the Law. Such port dues shall not be considered Petroleum Costs.

(End of Article 25)

#### **ARTICLE 26 – EMPLOYMENT, TRAINING, AND TECHNOLOGY TRANSFER**

- 26.1 Without prejudice to the right of Contractor and Operator to select and employ such number of personnel as, in the opinion of the Contractor or Operator, are required for carrying out Petroleum Operations in a safe, cost effective and efficient manner, Contractor and Operator shall, to the maximum extent possible, employ, and require Sub-Contractors to employ, Iraqi nationals having the requisite qualifications and experience.
- 26.2 Through a Training, Technology and Scholarship Fund, Contractor and Operator shall arrange for an agreed number of Iraqi nationals, as designated by SOC, a training program, both inside and/or outside of the Republic of Iraq, for on-the-job training and



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practical experience in Petroleum Operations, and academic education. The Fund shall also be used for supporting oil and gas related technology and research including the establishment or upgrading of research institutes inside the Republic of Iraq.

- 26.3 As a minimum, Contractor shall allocate during the Term an annual amount of five million USD (US\$ 5,000,000) to the Training, Technology and Scholarship Fund. The Fund payment shall not be recoverable as Petroleum Costs.
- 26.4 Not later than twelve (12) Months after the Effective Date, Contractor shall, in consultation with SOC, establish and implement training programs for staff positions in each phase and level of Petroleum Operations including skilled, technical, executive and management positions, with a view to ensuring increased employment of Iraqi nationals and a commensurate reduction of expatriate employees.
- 26.5 Each Company may separately negotiate, in good faith, technical assistance agreements with SOC to make available, on commercially agreeable terms, technology and information of a proprietary nature for use in the Republic of Iraq by the SOC and its Affiliates.

**(End of Article 26)**

#### **ARTICLE 27 – PARTICIPATION**

- 27.1 The State Partner shall have twenty-five percent (25%) of Contractor's total Participating Interest and the remaining Participating Interest of seventy five percent (75%) shall be apportioned between the Companies as follows:
- BP: fifty percent (50%);
- CNPC: twenty-five percent (25%).
- 27.2 Companies shall pay for all of the State Partner's share of Petroleum Costs and Supplementary Costs during the Term and any extension thereto. The Companies shall have their respective entitlement to all Petroleum Costs paid as Service Fees and Supplementary Costs paid as Supplementary Fees, however the State Partner shall be entitled to receive its twenty-five percent (25%) Participating Interest of any Remuneration Fee paid to Contractor.
- 27.3 Participation shall further be subject to the provisions of Addendum One.

**(End of Article 27)**

#### **ARTICLE 28 – ASSIGNMENT**

- 28.1 Neither Party may assign its rights or obligations under this Contract, in whole or in part, without the prior written consent of the other Party, except that such rights and obligations may be assigned without such consent to an Affiliate or successor of such Party or to a firm or corporation acquiring all or substantially all of the business and assets of such Party. The direct or indirect transfer of shares or other ownership interests in any Company (except for the transfer of shares in a listed parent company)

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- shall constitute an assignment of rights and obligations under this Contract and shall be subject to this Article 28.1.
- 28.2 By providing SOC one (1) Month prior notice of its intent, any Company shall have the right to assign any of its Participating Interest, shares, rights, privileges, duties or obligations under this Contract to an Affiliate. Such assignment shall not release said Company from its obligations under this Contract and it shall remain jointly responsible together with the assignee Affiliate for the proper and timely execution of this Contract.
- 28.3 In the event that any Company wishes to assign, in whole or in part, any of its Participating Interest, shares, rights, privileges, duties or obligations under this Contract to a third party or an Affiliate that is not wholly-owned and controlled, the Company shall submit to SOC a request to this effect giving detailed evidence of the technical and financial competence of the recommended assignee. SOC shall consider the said request and notify Company of its approval or otherwise within three (3) Months of receipt thereof. Before such assignment becomes effective, the foreign assignee shall first provide SOC with a guarantee acceptable to SOC in the form set out in Annex F after which the SOC shall, to the extent of the assigned Participating Interest, release assignor from its obligations under the Contract and any guarantee provided to it by assignor.
- 28.4 If any Company wishes to assign part of its Participating Interest in this Contract to a third party pursuant to Article 28.3, SOC shall within the period set out under Article 28.3 have the option to take such part and assign it to a nominated Iraqi entity on the same terms and conditions offered to the third party.
- 28.5 Notwithstanding the foregoing, for the purpose of financing Petroleum Operations, any entity constituting Contractor may pledge, or otherwise encumber totally or partially, its rights under this Contract to an internationally recognized bank and/or financing institution acceptable to SOC (such acceptance not to be unreasonably withheld) provided that such pledge or encumbrance shall not in any way affect the rights or interests of SOC.
- 28.6 Without prejudice to the provisions of the Heads of Joint Operating Agreement (Addendum One) between the Contractor's entities, in the event that any Company (or the Affiliated company that provides a guarantee) becomes bankrupt, or makes an arrangement with or assignment in favour of its creditors or makes a composition with creditors, or if it assigns to a third party any of its interests/shares in this Contract contrary to the provisions herein, or goes into liquidation other than for reconstruction or amalgamation with a wholly-owned and controlled Affiliate, SOC shall have the right to terminate the participation of such Company in this Contract by notice to Contractor. The rights and obligations of such Company shall be assigned to the remaining Companies proportionately to their respective Participating Interests or as they may otherwise mutually agree.
- 28.7 The State Partner may not assign its Participating Interest to any entity that is not entirely owned and controlled by the Government without the consent of the Companies.

**(End of Article 28)**

**ARTICLE 29 – LAWS AND REGULATIONS**

- 29.1 Contractor and Operator shall be bound by and shall comply, in all respects, with the provisions of the Law. Unless otherwise provided in this Contract, Contractor shall indemnify and save harmless SOC against all penalties, fines and other liabilities of every kind for breach of the Law by Contractor or Operator.
- 29.2 Notwithstanding the provisions of Article 29.1, Contractor and Operator shall, in accordance with the Law, be exempted from customs and stamp duties on the execution of this Contract, and from restrictions concerning work licences and employment of expatriates, subject to the provisions of Article 9.21. However, Contractor and Operator shall submit all data and information required by the relevant Iraqi authorities in this respect.
- 29.3 Contractor and Operator shall in all their sub-contracts, include a provision whereby Sub-Contractors shall undertake to abide by and comply with the Law.
- 29.4 The Parties have concluded this Contract on the basis of current legislation and regulations as they exist on the Effective Date. Subject to Article 29.5 if, after the Effective Date, any modification to Iraqi Law, legislation, rules or regulations resulting in a non-negligible reduction or increase in either Contractor's rights and/or obligations hereunder as they exist on the Effective Date or Contractor's Economic Position, the Parties shall meet shortly after a notice sent by the Contractor to SOC to, in good faith, agree on modifications to this Contract which will either enable the Contractor's rights and obligations to be restored to their exact status as they existed on the Effective Date or preserve Contractor's Economic Position.
- 29.5 For the purposes of Article 29.4, no adjustment in respect of changes to the Iraqi income tax law shall be made unless the income tax payable in the Republic of Iraq exceeds that due based on a thirty five percent (35%) rate applied to the Remuneration Fee as the sole measure of profitability.
- 29.6 Should the Parties be unable to agree within ninety (90) days on any amendments to be made in respect of Articles 29.4 and 29.5 or such other period as may be agreed by the Parties, the dispute may be resolved in accordance with Article 37.

**(End of Article 29)**

**ARTICLE 30 – LOCAL GOODS AND SERVICES**

- 30.1 Works and services performed in the Republic of Iraq through sub-contracts shall be carried out on a competitive basis. Preference shall be given to Iraqi entities and firms, or foreign firms in association therewith, provided that their relevant capabilities and prices are competitive with those available in the international market.
- 30.2 Preference shall be given to locally manufactured and/or available goods, materials, equipment, consumables and the like provided that their technical specifications, availability, prices, and time of delivery are comparable to those available in the international market.

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- 30.3 Contractor and Operator shall ensure that sub-contracts with Sub-Contractors, agents, assignees and employees contain similar provisions of this Article 30.

**(End of Article 30)**

### **ARTICLE 31 – FORCE MAJEURE**

- 31.1 The non-performance or delay in performance by either Party of its obligations or duties under this Contract shall be excused if and to the extent that such non-performance or delay is caused by Force Majeure.
- 31.2 The Party affected by Force Majeure shall notify the other Party thereof, in writing within fourteen (14) days, stating the cause and the extent of effect of such Force Majeure and shall keep the other Party informed of significant developments. The affected Party shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in a cost-effective manner.
- 31.3 Force Majeure shall mean any cause or event, unforeseen or beyond the reasonable control of the Party claiming to be affected by such event, and shall include, but without limitation, Acts of God, war (whether declared or undeclared), forces of nature, insurrection, riot, fire, legislation/order of the Government and other acts or circumstances beyond the control of either Party affected by it. The inability to pay monies due shall not constitute a condition of Force Majeure.
- 31.4 In the event that the Petroleum Operations are delayed, curtailed or prevented due to Force Majeure for a period exceeding ninety (90) consecutive days, then subject to the provisions of Article 8, the Parties shall meet shortly after a notice sent by the Contractor to SOC to, in good faith, agree on modifications to this Contract which will enable the Contractor's rights and obligations to be restored to their exact status as they existed on the Effective Date or preserve Contractor's Economic Position. If the Parties are unable to reach an agreement on the possible modifications to be made to this Contract within thirty (30) days, such disagreement shall be submitted to arbitration in accordance with the provisions of Article 37.4 -37.8.
- 31.5 It is agreed by the Parties that the security conditions prevailing in the Contract Area on Contract signing date shall not constitute a condition of Force Majeure for either Party unless these conditions prevent in full or in part the implementation of Petroleum Operations. The Parties also agree that the political and security conditions generally prevailing in the Republic of Iraq on the Contract signing date shall not constitute a condition of Force Majeure for either Party unless these conditions prevent in full or in part the implementation of Petroleum Operations Failure by SOC to adequately discharge its obligations under Article 7.4 shall constitute Force Majeure.

**(End of Article 31)**

### **ARTICLE 32 – ENTIRE AGREEMENT AND AMENDMENTS**

- 32.1 This Contract constitutes the entire agreement between SOC and Contractor relating to the Field. Hence it supersedes any previous representations, whether explicit or implicit, and any prior agreement of any kind or nature, whether oral or written, in this respect.

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- 32.2 This Contract shall not be amended or supplemented except by an instrument in writing signed by duly authorized representatives of both Parties.
- 32.3 If any provision of this Contract shall be found by any court, tribunal or administrative body of competent jurisdiction to be invalid or unenforceable, the invalidity or unenforceability shall not affect the other provisions of this Contract and all provisions not affected by such invalidity or unenforceability shall remain in full force and effect. The Parties shall attempt to substitute, for any invalid or unenforceable provision, a valid and enforceable provision that achieves to the greatest possible extent, the principal objectives of the invalid or unenforceable provisions. However, in the event of such the Contract being deemed invalid or voided under applicable Law, SOC hereby indemnifies and holds Contractor harmless for any and all costs incurred by Contractor including, but not limited to, costs arising out of or relating to the Contract, conducting activities contemplated under this Contract including Petroleum Operations, penalties, fines, levies, if any, imposed on Contractor under the Law or other laws or regulations.
- 32.4 The provisions of this Contract shall inure to the benefit of and be binding upon the successors and permitted assignees of the Parties.

**(End of Article 32)**

### **ARTICLE 33 – CONFIDENTIALITY AND TECHNOLOGY OWNERSHIP**

- 33.1 All information and data obtained in connection with or in relation to this Contract shall be kept confidential by the Parties and their Affiliates and shall not be disclosed or communicated to any third party without the other Party's prior written consent, except (i) to Affiliates; (ii) to any professional consultant retained by a Party, (iii) to a bona fide prospective assignee, or (iv) where it is necessary for the approval, implementation and/or financing of Petroleum Operations; provided that in all cases of disclosure the party to whom the information is disclosed shall agree to the same confidentiality obligation as contained herein.
- 33.2 The confidentiality undertaking in Article 33.1 shall not apply:
- (a) upon the confidential information becoming public knowledge other than by default on the part of a Party;
  - (b) upon such confidential information becoming available to a Party from a third party (unless the third party acts in violation of a confidentiality obligation of which the Party is aware);
  - (c) if such confidential information is independently developed by a Party or its Affiliates; or
  - (d) to the extent that such confidential information is required by Law, judicial proceedings or applicable stock exchange regulations, to be disclosed.
- 33.3 The foregoing provisions of Articles 33.1 and 33.2 shall continue in force for three (3) years following termination or expiry of this Contract.
- 33.4 To the fullest extent permitted by applicable laws or agreements, the Contractor's entities agree to make available on reasonable terms the benefits of their most

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appropriate technical expertise and technology (and that of their Affiliates) for application in the conduct of Petroleum Operations, including such technology as can best improve the economic yield or performance of the Petroleum reservoirs operated by the Operator under this Contract. Any such technology shall remain the property of the relevant Contractor entities (or their Affiliates), subject to any licensing or other appropriate arrangements entered into in connection with Petroleum Operations. The Operator shall be entitled to use such technology only for Petroleum Operations, subject to the terms of such licensing or other arrangements.

- 33.5 Any technology specifically developed by the Contractor or the Operator in the course of their activities under this Contract shall be owned by both the Contractor's entities and SOC and, except in the case of disclosure of such to, or use by, a third party, may be used by any of them or their Affiliates in their own operations without the consent of the other and without making any payment to the other.

**(End of Article 33)**

#### **ARTICLE 34 – HEADINGS OF ARTICLES**

Headings of Articles herein are inserted for convenience only and shall not affect the construction and/or interpretation thereof.

**(End of Article 34)**

#### **ARTICLE 35 – LANGUAGE**

- 35.1 This Contract is executed in the Arabic and English languages, both having equal force. However, if there shall be any conflict between the two versions the English version shall prevail to the extent of the conflict.
- 35.2 Communication between the Parties may be in English. However, Contractor and Operator shall use Arabic language or both Arabic and English in all their correspondence and dealings with Government entities in the Republic of Iraq.
- 35.3 Contractor and Operator shall have no obligation to use any language other than English in their contractual relationships with Sub-Contractors and vendors in connection with Petroleum Operations.

**(End of Article 35)**

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

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

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of its authorised representative in the Republic of Iraq who shall be assigned on full time resident status. The said representative shall be entrusted with sufficient powers and authorities to represent and bind Contractor in all dealings with the Government, SOC and third parties in the Republic of Iraq, to receive legal notices served on Contractor, and to comply with lawful directions and orders given by the competent Government authorities and SOC in connection with or in relation to this Contract.

- 36.4 Lead Contractor shall notify SOC of any change in the address of its office or the appointment of its representative at least ten (10) days prior to the effective date of such change.

**(End of Article 36)**

### **ARTICLE 37 – GOVERNING LAW, CONCILIATION AND ARBITRATION**

- 37.1 This Contract and the rights and obligations of the Parties shall be governed, interpreted and construed in accordance with the Law.
- 37.2 The Parties shall endeavour to settle amicably any dispute ("the Dispute") arising out of or in connection with or in relation to this Contract or any provision or agreement related thereto. Where no such settlement is reached within thirty (30) days of the date when one Party notifies the other Party of the Dispute, then the matter may, as appropriate, be referred by the Parties to their senior management for resolution. Where no such settlement is reached within thirty (30) days of such referral to management, any Party to the Dispute may refer the matter, as appropriate, to an independent expert or, by giving sixty (60) days notice to the other Party, refer the matter to arbitration as stipulated hereunder. It is understood that the rights and obligations under this Contract constitute commercial rather than sovereign rights or obligations and therefore no Party shall have the right to claim, and hereby waives any, immunity from legal proceedings or judgement enforcement in this respect.

#### **Expert**

- 37.3 If any Dispute arises between the Parties with respect to relevant technical matters, such Dispute may, at the election of either Party, be referred to an independent expert ("Expert") for determination. Such Expert shall be agreed upon by the Parties to the Dispute and shall be willing to undertake such evaluation, and shall be independent, shall not be originated from, or have been at any time a citizen of, the country in which any of the Parties to the Dispute is organized, and shall have no interest in or relation to either Party or with any of the entities constituting the Parties and shall be qualified by education, experience and training to evaluate the matter in Dispute. The Expert shall render its decision within one (1) Month following the Expert's formal acceptance of its appointment, or within such further time as the Parties may agree in writing.

The Expert shall act as an expert and not as an arbitrator. The costs of the Expert determination shall be shared equally by the Parties in Dispute.

#### **Arbitration**

- 37.4 All Disputes arising out of or in connection with this Contract, other than those Disputes that have been finally settled by reference to either senior management or Expert, shall

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be finally settled under the Rules of Arbitration of the International Chamber of Commerce by three arbitrators appointed in accordance with the said Rules.

- 37.5 The seat of the arbitration shall be Paris, France, unless agreed otherwise by the Parties to the Dispute.
- 37.6 The language of arbitration shall be the English language. The award of arbitration shall be in English and shall be final and binding on the Parties to the Dispute. Judgment on the award rendered may be entered and enforced in any court having jurisdiction in recognition and enforcement thereof. Any right to appeal or challenge any arbitral decision or award, or to oppose enforcement of any such decision or award before a court or any governmental authority is hereby waived by the Parties except with respect to the limited grounds for modification or non-enforcement provided by the applicable arbitration Rules.
- 37.7 Unless otherwise agreed by the Parties, the operations and the activities of the Parties with respect to the performance of this Contract shall not be stopped or delayed pending the award of arbitration.
- 37.8 Any arbitration under this Contract must be initiated within two (2) years of the date on which one Party notifies the other Party of the Dispute, and in any event within three (3) years of the date of the expiry or termination of this Contract.

(End of Article 37)

**ARTICLE 38 – NOTICES**

- 38.1 All notices, statements and other communication to be given, submitted or made by any Party to the other Party shall be deemed sufficient when sent in writing and shall be addressed to the Parties at their addresses set out below or such other address as may be notified in writing by the Parties in accordance herewith.

SOC

Lead Contractor

BP Iraq Limited

Attention: \_\_\_\_\_

Address: \_\_\_\_\_

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

CNPC

Address:\_\_\_\_\_



Attention: \_\_\_\_\_

**(End of Article 38)**

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

The Contract shall enter into force upon (i) it being signed by the Parties and (ii) the SOC notifying and representing to Contractor in writing that ratification has occurred and the Contract is enforceable in accordance with the Law.

**(End of Article 39)**

**ARTICLE 40 – WAIVER**

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

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

**(End of Article 40)**

**ARTICLE 41 – PROTECTION OF THE ENVIRONMENT**

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

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

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

(ii) prevent harm to or degradation of livelihood or quality of life of surrounding communities and, should some adverse impact occur, minimize such impact and ensure proper compensation for injury to persons or damage to property caused by the effect of Petroleum Operations; and

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

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

measures to remedy the failure and the effects thereof.

- 41.3 If SOC in its reasonable opinion believes that any works or installations erected by Operator or any operations conducted by Operator are not in accordance with the Law and are damaging or may damage the environment, or are causing or may cause pollution, SOC shall give notice to Contractor and Operator to promptly consider and develop for JMC approval a remedial action plan and measures to mitigate such damage within a reasonable period as may be agreed in the remedial action plan to repair any such damage. If SOC deems it necessary, it may also require Operator to suspend Petroleum Operations in whole or in part until Operator has commenced such remedial measures or has repaired any damage caused.
- 41.4 The measures and methods to be used by Operator for the purpose of complying with the terms of Article 41.1(a)(i) shall be determined in timely consultation with SOC and Contractor upon the commencement of Petroleum Operations by the FOD or later when there is a significant change in the scope or method of conducting Petroleum Operations and shall take into account the international standards applicable in similar circumstances and the relevant environmental impact study carried out in accordance with Article 41.5. Contractor shall notify SOC and Operator, in writing, of the measures and methods finally determined by Contractor and approved in accordance with Article 12 and shall cause such measures and methods to be reviewed from time to time in the light of prevailing circumstances.
- 41.5 Contractor shall cause a person or persons with special knowledge on environmental matters, to carry out two environmental impact studies in order:
- (a) to determine at the time of the studies the prevailing conditions relating to the environment, human beings and local communities, the flora and fauna in the Contract Area and in the adjoining or neighbouring areas; and
  - (b) to establish the likely effect on the environment, human beings and local communities, the flora and fauna in the Contract Area and in the adjoining or neighbouring areas in consequence of the relevant phase of Petroleum Operations, and to submit, for consideration by the Parties, methods and measures contemplated in Article 41.4 for minimizing environmental damage and carrying out site restoration activities.
- 41.6 The first of these environmental impact studies shall act as the baseline study for purposes of Article 41.14 and shall be concluded promptly after the Effective Date but in any event before commencement of any fieldwork by the FOD.
- 41.7 The second environmental impact study shall be submitted by Contractor as part of the Enhanced Redevelopment Plan.
- 41.8 The studies mentioned in Article 41.5 above shall contain proposed environmental guidelines to be followed in order to minimize environmental damage and shall include, but not be limited to, the following, to the extent appropriate to the respective study taking into account the phase of operations to which the study relates:
- (a) proposed access cutting;
  - (b) clearing and timber salvage;

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

41.9 Subject to the provisions of the Law on the protection of the environment, any new project or expansion or modernization projects for Petroleum Operations for which a proposal, other than a Plan, is submitted by Contractor, SOC shall consider the assessment of the project and convey a decision with respect to environment clearance within a period of ninety (90) days from the receipt of the requisite documents and data. Subject to actual or pending receipt of the necessary environmental clearance, the JMC shall decide upon the proposal of Contractor within thirty (30) days thereafter.

41.10 Contractor and/or Operator shall ensure that:

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

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- 41.11 Operator shall, in cooperation with Contractor, prior to conducting any drilling activities, prepare and submit for review by SOC contingency plans for dealing with crude oil spills, blowouts, fires, accidents and emergencies, designed to achieve rapid and effective emergency response. The plans referred to above shall be discussed with SOC and concerns expressed shall be taken into account.
- (a) In the event of an emergency, accident, oil spill or fire arising from Petroleum Operations affecting the environment, Operator shall forthwith notify SOC and Contractor and shall promptly implement the relevant contingency plan and perform such site restoration as may be necessary in accordance with Best International Petroleum Industry Practices.
- (b) In the event of any other emergency or accident arising from the Petroleum Operations affecting the environment, Operator shall, in consultation with Contractor, take such action as may be prudent and necessary in accordance with Best International Petroleum Industry Practices.
- 41.12 In the event that Contractor and Operator fail to comply with any of the terms contained in Article 41.11, SOC, after giving Contractor and Operator reasonable notice in the circumstances, may take any emergency response action which may be necessary to ensure compliance with the terms of the relevant contingency plan and to recover from Contractor, immediately after having taken such action, all costs and expenditures incurred in connection with such action together with such interest as may be determined in accordance with Annex C.
- 41.13 Where the Contract Area is partly located in areas forming part of formally designated national parks, sanctuaries, mangroves, wetlands of national importance, biosphere reserves and other biologically sensitive areas passage through these areas shall generally not be permitted unless permitted by Law. However, if there is no passage, other than through these areas to reach a particular point beyond these areas, permission of the appropriate authorities shall be obtained by SOC for the benefit of Operator.
- 41.14 In accordance with Article 41.6, the environmental impact study shall act as the baseline study to determine the obligations and liability of Contractor and Operator for the environment which shall be limited to damage to the environment which:
- (a) occurs after the Effective Date and prior to the expiry or termination of this Contract; and
- (b) results from an act or omission of Contractor or Operator.
- 41.15 Except for cases of Gross Negligence and Wilful Misconduct on the part of Contractor and/or Operator, all costs incurred towards protection of or damage to the environment shall be treated as Petroleum Costs.
- 41.16 Any costs approved by the SOC and incurred by the Contractor in remediation of conditions existing prior to the Effective Date and identified in the first study noted in Article 41.6 shall be considered Supplementary Costs.
- 41.17 In the event that Petroleum Operations are delayed, curtailed or prevented due to extended delays in acquiring necessary environmental approvals, the Parties shall meet and agree an appropriate extension of the Term together with all rights and obligations

hereunder, subject to the provisions of Article 8.

**(End of Article 41)**

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

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

**(End of Article 42)**

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

- 43.1 In the performance of this Contract, Contractor, its Affiliates and related entities, Operator, and SOC shall ensure that they each strictly comply with general business ethics. Each Party agrees to comply with the Voluntary Principles on Security and Human Rights, as such may be amended from time to time, when each Party, or in the case of SOC it procures that the Iraqi armed forces, implements the security measures contemplated under Article 7.4.
- 43.2 Contractor and Operator shall in their sub-contracts stipulate their right to terminate the sub-contracts with immediate effect in case of violation of the general business ethics by Sub-Contractor or suppliers, and Contractor and/or Operator shall terminate a sub-contract in case of such a violation, at their discretion or if SOC requests Contractor or Operator to do so.
- 43.3 Neither Contractor, its Affiliates and related entities, Operator, nor SOC shall, in relation to or in the performance of this Contract, give or receive from any director, employee or agent of the other or its Affiliates, any gift, entertainment or other benefit of more than minimal cost or value or any commission, fee or rebate, and any hospitality shall be held within reasonable limits.
- 43.4 Each of SOC and entities comprising Contractor warrant that it and its Affiliates have not made, offered, or authorized, requested, received, or accepted and will not make, offer, or authorize, request, receive, or accept with respect to the matters which are the subject of or related to the signing of this Contract, any ancillary document related to this Contract or any matter arising out or related to the Petroleum Operations, any payment, gift, promise or other advantage, whether directly or indirectly through any other person or entity, to or for the use or benefit of any public official (i.e. any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization) or any political party or political party official or candidate for office, or any other person, where such payment, gift, promise or advantage would violate (i) the Law; (ii) the laws of the country of incorporation of such entity or such entities ultimate parent company and of the principal place of business of such ultimate parent company; or (iii) the principles described in the Convention on Combating Bribery of Foreign Public Officials in

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International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999. Each entity shall defend, indemnify and hold the others harmless from and against any and all claims, damages, losses, penalties, costs and expenses arising from or related to, any breach by such first entity of such warranty. Such indemnity obligation shall survive termination or expiration of this Contract.

(End of Article 43)

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

For and on behalf of SOC

\_\_\_\_\_ Witness \_\_\_\_\_

For and on behalf of Contractor

\_\_\_\_\_ Witness \_\_\_\_\_

(BP Iraq Limited)

\_\_\_\_\_ Witness \_\_\_\_\_

(CNPC International (Iraq) Limited)

\_\_\_\_\_ Witness \_\_\_\_\_

(SOMO- State Partner)

**ANNEX A – DESCRIPTION OF CONTRACT AREA**

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

The Contract Area is defined by the corner points for numbered as shown for U.T.M. Zone 38N and connected by straight lines as shown in Annex B.

<b>CORNERPOINT</b>	<b>NORTHING</b>	<b>EASTING</b>
A	3,407,000	733,107
B	3,369,290	730,070
C	3,333,000	744,840
D	3,332,982	744,031
E	3,332,962	743,134
F	3,332,947	742,449
G	3,332,923	741,331
H	3,332,895	740,068
I	3,332,884	739,543
J	3,332,871	738,942
K	3,332,847	737,867
L	3,332,819	736,555
M	3,332,812	736,239
N	3,332,790	735,181
O	3,332,771	734,323
P	3,332,756	733,612
Q	3,332,729	732,317
R	3,332,699	730,895
S	3,332,691	730,504
T	3,332,670	729,538
U	3,332,649	728,502
V	3,332,400	728,185
W	3,331,904	727,551
X	3,331,606	726,657
Y	3,331,751	726,600
Z	3,331,764	726,593

<b>CORNERPOINT</b>	<b>NORTHING</b>	<b>EASTING</b>
AA	3,347,378	717,116
BB	3,347,643	717,067
CC	3,361,650	714,500
DD	3,407,000	714,500
EE	3,407,000	733,107
FF	3,400,000	732,535

**(End of Annex A)**



**ANNEX B – MAP OF CONTRACT AREA** *This Annex B is attached to and made part of the Technical Service Contract for Rumaila Contract Area.*



## **ANNEX C – ACCOUNTING PROCEDURE**

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

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

#### 1.1 Definitions

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

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

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

#### 1.2 Purpose of Accounting Procedure

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

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

#### 1.3 Operating Account and Records

Contractor and Operator shall open and maintain all accounts and records necessary to document in reasonable detail and in separate accounts the transactions relating to Petroleum Operations, in accordance with generally accepted accounting principles, all in accordance with and subject to the provisions of this Contract.

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

(i) Costs of assets including:

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

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

(iii) Operating Costs analysed by main items such as salaries, Materials and services as defined or described in this Accounting Procedure.

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

#### 1.4 Statements

##### (a) Quarterly Statements

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

##### (b) Yearly Statements

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

#### 1.5 Audits

Yearly statements shall be supported by a report issued by an independent auditor of international qualification appointed according to Article 20.4 of this

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Contract. The auditor's report shall include a statement that the accounts and statements are prepared according to the terms and conditions of this Contract and this Accounting Procedure.

**(End of Article 1)**

## **ARTICLE 2 – OPERATING ACCOUNT**

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

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

### 2.1 Personnel

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

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

#### (b) Assigned Personnel

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

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

The charges for personnel assigned on a temporary basis (less than six (6)

consecutive Months) shall be made in accordance with Article 2.5(c) of this Annex C.

(c) Personnel Engaged in Other Activities

If local personnel or assigned personnel are engaged in other activities in the Republic of Iraq in addition to Petroleum Operations, the cost of such personnel or assigned personnel shall be allocated on a time sheet or pro rata basis according to sound and acceptable accounting principles.

(d) Training Costs

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

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

2.2 Materials and Stock

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

2.3 Transportation

(a) Transportation of Personnel and Materials

Transportation of Materials necessary for the performance of Petroleum Operations, including costs of packaging, brokerage, insurance and other related costs. Personnel transportation costs, to the extent covered by the established policy of Operator, shall include travel expenses for personnel and their immediate families to and from the personnel's points of origin at the time employment commences, at the time of final departure and for vacations, as well as travel expenses in the Republic of Iraq for personnel and their immediate families incurred as a result of transfers from one location to another, and travel expenses relating to the periodical recuperation leaves of field personnel. Costs related to immediate families shall be charged for personnel assigned to work in the Republic of Iraq for periods exceeding six (6) consecutive Months.

(b) Transportation Facilities

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

2.4 Buildings and Equipment

(a) Costs of buildings, equipment, furniture and fixtures and their maintenance and related costs and rents paid for all offices, houses, warehouses and other types of buildings and costs of supplies necessary for the operation of such buildings and facilities, all in the Republic of Iraq.

(b) Costs of vehicles and their maintenance and operation.

- (c) Costs of computers and software and their maintenance and operation.

## 2.5 Services

The services required by Contractor or Operator for Petroleum Operations which may include but are not limited to:

- (a) outside services of consultants, contract services, utilities and other services procured from outside sources, rentals or compensation paid for the use of any equipment and facilities;
- (b) use of equipment and facilities of Operator for Petroleum Operations on rental basis at rates to be approved by the JMC;
- (c) all Specific Services performed under an assistance agreement between Contractor and any Affiliate;

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

Specific Services shall be charged at cost in accordance with the tariffs and price lists established each Year by the Affiliate and approved by the JMC for each Calendar Year.

## 2.6 Damages and Losses

All costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident or any other cause not controllable by Contractor through exercise of reasonable care and diligence in operations and not resulting from Contractor's failure to timely file and diligently pursue claims against insurance companies. Contractor shall furnish SOC with written notice with details of damages or losses sustained in excess of ten thousand USD (US\$10,000) per occurrence as soon as practicable.

## 2.7 Legal Expenses

All costs and expenses of actual or potential litigation or arbitration or legal services necessary or expedient for the protection of the Contract Area against third party claims, including attorney's fees and expenses as hereinafter provided, together with all judgements obtained against the Parties or any of them on account of Petroleum Operations, and actual expenses incurred by Contractor and/or Operator and/or SOC in securing evidence or expert advice for the purpose of defending any such action or claim pursued or urged in connection with operations under this Contract.

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

## 2.8 Taxes

Pursuant to Article 23 and subject to other provisions of this Contract, taxes (other than corporate income tax), levies, duties, imposts (if any) and/or charges and fees paid by Contractor (but not previously paid directly by SOC) to Government authorities as assessed or levied upon or in connection with Petroleum Operations.

## 2.9 Insurance and Claims

- (a) The premium of any insurance policy secured by Contractor or Operator pursuant to this Contract.
- (b) Any costs sustained by Contractor or Operator arising out of an event covered by insurance. Such costs include, but are not limited to, repairs and replacements of Materials in the Contract Area resulting from damage or loss incurred because of fire, flood, storm, theft, accident, or any other similar risk.
- (c) All costs and expenses associated with suing, working or travelling for, or any other cost incurred in consequence of, or because of insurance related disputes, claims or litigation with any party including any insurer and/or any insurer's representatives or agents to the extent that such costs and expenses are not refunded for whatever reasons, by insurance and/or not awarded by an arbitrator or a court of law.
- (d) Any compensation received, or any claim collected from insurers or third parties shall be credited to the Operating Account. If no insurance is carried for a particular risk, all related actual expenditures incurred and paid by Contractor or Operator in settling any and all losses, claims, damages, judgement and other expenses, including related legal expenditures. Any such loss, claim or damage shall be charged to the Operating Account unless otherwise provided for under Article 24.7 of this Contract.

## 2.10 Currency Exchange

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

## 2.11 Tariffs

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

## 2.12 Surface Rights

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

## 2.13 Environment

All costs incurred for the protection, cleanup or restoration of the environment pursuant

to the Law or this Contract.

2.14 Administrative Overhead and General Expenses

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

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

The above administrative overhead charges shall be paid to Companies pursuant to Article 19 of this Contract.

2.15 To the extent any of the costs identified in Article 2 of this Annex C would qualify as eligible costs pursuant to Articles 4, 7.3, 10.4, 10.6, 12.6, 17.6, or 41.16 of this Contract, such costs shall be considered Supplementary Costs and not Petroleum Costs.

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

**(End of Article 2)**

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

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

3.1 Regarding Personnel Costs:

- (a) estimate of the overall amount thereof;
- (b) analysis and explanation of the applicable personnel policy and practice of Contractor or Operator and Contractor or Operator's Affiliates;
- (c) reasonable breakdown of the aforesaid Expenditures as per details stated in this Accounting Procedure; and
- (d) rates and/or methods of apportionment of such costs.

3.2 Regarding Specific Services:

- (a) Estimate of the overall amount thereof;
- (b) Reasonable breakdown of such services by major type; and



- (c) Tariffs and rates expected to apply in respect to such services, especially to assigned personnel.

3.3 Regarding Tariffs:

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

**(End of Article 3)**

**ARTICLE 4 – CHARGING PRINCIPLES**

4.1 Purchases

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

Materials purchased from third parties shall be charged at net cost paid by Contractor after deduction of all discounts received. Net cost shall include but not be limited to such items as transportation, insurance, licence fees and purchasing and forwarding costs.

- (b) The Parties may furnish new Materials from their own stock provided that the new Material transfer, shall be priced at cost, and provided that such cost is not higher than the price for new Material of the same quality, obtained on comparable terms and conditions, prevailing in the international market at the time such new Material was supplied to Contractor. Notwithstanding the above and to the extent practicable and economical, used Materials which are suitable for use without repair and/or reconditioning may be purchased and used for Petroleum Operations. Any such used Material shall be charged at a percentage (to be agreed by the JMC) of the new purchase net price at the time of transfer for such Material. Inspection certificates relating to such used Materials shall be procured from independent third party inspectors, where the costs of such certificates shall be chargeable to Petroleum Operations.

4.2 Direct and Indirect Costs

Costs shall be charged to the Operating Account using consistent methods from Year to Year, and such methods shall be agreed upon by the Parties subject to the following principles:

- (a) costs that may be directly charged to a relevant subdivision of the Operating Account shall be so charged; and
- (b) costs that cannot easily be charged directly to any subdivision of the Operating Account shall be apportioned either on a time basis or on a pro rata basis. Costs of services that cannot be assessed accurately may be charged according to standard rates and adjusted to actual costs at Year end.

4.3 Use of Equipment and Facilities Owned by Entities Constituting Contractor

For the use of any equipment or facilities that are wholly owned by Contractor's entities,

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the Operating Account shall be charged a rental commensurate with the cost of ownership.

The rental rates, which will not include any profit element, will be approved by the JMC each Calendar Year. Such rates should be in line with those currently prevailing in the area where Petroleum Operations are located for equipment and facilities comparable in terms of availability, safety, efficiency and quality.

**(End of Article 4)**

## **ARTICLE 5 – INVENTORIES**

At all times, Contractor shall maintain inventories of Materials at optimum levels required for Petroleum Operations and shall be subject to:

### 5.1 Periodic Inventories, Notices and Representation

At reasonable intervals, and at least once annually, inventories shall be taken by Contractor and Operator of the Materials charged to the Operating Account, which shall include all such Materials as are ordinarily considered controllable by operators in the international petroleum industry. Written notice of intention to take inventory shall be given by Contractor and Operator at least ninety (90) days before any inventory is to begin so that SOC may be represented when any inventory is to be carried out.

### 5.2 Reconciliation and Adjustment of Inventories

Reconciliation of inventory with the Operating Account shall be made and a list of overages and shortages shall be furnished to SOC. Inventory adjustments shall be made by Contractor and Operator to the Operating Account if required; provided, however, that any inventory adjustment exceeding a value of ten thousand USD (US\$10,000) shall be reported to SOC.

**(End of Article 5)**

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

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

**(End of Article 6)**

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

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

**(End of Article 7)**

## **ARTICLE 8 – BASIS OF ACCOUNTING**

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

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

**(End of Article 8)**

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

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

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

**(End of Article 9)**

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

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

- 10.1 Except for the period when SOC is Operator, costs incurred as a result of any proven Gross Negligence or Wilful Misconduct of Contractor/Operator including any amount paid in settlement of any claim alleging Gross Negligence or Wilful Misconduct whether or not Gross Negligence or Wilful Misconduct is admitted or whether such sum is stated to be paid on an ex-gratia or similar basis;
- 10.2 Any expenditure incurred directly or indirectly in connection with the raising of money to finance Petroleum Operations and other incidental costs and charges related thereto by

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whatever method raised; such expenditure includes, but is not limited to, interest, commissions, fees and brokerage;

- 10.3 Any costs, charges or expenses including donations relating to public relations or enhancement of Contractor's corporate image and interests, unless expressly approved by the JMC and endorsed by the SOC;
- 10.4 Any expenditure incurred which is not related to Petroleum Operations or on matters or activities beyond the Delivery Point(s);
- 10.5 Corporate income tax;
- 10.6 Training, Technology and Scholarship Fund.

**(End of Article 10)**

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

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

**(End of Article 11)**

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

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

**(End of Article 12)**

#### **ARTICLE 13 – EXTERNAL AUDITOR'S CERTIFICATE**

Contractor shall provide SOC with a certificate from the external auditor of Lead Contractor's

head office evidencing that the charges and the rates applied pursuant to Articles 2.1(a) to 2.5(c) of this Annex C represent actual costs.

**(End of Article 13)**

**(End of Annex C)**

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

*All depths quoted are in metres below Mean Sea Level.*

### **SECTION 1 – PRODUCING RESERVOIRS**

(i) **MISHRIF RESERVOIR**

Interval from 2,140m to 2,297m in R-172 well and its lateral equivalents. Interval from 2,130m to 2,250m in Ru-94 well and its lateral equivalents.

(ii) **UPPER SHALE MEMBER RESERVOIR**

Interval from 2,990m to 3,080m in R-172 well and its lateral equivalents. Interval from 2,940m to 3,035m in Ru-94 well and its lateral equivalents.

(iii) **MAIN PAY RESERVOIR**

Interval from 3,080m to 3,200m in R-172 well and its lateral equivalents.

Interval from 3,035m to 3,150m in Ru - 94 well and its lateral equivalents.

(iv) **FOURTH PAY RESERVOIR**

Interval from 3,163m to 3,362m in Ru-72 well and its lateral equivalents.

### **SECTION 2 – DISCOVERED UNDEVELOPED RESERVOIRS**

Lower Fars, Nahr Umr, Ratawi, Yamama, Sulaiy, Najma, Alan and Mus/Adaiya.

### **SECTION 3 – UNDISCOVERED POTENTIAL RESERVOIRS**

All reservoirs which may exist below the base of the Mus/Adaiya Formations, and previously drilled but unrecognised reservoirs

**(End of Annex D)**

**ANNEX E – MINIMUM WORK OBLIGATION****SECTION 1 – ADDITIONAL APPRAISAL OPERATIONS**

- (a) Acquire a 1,500 square kilometre 3-D seismic survey over the Contract Area, including processing and interpretation thereof; and
- (b) Perform detailed geological and reservoir engineering studies, including 3-D simulation for the reservoirs, and carry out detailed laboratory and reservoir engineering studies to evaluate the most suitable recovery mechanism for all producing and undeveloped reservoirs that will be the subject of the Rehabilitation and Enhanced Redevelopment Plans. Integrate all relevant available data and information, including such data existing prior to the execution of Appraisal Operations.

**SECTION 2 – REHABILITATION WORK**

- (a) Drill 20 new production and 10 new injection wells;
- (b) Workover 130 wells, install new ESP's on 65 wells; perform 100 stimulations;
- (c) Agree and execute a thorough Reservoir Surveillance plan, to acquire sufficient data for development planning and operations; expected to be in the order of 600-800 well integrity surveys PLTs, MDTs, RSTs, well production tests and PVT measurements;
- (d) Design and build two 150,000 BWPD produced water re-injection plants (one each for North and South Rumaila);
- (e) Rehabilitate the existing water intake plant and supply pipeline to achieve a working capacity of [1.25 MMBWPD]; [Note: The BP and CNPC bid was based on the proposal to reinstate Qarmat Ali to 1.25 MMBWPD. PCLD's stated intent to limit the rate to around 0.7 MMBWPD is a fundamental change to the commercial bid basis which results in additional cost and is not accepted by BP/CNPC. This issue should be discussed further with PCLD. A co-ordinated plan for water development should be developed as a separate agreement.]
- (f) Refurbish existing or, as necessary, construct additional field gathering and processing facilities required to process the expected production levels resulting from implementation of the Rehabilitation Plan. To include an additional 3-phase separator, expansion of power generation and distribution by an estimated 10-20 MW; 3 new flow tanks, with combined capacity of 30,000 cubic metres of oil; provision of fiscal metering at the Production Measurement Points; and
- (g) Perform engineering studies for improved and enhanced production, and

initiate any studies necessary for preparation of the Enhanced  
Redevelopment Plan.

**(End of Annex E)**



**ANNEX F – FORMS OF GUARANTEE**

**FORM I: FOR A COMPANY**

We refer to the Technical Service Contract for the Rumaila Oil Field, (hereinafter referred to as the "Contract") entered into on this day of ..... 2009, between BP Iraq Limited ("BP"), CNPC International (Iraq) Limited ("CNPC"), SOMO and SOC, an Iraqi State oil company.

In consideration of the rights and obligations of [BP/CNPC] being a wholly-owned and controlled Affiliate of [BP Exploration Operating Company Limited ("BPEOC")/ CNPC International Limited ("CNPCIL")], as a Party to this Contract, [BPEOC/CNPCIL] , a company duly organized and existing under the laws of [England and Wales/ Cayman Islands] and whose registered office is at [Chertsey Road, Sunbury on Thames, Middlesex, UK TW 16 7BP/ Third Floor, Harbour Centre, P.O. Box 1348GT, Grand Cayman Cayman Islands], hereby unconditionally and irrevocably undertakes, after receipt of a notice from the SOC at the address set out below describing the alleged default, to make available or cause to be made available to [BP/CNPC] 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 SOC of the balance (if any) of the Minimum Expenditure Obligation in case of termination of this Contract, if applicable.

The obligations of [BPEOC/CNPCIL] hereunder shall be limited to the extent of the Participating Interest held by [BP/CNPC] under the Contract.

This Guarantee shall extend to any Affiliated assignee of [BP/CNPC] which may become a Party to this Contract.

This Guarantee is issued for the benefit of the SOC and cannot be assigned or transferred by it to any other party without the prior written consent of [BPEOC/CNPCIL].

For purposes of this Guarantee, the capitalised 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 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 [BP/CNPC], or its Affiliate, shall be bound by the Contract.

[Address for BPEOC for purposes of this Guarantee: Chertsey Road, Sunbury on Thames, Middlesex, UK TW 16 7BP, attention Company Secretary.]

[Address for CNPCIL for purposes of this Guarantee: Third Floor, Harbour Centre, P.O. Box 1348GT, Grand Cayman Cayman Islands, attention \_\_\_\_.]

Signed for and on behalf of

(BPEOC) (CNPCIL)

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

To:

BP Iraq Limited and CNPC International (Iraq) Limited

We refer to the Technical Service Contract for the Rumaila Oil Field (hereinafter referred to as the "Contract ") entered into on this day of.....2009, between BP Iraq Limited ("BP") , CNPC International (Iraq) Limited ("CNPC"), SOMO and South Oil Company (hereinafter referred to as "SOC").

In consideration of

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

-BP and CNPC entering into the Contract

the Ministry of Oil, hereby unconditionally and irrevocably guarantees for the benefit of BP and CNPC to make available or cause to be made available to SOC 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 SOC or the Ministry, which becomes a party to the Contract and any references in the Guarantee to 'SOC' shall be construed accordingly.

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

For purposes of this Guarantee, the capitalised 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 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:

[insert address]

Signed for and on behalf of Ministry of Oil

Name:

Title:

**(End of Annex F)**

**ANNEX G- VOLUNTARY PRINCIPLES ON SECURITY AND HUMAN RIGHTS**

In accordance with Article 43.1 each Party agrees to comply with the following principles when it or in the case of SOC, it procures that the Iraqi armed forces, implement(s) the security measures contemplated under Article 7.4. For purposes of complying with these principles, expressions used in this Annex G (such as but not limited to "Companies") shall apply to each Party and/or in the case of SOC, the Iraqi armed forces, unless repugnant to the context or contrary to the meaning thereof.

**The Voluntary Principles on Security and Human Rights****INTRODUCTION**

Governments of the United States and the United Kingdom, companies in the extractive and energy sectors ("Companies"), and non-governmental organizations, all with an interest in human rights and corporate social responsibility, have engaged in a dialogue on security and human rights.

The participants recognize the importance of the promotion and protection of human rights throughout the world and the constructive role business and civil society - including non-governmental organizations, labor/trade unions, and local communities - can play in advancing these goals. Through this dialogue, the participants have developed the following set of voluntary principles to guide Companies in maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms. Mindful of these goals, the participants agree to the importance of continuing this dialogue and keeping under review these principles to ensure their continuing relevance and efficacy.

*Acknowledging* that security is a fundamental need, shared by individuals, communities, businesses, and governments alike, and acknowledging the difficult security issues faced by Companies operating globally, we recognize that security and respect for human rights can and should be consistent; *Understanding* that governments have the primary responsibility to promote and protect human rights and that all parties to a conflict are obliged to observe applicable international humanitarian law, we recognize that we share the common goal of promoting respect for human rights, particularly those set forth in the Universal Declaration of Human Rights, and international humanitarian law;

*Emphasizing* the importance of safeguarding the integrity of company personnel and property, Companies recognize a commitment to act in a manner consistent with the laws of the countries within which they are present, to be mindful of the highest applicable international standards, and to promote the observance of applicable international law enforcement principles (e.g., the UN Code of Conduct for Law Enforcement Officials and the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials), particularly with regard to the use of force;

*Taking note of* the effect that Companies' activities may have on local communities, we recognize the value of engaging with civil society and host and

home governments to contribute to the welfare of the local community while mitigating any potential for conflict where possible;

*Understanding* that useful, credible information is a vital component of security and human rights, we recognize the importance of sharing and understanding our respective experiences regarding, inter alia, best security practices and procedures, country human rights situations, and public and private security, subject to confidentiality constraints;

*Acknowledging* that home governments and multilateral institutions may, on occasion, assist host governments with security sector reform, developing institutional capacities and strengthening the rule of law, we recognize the important role Companies and civil society can play in supporting these efforts;

We hereby express our support for the following voluntary principles regarding security and human rights in the extractive sector, which fall into three categories, risk assessment, relations with public security, and relations with private security:

### **RISK ASSESSMENT**

The ability to assess accurately risks present in a Company's operating environment is critical to the security of personnel, local communities and assets; the success of the Company's short and long-term operations; and to the promotion and protection of human rights. In some circumstances, this is relatively simple; in others, it is important to obtain extensive background information from different sources; monitoring and adapting to changing, complex political, economic, law enforcement, military and social situations; and maintaining productive relations with local communities and government officials.

The quality of complicated risk assessments is largely dependent on the assembling of regularly updated, credible information from a broad range of perspectives - local and national governments, security firms, other companies, home governments, multilateral institutions, and civil society knowledgeable about local conditions. This information may be most effective when shared to the fullest extent possible (bearing in mind confidentiality considerations) between Companies, concerned civil society, and governments.

Bearing in mind these general principles, we recognize that accurate, effective risk assessments should consider the following factors:

*Identification of security risks.* Security risks can result from political, economic, civil or social factors. Moreover, certain personnel and assets may be at greater risk than others. Identification of security risks allows a Company to take measures to minimize risk and to assess whether Company actions may heighten risk.

*Potential for violence.* Depending on the environment, violence can be widespread or limited to particular regions, and it can develop with little or no warning. Civil society, home and host government representatives, and other sources should be consulted to identify risks presented by the potential for violence. Risk assessments should examine patterns of violence in areas of Company operations for educational, predictive, and preventative purposes.

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*Human rights records.* Risk assessments should consider the available human rights records of public security forces, paramilitaries, local and national law enforcement, as well as the reputation of private security. Awareness of past abuses and allegations can help Companies to avoid recurrences as well as to promote accountability. Also, identification of the capability of the above entities to respond to situations of violence in a lawful manner (i.e., consistent with applicable international standards) allows Companies to develop appropriate measures in operating environments.

*Rule of law.* Risk assessments should consider the local prosecuting authority and judiciary's capacity to hold accountable those responsible for human rights abuses and for those responsible for violations of international humanitarian law in a manner that respects the rights of the accused.

*Conflict analysis.* Identification of and understanding the root causes and nature of local conflicts, as well as the level of adherence to human rights and international humanitarian law standards by key actors, can be instructive for the development of strategies for managing relations between the Company, local communities, Company employees and their unions, and host governments. Risk assessments should also consider the potential for future conflicts.

*Equipment transfers.* Where Companies provide equipment (including lethal and non-lethal equipment) to public or private security, they should consider the risk of such transfers, any relevant export licensing requirements, and the feasibility of measures to mitigate foreseeable negative consequences, including adequate controls to prevent misappropriation or diversion of equipment which may lead to human rights abuses. In making risk assessments, companies should consider any relevant past incidents involving previous equipment transfers.

## INTERACTIONS BETWEEN COMPANIES AND PUBLIC SECURITY

Although governments have the primary role of maintaining law and order, security and respect for human rights, Companies have an interest in ensuring that actions taken by governments, particularly the actions of public security providers, are consistent with the protection and promotion of human rights. In cases where there is a need to supplement security provided by host governments, Companies may be required or expected to contribute to, or otherwise reimburse, the costs of protecting Company facilities and personnel borne by public security. While public security is expected to act in a manner consistent with local and national laws as well as with human rights standards and international humanitarian law, within this context abuses may nevertheless occur.

In an effort to reduce the risk of such abuses and to promote respect for human rights generally, we have identified the following voluntary principles to guide relationships between Companies and public security regarding security provided to Companies:

### *Security Arrangements*

Companies should consult regularly with host governments and local communities

about the impact of their security arrangements on those communities.

Companies should communicate their policies regarding ethical conduct and human rights to public security providers, and express their desire that security be provided in a manner consistent with those policies by personnel with adequate and effective training.

Companies should encourage host governments to permit making security arrangements transparent and accessible to the public, subject to any overriding safety and security concerns.

### *Deployment and Conduct*

The primary role of public security should be to maintain the rule of law, including safeguarding human rights and deterring acts that threaten Company personnel and facilities. The type and number of public security forces deployed should be competent, appropriate and proportional to the threat.

Equipment imports and exports should comply with all applicable law and regulations. Companies that provide equipment to public security should take all appropriate and lawful measures to mitigate any foreseeable negative consequences, including human rights abuses and violations of international humanitarian law.

Companies should use their influence to promote the following principles with public security: (a) individuals credibly implicated in human rights abuses should not provide security services for Companies; (b) force should be used only when strictly necessary and to an extent proportional to the threat; and (c) the rights of individuals should not be violated while exercising the right to exercise freedom of association and peaceful assembly, the right to engage in collective bargaining, or other related rights of Company employees as recognized by the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

In cases where physical force is used by public security, such incidents should be reported to the appropriate authorities and to the Company. Where force is used, medical aid should be provided to injured persons, including to offenders.

### *Consultation and Advice*

Companies should hold structured meetings with public security on a regular basis to discuss security, human rights and related work-place safety issues. Companies should also consult regularly with other Companies, host and home governments, and civil society to discuss security and human rights. Where Companies operating in the same region have common concerns, they should consider collectively raising those concerns with the host and home governments.

In their consultations with host governments, Companies should take all appropriate measures to promote observance of applicable international law enforcement principles, particularly those reflected in the UN Code of Conduct for

Law Enforcement Officials and the UN Basic Principles on the Use of Force and Firearms.

Companies should support efforts by governments, civil society and multilateral institutions to provide human rights training and education for public security as well as their efforts to strengthen state institutions to ensure accountability and respect for human rights.

#### *Responses to Human Rights Abuses*

Companies should record and report any credible allegations of human rights abuses by public security in their areas of operation to appropriate host government authorities. Where appropriate, Companies should urge investigation and that action be taken to prevent any recurrence.

Companies should actively monitor the status of investigations and press for their proper resolution.

Companies should, to the extent reasonable, monitor the use of equipment provided by the Company and to investigate properly situations in which such equipment is used in an inappropriate manner.

Every effort should be made to ensure that information used as the basis for allegations of human rights abuses is credible and based on reliable evidence. The security and safety of sources should be protected. Additional or more accurate information that may alter previous allegations should be made available as appropriate to concerned parties.

#### INTERACTIONS BETWEEN COMPANIES AND PRIVATE SECURITY

Where host governments are unable or unwilling to provide adequate security to protect a Company's personnel or assets, it may be necessary to engage private security providers as a complement to public security. In this context, private security may have to coordinate with state forces, (law enforcement, in particular) to carry weapons and to consider the defensive local use of force. Given the risks associated with such activities, we recognize the following voluntary principles to guide private security conduct:

Private security should observe the policies of the contracting Company regarding ethical conduct and human rights; the law and professional standards of the country in which they operate; emerging best practices developed by industry, civil society, and governments; and promote the observance of international humanitarian law.

Private security should maintain high levels of technical and professional proficiency, particularly with regard to the local use of force and firearms.

Private security should act in a lawful manner. They should exercise restraint and caution in a manner consistent with applicable international guidelines regarding



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the local use of force, including the UN Principles on the Use of Force and Firearms by Law Enforcement Officials and the UN Code of Conduct for Law Enforcement Officials, as well as with emerging best practices developed by Companies, civil society, and governments.

Private security should have policies regarding appropriate conduct and the local use of force (e.g., rules of engagement). Practice under these policies should be capable of being monitored by Companies or, where appropriate, by independent third parties. Such monitoring should encompass detailed investigations into allegations of abusive or unlawful acts; the availability of disciplinary measures sufficient to prevent and deter; and procedures for reporting allegations to relevant local law enforcement authorities when appropriate.

All allegations of human rights abuses by private security should be recorded. Credible allegations should be properly investigated. In those cases where allegations against private security providers are forwarded to the relevant law enforcement authorities, Companies should actively monitor the status of investigations and press for their proper resolution.

Consistent with their function, private security should provide only preventative and defensive services and should not engage in activities exclusively the responsibility of state military or law enforcement authorities. Companies should designate services, technology and equipment capable of offensive and defensive purposes as being for defensive use only.

Private security should (a) not employ individuals credibly implicated in human rights abuses to provide security services; (b) use force only when strictly necessary and to an extent proportional to the threat; and (c) not violate the rights of individuals while exercising the right to exercise freedom of association and peaceful assembly, to engage in collective bargaining, or other related rights of Company employees as recognized by the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

In cases where physical force is used, private security should properly investigate and report the incident to the Company. Private security should refer the matter to local authorities and/or take disciplinary action where appropriate. Where force is used, medical aid should be provided to injured persons, including to offenders.

Private security should maintain the confidentiality of information obtained as a result of its position as security provider, except where to do so would jeopardize the principles contained herein.

To minimize the risk that private security exceed their authority as providers of security, and to promote respect for human rights generally, we have developed the following additional voluntary principles and guidelines:

Where appropriate, Companies should include the principles outlined above as contractual provisions in agreements with private security providers and ensure that private security personnel are adequately trained to respect the rights of employees and the local community. To the extent practicable, agreements between Companies and private security should require investigation of unlawful

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or abusive behavior and appropriate disciplinary action. Agreements should also permit termination of the relationship by Companies where there is credible evidence of unlawful or abusive behavior by private security personnel.

Companies should consult and monitor private security providers to ensure they fulfill their obligation to provide security in a manner consistent with the principles outlined above. Where appropriate, Companies should seek to employ private security providers that are representative of the local population.

Companies should review the background of private security they intend to employ, particularly with regard to the use of excessive force. Such reviews should include an assessment of previous services provided to the host government and whether these services raise concern about the private security firm's dual role as a private security provider and government contractor.

Companies should consult with other Companies, home country officials, host country officials, and civil society regarding experiences with private security. Where appropriate and lawful, Companies should facilitate the exchange of information about unlawful activity and abuses committed by private security providers.

**(End of Annex G)**

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

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

### **ARTICLE 1 – SCOPE**

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

**(End of Article 1)**

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

Each Participant shall have the undivided percentage interest specified under the Contract and/or as agreed by the Participants ("Participating Interest") in the following proportions.

- BP: fifty percent (50%);
- CNPC: twenty-five percent (25%);
- SOMO: twenty-five percent (25%).

Each Participant's Participating Interest shall not be less than three point seven five percent (3.75%). The Companies shall participate in proportion to their respective Participating Interest in all costs, expenses and liabilities incurred pursuant to this Contract or JOA and shall own, in the same proportion, the Contractor's rights under this Contract and the Participants' rights under the JOA.

**(End of Article 2)**

### **ARTICLE 3 – LEAD CONTRACTOR**

- 3.1 The Lead Contractor appointed in accordance with this Contract shall act for the Participants.
- 3.2 The Lead Contractor may, at any time resign as such by giving the Participants notice in writing. Lead Contractor shall cease to be Lead Contractor if: (a) it dissolves, liquidates or terminates its legal existence; (b) it becomes insolvent, bankrupt or is placed in receivership; (c) its Participating Interest is reduced to less than twenty two point five percent (22.5%); or (d) it takes no action within thirty (30) days after notification to it by a Participant to remedy a material breach of the JOA. Pursuant to Article 9.4 of this Contract, replacement of the Lead Contractor shall be subject to the prior approval of the SOC.

(End of Article 3)

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

- 4.1 An Operating Committee composed of representatives of the Participants shall be established and shall act for the entire duration of JOA to make decisions and establish joint policies and make proposals to be submitted to the SOC or the JMC, as well as to make any other decisions necessary or expedient for the orderly supervision and direction of the Petroleum Operations.
- 4.2 The decisions of the Operating Committee on all matters shall be made by the affirmative vote of the representatives of Participants having a combined voting right of at least seventy percent (70%), each Participant being entitled to have and to exercise through its representatives a voting right equal numerically to its Participating Interest. The Operating Committee shall also decide upon Contractor's representation in the JMC provided that Lead Contractor shall have at least two (2) of the members provided to Contractor and the State Partner shall have one (1) member.

(End of Article 4)

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

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

(End of Article 5)

#### **ARTICLE 6 – COSTS AND EXPENSES**

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

(End of Article 6)

#### **ARTICLE 7 – DEFAULTS**

- 7.1 Any Company that fails to pay when due its Participating Interest share of costs and expenses shall be in default (hereinafter referred to as "Defaulting Company"). The Operator shall as soon as practicable notify all Participants of such default and the

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Operator shall keep the Participants informed thereafter of material events in relation thereto. The amount not paid by the Defaulting Company shall bear interest from the date due until fully paid. After any default has continued for thirty (30) days, the Defaulting Company shall not be entitled to attend Operating Committee meetings or to vote on any matter coming before the Operating Committee during the period such default continues. Non-Defaulting Companies shall pay the defaulted amount on behalf of the Defaulting Company, in proportion to their Participating Interests or in any other proportion they may agree upon.

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

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

- 7.3 State Partner shall be carried by the Companies for its Participating Interest share of Petroleum Costs and Supplementary Costs. The amount so paid by the Companies on behalf of State Partner shall be fully recovered by the Companies from the Petroleum Costs and Supplementary Costs paid under this Contract.

**(End of Article 7)**

**ARTICLE 8 – WITHDRAWAL**

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

**(End of Article 8)**

**ARTICLE 9 – ASSIGNMENT**

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Each Participant may assign, subject to any requirement under this Contract, all or part of, its Participating Interest to an Affiliate without the consent of the other Participants; provided that such Participant shall remain responsible for the performance of the financial and other obligations under this Contract and the JOA to the same extent as if the transfer had not occurred and provided further that the assigning Participant shall timely notify the other Participants of any such assignment.

Without prejudice to the provisions of this Contract, no assignment of any interest under this Contract and the JOA to third parties may be made by any Participant without the written consent of the other Participants which consent shall not be unreasonably withheld. The assignment by a Participant of its interest under this Contract and the JOA to third parties shall be subject to SOC's approval and its pre-emptive right and to the preferential rights of the other Participants. The assignee shall be bound by this Contract and the JOA.

**(End of Article 9)**

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

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

**(End of Article 10)**

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

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

**(End of Article 11)**

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

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

**(End of Article 12)**

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

Within six (6) Months from the Effective Date, the Participants shall enter into the JOA which

shall embody the principles stipulated in this Heads of Agreement and it may include such other provisions as customarily used by international petroleum industry and shall continue in effect as long as this Contract is in effect.

**(End of Article 13)**

**(End of Addendum One)**

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

**ARTICLE 1 – DEFINITIONS**

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

**(End of Article 1)**

**ARTICLE 2 – SCOPE**

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

**(End of Article 2)**

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

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

**(End of Article 3)**

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

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

**(End of Article 4)**

**ARTICLE 5 – TRANSFER RATE**

Operator on behalf of Contractor shall have the right and the obligation to tender Crude Oil at the Transfer Point at a certain average rate as per the current approved production schedule for the Contract Area based on the approved Rehabilitation or Enhanced Redevelopment Plan. However, Operator in co-ordination with Transporter may transfer Crude Oil at a peak rate up to twenty percent (20%) above the approved average rate for temporary periods to compensate for any operational constraints. In the event that the throughput capacity of the pipeline system or the related facilities is constrained for unforeseeable incidents or unplanned maintenance or shut-downs the Parties shall agree in good faith a mechanism to maintain Contractor's Economic Position, which may include, amongst other things, an extension to the Term.

**(End of Article 5)**



**ARTICLE 6 – TRANSFER CONDITIONS**

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

**(End of Article 6)**

**ARTICLE 7 – MEASURING**

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

Operation and calibration of the metering equipment and procedures for measurement and sampling shall be in accordance with Best International Petroleum Industry Practices. The Parties shall agree the procedure(s) for measuring the volume and quality of Crude Oil and Export Oil, Contractor's right of (i) access to the Production and Delivery Measurement Points and (ii) witnessing calibration and testing of such Points.

**(End of Article 7)**

**ARTICLE 8 – TRANSPORTATION SYSTEM**

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

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handing Transportation Facilities over to Transporter. Operator shall provide Transporter with all documents and standard warranties provided by manufacturers relating to the said Facilities. Operator on behalf of Contractor and Transporter shall agree in advance on a procedure for smooth hand-over of the Transportation Facilities after completion and commissioning.

**(End of Article 8)**

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

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

**(End of Article 9)**

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

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

**(End of Article 10)**

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

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

**(End of Article 11)**

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

Within six (6) Months from the Effective Date, the Contactor shall enter into the Crude Oil Transfer Agreement with SOC and Transporter which shall embody the principles in this Heads of Agreement and it may include such other provisions as customarily used by international petroleum industry and shall continue in effect as long as this Contract is in effect.

**(End of Article 12)**

#### **ARTICLE 13- WAIVER OF SOVERIGN IMMUNITY**

Each of Contractor, Transporter and SOC hereto warrants that it has entered into these Heads of Agreement in a commercial capacity and that with respect to these Heads of Agreement it is in all respects subject to civil and commercial law. Each of Contractor, Transporter and SOC

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hereby consents generally in respect of any legal action, arbitration or other proceedings arising out of or in connection with these Heads of Agreement to the giving of any relief, or to the issue of any process in connection with such action or proceedings irrespective of the jurisdiction in question. Each Party and SOC hereby irrevocably and unconditionally and to the fullest extent permitted by law waives any rights of sovereign immunity which it may have now or which it may subsequently acquire in respect of its position or any property and/or assets (present or subsequently acquired and wherever located) belonging to it.

**(End of Article 13)**

**(End of Addendum Two)**

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

This Addendum Three is attached to and made part of the Technical Service Contract for the Rumaila Oil Field. Terms defined in this Contract shall have the same meanings for the purposes of this Heads of Agreement. The parties to the full agreement shall be the Parties to this Contract: SOC and Contractor.

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

- 1.1 Pursuant to Article 9 of this Contract, SOC and Contractor shall set up a non-incorporated joint operating entity. FOD shall have all the necessary authorities to enable it discharge its duties in this regard. The FOD shall be established promptly after the Effective Date, but shall fully take over the conduct of Petroleum Operations within twelve (12) Months from the Effective Date.
- 1.2 FOD shall conduct its activities in accordance with the provisions of this Contract, this Addendum Three and such agreements as may be entered into in the future by the parties to this Addendum Three.
- 1.3 Contractor and SOC shall agree, at least three (3) Months prior to FOD taking over operatorship, on the procedure to secure a smooth transfer of Petroleum Operations from SOC to FOD.

**(End of Article 1)**

**ARTICLE 2 – FOD NAME**

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

**(End of Article 2)**

**ARTICLE 3 – HEADQUARTERS OF FOD**

The FOD shall have its own head office distinct from that of SOC.

**(End of Article 3)**

**ARTICLE 4 – FOD OBJECTIVES**

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

Law.

(End of Article 4)

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

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

- 5.1 preparing the Rehabilitation Plan, the Enhanced Redevelopment Plan, and all Revisions, as well as Work Programs and Budgets and their Revisions;
- 5.2 supporting FOD in the implementation of Plans and Work Programs;
- 5.3 supporting FOD in connection with the use of advanced technology provided by Contractor in connection with Petroleum Operations, including where appropriate providing necessary technical experts, and field supervisors, and providing training to Operator with a view to allowing FOD to take the greatest responsibility practicable for the day-to-day conduct of such activities;
- 5.4 supporting FOD with respect to the organization of Engineering, Procurement, Installation and Construction procedures, including the establishment of contracting procedures in accordance with Best International Petroleum Industry Practices and relevant Laws and regulations of the Republic of Iraq;
- 5.5 supporting FOD and the JMC in connection with financial and accounting matters, including the organization of financing for Petroleum Operations and the negotiation of appropriate financing documentation; the implementation of internal control and financial reporting systems sufficient to allow compliance with the requirements of this Contract and applicable Laws of the Republic of Iraq; the negotiation of engagement arrangements with external auditors (subject to approval by the JMC) including the determination of the scope of work and remuneration of such auditors;
- 5.6 providing necessary administrative support with respect to the organization of activities of the JMC, including assistance in establishing operating procedures for meetings and written consents of the JMC members, assistance in preparing reports and presentations for the JMC, establishment of administrative support services for the JMC (maintenance of minute books, payment of reasonable expenses relating to meetings, furnishing of documents and information prior to JMC meetings);
- 5.7 providing such additional support as may be reasonably required in order to allow Petroleum Operations to be conducted in accordance with Best International Petroleum Industry Practices, and as may be approved or requested by the JMC; and
- 5.8 Contractor shall provide the foregoing services and support either by making personnel with relevant managerial, technical or financial expertise available to FOD, or by providing such services and support directly, or through an Affiliate, as determined by

the JMC.

**(End of Article 5)**

#### **ARTICLE 6 – FINANCING**

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

**(End of Article 6)**

#### **ARTICLE 7– FUNCTION OF FOD**

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

**(End of Article 7)**

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

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

- 8.1 overall supervision and control of the conduct of Petroleum Operations by FOD;
- 8.2 the establishment of the operating organisation and procedure;
- 8.3 the structuring of the accounting system and of the financial controls as well as the financial planning insofar as it is necessary to manage FOD;
- 8.4 the establishment of the procedures for the funding of Petroleum Operations by Contractor;
- 8.5 the appointment and replacement of the General Manager, the Deputy General Manager and the other senior divisional managers of FOD, and the definition of their respective powers, subject to the approval of the SOC which shall not be unreasonably withheld;
- 8.6 the establishment and update of the organisation chart of FOD, including the identification of the positions to be filled through secondment from SOC or Contractor, respectively, and those to be filled through direct employment or on a contractual basis. The Contractor should be prepared to fill positions within the FOD as and where required upon the request of the JMC, provided however that the Companies shall have the right to fill up to 15% of the positions with secondees from Contractor;
- 8.7 establishment of the employment procedures and personnel regulations of FOD; and

8.8 prior approval of the terms of the service or secondment agreements to be entered into by FOD with SOC and Contractor.

**(End of Article 8)**

**ARTICLE 9 – MANAGEMENT**

During its first two years of operation the FOD shall be managed by Joint Managing Directors, one appointed by each of the Lead Contractor and the SOC. Thereafter, management of the FOD shall be through a General Manager and Deputy General Manager, nominated initially by the Contractor and SOC respectively, with the nomination rights alternating every two years. Departmental Managers of FOD shall be appointed by the General Manager and Deputy General Manager. The General Manager shall be the chief executive officer of the FOD.

**(End of Article 9)**

**ARTICLE 10 – EMPLOYMENT REGULATIONS**

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

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

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

**(End of Article 10)**

**ARTICLE 11 – LIABILITY**

Liabilities shall be pursuant to this Contract.

**(End of Article 11)**

**ARTICLE 12 – DURATION OF FOD**

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

**(End of Article 12)**

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

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

**(End of Article 13)**

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

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

**(End of Article 14)**

**ARTICLE 15 – GOVERNING LAW AND ARBITRATION**

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

**(End of Article 15)**

**ARTICLE 16 – CONFIDENTIALITY**

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

**(End of Article 16)**

**ARTICLE 17 – EFFECTIVE DATE AND TERM**

These Heads of Agreement shall come into force on the Effective Date and shall continue in effect until the earlier of Contract expiry, Contract termination or upon the full FOD agreement taking effect. The full FOD Agreement shall be entered into no later than six (6) Months from the Effective Date.

**(End of Article 17)**

**(End of Addendum Three)**



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

This Addendum Four is attached to and made part of the Technical Service Contract of Rumaila Oil Field. Terms defined in this 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), SOC and Company.

**SPECIAL TERMS (PART 1)**

**ARTICLE 1 – DEFINITIONS**

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

"Parties" means Seller and Buyer.

"Buyer" means Company.

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

"SOC" means South Oil Company.

"Lifting Quarter" means the Quarter during which Export Oil is available for lifting by Company, under this Contract, at the Delivery Point where any Lifting Quarter in which Service Fees and Supplementary Fees are due and payable.

**(End of Article 1)**

**ARTICLE 2 – QUANTITY**

**2.1 Forward Quantity Statement**

No later than the first day of the first Month of the Quarter immediately preceding any Lifting Quarter, Company shall invoice SOC the outstanding Service Fees and Supplementary Fees due and payable to Company under the Contract as these will stand on the first day of the said Lifting Quarter. SOC shall review the invoice and will either confirm its accuracy, or advise Company of any errors. The invoice shall be agreed by Company and SOC the 15<sup>th</sup> of said first Month.

Accordingly, no later than the first day of the second Month, 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 Service Fees and Supplementary Fees due and payable to Company as agreed by SOC, divided by the relevant Export Oil Price which shall be determined in accordance with Article 18 of the Contract, applicable for the Month before the Forward Quantity Statement is furnished or for the preceding Month if the former is not available ("Provisional Price"). However, the volume of Export Oil to be lifted by Company in any Lifting Quarter shall not exceed the upper limit set for payment of due Service Fees and Supplementary Fees, and the balance of such Service Fees and Supplementary Fees, at the end of the said Lifting Quarter, shall be carried forward, all pursuant to Article 19 of the Contract and the Annex C.

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The price used for calculating the volume from each standard export quality for the first Lifting Quarter shall be based on the declared average of all destinations of SOMO's official Export Oil Price for that quality to be lifted during any Month of the said Quarter.

The volumes of the different qualities of Export Oil to be lifted by the Buyer in a Lifting Quarter shall be in the same proportion as the different qualities of Net Production from the Field during the Quarter, or as otherwise agreed between the Seller and the Buyer.

SOC shall review the Forward Quantity Statement, and will either confirm its accuracy, or advise Company of any errors in the calculation of the volumes to be lifted. The nominal quantity agreed for each Month may be varied by up to plus or minus five percent (5%) as operational tolerance at the time of actual loading. Actual quantity lifted is based on net bill of lading.

For smooth and timely lifting and reporting under these Heads of Agreement, the Parties may establish a specialized "Joint Committee" with representatives from SOC, Company, and SOMO.

## 2.2 Lifting Statement

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

## 2.3 Option to Deliver Excess Volumes

The Parties may, at their option, elect to 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 Article hereunder will reduce the outstanding balance of due Service Fees and Supplementary Fees under the Contract, as reflected in the then most current Quarterly report. If either of the Parties wish to exercise this option to deliver excess Export Oil in any Lifting Quarter, it must notify the other Party of such election no later than the first day of the second Month of the preceding Quarter and the other Party must confirm its agreement no later than ten (10) days after such notice.

**(End of Article 2)**

## **ARTICLE 3 – DELIVERY**

FOB relevant Iraqi loading terminal.

**(End of Article 3)**

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

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

**(End of Article 4)**

#### **ARTICLE 5 – PRICE**

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

**(End of Article 5)**

#### **ARTICLE 6 – PAYMENT**

The Proceeds receivable by the Seller under these Heads of Agreement shall be used to reduce the amounts owed to the Buyer by the SOC under the Contract and, therefore, no payments to the Seller are required for such Export Oil deliveries.

**(End of Article 6)**

#### **ARTICLE 7- COMPLIANCE WITH LAWS**

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

**(End of Article 7)**

#### **ARTICLE 8 – INTERNATIONAL CODE FOR THE SECURITY OF SHIPS AND OF PORT FACILITIES (ISPS Code),**

- 8.1 The Buyer shall procure that its nominated vessel (the “Vessel”) shall comply with the requirements of the International Code for the Security of Ships and of Port Facilities and the relevant amendments to Chapter XI of SOLAS (ISPS Code),
- 8.2 The Vessel shall when required submit a Declaration of Security (DoS) to the appropriate authorities prior to arrival at the loading port.
- 8.3 Notwithstanding any prior acceptance of the Vessel by the Seller, if at any time prior to the passing of risk and title the Vessel ceases to comply with the requirements of the ISPS Code:
  - a) the Seller shall have the right not to berth such nominated Vessel and any demurrage resulting shall not be for the account of the Seller.
  - b) The Buyer shall be obliged to substitute such nominated Vessel with a Vessel complying with the requirements of the ISPS Code.
- 8.4
  - a) The Seller shall procure that the loading port/terminal/installation shall comply with the requirements of the ISPS Code.

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- b) Any costs or expenses in respect of the Vessel including demurrage or any additional charge, fee or duty levied on the Vessel at the loading port and actually incurred by the Buyer resulting directly from the failure of the loading port/terminal/installation to comply with the ISPS Code, shall be for the account of the Seller, including but not limited to the time required or costs incurred by the Vessel in taking any action or any special or additional security measures required by the ISPS Code.
- 8.5 Save where the Vessel has failed to comply with the requirements of the ISPS Code, the Seller shall be responsible for any demurrage actually incurred by the Buyer arising from delay to the Vessel at the loading port resulting directly from the Vessel being required by the port facility or any relevant authority to take any action or any special or additional security measures or undergo additional inspections.

**(End of Article 9)**

#### **ARTICLE 9- RECORDING, RETENTION AND MONITORING OF COMMUNICATIONS**

- 9.1 Each Party hereby acknowledges to the other Party and consents that such other Party may from time to time and without further notice and to the extent permitted by applicable laws:
- (a) record and retain electronic transmissions (including telephone conversations, e-mail and instant messaging between the parties' respective representatives on central and local databases for their respective legitimate purposes; and
  - (b) monitor electronic transmissions through their internal and external networks for purposes of security and compliance with applicable laws, regulations and internal policies for their other legitimate business purposes.

**(End of Article 9)**

#### **ARTICLE 10- UN CONVENTION**

The United Nations Convention on Contracts for the International Sale of Goods of Vienna, 11th April 1980, shall not apply to these Heads of Agreement.

**(End of Article 10)**

#### **ARTICLE 11- SOVEREIGN IMMUNITY**

Each Party and SOC hereto warrants that it has entered into these Heads of Agreement in a commercial capacity and that with respect to these Heads of Agreement it is in all respects subject to civil and commercial law. Each Party and SOC hereby consents generally in respect of any legal action, arbitration or other proceedings arising out of or in connection with these Heads of Agreement to the giving of any relief, or to the issue of any process in connection with such action or proceedings irrespective of the jurisdiction in question. Each Party and SOC hereby irrevocably and unconditionally and to the fullest extent permitted by law waives any rights of sovereign immunity which it may have now or which it may subsequently acquire in respect of its position or any property and/or assets (present or subsequently acquired and wherever located) belonging to it.

**(End of Article 11)**

**ARTICLE 12 – NO USE OR DESTINATION RESTRICTION**

The Buyer shall not be prohibited from any re-selling of the Export Oil to any counterparty in any jurisdiction.

**(End of Article 12)**

**ARTICLE 13 – EXPORT OIL SALES AGREEMENT**

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

**(End of Article 13)**

**ARTICLE 14- GENERAL TERMS AND CONDITIONS (PART 2)**

All other terms and conditions in Seller's General Terms and Conditions for Export Oil Sale/Purchase Contracts dated (*date to be added*) ("GTC") apply, except as amended in the special conditions here-above.

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

**(End of Article 14)**

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

<b>Export Oil Lifting and Reporting (Assuming first lifting in January)</b>			<b>No Later Than</b>
Quarter preceding First Lifting Quarter	Oct.	Quarterly Service Fees and Supplementary Fees Reports agreed (for next Quarter)	15 <sup>th</sup>
	Nov.	Forward Quantity Statement for First Lifting Quarter (Price = October price)	1 <sup>st</sup>
	Dec.	January crude nomination (acceptance of all Month nominations by 20 <sup>th</sup> )	10 <sup>th</sup>
First Lifting Quarter	Jan.	February crude nomination Quarterly Service Fees Report agreed	10 <sup>th</sup> 15 <sup>th</sup>

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

(End of Addendum Four)