

IRAQI

Oil Revenues 2012

Oil Export, Local Consumption and Field Development



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Iraqi Extractive Industries Transparency Initiative (IEITI)

Executive Summary

Iraqi Extractive Industries Transparency Initiative (IEITI)

Executive Summary

On 10 February 2010, Extractive Industries Transparency Initiative (EITI) Board accepted Iraq as an EITI Candidate country. The first EITI report was published in December 2011. On 12 December 2012, Iraq was announced as an EITI compliant country.

As part of the continuous implementation of the Extractive Industries Transparency Initiative (EITI) in Iraq, reconciliation would need to include the following:

- revenues and payments reported by Iraqi governmental entities, international crude oil buying companies and international oil field developing extractive companies
- oil production and oil export quantities reported by Iraqi governmental entities, national and international oil companies, in addition to third party verification companies
- oil and gas quantities for local consumption reported by Iraqi governmental entities, national gas companies, national oil companies, electricity generation directorates and refineries
- revenue from mining production reported by Iraqi governmental entities and national mining companies
- mining production quantities reported by Iraqi governmental entities and national mining companies
- Net revenue from sale of oil products to the local market as reported by Ministry of Finance and Oil Products Distribution Company.

This report summarizes the results of these reconciliation processes, in addition to, information pertaining to the Oil and Gas Sector and the Extractive Industries in Iraq. It does not include reconciliation of data related to the extractive industries (including oil & gas) in Kurdistan Region. This data was requested from the Kurdistan Regional Government but it was not provided, however, IEITI Stakeholder Council has requested the inclusion of information about the extractive industry in KRG based on publicly available information. Chapter 8 of the report was dedicated for that purpose and all information included in that chapter was based on information obtained through searches made on public websites and resources with references included as footnotes. Accordingly, the information included in that chapter were not subject to the data collection and reconciliation processes adopted for purposes of this report. IEITI Stakeholder Council assumes no responsibility for the information contained in Chapter 8.

The report covers Iraq's crude oil export sales as reported by Iraqi Oil Marketing Company (SOMO), which formed most of Iraq's federal budget and foreign exchange earnings for 2012. It covers as well all payments made and revenues received with regard to crude oil exports during the financial year 2012, which amounted to US\$94 billion, and had resulted from crude oil sales to 43 international crude oil buyers. In addition, the report covers the reconciliation of the internal service payments made by the Government of Iraq as reported by the national oil companies and the Ministry of Oil.

Oil and gas production and the related cost recovery, signature bonuses, remuneration fees and corporate taxes were also covered in this report for the year 2012. Total crude oil production during 2012 amounted to 1,054.6 million barrels produced from all operating oil fields in Iraq except for the Kurdistan Region as we were not provided with the required information by KRG. Exported crude oil quantities amounted to 886.9 million barrel and crude oil quantities supplied to refineries and electricity generation directorates amounted to 215.6 million barrel and 21.1 million barrel respectively.

Iraq's exports are formed mainly of crude oil which accounts for more than 99% of its exports for the year 2012. According to Iraqi's Ministry of Planning reports, crude oil exports for the year 2012 amounts to US\$ 94.03 billion as compared to total exports for the same year of US\$ 94.39 billion. According to the same reports, crude oil is the only exported extractive product.

Other exports include oil products such as fuel oil (US\$ 38.9 million), distillation residue (US\$ 29.2 million) and other oil products (US\$ 1.9 million) in addition to other commodities amounting to US\$ 294 million.

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Executive Summary (continued)

Crude oil represents 49.9% of Iraq's GDP for year 2012 (2011: 52.72%, 2010: 44.70%, 2009: 42.54%) while other mining products' share does not exceed 0.31% of GDP for the same year (2011: 0.34%, 2010: 0.41%, 2009: 0.43%).

The gross estimated revenue as per the Budget Law of the Federal Government of Iraq for year 2012 was IQD 102,326,898,000,000, 97% of which represents other revenues which include oil sales. According to the aforementioned law, other revenues which include revenue from oil sales amount of IQD 99,657,735,200,000.*

The table below shows an overall reconciliation of crude oil for the year 2012. The figures presented in this reconciliation are based on a draft reconciliation prepared by the Ministry of Oil but that has not been issued as final.

	Quantity (Million Barrels)
Inventory beginning balance **	52.3
Add:	
Production ***	1,054.6
Received surplus **	51.0
Received from KRG **	22.3
	1,127.9
Less:	
Export ***	(886.9)
Quantities supplied to refineries ***	(215.6)
Quantities supplied to electricity generation directorates ***	(21.1)
Oil in pipes and in transit **	(3.6)
Losses **	(0.3)
	(1,127.5)
Inventory ending balance **	(51.8)
Difference	0.9

According to the Ministry of Oil, the difference of 0.9 million barrel (surplus) is attributed to differences in the ending inventory for the months of May and June.

As reported in the notes to the DFI financial statements for the year ended 31 December 2012 (figures presented in US\$ thousand), crude oil shipments lifted by the International Oil Companies during the year ended on 31 December 2012 (in accordance with their service contracts) were not included as part of total export sales of petroleum in the statement of proceeds of oil export sales since these proceeds will not be collected in cash. A committee was formed which was chaired by the Ministry of Finance and membership of Central Bank of Iraq and Ministry of Oil to decide on the suitable mechanism to ensure the payment of amounts due to the DFI in respect of the crude oil shipments lifted by the IOCs. The Committee resolved that the Central Bank of Iraq is to transfer the full value of oil lifted to the OPRA. The total value of oil exports by IOCs amounted to US\$5,249,233 during the year ended 31 December 2012. The value of in-kind crude oil shipments lifted by IOCs is comprised of cost recovery and remuneration fees. The process of disaggregating this amount into its components of cost recovery and remuneration fees is not possible as explained by SOMO and the Ministry of Oil.

* This information was obtained from "Alwakaai' Al Iraqi" Journal Official number 4233 dated 12 march 2012. <http://www.moj.gov.iq/uploaded/4233.pdf>

** These figures were obtained from a draft reconciliation prepared by the Ministry of Oil.

*** These figures are the result of the reconciliation performed for the year 2012 and agree with the figures presented in the draft reconciliation prepared by the Ministry of Oil.

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Executive Summary (continued)

Reconciliation of exported crude oil quantities was performed between the quantities reported by the Ministry of Oil and SOMO. Not receiving the required information from third party verifiers, despite extensive follow-up efforts from the reconciler, IEITI Secretariat, SOMO and MoO, hindered our efforts of completing the reconciliation with them. Alternatively, reconciliations of exported crude oil quantities were performed as reported by Ministry of Oil, SOMO, and buyers.

The report does not include reconciliation of revenue and production of the Iraqi mining sector as no data was provided by the Ministry of Industry & Minerals. In addition, no data was provided by 5 out of 9 national mining companies, this is despite extensive follow-up efforts from the reconciler and IEITI Secretariat.

In addition, the report covers oil and gas locally consumed by electricity generation directorates, national gas companies and refineries.

As compared to the report of year 2011, a reconciliation of the oil and gas quantities locally supplied to electricity generation directorates was performed by the electricity generation directorates (six in number) and the Oil Pipeline Company and handed to us. Although receiving this data was an achievement and an improvement to the 2012 report, as compared to 2011 report, not receiving it directly and separately from the concerned entities to carry out the reconciliation work jeopardies the credibility of data reported by these entities and ultimately its reconciliation.

Reconciliation of net revenue from sale of oil products to the local market was performed between the amounts reported by the Ministry of Finance and the Oil Products Distribution Company.

Reconciliation differences disclosed in this report are mainly attributed to timing differences in recording transactions by the different entities. In addition, some of these differences are attributed to adopting a cash basis of accounting instead of accrual basis of accounting.

The Stakeholder Counsel of the Iraqi Extractive Industries Transparency Initiative (IEITI) has reviewed and provided a commentary regarding the draft report of year 2012. On 25 December 2014, the Stakeholder Counsel held a meeting during which the draft report was presented, discussed and approved.

Despite some delays, all concerned Government Entities and State Owned Companies have participated in the process except for the Ministry of Industry and Minerals and some of its affiliated companies despite extensive follow-up efforts from the reconciler and IEITI Secretariat.

The table below shows a total difference of US\$895.6 million between the data as reported by SOMO and the buyers. This difference represents the total summation of several differences between buyers and SOMO. These differences were explained during the course of the reconciliation process.

Amount Reported by SOMO US\$	Amount Reported by Buyers US\$	Differences explained US\$	Without reporting from counterparty US\$
94,032,633,453	93,136,980,753	895,652,700	-

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Executive Summary (continued)

Furthermore, the table below shows a difference of US\$160.8 million between data reported by Petroleum Contracts & Licensing Directorate (PCLD) and the data reported by the International Oil Companies (IOCs) with respect to cost recovery and remuneration fees. This difference was explained during the course of the reconciliation process.

Amount Reported by PCLD US\$	Amount Reported by IOCs US\$	Differences explained US\$	Without reporting from counterparty US\$
7,084,270,641	6,923,435,851	160,834,790	-

As for internal service payments reconciliation, there were no discrepancies in the data reported by the Ministry of Oil and national oil companies. This is clearly illustrated in the table below.

Amount report by MoO US\$	Amount reported by National Oil Companies US\$	Differences explained US\$	Without reporting from counterparty US\$
1,454,545,453	1,454,545,453	-	-

The reconciliation processes carried out included many challenges especially for the part related to data collection. The inability to obtain the required information from some entities have posed significant challenges to reconciliation efforts. In light of these challenges, alternative reconciliation procedures were adopted and carried out. Our experience in that regard and the lessons learned from this process including recommendations for the future have been summarized and presented in Chapter 9.



Iraqi Extractive Industries Transparency Initiative (IEITI)

Terms and Abbreviations

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Terms and Abbreviations

API	The American Petroleum Institute gravity measure which indicates the specific gravity of oil at 60 degree Fahrenheit
Barrel	A quantity consisting of forty two (42) United States Gallons under a pressure of 14.7 pound per square inch and a temperature of sixty (60) degrees Fahrenheit
BCM	Billion Cubic Meter
BOE	Barrel of Oil Equivalent
BSA	Board of Supreme Audit
Calendar Month / Month	In respect of any month in a calendar year, a period commencing on the first day of that month and ending on the last day of the same month
Calendar Year / Year	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
Crude Oil	All hydrocarbons regardless of gravity which are produced and saved from the Contract Area in the liquid state at an absolute pressure of fourteen decimal seven (14.7) pounds per square inch and a temperature of sixty (60) degrees Fahrenheit, including asphalt, tar and the liquid hydrocarbons known as distillates or condensates obtained from natural gas at facilities within the field other than a gas plant
CBI	Central Bank of Iraq
COFE	Committee of Financial Experts
CPA	Coalition Provisional Authority
Destination	The place to which oil is shipped or directed
DFI	Development Fund for Iraq
Dinar or Iraqi Dinar or IQ	The currency of the Republic of Iraq
Dollar or US\$	Dollar of the United States of America
Due date	The date on which an obligation must be repaid
Export Oil	A standard blend of crude oil of nearest quality to the crude oil stream produced from the field, out of which a contractor may lift at the delivery point for the value of its due service fees under the contract
Export Oil Price	The price per barrel of export oil that is free on board (FOB) at the delivery point
FDI	Foreign Direct Investments
FOD	Field Operating Division
FRBNY	Federal Reserve Bank of New York
GDP	Gross domestic product
Government or Gol	The Government of the Republic of Iraq
HSE	Health, Safety and Environment
IAMB	International Advisory Monitoring Board
IEITI	Iraqi Extractive Industries Transparency Initiative
IAMB	International Advisory Monitoring Board
Internal consumption	Oil used for domestic purposes
IOCs	International oil companies (international field development oil companies)
JMC	Joint Management Committee
KRG	Kurdistan Regional Government
LC	Letter of credit

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Terms and Abbreviations (continued)

Loading Date	The date of flanges of the relevant offshore loading terminal(s) in Iraqi and Turkish seaports where a contractor may lift export oil
LPG	Liquid petroleum gas
MIM	Ministry of Industry and Minerals of the Republic of Iraq
MdOC	Midland Oil Company of the Republic of Iraq
MdR	Midland Refineries Company
MNR	Ministry of Natural Resources (KRG)
MOC	Missan Oil Company of the Republic of Iraq
MoF	Ministry of Finance of the Republic of Iraq
MoO	Ministry of Oil of the Republic of Iraq
NA	Not Available
N/A	Not Applicable
NOC	North Oil Company of the Republic of Iraq
NR	North Refineries Company
OPEC	Organization of the Petroleum Exporting Countries
OPRA	Oil Proceed Receipt Account
PCLD	Petroleum Contracts and Licensing Directorate
Production Measurement Point / PMP	The point within the field as agreed by the parties, where the volume and quality of crude oil produced and saved from the field is measured
RFB	Remuneration fees per barrel
ROC	Regional Oil Company
Signature Bonus	The payment of a fee by an IOC to a host government, upon signing a concession license agreement (or technical service contract) with a national oil company or local oil company
SOC	South Oil Company of the Republic of Iraq
SR	South Refineries Company
SOMO	Iraq Oil Marketing Company. An Iraqi entity established under and governed by the laws of Iraq, and having monopoly on oil exports
Tax Year	The period of twelve (12) consecutive months according to the Gregorian Calendar for which tax returns or reports are required according to any applicable tax laws and regulations in Iraq
TPAO	Turkiye Petrolleri Anonim Ortakligi
MMSCFD	Million Metric Standards Cubic Feet a Day



Iraqi Extractive Industries Transparency Initiative (IEITI)

Introduction

Iraqi Extractive Industries Transparency Initiative (IEITI)

1. Introduction

1.1 Background: the EITI and Iraq

- 1.1.1 The Extractive Industries Transparency Initiative (EITI) sets a global standard for transparency in the oil, gas and mining industries. EITI's objective is to achieve a standard for review, analysis and publication of revenue flow between extractive industry companies and governments. In this manner, EITI aims to promote transparency in order to prevent corruption, and to provide citizens with a basis for demanding a fair use of revenue. Transparency is also expected to attract and enhance foreign direct investments.

EITI in Iraq

- 1.1.2 In May 2008, the Government of Iraq made a commitment of implementing EITI. In January 2010, Prime Minister Nouri Al Maliki declared Iraq's commitment to EITI in an event launched by Iraqi Extractive Industries Transparency Initiative. In February 2010, the EITI International Board announced that Iraq became an EITI candidate country.
- 1.1.3 Iraq had about 140,300 million barrels of proven oil reserves and 3,158 BCM of gas reserves in 2012 (3.3% of OPEC total gas reserves), and (11.68% of OPEC total oil reserves). (Source: OPEC 2013 Annual Statistical Bulletin)
- 1.1.4 As part of its implementation of the EITI, the Government of Iraq committed itself to publishing all revenues from its export sales from the Oil Sector. In addition, international companies buying oil from Iraq shared the same commitment of publishing what they have paid to the Government. A Board of Trustees (IEITI Stakeholders Council), consisting of representatives of the Government of Iraq, Iraqi monitoring bodies, Iraqi Professional Unions, National Oil Companies, International Extractive Oil Companies and Iraqi Civil Society Organization, will review the reported information, which will then be published in an EITI report.
- 1.1.5 The first IEITI report was published in December 2011. On 9 August 2012, the IEITI Stakeholder Council agreed on a final validation report. The EITI Board had reviewed the report and on 12 December 2012 announced Iraq as an EITI compliant country.
- 1.1.6 The second and third IEITI reports covering the years 2010 and 2011 were issued on 31 January 2013 and 30 December 2013 respectively.

Iraqi Extractive Industries Transparency Initiative (IEITI)

1. Introduction (continued)

1.2 *The Iraqi Government's revenues from extractive industries in 2012*

- 1.2.1 The extractive industries in Iraq are state-owned, where national oil and gas companies, national mining companies and SOMO are 100% state-owned, financed by the Government and their financial statements are audited by the Board of Supreme Audit. IEITI focuses on disclosing Iraq's revenues from export sales of crude oil, corporate taxes from extractive companies signature bonuses from the IOCs and internal service payments. The scope of the initiative also includes crude oil used for internal consumption distributed to refineries, electricity generation directorates and national gas companies, in addition to revenues from the Mining Sector and net revenue from sale of oil products to the local market.

1.3 *What cash inflows are included in the IEITI reconciliation for financial year 2012 and how has the process been governed?*

- 1.3.1 This report covers Iraq's Financial Year 2012 crude oil export sales (including all payments made and revenues received), in addition to signature bonuses received from the IOCs.
- 1.3.2 The report presents disaggregate data from all extractive companies operating in Iraq, with the exception of KRG, in addition, it covers cash inflows from internal oil consumption and oil product sales to the local market and other mining industries, and disaggregate data from all governmental agencies, and the underlying data reported by companies and the Government. The reporting and reconciliation process have been governed by the reporting process terms of reference.

1.4 *The discussion by the IEITI Stakeholder Council regarding materiality*

- 1.4.1 During its meeting held on 21 August 2013, the IEITI Stakeholder Council decided to adopt the following materiality level for the 2012 reporting process:
1. Crude oil buying companies are required to provide information on their purchases
 2. IOCs are required to provide information on their signature bonuses, service payments and settled taxes
 3. Crude oil and gas used for internal consumption should be declared by refineries, electricity generation directorates and national gas companies
 4. Revenues and mining production quantities reported by the different entities operating in the Mining Sector

All discrepancies that equal to or exceed 1% of total amount of each caption should be analyzed and reported.

1. Introduction (continued)

1.5 Content and objective of this report

- 1.5.1 This report summarizes the results of the fourth year's reconciliation of Iraq's 2012 petroleum and other extractive activities. The reconciliation is comprised of cash inflows for the fiscal year ended on 31 December 2012.
- 1.5.2 This report consists of nine chapters. Chapter 1 introduces the EITI and its objectives, Iraq's implementation of the initiative and the reconciliation logic and process presented in this report. Chapter 2 presents the oil sale process. Chapter 3 highlights oil field developing extraction activities - licensing rounds. Chapter 4 presents the reconciliation processes. Chapter 5 sets out the results of the reconciliation. Chapter 6 presents Iraq's Mining Industry. Chapter 7 presents a market research prepared by SOMO. Chapter 8 presents an insight on the extractive industries of KRG. Finally, Chapter 9 summarizes the lessons learned from the reconciliation process.
- 1.5.3 In this report, the amounts are stated in thousand US Dollars (US\$), unless otherwise stated.
- 1.5.4 The information presented is the responsibility of the reporting entities as listed in appendix 1. Procedures carried out by the reconciler do not constitute either an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, and therefore, we do not express any assurance on the reported data. Had we performed an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you. Ernst & Young assumes no responsibility whatsoever in respect to or arising from or in connection with the contents of this report to parties other than the IEITI. Accordingly, regardless of the form of action, whether in contract, tort or otherwise, and to the extent permitted by the applicable law, Ernst & Young accepts no liability of any kind and disclaims all responsibility for the consequences of any person acting or refraining to act in reliance on the contents of this report, or for any decisions made or not made which are based upon the contents of this report. If others choose to rely, in any way, on the contents of this report, they do so entirely at their own risk.

1.6 The Oil and Gas Industry in Iraq

- 1.6.1 Iraq is at the forefront of EITI implementation in the Middle East Region, following Yemen which is the only other country implementing EITI in the Region. In compliance with the UN sponsored Development Fund for Iraq (DFI), its Oil and Gas Sector is already under public scrutiny, in which the Ministry of Oil regularly publishes on its website and local media, all hydrocarbon production data and externally audited exports revenues.

1. Introduction (continued)

- 1.6.2 Iraq's Oil and Gas Sector account for most of the GDP, public revenues and its foreign exchange earnings. It is, therefore, central to Iraq's fiscal position and critical to the vitality of the Iraqi economy and the ongoing reconstruction efforts of the country, particularly with regard to oil, gas, and power infrastructure and development. Crude oil accounts for 49.9% of Iraq's GDP for the year 2012 (2011: 52.72%, 2010: 44.70%, 2009: 42.54%) while other mining products' share does not exceed 0.31% of GDP for the same year (2011: 0.34%, 2010: 0.41%, 2009: 0.43%).
- 1.6.3 Although Iraq has approximately 9.49% of the world's proven oil reserves (140,300 million barrels) and major natural gas reserves (at least 3,158 BCM, estimated to be 3.3% of the world total), actual oil production during the last ten years has only been around 2.0 - 2.4 million barrels per day (compared to a peak of about 4 million barrels per day in the 1970's). In the aftermath of the conflicts affecting Iraq in the 1990's and especially during the last ten years, oil production has plummeted (although current high oil prices have allowed Iraq to rather maintain its fiscal position) and production, transport, storage and export infrastructure have greatly suffered over the past two decades. This is due to the lack of proper and appropriate maintenance in place, which had resulted from the lack of capital for its development and, naturally, from war-related damages and acts of sabotage.
- 1.6.4 The Government of Iraq is focused and committed to the sound management and optimal performance of the Oil and Gas Sector, being the principal driver of the Iraqi economy. This includes prioritizing policy for the Oil and Gas Sector, adapting the legal framework to the global energy environment, and sustaining efforts to rehabilitate the country's oil production, transport, storage, and export infrastructure. Therefore, the Government considers that only the full and optimal development of its oil and gas reserves will enable Iraq to fully benefit from its large resource base, in a manner commensurate with its unrealized potential. In this respect, the efforts of the Government of Iraq to award service contracts to International Oil Companies (IOCs) through four rounds of bidding, which were held in June 2009, December 2009, October 2010 and May 2012, had facilitated and enabled the country to develop new oil and gas fields, reverse declining output, and increase production from its existing oil and gas fields.

1.7 Institutional Framework for the Petroleum Sector in Iraq

- 1.7.1 The Ministry of Oil is at the apex of the Oil and Gas Sector of the Federal Government, where it handles all aspects pertaining to policy, regulation, exploration, production, marketing of oil and gas.
- 1.7.2 In addition to the Ministry of Oil and Oil Marketing Company (SOMO), the key components of this structure includes:
- South Oil Company
 - North Oil Company
 - Missan Oil Company
 - Midland Oil Company

Iraqi Extractive Industries Transparency Initiative (IEITI)

1. *Introduction (continued)*

- 1.7.3 In addition, other major components include exploration and drilling, research and development, transport, pipeline companies, refinery companies, gas companies, storage and export terminals among others.
- 1.7.4 The latter, although called “companies”, possess some degree of operational autonomy, but are not as of yet, independent corporate structures in the generally accepted sense. Indeed, the Iraqi Government has plans for major reforms including (i) the reorganization of the Ministry of Oil functions and structures, (ii) Public-private partnerships with ‘Bona Fide’ international operators, in addition to strategic alliances with international oil companies, both upstream and downstream of the value chain.
- 1.7.5 The current type of the centralized structure, where the Government through the Ministry of Oil owns, produces, transports, sells and accounts for all the oil produced and exported or used domestically, is a comparatively unique framework amongst the current EITI countries, and in which it poses certain implications of how EITI is designed and implemented in Iraq, as discussed further below.
- 1.7.6 Central Iraq’s Oil and Gas Sector is dominated by the four National Oil Companies and in which the Government is the major operator. Nonetheless, many IOCs are moving in by means of service contracts, in order to improve hydrocarbon production from existing producing fields. Other IOCs are moving in as well holding production service contracts in promising exploration and production areas.
- 1.7.7 These activities will substantially increase the need to reconcile “payments and revenues” in accordance with the EITI’s criteria, which were developed and tailored to reflect the evolving state of upstream oil and gas exploitation in Iraq. This is also where metering at critical points of the chain is of the essence. Moreover, the Ministry of Oil will need to adhere to such rigorous criteria for downstream activities, in which they were also tailored to match Iraq’s current situation.



Iraqi Extractive Industries Transparency Initiative (IEITI)

Oil Sales Process

2. Oil Sales Process*

- 2.1 SOMO is the sole and official exporter of Iraq's crude oil, established in accordance with Public Companies Law No. 22 of 1997. It aims to contribute to the support of the national economy through marketing of crude oil and natural gas outside Iraq in addition to the marketing of crude oil inside Iraq. Its activities include importing LPG and other products for domestic consumption, to maximize Iraq's economic resources and development. It is, therefore, geared towards the more stable and long-term market, rather than the volatile spot market.
- 2.2 Towards achieving these goals, SOMO has adopted a set of standards, principles and mechanisms summarized as follows:

2.3 *Criteria for the allocation of the quantity of crude oil available for export to companies:*

- 2.3.1 The main eligibility criterion for companies to purchase Iraq's crude oil is for these companies to be end-users/consumers. The eligibility criteria are summarized as follows:
- Large international oil companies, vertically-integrated medium sized oil companies (government owned or independent), and top-rated international petroleum companies capable of refining and have extensive distribution networks in various countries
 - Refining companies specializing in the manufacturing and distribution of petroleum products
 - National companies established to purchase crude oil for the benefit of national refineries (e.g. Japanese, Indian, Italian and Chinese national companies)

2.4 *The basis for determining the allocation of quantities of crude oil available for export to qualifying companies:*

- 2.4.1 SOMO bases its allocation of the quantity of crude oil, which is designated for sale to a qualifying company, on a set of similar principles applicable to all buyers defined as follows:
- All quantities of crude oil designated for export (after allocation of crude oil quantities needed for domestic use by refineries and power plants) are sold in global markets according to global price formulas in order to achieve maximum return on Iraq's resources
 - Priority, in terms of allocation, is given to qualified companies that have large refining capacities, as these companies are able to withstand sudden price fluctuations and, at the same time, maintain the demand for Iraqi crude oil over the long-term
 - This policy intends to ensure even distribution of Iraqi oil throughout the major global markets (American, European and Asian markets) under a sound and an adjustable allocation system. This enables exports to increase in a manner that meets world demand

* Sections 2.3 to 2.5.5 were prepared based on information provided by SOMO.

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2. Oil Sales Process (continued)

2.5 Contracting mechanism and the method used to implementing crude oil export contracts

2.5.1 SOMO's contracts* with qualified companies are semi-annual, annual or long term contracts and are designed to operate according to the following process:

2.5.2 Contract Mechanism:

1. SOMO directly invites all oil companies who meet the criteria set out in section 2.1 (those who have valid contracts or were recently identified through the selection process) to submit their projected quantity needs of Iraqi oil
2. SOMO only reviews the companies' projected quantity needs that are provided via the official communication of the respective company. SOMO does not deal with requests through brokers, agents, international organizations, or diplomatic missions operating in Iraq or abroad. Final quantity allocation to qualifying companies is made in accordance with oil selling criteria described above
3. SOMO also receives a number of requests (via e-mail) from companies, brokers, agents and international organizations (other than those previously identified and directly invited) indicating their interest in buying Iraqi crude oil. The following procedures are performed by a technical committee (formed by an administrative order) comprised of specialists from SOMO:
 - Study the activities of the companies or the institutions that have made oil purchase requests in order to establish whether they comply with the principles and criteria applicable to the contracts with regard to the purchase of Iraqi crude oil
 - Companies and institutions that are excluded on this basis are notified of the reason of their exclusion and are placed on the list of companies that are not eligible. Eligible companies and institutions are listed on the allocation tables under the new companies caption
 - These tables are presented to SOMO's Board of Directors and to the Ministerial Committee which reviews and approves the Technical Committee's decisions
4. After obtaining the Minister of Oil's approval on the allocated quantities, eligible companies and institutions are notified of the allocated quantities. Upon approval of SOMO's contractual terms, contracts are finalized and qualified companies and institutions are added to the list of qualified buyers of Iraqi crude oil

* Appendix 6 includes SOMO Crude Oil Sale Contract template.

2. Oil Sales Process (continued)

2.5.3 Contract implementation:

1. The execution of the contract begins when the Shipping & Quantities Division and the Financial Commercial Division of SOMO are provided with the contract execution details
2. SOMO sets the date on which the shipments should be loaded and requests the purchasing company to inform the carrier to make all necessary arrangements in order to load the shipment in a timely manner. The purchasing company officially informs SOMO of the nominated carrier. In turn, SOMO would need to approve the carrier depending on the carrier's technical specifications and the specifications of the loading port
3. The purchasing company issues an irrevocable letter of credit through a recognized bank to the benefit of the Central Bank of Iraq, prior to approving the carrier and not less than seven days of that date. The letter of credit should be issued for not less than the estimated amount of the shipment. SOMO then instructs the loading port to load the vessels, with an emphasis on the fact that the destination of the shipment may not be amended once the letter of credit is issued
4. After completion of loading, the port issues a bill of lading which includes the quantity loaded, the degree of density (API Gravity), date, and the final destination of shipment in addition to other related documents
5. Afterwards, SOMO calculates the barrel's final price in accordance with the terms of the contract and informs the purchasing company in order for the company to settle the value of the shipment within 30 days from the bill of lading date
6. Crude oil is not sold on the basis of a fixed price or a discount or a specific premium. It is sold using a standard pricing mechanism for each market, globally known as the official selling price

Source: Oil Marketing Company (SOMO)

2.5.4 Pricing Procedure:

- 2.5.4.1 SOMO uses the Official Selling Price (OSP) for crude oil export sales to enhance the transparency when dealing with its buyers, and to avoid price negotiations with buyers through the consolidation of crude oil prices for all buyers in each market.

General crude oil price formula: $OSP + (-) D + (-) API + (-) F$

2. Oil Sales Process (continued)

I- Basrah Crude Oil:

2.5.4.2 OSP is calculated based on three international benchmarks depending on the final destination as follows:

- American destination (Latin and North America): OSP is calculated by taking the monthly arithmetic average of Argus Sour Crude Index ASCI (Front Month) of the month of accepting the nomination net of any escalation factors
- European destination: OSP is calculated by taking the arithmetic average of the means of high and low spot assessments of Brent dated quotations as published in the PLATTS Crude Oil marketwire for 5 consecutive quotations starting from the 15th day from the date of bill of lading (bill of lading day is day one) net of any escalation factors
- Far East: OSP is calculated by taking the monthly arithmetic average of the means of high and low spot assessments of (Oman/Dubai) quotations, as published in the PLATTS Crude Oil marketwire, for whole month quotations, during the calendar month of accepting the nomination, net of any escalation factors

2.5.4.3 The PLATTS average is subject to a correction factor (discounts) in order to determine the final OSP of each shipment. The correction factors are:

- API escalation: API is a specific gravity scale developed by the American Petroleum Institute (API) for measuring the relative density of crude oil. API correction factor calculated by reduce/increase US\$0.4 for each whole tenth of degree of API below/above 34
- (F) Freight escalation: the final price for each shipment destined to North and Latin America and Europe is adjusted by taking the difference between A and B below:

A. The average world scale quotations published in PLATTS dirty tanker wire for the Arab Gulf - US Gulf (260 KT North and South America bound ships) and Arab Gulf - UKC (260 KT Europe bound ships) for the month preceding the loading month

B. A base world scale rate of 40

The freight adjustment takes into consideration the following:

- The buyer is compensated if the assessment in A is more than the Base Rate
- The seller is compensated if the assessment in A is less than the Base Rate
- Basra light of 34 API a conversion factor Metric TON/Barrel of 7.37
- (D) Price differentiation: is offered to induce customers due to the security situation in Iraq and the assessment of the oil market using primarily Saudi Arabia as a benchmark.

2. Oil Sales Process (continued)

In addition, it takes into consideration the difference in quality between WTI and Basra Oil. Price differentiation discount is determined on a monthly basis by a committee composed of members from the audit, legal, crude oil marketing, finance and crude oil shipping departments, the decision of which is raised to SOMO's Board and ultimately to the Ministry of Oil.

II- Kirkuk Crude Oil:

2.5.4.4 OSP is calculated based on three international benchmarks depending on the final destination as follows:

- American destination (Latin and North America): OSP is calculated by taking the monthly arithmetic average of Argus Sour Crude Index ASCI of the month of accepting the nomination net of any escalation factors
- European destination: OSP is calculated by taking the arithmetic average of the means of high and low spot assessments of Brent dated quotations as published in the PLATTS Crude Oil marketwire for 5 consecutive quotations starting from the bill of lading date (bill of lading day is day one) net of any escalation factors

2.5.4.5 The PLATTS average is subject to correction factor (discounts) in order to determine the final OSP for each shipment. The correction factors are:

- API escalation: API is a specific gravity scale developed by the American Petroleum Institute (API) for measuring the relative density of crude oil. API correction factor calculated by reduce/increase US\$0.4 for each whole tenth of degree of API below/above 34
- (F) Freight escalation: the final price for each shipment destined to North and Latin America is adjusted by taking the difference between A and B below:

A. The average world scale quotations published in PLATTS dirty tanker wire for the Arab Gulf - US Gulf (260 KT North and South America bound ships) and Arab Gulf - UKC (260 KT Europe bound ships) for the month preceding the loading month

B. A base world scale rate of 40

The freight adjustment takes into consideration the following:

- The buyer is compensated if the assessment in A is more than the Base Rate
- The seller is compensated if the assessment in A is less than the Base Rate
- Basra light of 34 API a conversion factor Metric TON/Barrel of 7.37

2. Oil Sales Process (continued)

- (D) Price differentiation: is offered to induce customers due to the security situation in Iraq and the assessment of the oil market using primarily Saudi Arabia as a benchmark. In addition, it takes into consideration the difference in quality between WTI and Basra Oil. Price differentiation discount is determined on a monthly basis by a committee composed of members from the audit, legal, crude oil marketing, finance and crude oil shipping departments, the decision of which is raised to SOMO's Board and ultimately to the Ministry of Oil.

2.5.5 Crude Oil Exports Process

A. Commercial contracting and vessels nomination

2.5.5.1 Subsequent to contracting with buyers, crude oil export process proceeds as follows:

- SOMO submits a monthly schedule of the monthly sales for execution to South Oil Company. This schedule includes the vessel's name and capacity, discharge destination, loading date and the buyers' name
- Upon the vessel's arrival to the oil terminal, the vessel's captain coordinates with the SOC Operations Committee, SOMO and the terminal manager to determine the loading date and time
- The vessel gets prepared for loading after examining the residual oil in the vessel, and insuring that it's free from sediments. Afterwards, the loading initiates according to the silos' capacity after signing the safety and legal documents related to the health and customs restrictions in accordance with international law
- The loading occurs in the presence of a measurement committee after endorsing the meters. Thereafter, the shipment's documents are prepared and that includes the following:
 - ❖ Shipping certificate
 - ❖ Manifest certificate
 - ❖ Origin certificate
 - ❖ Quantity and quality certificate
 - ❖ Time management certificate
 - ❖ Sediments certificate
 - ❖ Receiving loaded oil sample certificate
 - ❖ Metering certificate
 - ❖ Vessel availability for loading certificate
 - ❖ Vessel residual oil certificate
 - ❖ Safety certificate
 - ❖ Distribution certificate
 - ❖ Ullage certificate
- Upon signing all the above certificates, and when the vessel is ready for departure, SOC submits all certificates to SOMO

2. Oil Sales Process (continued)

B. Matching process and third party inspectors' role

- SOMO is the party responsible to contract with third party verifiers operating at oil terminals.
- Third party verifiers' responsibility is to calibrate meters and to endorse oil quantities loaded onto vessels. In case of any discrepancy between the terminal meters and the vessels' meters, the third party verifiers measure the loaded oil quantity through the ullage method of measurement.

2.5.6 Measurement meters at oil terminals

The table below includes details of the measurement meters installed at the southern oil terminals.

Location	Meter Type	Calibration Frequency	Number of Meters	Third Party Inspector
Basrah Oil Terminal	Daniel Turbine Meters (US/UK)	Subsequent to each loading process	24	INTERTEK
Al Umayyah Oil Terminal	Daniel Turbine Meters (US/UK)	Subsequent to each loading process	12	INTERTEK

Source: Ministry of Oil - Technical Directorate

2.6 Crude oil export process through Iraq southern oil terminals

The information presented in this section was prepared by the South Oil Company. It presents, in detail, the crude oil export process through the southern oil terminals

2.6.1 Productive Oil Fields in year 2012

- 2.6.1.1 Production and export of crude oil in the southern fields in 2012 were made through ten productive fields. The production capacity of each station ranges from 10 to 200 thousand barrels per day. Extracted oil is collected in fixed ceiling flow tanks with minor capacities, and then stored in oil silos where each silo contains four to twenty flexible ceiling tanks with capacities between 56,000 to 82,000 cubic meters. Finally, oil is pumped to export terminals or to domestic consumption units.

2. Oil Sales Process (continued)

The table below displays the production capacities of the southern oil fields for year 2012.

Oil Field	Production capacity in 2012 (thousand barrel/day)
Al Rumailah Northern Field	626.5
Al Rumailah Southern Field	894
West Qurna 1 Field	460.1
Al Zubair Field	292.6
Allihiss Field	50.4
Bin Omar Field	31.8
Al Touba Field	24.2
Artawi Field	15.5
Al Nassiriyah Field	17.4
Majnoon Fields	13
Total	2,425.5

Source: South Oil Company

2. Oil Sales Process (continued)

2.6.2 Marine Pipelines

2.6.2.1 In the past, oil vessels used to be loaded through pumping from Al FAO Silo, but during the Iraqi Iranian war, Al FAO port was damaged, and since then pumping is made from Five storage tanks:

Storage Tanks Name	Number of storages	Designed Capacity/m3	Operating Capacity/m3	Operating Capacity/barrel
PS 1	2 4	82000 82000	60000x2 66000x4	2415283
Al Zubair 1	6 old 6 new	33000 23000	23000x6 16000x6	1471813
Al Zubair 2	11	58000	40690x10 39500x1	2808867
Tobaa	4	66000	40788x4	1026190
Al FAO	4	58000	40500x4	1017847
Operating Capacity/barrel				8740000

The table below includes the details related to the aforementioned pipelines:

Pipeline Name	Number of Pipelines	Length (Kilometer)	Diameter (Inch)	Status
Al FAO (Basrah Terminal)	2	50	48	Operational
Al FAO (Al Umayyah Terminal)	1	46	42	Operational
Al FAO (Al Umayyah Terminal)	2	46	32	Not operational
Al FAO - SPM 1,5	1	50	48	Not operational
Al FAO - SPM 2,3	1	50	48	Operational
Al FAO - SPM 4	1	50	48	Not operational

Source: South Oil Company

2.6.3 Oil Terminals

A. Basrah Oil Terminal

2.6.3.1 The first oil vessel was loaded from this terminal in year 1953. This terminal comprises of four loading wharfs; each with three loading arms. Each wharf has a loading capacity of 35,000 barrels per hour. The designed loading capacity of the terminal is 1.8 million barrels/day, while the current operational loading capacity is 1.75 million barrels/day.

B. Al Umayyah Oil Terminal:

2.6.3.2 This oil terminal used to be called the deep-water terminal, where it was initially in operation in the 1970's with a loading capacity of 1.3 million barrels/day. Al Umayyah Oil Terminal was damaged during the Iraqi Iranian war and its current loading capacity is 220 thousand barrels/day. This terminal comprises of four wharfs, two of which are not operational. Each wharf includes four loading arms and the loading capacity of each wharf is 5,000 barrels/hour.

2. Oil Sales Process (continued)

C. Single Point Mooring (SPM):

The table below includes the technical information related to the current and prospective SPMs.

Wharf number	Status	Loading capacity (thousand barrel/day)	Notes
SPM1	Not Operational	900	Will operate during the month of April 2014
SPM2	Operational	900	Operational since 7 March 2012
SPM3	Operational	900	Operational since 19 April 2012
SPM4	Not Operational	900	Will operate at the end of year 2014
SPM5	Not Operational	900	Will operate during the first quarter of 2014

Source: South Oil Company

2.6.4 Southern oil terminals export capacities in year 2012

The table below displays export capacities of the southern oil terminals during year 2012.

Month	Basrah and Al Umayyah Oil Terminals (barrel)
January	53,049,654
February	47,521,735
March	59,439,471
April	63,459,937
May	64,680,329
June	62,541,663
July	68,695,596
August	69,814,405
September	65,248,983
October	67,339,576
November	65,828,678
December	62,718,966
Total	750,338,993

Source: South Oil Company

Iraqi Extractive Industries Transparency Initiative (IEITI)

2. Oil Sales Process (continued)

2.7 Crude oil export process through Iraq Northern oil terminal

The data presented in this section was prepared by the North Oil Company. It presents, in detail, the crude oil exports process through the northern oil terminals.

2.7.1 Productive Oil Fields in year 2012

2.7.1.1 Production and export of crude oil in the northern fields in 2012 were made through nine productive fields, where oil is extracted through production stations in each field. The production capacity of each station ranges from 300 to 100,000 thousand barrels per year.

The table below displays the production capacities of the productive oil fields for the year 2012

Oil Field	Production capacity in 2012 (Thousand Barrel / Year)
Kirkuk Field	94,120
Jambur Field	21,149
Bai Hassan Field	71,032
Khabaz Field	10,230
Ajeel Field	7,960
Ain Zala Field	1,999
Butma Field	271
Sifaya Field	1,264
Qayara Field	834
Total	208,859

Source: North Oil Company

2.7.2 Oil Transportation Pipelines

2.7.2.1 The North Oil Company exports Iraqi crude oil via Ceyhan seaport in Turkey by pumping crude oil into a pipelines network.

The table below includes the details related to pipelines connecting Iraqi oil pumping stations with Ceyhan seaport

Pipeline Name	Number of Pipelines	Length (Kilometer)	Diameter (Inch)	Status (Operational Under Construction)
Iraqi - Turkey P/L New	1	74	40"	Kirkuk (IT1) -Fat'ha
Iraqi - Turkey P/L Old	1	47	40"	Fat'ha - IT1A
Iraqi - Turkey P/L Old	1	646	40"	MS(Iraqi)-Ceyhan Terminal (Turkey)
Iraqi - Turkey P/L	1	864	46"	IT1A(Iraqi)-Ceyhan Terminal (Turkey)

Source: North Oil Company

2. Oil Sales Process (continued)

2.7.3 Oil Terminals

Ceyhan Terminal:

The table below includes crude oil loading capacity at Ceyhan seaport.

Wharf number	Status	Loading capacity (thousand barrel/day)
1	In operation	3,019
2		3,019
3		1,510
4		1,510

Source: North Oil Company

2.7.4 Northern oil terminals export capacities in year 2012

The table below displays the exported quantities of Iraqi crude oil via Ceyhan seaport terminal during year 2012.

Month	Ceyhan Terminal (Turkey) - barrel
January	12,015,611
February	10,707,821
March	12,181,089
April	11,622,207
May	11,130,296
June	9,360,400
July	9,126,235
August	9,711,462
September	12,303,455
October	13,694,206
November	12,488,218
December	9,733,858
Total	134,074,858

Source: North Oil Company

Iraqi Extractive Industries Transparency Initiative (IEITI)

2. Oil Sales Process (continued)

2.8 Distribution of Oil Export Sales by SOMO in 2012

The following table illustrates the value of Iraqi crude oil sold to buyers as reported by SOMO:

No.	Company Name	Far East US\$	USA US\$	Europe US\$	Total Buyers US\$
1	AL WAHA PETROLUM	319,913,907	-	329,238,043	649,151,950
2	API	-	-	320,855,821	320,855,821
3	BHARAT PETROLEUM	914,503,194	-	-	914,503,194
4	BP OIL	185,880,822	4,181,933,921	1,054,343,912	5,422,158,655
5	CEPSA	-	-	1,475,896,829	1,475,896,829
6	CHEVRON	3,238,978,146	1,083,439,792	1,218,305,169	5,540,723,107
7	CHINA INTERNATIONAL	5,141,490,144	-	-	5,141,490,144
8	CHINA NATIONAL	922,186,371	215,389,551	285,299,625	1,422,875,547
9	CHINA OFFSHORE OIL	2,113,274,818	-	-	2,113,274,818
10	ENI	-	121,460,130	942,688,457	1,064,148,587
11	ERG SPA	-	-	500,879,449	500,879,449
12	EXXONMOBIL SALES AND SUPPLY CORPORTION GALLOWS	-	5,334,188,770	647,734,579	5,981,923,349
13	GAZPROM	-	-	1,459,350,344	1,459,350,344
14	GS CALTEX SINGAPORE PTE. LTD.	4,030,529,507	-	-	4,030,529,507
15	HINDUSTAN PETROLEUM CORPORATION LIMITED	1,839,145,367	-	-	1,839,145,367
16	INDIAN	10,639,029,452	-	-	10,639,029,452
17	IPLOM	-	-	724,317,880	724,317,880
18	JORDAN (JORDAN PETROLEUM REFINERY)	240,697,431	-	-	240,697,431
19	JX NIPPON OIL	2,079,386,604	-	-	2,079,386,604
20	KOCH SUPPLY & TRADING	-	202,887,164	-	202,887,164
21	KOGAS IRAQ B.V	50,506,540	232,860,423	47,319,268	330,686,231
22	KOREA NATIONAL OIL	-	1,894,035,965	-	1,894,035,965
23	LITASCO	-	-	694,943,008	694,943,008
24	MOTOR OIL	-	-	1,253,267,716	1,253,267,716
25	NORTH PETROLEUM	2,335,128,942	-	-	2,335,128,942
26	OCCIDENTAL ENERGY IRAQ LLC	63,108,883	292,290,022	58,895,696	414,294,601
27	PETRO DIAMOND	1,257,989,286	-	-	1,257,989,286
28	PETROGAL	-	-	106,142,786	106,142,786
29	PETROLEO BRASILEIRO	-	862,329,610	-	862,329,610
30	PETRONAS HALFAYA	99,752,628	-	-	99,752,628
31	PHILLIPS 66	626,832,642	4,060,248,529	434,472,573	5,121,553,744
32	REPSOL	-	1,045,266,749	1,002,904,714	2,048,171,463
33	SAMIR	-	-	355,407,756	355,407,756
34	SARAS SPA - MILANO	-	-	1,285,722,368	1,285,722,368
35	SHELL	1,394,548,758	-	2,063,507,167	3,458,055,925
36	SINOCEM	4,902,517,533	-	-	4,902,517,533
37	SK ENERGY	2,355,121,015	-	-	2,355,121,015
38	SOCAR	-	-	428,308,905	428,308,905
39	TOTSJA TOTAL	1,048,678,353	2,098,265,750	1,528,681,049	4,675,625,152
40	TOYOTA	1,990,968,877	-	-	1,990,968,877
41	TURKISH PETROLEUM ITERNATIONAL	-	-	2,323,989,678	2,323,989,678
42	VALERO MARKETING & SUPPLY COMPANY	-	3,617,196,173	-	3,617,196,173
43	VITOL	205,836,893	-	252,361,999	458,198,892
	Total	47,996,006,113	25,241,792,549	20,794,834,791	94,032,633,453

Source: SOMO

2. Oil Sales Process (continued)

2.9 Mechanism of Crude Oil Lifting in accordance with Service Contracts

2.9.1 SOMO is also responsible for crude oil lifting in accordance with Service contracts. A description of this mechanism is summarized as follows:

2.9.2 According to Section (5-d) of the crude oil sales contracts, the value of crude oil shipments lifted for a contractor shall not exceed, in any case, its approved dues. Due to the fluctuations in crude oil prices, the following pricing mechanism has been adopted based on paragraph (5- d) of crude oil sale contracts, which refers to the use of the latest available published prices (Platts, and Argos):

2.9.3 A: Before acceptance of proposed quantities:

- 1- The Shipping & Quantities Entity notifies the Financial Commercial Entity of the quantities proposed by the contractor as per the bill of lading
- 2- In accordance with the service contract signed with the contractor and based on the Petroleum Contracts & Licensing Directorate's (PCLD) proposed methodology of handling contractor claims, the extractive company notifies SOMO of the contractor's dues that were approved (initial approval)
- 3- The estimated price is calculated as follows:
 - Observe crude oil price indexes used for Iraqi crude oil pricing of the previous month and mark the highest price
 - Observe crude oil price indexes used for Iraqi crude oil pricing of the available days of the current month and mark the highest oil price
 - Study the direction of crude oil prices. In case of an increase, the percentage of increase is added to the last highest price available. In case of a decrease, the last highest price noted is used to calculate the quantity
 - This is presented to the Audit and Internal Control Department for review and approval

2.9.4 B: Before loading date:

2.9.4.1 In accordance with crude oil sales contract, the contractor, at least 3 days prior to the agreed loading date (Laycan Date), has to notify the Shipping & Quantities Entity of the shipment's final destination. Based on this information, the bill of lading is returned to the Financial Commercial Entity with a confirmed final destination in order to complete the procedures as follows:

- 1- The number and date of H.E. the Minister of Oil's approval of the amounts due to the contractor are recorded on the bill of lading, and a copy of the authentication is attached
- 2- The estimated price is adjusted in accordance with point (3) above, in light of new updates
- 3- This is presented to the Audit and Internal Control Department for review and approval
- 4- Under no circumstance will the loading card be issued in the absence of H.E the Minister of Oil's approval on the contractor's dues

2. Oil Sales Process (continued)

2.9.5 C: After loading the ship:

- 1- Original shipping documents are issued at the loading port
- 2- The final price of the shipment is calculated at the loading date and is cross-checked with the Contracts Department
- 3- After receiving the shipping documents, the original commercial invoice is issued containing the shipment value
- 4- The original commercial invoice accompanied with a copy of the documents are sent to the Ministry of Oil - Studies, Planning and Follow-up Department in order to notify the Ministry of Finance to transfer the value of the shipment to the Republic of Iraq's account at the Federal Reserve
- 5- A copy of the invoice accompanied with copies of the documents are submitted to PCLD for consideration when calculating the contractor's subsequent dues

2.10 Domestic oil sales process:

2.10.1 National oil companies are responsible for extracting crude oil from operating oil fields. Crude oil is then sent through pipelines (Oil Pipelines Co.) to refineries where it is transformed into oil products. Oil products are sent to the Iraqi Oil Distribution Company, which is responsible for distributing oil products to the local market including public and private sector entities. Revenues from sales to the local market are received by the Oil Products Distribution Company which in turn transfers the net revenue to the Ministry of Finance.

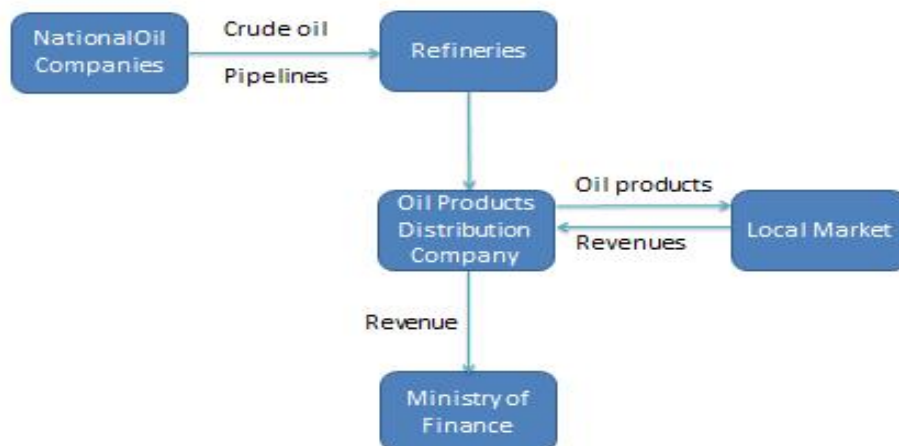


Diagram: Domestic oil sales process flowchart



Iraqi Extractive Industries Transparency Initiative (IEITI)

Field Developing Extraction Activities - Licensing Rounds

3. Field Developing Extraction Activities - Licensing Rounds

This chapter was prepared by the Iraqi Ministry of Oil.

3.1 Ministry of Oil policy for the development of oil fields under service contracts for oil fields licensing rounds

- 3.1.1 Iraq owns around 115 billion barrels of confirmed oil reserves, which represents approximately 10% of the aggregate oil reserves in the world. In addition, according to a recent study by geologists, the western and southern desert might contain an even larger oil and gas reserve. Iraq ranks third in terms of oil reserves, behind Saudi Arabia and Iran, however Iraq's crude oil production has suffered significant damages due to the political unrest over the past 30 years denoted by wars, economic blockade, inadequate investment, migration of many administrative and technical staff, in addition to an outdated infrastructure that does not match production capacities.
- 3.1.2 The extractive sector in Iraq is considered the main source of crude oil production, therefore it is regarded as the country's key source of financial resources and the driver of economic and national development. The Iraqi Government has resorted to launching licensing rounds of oil and gas fields as well as exploration blocks to obtain the assistance of international oil companies in the redevelopment of existing production fields.
- 3.1.3 On 30 July 2008, the Ministry of Oil officially announced in Baghdad phase 1 of the licensing rounds, which involved assigning the development of certain oil producing fields to international oil companies in a competitive and fair manner.

3.2 Licensing rounds are set to be implemented as follows:

3.2.1 Phase 1:

- 3.2.1.1 Companies wishing to participate in the licensing rounds submit their documents for qualification purposes, whereby they are evaluated based on 5 aspects:

1. Legal
2. Financial
3. Technical
4. Health, Safety and Environment
5. Training and Development

- 3.2.1.2 In order for any company to qualify, it has to comply with all 5 aspects, whereby the failure to comply with any of these requirements results in disqualification from participating in the licensing round.

3. Field Developing Extraction Activities - Licensing Rounds (continued)

3.2.2 Phase 2:

3.2.2.1 Setting up a promotional conference to explain the basic features and technical aspects of the contract, as well as answer questions asked by the participating companies. After that, the information pack is released, which includes a preliminary draft of the service contract, technical information specific to the disclosed fields, in addition to the preliminary tender document. The qualified companies are then given sufficient time to study this material and submit their inquiries and suggestions to the Ministry of Oil. Subsequently, a workshop is set up with the attendance of all qualified companies that purchased the information pack in order to discuss all inquiries, whereby answers are provided by the related parties at the Ministry of Oil. The draft is then adjusted accordingly and the final service contract is released along with the final tender document. Such documents will thereafter be the basis on which competitive offers are provided to the participating companies.

3.2.3 Phase 3:

3.2.3.1 The assignment of contracts in accordance with an economical competitive standards. The contracts* are assigned at the same time and in front of the media and the attendees.

3.2.4 Phase 4:

3.2.4.1 After obtaining the approval of the Iraqi Cabinet, the assigned contracts are signed in order to start execution.

3.2.4.2 Ministry of Oil aims to reach a production capacity of 7 million barrel per day by 2020, in addition to increase the current refining capacity and enhance transport, storage, and export systems.

3.2.4.3 Achievements during the first three years (until the end of 2012) after implementing the contracts that resulted from executing the licensing rounds can be summarized as follow:

1. Increase production capacity from 1,645 thousand barrel per day in 2009 to average of 2,173 thousand barrel per day in 2012.

* *The Government of Iraq's policy with regards to the publication/disclosure of contracts was not available, nonetheless, the Ministry of Oil has provided copies of the Development and Production Service Contract template (Appendix 7) and Technical Service Contract template (Appendix 8).*

3. Field Developing Extraction Activities - Licensing Rounds (continued)

2. Iraq's revenues from the sales of crude oil from licensing rounds' fields (Al Rumailah, Al Zubair, West Qurna (Phase1), Maysan, Halfaya, and Ahdab) was around US\$ 84 billion during the year 2012. And according to oil prices listed by Iraqi Oil Marketing Company bulletins.
3. International companies invested huge amounts of money for developing fields amounting to US\$ 16.5 billion for the period extending between year 2009 and 2013.
4. Complete the construction of new plants for crude oil treatment and with large capacity.
5. Complete the construction of two new pipes to distribute crude oil, the first one to transport crude oil from the Ahdab Field to Al Toba warehouse, and the second from Majnoon Field to Zubair -1 warehouse.
6. Build unloading wharf on Shatt al Arab in Al Nashwa Area for Majnoon Field.
7. Until the end of the year 2012 the excavation of 452 wells were completed in addition to 46 wells are still under drilling, a total of 498 wells, including 257 vertical wells and 108 diagonal wells and 133 horizontal wells.
8. Complete a three-dimensional seismic survey for Rumaila, Halfaya, Badra, Mansuriyya, and Ahdab fields. The work is still ongoing in Al Zubair, West Qurna (Phase1&2), and Maysan fields. It is planned to perform the survey for Majnoon and Al Seebeh Fields during 2013 & 2014.
9. Large numbers of mines and unexploded bombs remnants of war have been removed for an area of 491.3 square kilometers from the fields of Rumaila, West Qurna (Phase 2), Majnoon, Badra, and Maysan.
10. More than 69,000 of mines and unexploded bombs remnants of war have been removed from the fields of Rumaila, West Qurna (Phase 2), Majnoon, and Badra.
11. The environmental studies have been achieved for all contracted areas.
12. Most of fields' operators have fulfilled the minimum work commitments. The contracting companies have invested funds that exceeded the minimum level of expenses recorded in the contracts.

3. Field Developing Extraction Activities - Licensing Rounds (continued)

13. Many training courses have been held for Iraqi personnel in the extractive companies and in the Ministry of Oil inside and outside Iraq under the contractual article number 26 (Training Scholarship and Technology Transfer). Until the end of the year 2012, 237 training courses have been held with 2,607 Iraqi personnel participants, Training include the following:
- Reservoir and production engineering
 - Excavation engineering
 - Oil and gas production
 - Surface plants and maintenance
 - Management and economics in the oil industry
 - Financial records
 - Geology, geophysics, and petrophysics
 - Environment and pollution
14. Field operators enhanced the social situation in villages located within or around contracting areas. Medical centers have been rehabilitated or equipped with unavailable supplies, schools have been reformed and provided with the necessary supplies and equipment, roads have been paved and some bridges have been rehabilitated, drinking water stations have been set up, in addition to hiring local talent in areas of specialization or as part of the security.
15. The entrance of global oil service companies to the Iraqi market, which helped recruit large numbers of Iraqi personnel.
16. The participation of oil service companies (affiliated with Ministry of Oil) in the implementation of many tasks. This includes carrying out a two-dimensional and a three- dimensional seismic survey by Oil Exploration Company, drilling wells by the Iraqi Drilling Company, setting up a pipeline to transport crude oil from Majnoon Field to Zubair -1 warehouse by the State Company for Oil Projects, all of which making Iraqi oil service companies a competitor to the global oil service companies.
17. The participation of Iraqi private sector companies in new business areas, such as environmental work, security, extending pipelines flowing to wells, as well as civil work related to wells or camps under the supervision of international companies, through which they can gain experience and skill.

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3. Field Developing Extraction Activities - Licensing Rounds (continued)

3.3 The table below represents the contracts that resulted from implementing the licensing rounds:

Field	Ahadab	Rumaila	Zubair
Licensing round	First Licensing Round (2009)	First Licensing Round (2009)	First Licensing Round (2009)
Field partner	Al Waha Petroleum Co.Ltd.	BP & PetroChina	ENI & Occidental & Kogas
State partner	SOMO	SOMO	Missan Oil Company
Field operator	Al Waha Petroleum Co. Ltd.	BP	ENI
Contract sign date	10 November 2008	3 November 2009	22 January 2010
Contract active date	10 November 2008	17 December 2009	18 February 2010
Rehabilitation / Evaluation plan date	June 2011	September 2010	15 April 2010
Rehabilitation / Evaluation plan approval date	-	November 2010	June 2010
Contract period	20 Years	20 Years	25 Years
First commercial production barrel / day	Started in the third quarter of 2011 with a capacity of 25,000	1,066,000	182,778
Production for the year 2011 barrel / day	42,235	1,191,319	248,000
Production for the year 2012 barrel / day	116,470	1,345,557	260,000
Production for the year 2013 barrel / day	127,066	1,306,122	305,717
Production peak barrel / day	140,000	2,100,000	850,000
Contracting companies shares	75% AL WAHA PETROLEUM CO.LTD. 25% SOMO	38% BP 37% PetroChina 25% SOMO	41.56% ENI 29.69% Occidental 23.75% Kogas 5% Missan Oil Company

Source: Ministry of Oil

3. Field Developing Extraction Activities - Licensing Rounds (continued)

Field	West Qurna (Phase1) *	Missan (Al Bazerkan, Al Fakka & Abo Gharab)	Majnoon
Licensing round	First Licensing Round (2009)	First Licensing Round (2009)	Second Licensing Round (2009)
Field partner	ExxonMobil & Shell & PetroChina & Pertamina	CNOOCI & TPAO	Shell & Petronas Carigali
State partner	Oil Exploration Company	Iraqi Drilling Company	Missan Oil Company
Field operator	ExxonMobil	CNOOCI	Shell
Contract sign date	25 January 2010	17 May 2010	17 January 2010
Contract active date	1 March 2010	2 December 2010	1 March 2010
Rehabilitation / Evaluation plan date	19 October 2010	March 2011	May 2010
Rehabilitation / Evaluation plan approval date	November 2010	November 2011	October 2010
Contract period	25 Years	20 Years	20 Years
First commercial production barrel / day	244,000	88,000	175,000 (during the fourth quarter of 2013)
Production for the year 2011 barrel / day	257,329	-	-
Production for the year 2012 barrel / day	459,219	99,473 (during the fourth quarter of 2012)	-
Production for the year 2013 barrel / day	-	108,862	-
Production peak barrel / day	1,600 (For seven years)	450,000	1,000,000
Contracting companies shares	32.7% ExxonMobil 32.7% PetroChina 19.6% Shell 10% Pertamina 5% Oil Exploration Company	63.75% CNOOCI 11.25% TPAO 25% Iraqi Drilling Company	45% Shell 30% Petronas Carigali 25% Missan Oil Company

Source: Ministry of Oil

* The contract has been amended on December 2013 and February 2014.

3. Field Developing Extraction Activities - Licensing Rounds (continued)

Field	West Qurna (Phase2)	Al Gharraf	Halfaya
Licensing round	Second Licensing Round (2009)	Second Licensing Round (2009)	Second Licensing Round (2009)
Field partner	Lukoil	Petronas Carigali & Japex	PetroChina & Petronas & TOTAL
State partner	North Oil Company	North Oil Company	South Oil Company
Field operator	Lukoil	Petronas Carigali	PetroChina
Contract sign date	31 January 2010	18 January 2010	17 January 2010
Contract active date	1 March 2010	10 February 2010	1 March 2010
Rehabilitation / Evaluation plan date	Preliminary in September 2010 Final in February 2013	June 2010	September 2010
Rehabilitation / Evaluation plan approval date	November 2010	November 2010	December 2010
Contract period	25 Years	20 Years	20 Years
First commercial production barrel / day	Started in the first quarter of 2014 with a capacity of 120,000	Started in the fourth quarter of 2013 with a capacity of 35,000	Started in the third quarter of 2012 with a capacity of 70,000
Production for the year 2012 barrel / day	-	-	-
Production for the year 2013 barrel / day	-	-	101,872
Production peak barrel / day	1,200,000	230,000	535,000
Contracting companies shares	75% Lukoil 25% North Oil Company	45% Petronas Carigali 30% Japex 25% North Oil Company	37.5% PetroChina 18.75% Petronas 18.75% TOTAL 25% South Oil Company

Source: Ministry of Oil

3. Field Developing Extraction Activities - Licensing Rounds (continued)

Field	Badra	Al Najma and Al Qayara	Al Siba
Licensing round	Second Licensing Round (2009)	Second Licensing Round (2009)	Third Licensing Round (2010)
Field partner	Gazprom & Petronas & TPAO & Kogas	Sonangol	Kuwait Energy & TPAO
State partner	Oil Exploration Company	South Oil Company for Al Qayara Iraqi Drilling Company for Al Najma	Missan Oil Company
Field operator	Gazprom	Sonangol	Kuwait Energy
Contract sign date	28 January 2010	26 January 2010	5 June 2011
Contract active date	18 February 2010	18 February 2010	1 July 2011
Rehabilitation / Evaluation plan date	August 2010	-	December 2011
Rehabilitation / Evaluation plan approval date	July 2011	-	July 2012
Contract period	20 Years	20 Years	20 Years
First commercial production	will start in the third quarter of 2014 with a capacity of 15,000 barrel / day	Al Najma 20,000 Barrel / day Al Qayara 30,000 barrel / day	25 MMSCFD
Production peak	170,000 barrel / day	Al Najma 110,000 barrel / day Al Qayara 120,000 barrel / day	100 MMSCFD
Contracting companies shares	30% Gazprom 22.5% Kogas 15% Petronas 7.5% TPAO 25% Oil Exploration Company	75% Sonangol 25% South Oil Company for Al Qayara & Iraqi Drilling Company for Al Najma	45% Kuwait Energy 30% TPAO 25% Missan Oil Company

Source: Ministry of Oil

3. Field Developing Extraction Activities - Licensing Rounds (continued)

Field	Mansuriya	Akkaz	Exploration Block # 8
Licensing round	Third Licensing Round (2010)	Third Licensing Round (2010)	Fourth Licensing Round (2012)
Field partner	TPAO & Kuwait Energy & Kogas	Kogas	Pakistan Petroleum
State partner	Oil Exploration Company	North Oil Company	-
Field operator	TPAO	Kogas	Pakistan Petroleum
Contract sign date	5 June 2011	13 October 2011	5 November 2012
Contract active date	18 July 2011	15 November 2011	5 December 2012
Rehabilitation / Evaluation plan date	December 2011	May 2012	After informing the Midland Oil Company with the commercial exploration results
Rehabilitation / Evaluation plan approval date	May 2012	September 2012	-
Contract period	20 Years	20 Years	30 years for oil field & 40 years for gas field (Includes exploration period for 5 years)
First commercial production	80 MMSCFD	100 MMSCFD	After 3 months from the completion of the approved evaluation plan
Production peak barrel / day	320 MMSCFD	400 MMSCFD	-
Contracting companies shares	37.5% TPAO 22.5% Kuwait Energy 15% Kogas 25% Oil Exploration Company	75% Kogas 25% North Oil Company	100% Pakistan Petroleum

Source: Ministry of Oil

3. Field Developing Extraction Activities - Licensing Rounds (continued)

Field	Exploration Block # 9	Exploration Block # 10	Exploration Block # 12
Licensing round	Fourth Licensing Round (2012)	Fourth Licensing Round (2012)	Fourth Licensing Round (2012)
Field partner	Kuwait Energy & Dragon Oil Holdings Limited	Lukoil Overseas Iraq Exploration B.V. & Inpex Corporation	JSOC Bashneft & Premier Oil PLC
State partner	-	-	-
Field operator	Kuwait Energy	Lukoil Overseas Iraq Exploration B.V.	JSOC Bashneft
Contract sign date	27 January 2013	7 November 2012	8 November 2012
Contract active date	27 January 2013	3 December 2012	1 January 2013
Rehabilitation / Evaluation plan date	after informing the South Oil Company with the commercial exploration results	after informing the South Oil Company with the commercial exploration results	after informing the South Oil Company with the commercial exploration results
Rehabilitation / Evaluation plan approval date	-	-	-
Contract period	30 years for oil field & 40 years for gas field (Includes exploration period for 5 years)	30 years for oil field & 40 years for gas field (Includes exploration period for 5 years)	30 years for oil field & 40 years for gas field (Includes exploration period for 5 years)
First commercial production	After 3 months from the completion of the approved evaluation plan	After 3 months from the completion of the approved evaluation plan	After 3 months from the completion of the approved evaluation plan
Contracting companies shares	70% Kuwait Energy 30% Dragon Oil Holdings Limited	70% Lukoil Overseas Iraq Exploration B.V. 30% Inpex Corporation	70% JSOC Bashneft 30% Premier Oil PLC

Source: Ministry of Oil

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3. Field Developing Extraction Activities - Licensing Rounds (continued)

3.4 Tax structure for the standardized Technical Service Contracts* held in the four licensing rounds

3.4.1 According to the standardized Technical Service Contracts used in Iraq's four licensing rounds, the only tax liability of contractors (IOCs) operating under Technical Service Contracts shall not exceed corporate income tax levied at a rate not to exceed thirty five percent (35%) of the contractor's taxable profit under the law which shall, as between the contractors and the Regional Operating Companies (MoO entity), be deemed to be the Remuneration Fee received during the relevant tax year.

3.5 Signature bonuses received in year 2012

3.5.1 There were no signature bonuses payments made during 2012 related to previous licensing rounds. Signature bonus payments related to the fourth licensing round, which took place in year 2012, were made in year 2013 and are summarized as follows:

Field	Exploration Block # 8	Exploration Block # 9		Exploration Block # 10		Exploration Block # 12	
Field partner	Pakistan Petroleum Limited	Kuwait Energy Company KSCC	Dragon Oil LTD	Lukoil Overseas Exploration B.V.	Inpex Corporation	JSOC Bashneft	Premier Oil Holding
Signature bonus amount in US\$	15,000,000	17,500,000	7,500,000	15,000,000	10,000,000	10,500,000	4,500,000

Source: Ministry of Oil

* Appendix 8 includes the template of Technical Service Contract

3. Field Developing Extraction Activities - Licensing Rounds (continued)

3.6 Cost recovery and remuneration fees

3.6.1 According to Technical Service Contract, cost recovery and remuneration fees are defined as follows:

3.6.1.1 Cost Recovery: recoverable costs and expenditures incurred and payments made by Contractor and/or Operator in connection with or in relation to the conduct of Petroleum Operations.

3.6.1.2 Remuneration Fees: fees paid to Contractor for incremental production.

3.6.2 "The Remuneration Fee per Barrel of Crude Oil applicable for all Calendar Quarters during any given Calendar Year shall be determined on the basis of the R-Factor calculated at the end of the preceding Calendar Year for the Field as follows:"

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

Source: Technical Service Contract

3.6.3 Cost recovery and remuneration fees are calculated in accordance with article no. 19 of Development and Production Service Contract (Appendix 7). These payments are settled to field partner according to contract sharing percentage as the following articles quoted from the contract show:

"19.2 Contractor shall start charging Petroleum Costs to the Operating Account as from the Effective Date, in accordance with this Contract and the Accounting Procedures, but the same shall be due and payable in accordance with Article 19.6.

19.3 Contractor shall become entitled to Remuneration and shall start charging the same to the Operating Account only from the date of First Commercial Production. For any Quarter commencing with the Quarter in which the First Commercial Production occurs, the Remuneration shall be an amount equal to the sum of:

- The product of the applicable Remuneration Fee and Net Production, subject to the performance adjustment in Article 19.5;
- The product of the applicable Remuneration Fee and any Gas Processing Plant Products, expressed as BOE."

3. Field Developing Extraction Activities - Licensing Rounds (continued)

“19.6 Petroleum Costs and Remuneration:

- Petroleum Costs and Remuneration due to Contractor shall be paid without interest, in Export Oil at the Delivery Point unless the Contractor elects, by April 1st each Year, to receive payment in cash in Dollars for the following Year. For payment in cash, payment shall be made within sixty (60) days of the submission of an invoice pursuant to Clause 9 of the Accounting Procedures. For payment in Export Oil, the Export Oil Price shall be in accordance with Article 18 and liftings shall be scheduled in accordance with an agreement reached pursuant to Addendum Four. Any election shall remain in effect for the Calendar Year for which the election was made.
- Petroleum Costs, Supplementary Costs and Remuneration shall be deemed to cover all costs, expenses, liabilities and remuneration to Contractor under this Contract. ROC shall not be obliged to pay any other compensation whatsoever to Contractor for the fulfillment of its obligations under this Contract.
- Petroleum Costs and Remuneration shall become due and payable upon invoicing starting with the Quarter in which the First Commercial Production occurs and shall be paid to the extent of fifty percent (50%) of the Deemed Revenue in accordance with the provisions of this Contract. Payment of due and payable Petroleum Costs shall have priority over the payment of due and payable Remuneration.
- Any due and payable Petroleum Costs and Remuneration that remain unpaid in respect of any Quarter shall be carried forward and paid in succeeding Quarter(s) until fully paid.”

“19.7 Supplementary Costs:

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

3. Field Developing Extraction Activities - Licensing Rounds (continued)

- Supplementary Costs due to Contractor shall be paid in Export Oil at the Delivery Point unless the Contractor elects, by April 1st each Year, to receive payment in Dollars for the following Year. For payment in cash, payment shall be made within sixty (60) days of the submission of an invoice pursuant to Clause 9 of the Accounting Procedures. For payment in Export Oil, the Export Oil Price shall be in accordance with Article 18 and liftings shall be scheduled in accordance with an agreement reached pursuant to Addendum Four. Any election shall remain in effect for the Calendar Year for which the election was made.
- Outstanding balances on all Supplementary Costs shall bear interest at LIBOR plus one percent (1%) from the date when Supplementary Costs are first invoiced until the date when they are received, provided that interest shall be fixed for each tranche of Supplementary Costs based on LIBOR prevailing as at the first invoice date.
- Supplementary Costs paid shall be deemed to cover all amounts due to Contractor for Supplementary Costs incurred.
- Recovery of Supplementary Costs shall be paid to the extent of sixty (60)% of Deemed Revenue less Petroleum Costs and Remuneration paid as follows:

Deemed Revenue * 60% - (Petroleum Costs paid + Remuneration paid)
- Any due and payable Supplementary Costs that remain unpaid in respect of any Quarter shall be carried forward and paid in succeeding Quarter(s) until fully paid."

*3.7 Internal Service Payments**

- 3.7.1 Internal service payments are payments received by National Oil Companies (NOCs) to cover the production cost of crude oil. These payments are made by the Ministry of Finance to SOMO which in turn makes the required transfers to the NOCs on a monthly basis.

* Source: SOMO

3. Field Developing Extraction Activities - Licensing Rounds (continued)

3.7.2 Internal service payments are calculated as follows:

3.7.2.1 Estimated crude oil production cost allocation within the Government annual budget is the responsibility of the National Oil Companies (NOCs), these costs are calculated by multiplying the planned production quantity for the upcoming year and the estimated costs.

3.7.2.2 The Ministry of Oil transfers the allocations of crude oil production cost to SOMO, which will be paying the allocated amount to the NOCs as monthly payments and recording it as advanced payments.

3.7.2.3 At year end, the NOCs will calculate their actual cost of crude oil production for the year divided on actual crude oil production quantity to determine the actual cost/barrel of oil. NOCs add a certain percentage of profit margin determined by the Ministry of Finance.

3.7.2.4 Advances paid by SOMO will be settled after calculating actual crude oil production cost incurred during the year.

3.8 Employment, training and social expenditures under technical service contracts

3.8.1 Employment:

3.8.1.1 Technical service contract states that "The Contractor should be prepared to fill positions within the FOD as and where required upon the request of the JMC, provided however that the Companies shall have the right to fill up to 15% of the positions with secondees from Contractor, the remaining 85% shall be filled by ROC secondees and/or directly recruited through the FOD". According to the information received from the Ministry of Oil (PCLD), the actual percentage of Iraqi labor force exceeds 85%.

3.8.1.2 According to the Ministry of Planning, the Ministry of Oil's work force for year 2012 constituted 7.7% of the total work force of the Iraqi ministries and non-ministry related organizations, where the number of employees reached 120,174 which includes 59,002 specialized employees and technicians, while the number of employees working in oil production reached 28,368.

3.8.1.3 According to the Ministry of Planning, the Ministry of Industry and Minerals work force for year 2012 constituted 10.7% of the total work force in Iraqi Ministries and non-ministry related organizations, where the number of employees reached 167,031 which includes 48,363 specialized employees and technicians, while the number of employees working in production reached 76,530.

3. Field Developing Extraction Activities - Licensing Rounds (continued)

3.8.1.4 According to the Ministry of Oil/ Training and Development Directorate, the work force in the extractive industry for year 2012 constituted 3.24% of the total work force of Iraqi ministries and non-ministry related organizations, where the number of employees reached 50,800.

3.8.1.5 The table below represents the number and percentage of Iraqi and expatriate employees working at IOCs:

IOC	Number of national employees	Percentage of national employees	Number of expatriate employees	Percentage of expatriate employees
BP	6,074	92%	546	8%
ENI	2,101	88%	299	12%
Occidental				
KOGAS				
Shell Iraq BV	NA	NA	NA	NA
Shell Iraq petroleum Development BV	NA	NA	NA	NA
Total	NA	NA	NA	NA
Al Waha Petroleum Co.	85	49%	88	51%
CNOOC	1,216	88%	164	12%
PetroChina	245	42%	344	58%
ExxonMobil	NA	NA	NA	NA
PETRONAS	128	35%	234	65%
TPAO	NA	NA	NA	NA

Source: respective entities

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3. Field Developing Extraction Activities - Licensing Rounds (continued)

3.8.2 Training and social expenditures:

3.8.2.1 The table below shows the value of training support and social expenditures made by IOCs during year 2012:

IOC	Training support (US\$)	Social expenditures (US\$)
BP	30,300,000*	2,006,000
ENI	14,087,868	3,509
Occidental		
KOGAS		
Shell Iraq BV	NA	NA
Shell Iraq petroleum Development BV	NA	NA
Total	NA	NA
Al Waha Petroleum Co.	482,269**	2,000
CNOOC	NA	NA
PetroChina	1,994,000	NA
ExxonMobil	NA	NA
PETRONAS	12,183,000***	11,653,297
TPAO	NA	NA

Source: respective entities

* The training covered key areas such as English language, operations, HSE, wells, core skills and leadership, subsurface, and engineering and projects.

** Four training programs were held, each of which was attended by 10 employees. The budget for each training program was US\$120,000.

*** Twenty five training programs were held including twenty four technical trainings and one leadership training.



Iraqi Extractive Industries Transparency Initiative (IEITI)

Reconciliation Process

Iraqi Extractive Industries Transparency Initiative (IEITI)

4. Reconciliation Process

4.1 The reconciliation process is based on matching relevant and credible data from two or more sources accompanied by appropriate explanation of differences. Reporting is made by the concerned entities in accordance with the set criteria and requirements.

4.2 The reconciliation process consisted of the following steps:

- a. Reconciliation of the total revenues received by the Government of Iraq from oil exports as reported by the Ministry of Oil / SOMO and international oil buyers;
- b. Reconciliation of total revenues received by the Government of Iraq as corporate taxes as reported by the Ministry of Finance and international oil extracting companies;
- c. Reconciliation of total revenues received by the Government of Iraq as bonuses as reported by the Ministry of Finance and international oil extracting companies;
- d. Reconciliation of total payments made by the Government of Iraq as internal service payments as reported by the national oil companies and the Ministry of Oil;
- e. Reconciliation of total payments made by the Government of Iraq as cost recovery as reported by the Ministry of Oil and international oil extracting companies;
- f. Reconciliation of total payments made by the Government of Iraq as remuneration fees as reported by the Ministry of Oil and international oil extracting companies;
- g. Reconciliation of the quantities of produced oil as reported by the Ministry of Oil, national oil companies and international oil extracting companies;
- h. Reconciliation of the quantities of exported oil as reported by the national oil companies, SOMO and third party verification companies;*
- i. Reconciliation of oil and gas quantities supplied to refineries, electricity generation directorates and national gas companies as reported by these entities, national oil companies and the Ministry of Oil; **
- j. Reporting of discrepancies that exceeded the materiality threshold set by the Stakeholder Council at 1%

* *Reconciliation of exported oil quantities was performed between the quantities reported by the Ministry of Oil and SOMO. Not receiving the required information from third party verifiers hindered our efforts of completing the reconciliation with them. Alternatively, reconciliations of exported oil quantities were performed as reported by Ministry of Oil, SOMO, and buyers.*

** *A three way reconciliation was supposed to be performed for oil and gas quantities supplied to power station between National Oil Companies, Power Plants, and MoO. However, a reconciliation of the oil and gas quantities locally supplied to electricity generation directorates was performed by the electricity generation directorates (six in number) and the Oil Pipeline Company and handed to us. Although receiving this data was an achievement, not receiving it directly and separately from the concerned entities jeopardies the credibility of data reported by these entities and ultimately its reconciliation.*

4. Reconciliation Process (continued)

- k. Reconciliation of mining production quantities as reported by national mining companies and the Ministry of Industry and Minerals;***
- l. Reconciliation of total revenues from mining production as reported by national mining companies and the Ministry of Industry and Minerals ***
- m. Reconciliation of the net revenue from sale of oil products to the local market as reported by Ministry of Finance and Oil Products Distribution Company for years 2009 - 2012.

4.3 Reporting templates

- 4.3.1 Reporting templates have been developed and tailored (appendix 3) to facilitate the reporting process by the different reporting entities. These templates have been thoroughly reviewed by the IEITI Stakeholder Council before being approved on 28 August 2013.

4.4 Data collection

- 4.4.1 Based on the Stakeholder Council's approval of the reporting templates and their instruction to proceed with sending these templates to all reporting entities, the reporting templates and the related instructions for the completion of templates were sent electronically via email to all entities on 29 August 2013. The entities were required to report directly to the reconciler (EY) to whom they were also requested to direct any related inquiries.

As of 20 February 2014, responses received by EY from the different reporting entities are summarized in the following table:

Reporting entities	Responses received/ total population
International oil buyers	43/43
International extractive companies	13/13
Third party verification companies	2/4
Iraqi Ministries and other governmental entities	17/18
Kurdistan Regional Government & entities operating in the region	No response

*** Reconciliation of production quantities and revenues related to mining companies was not performed as only four out of nine national mining companies provided data and no data was provided by the Ministry of Industry and Minerals.

4. Reconciliation Process (continued)

4.5 Reporting of cash flows to the DFI accounts

- 4.5.1 Cash receipts are recorded when funds are deposited in the Development Fund for Iraq (DFI) bank accounts at the Federal Reserve Bank of New York (FRBNY).
- 4.5.2 According to 2012 DFI audited financial statements, the total export sales of petroleum was in thousand US\$ 88,774,289 (Refer to Appendix 4) while the figure reported by SOMO for the same year was in thousand US\$ 94,032,633 as shown in the table below.

Total export sales as per DFI report (Thousand US\$)	Total export sales as reported by SOMO (Thousand US\$)	Differences (Thousand US\$)
88,774,289	94,032,633	5,258,344

Details of this difference is as follows:

	Thousand US\$
Total export sales as reported by SOMO	94,032,633
Value of In Kind crude oil shipments lifted by IOCs *	-5,249,233
Value of 100 thousand crude oil barrels designated to Jordan recorded on the account of the MoF	-9,111
Total export sales/ DFI report	<u>88,774,289</u>

- 4.5.3 United Nation Security Council Resolution (UNSCR) 1483 (2003) adopted by the Security Council on 22 May 2003, called for the creation of the DFI to administer the proceeds from the export sales of petroleum and petroleum products of Iraq. The DFI was placed under the control of the former Coalition Provisional Authority (CPA).
- 4.5.4 UNSCR 1483 also called for the creation of an International Advisory Monitoring Board (IAMB) including representatives from several international financial institutions such as the World Bank and the IMF. In January 2011, the Iraqi Committee of Financial Experts (COFE) took over the task of IAMB in order to promote transparency and financial accountability with regards to the DFI.
- 4.5.5 The DFI consists of bank accounts held with the FRBNY and managed by the Central Bank of Iraq (CBI) on behalf of the Iraqi Ministry of Finance (MoF).
- 4.5.6 In accordance with UNSCR 1483 (2003), 95% of the proceeds from export sales of petroleum, petroleum products and natural gas are to be deposited at the DFI. The remaining 5% is deposited in the United Nations' Compensation Fund.

* Please refer to page 5 of the report.

4. Reconciliation Process (continued)

4.5.7 Export sales of petroleum, petroleum products, and natural gas

4.5.7.1 According to the UNSCR 1483, all proceeds from Iraq's export sales of petroleum, petroleum products and natural gas, shall be deposited in an Oil Proceed Receipt Account (OPRA) held at the FRBNY, and immediately thereafter, 95% of these proceeds is required to be deposited in the DFI accounts held at the FRBNY. The remaining 5% is required to be deposited in the United Nations' Compensation Fund as established by UNSCR 687 (1991) and subsequent relevant resolutions, and therefore, will not be part of the DFI's statement of cash receipts and payments.

4.6 Compilation of data and resolution of discrepancies

4.6.1 The process of compilation, reconciliation and discrepancy analysis was performed during September 2013, January, February, November and December 2014.

4.6.2 The following procedures were performed:

- 1) Data collection from the different reporting entities;
- 2) Reconciliation of collected data in accordance with the describe reconciliation process;
- 3) Where no differences were noted for the performed reconciliations, no further steps were undertaken;
- 4) Noted discrepancies from performed reconciliations were discussed with the concerned entities, and where necessary, additional information was requested in an effort of justifying these discrepancies;
- 5) Reporting of unjustified discrepancies



Iraqi Extractive Industries Transparency Initiative (IEITI)

Reconciliation of Reported Data

5. Reconciliation of Reported Data

5.1 Extracted for export crude oil quantities (in barrels), reconciliation between Ministry of Oil, North Oil Company and SOMO

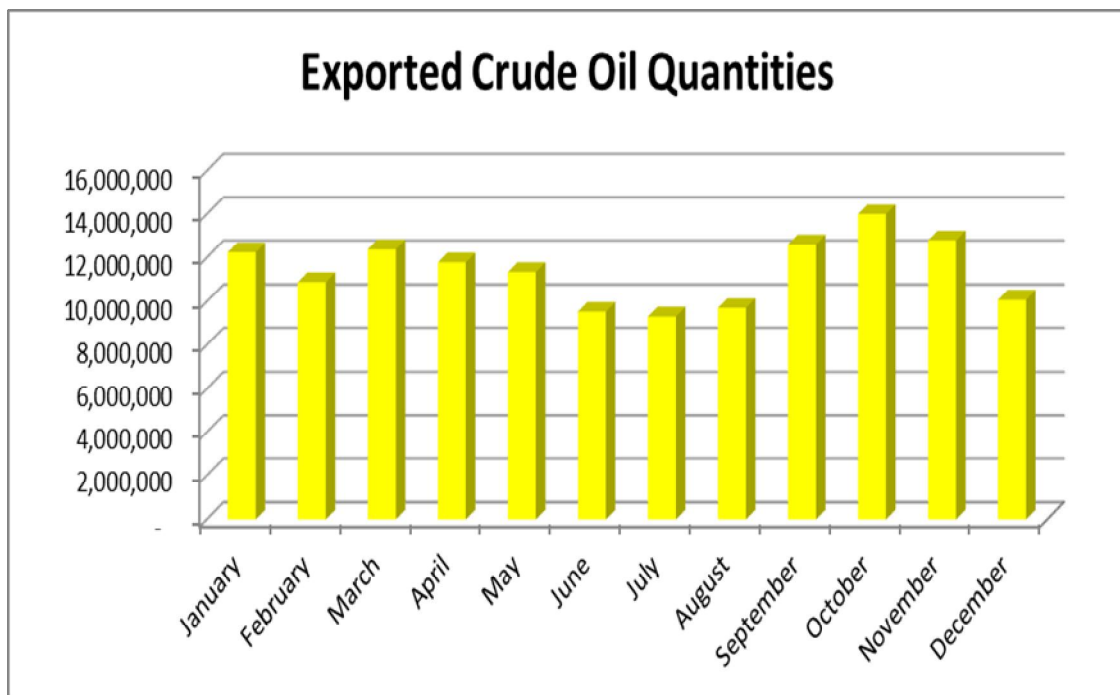
Month	Extracted for export crude oil quantities reported by MoO (Barrel)	Extracted for export crude oil quantities reported by SOMO (Barrel)	Extracted for export crude oil quantities reported by NOC (Barrel)	Differences* (Barrel)
January	12,237,076	12,237,076	7,549,289	(4,687,787)
February	10,885,546	10,885,546	6,644,209	(4,241,337)
March	12,375,010	12,375,010	7,835,673	(4,539,337)
April	11,780,485	11,780,485	10,311,071	(1,469,414)
May	11,343,614	11,343,614	8,828,976	(2,514,638)
June	9,534,259	9,534,259	6,901,784	(2,632,475)
July	9,310,944	9,310,944	6,656,242	(2,654,702)
August	9,711,462	9,711,462	5,623,016	(4,088,446)
September	12,600,819	12,600,819	8,011,446	(4,589,373)
October	14,004,170	14,004,170	8,301,221	(5,702,949)
November	12,788,042	12,788,042	7,065,399	(5,722,643)
December	10,084,924	10,084,924	7,059,302	(3,025,622)
Total	136,656,351	136,656,351	90,787,628	(45,868,723)

Source: data presented in the table was reported by the respective entities (MoO, SOMO and NOC)

* No differences were noted between the quantities reported by the MoO and SOMO. Differences were noted between the quantities reported by MoO and SOMO from one part and the quantities reported by NOC. North Oil Company reported only its extracted quantities while the MoO and SOMO reported, in addition to the quantities extracted by NOC, the quantities of crude oil received by NOC from KRG amounting to 15,418,298 barrel for purposes of exporting it through NOC and the surplus that was returned to NOC from North refineries amounting to 30,450,425 barrel.

5. Reconciliation of Reported Data (continued)

5.1 *Extracted for export crude oil quantities (in barrels), reconciliation between Ministry of Oil, North Oil Company and SOMO*



Source: the chart was prepared based on the data provided by the MoO

5. Reconciliation of Reported Data (continued)

5.2 Extracted for export crude oil quantities (in barrels), reconciliation between Ministry of Oil, South Oil Company and SOMO

Month	Extracted for export crude oil quantities reported by MoO (Barrel)	Extracted for export crude oil quantities reported by SOMO (Barrel)	Extracted for export crude oil quantities reported by SOC *	Differences** (Barrel)
January	53,049,654	53,049,654	53,049,654	-
February	47,521,735	47,521,735	47,521,735	-
March	59,439,471	59,439,471	59,439,471	-
April	63,459,937	63,459,937	63,459,937	-
May	64,680,329	64,680,329	64,680,329	-
June	62,541,663	62,541,663	62,541,663	-
July	68,647,490	68,647,490	68,695,596	48,106
August	69,814,405	69,814,405	69,814,405	-
September	65,248,983	65,248,983	65,248,983	-
October	67,339,576	67,339,576	67,339,576	-
November	65,828,678	65,828,678	65,828,678	-
December	62,717,193	62,717,193	62,717,193	-
Total	750,289,114	750,289,114	750,337,220	48,106

Source: data presented in the table was reported by the respective entities (MoO, SOMO and SOC)

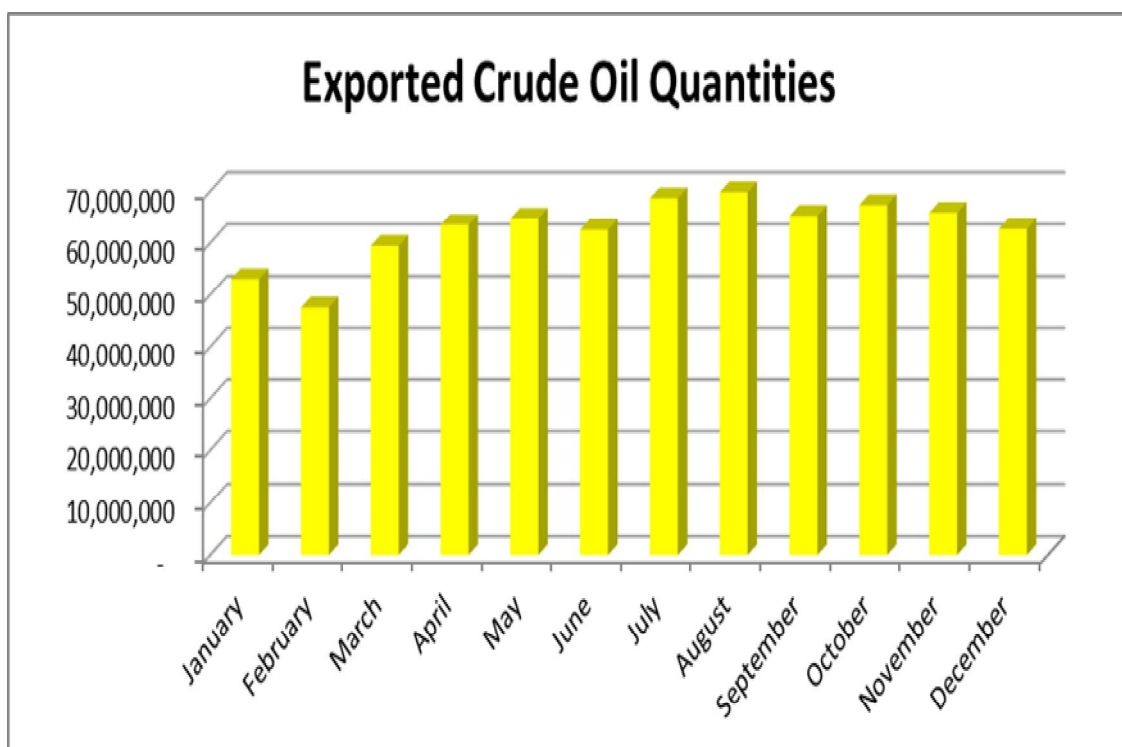
* The quantities reported by South Oil Company include the crude oil received from Missan Oil Company, Midland Oil Company for exporting purpose and the surpluses returned from South refineries as follows:

Missan Oil Company	49,253,129 barrel (Refer to section 5.3)
Midland Oil Company	36,459,771 barrel (Refer to section 5.4)
South Refineries	19,864,096 barrel

** The noted difference between MoO and SOMO from one part and the quantity reported by SOC represents a difference in a shipment received by a buyer. SOMO and MoO adjusted its records to account for this difference while SOC did not.

5. Reconciliation of Reported Data (continued)

5.2 Extracted for export crude oil quantities (in barrels), reconciliation between Ministry of Oil, South Oil Company and SOMO



Source: the chart was prepared based on the data provided by the MoO

5. Reconciliation of Reported Data (continued)

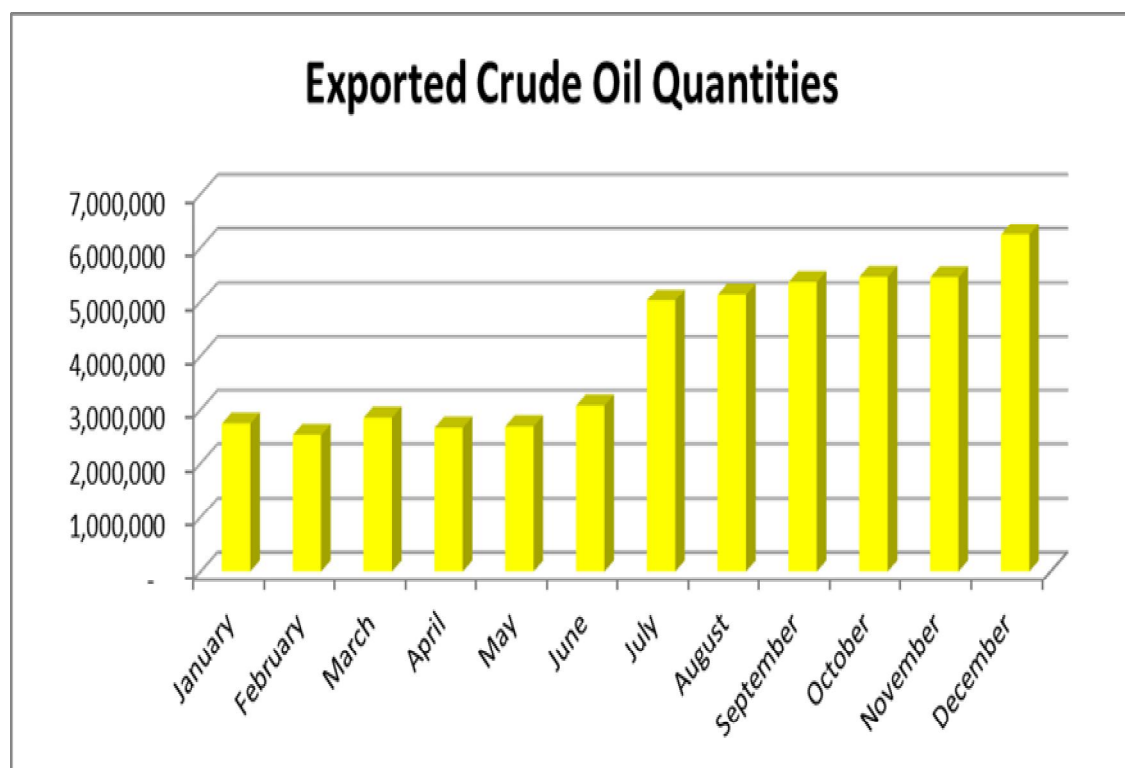
5.3 Extracted for export crude oil quantities (in barrels), reconciliation between Ministry of Oil, Missan Oil Company and SOMO

Month	Extracted for export crude oil quantities reported by MoO (Barrel)	Extracted for export crude oil quantities reported by MOC (Barrel)	Extracted for export crude oil quantities reported by SOMO (Barrel)	Differences (Barrel)
January	2,745,066	2,745,066	2,745,066	-
February	2,536,873	2,536,873	2,536,873	-
March	2,853,085	2,853,085	2,853,085	-
April	2,666,034	2,666,034	2,666,034	-
May	2,693,168	2,693,168	2,693,168	-
June	3,073,660	3,073,660	3,073,660	-
July	5,021,446	5,021,446	5,021,446	-
August	5,137,094	5,137,094	5,137,094	-
September	5,366,631	5,366,631	5,366,631	-
October	5,464,113	5,464,113	5,464,113	-
November	5,454,129	5,454,129	5,454,129	-
December	6,241,830	6,241,830	6,241,830	-
Total	49,253,129	49,253,129	49,253,129	-

Source: data presented in the table was reported by the respective entities (MoO, SOMO and MOC)

5. Reconciliation of Reported Data (continued)

5.3 Extracted for export crude oil quantities (in barrels), reconciliation between Ministry of Oil, Missan Oil Company and SOMO



Source: the chart was prepared based on the data provided by the MoO

5. Reconciliation of Reported Data (continued)

5.4 Extracted for export crude oil quantities (in barrels), reconciliation between Ministry of Oil, Midland Oil Company and SOMO

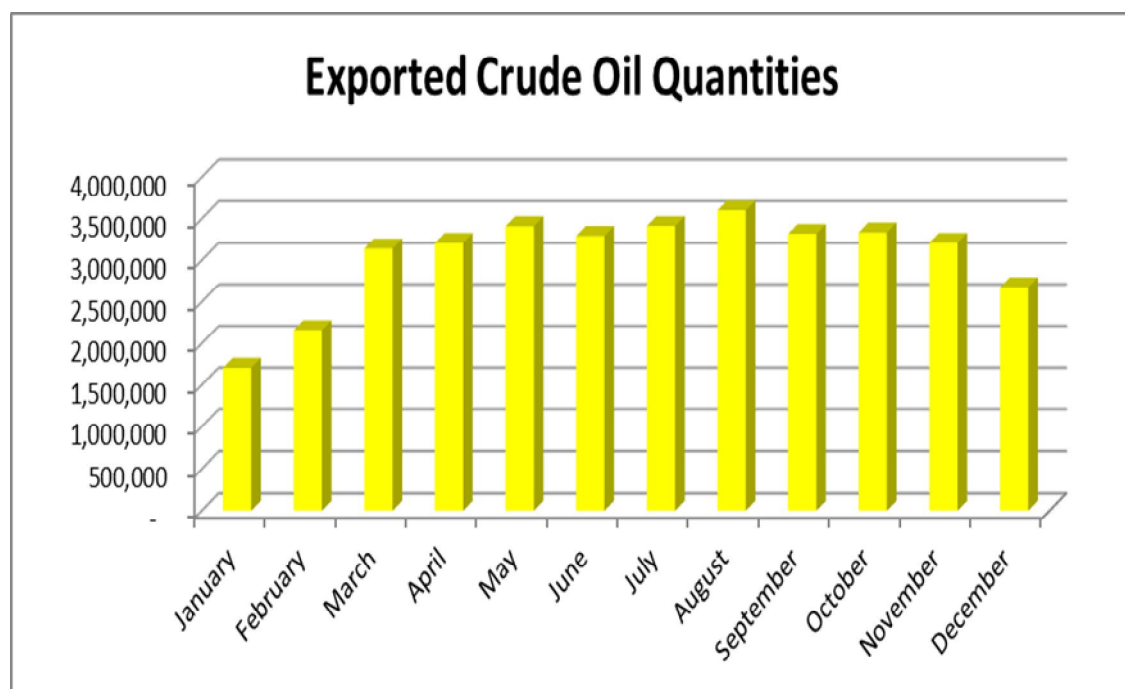
Month	Extracted for export crude oil quantities reported by MoO (Barrel)	Extracted for export crude oil quantities reported by MdOC (Barrel)	Extracted for export crude oil quantities reported by SOMO (Barrel)	Differences* (Barrel)
January	-	-	1,706,823	1,706,823
February	-	-	2,159,530	2,159,530
March	-	-	3,140,090	3,140,090
April	-	-	3,206,179	3,206,179
May	-	-	3,409,255	3,409,255
June	-	-	3,291,977	3,291,977
July	-	-	3,411,847	3,411,847
August	-	-	3,598,960	3,598,960
September	-	-	3,317,944	3,317,944
October	-	-	3,334,610	3,334,610
November	-	-	3,210,021	3,210,021
December	-	-	2,672,535	2,672,535
Total	-	-	36,459,771	36,459,771

Source: data presented in the table was reported by the respective entities (MoO, SOMO and MdOC)

* The differences are attributed to the fact that crude oil exported quantities of Midland Oil Company are included in the exported quantities of crude oil reported by South Oil Company, hence Midland Oil Company and Ministry of Oil did not report any exported quantities of crude oil.

5. Reconciliation of Reported Data (continued)

5.4 Extracted for export crude oil quantities (in barrels), reconciliation between Ministry of Oil, Midland Oil Company and SOMO



Source: the chart was prepared based on the data provided by the SOMO

5. Reconciliation of Reported Data (continued)

5.5 Reconciliation of exported crude oil between SOMO and buyers for the year 2012

No.	Buyer Name	Amount SOMO US\$	Amount Buyer US\$	Difference US\$	Note Reference
1	AL WAHA PETROLUM	649,151,950	640,318,043	8,833,907	A
2	API	320,855,821	320,855,821	-	-
3	BHARAT PETROLEUM	914,503,194	1,016,162,871	(101,659,677)	B
4	BP Oil	5,422,158,655	5,626,487,353	(204,328,698)	C
5	CEPSA	1,475,896,829	1,371,937,926	103,958,903	D
6	CHEVRON	5,540,723,107	5,625,413,889	(84,690,782)	E
7	CHINA INTERNATIONAL	5,141,490,144	4,968,266,245	173,223,899	F
8	CHINA NATIONAL *	1,422,875,547	224,053,248	1,198,822,299	G
9	CHINA OFFSHORE OIL	2,113,274,818	2,113,274,818	-	-
10	ENI Trading	1,064,148,587	611,411,029	452,737,558	H
11	ERG SPA	500,879,449	500,879,449	-	-
12	EXXONMOBIL SALES AND SUPPLY CORPORATION GALLOWES *	5,981,923,349	5,981,923,349	-	-
13	GAZPROM	1,459,350,344	1,459,350,344	-	-
14	GS CALTEX SINGAPORE PTE. LTD.	4,030,529,507	3,893,582,613	136,946,894	I
15	HINDUSTAN PETROLEUM CORPORATION LIMITED	1,839,145,367	1,839,145,367	-	-
16	INDIAN	10,639,029,452	10,638,422,851	606,601	J
17	IPLOM	724,317,880	724,317,880	-	-
18	JORDAN (JORDAN PETROLEUM REFINERY)	240,697,431	240,697,431	-	-
19	JX NIPPON OIL	2,079,386,604	2,293,658,960	(214,272,356)	K
20	KOCH SUPPLY & TRADING	202,887,164	407,948,043	(205,060,879)	L
21	KOGAS IRAQ B.V	330,686,231	330,686,231	-	-
22	KOREA NATIONAL OIL	1,894,035,965	1,894,035,965	-	-
23	LITASCO	694,943,008	755,276,622	(60,333,614)	M
24	MOTOR OIL	1,253,267,716	1,253,267,716	-	-
25	NORTH PETROLEUM	2,335,128,942	2,335,128,942	-	-

Source: data presented in the table was reported by the respective entities (SOMO and buyers)

* The results of the reconciliation performed for this company might change pending the receipt of further information.

5. Reconciliation of Reported Data (continued)

5.5 Reconciliation of exported crude oil between SOMO and buyers for the year 2012

No.	Buyer Name	Amount SOMO US\$	Amount Buyer US\$	Difference US\$	Note Reference
26	PETRO DIAMOND	1,257,989,286	1,468,596,103	(210,606,817)	N
27	PETROLEO BRASILEIRO	862,329,610	862,329,610	-	-
28	PHILLIPS 66	5,121,553,744	5,121,553,744	-	-
29	REPSOL	2,048,171,463	2,048,171,463	-	-
30	SAMIR	355,407,756	355,407,756	-	-
31	SARAS SPA - MILANO	1,285,722,368	1,122,011,430	163,710,938	O
32	SHELL	3,458,055,925	3,445,827,729	12,228,196	P
33	SINOCHEM	4,902,517,533	5,116,444,778	(213,927,245)	Q
34	SK ENERGY	2,355,121,015	2,355,121,015	-	-
35	SOCAR	428,308,905	428,308,905	-	-
36	TOTSA TOTAL	4,675,625,152	4,565,801,152	109,824,000	R
37	TOYOTA	1,990,968,877	2,208,435,909	(217,467,032)	S
38	TURKISH PETROLEUM INTERNATIONAL	2,323,989,678	2,323,989,678	-	-
39	VALERO MARKETING & SUPPLY COMPANY	3,617,196,173	3,570,089,568	47,106,605	T
40	OCCIDENTAL ENERGY IRAQ LLC	414,294,601	414,294,601	-	-
41	PETROGAL	106,142,786	106,142,786	-	-
42	PETRONAS HALFAYA	99,752,628	99,752,628	-	-
43	VITOL	458,198,892	458,198,892	-	-
	Total	94,032,633,453	93,136,980,753	895,652,700	

Source: data presented in the table was reported by the respective entities (SOMO and buyers)

5. Reconciliation of Reported Data (continued)

Several discrepancies were identified from the reconciliation work performed. The reporting entities were responsive and cooperative in contributing to the reconciliation.

5.6 Discrepancies

Discrepancies noted from the reconciliation process are mainly attributed to time differences in recording shipments at cutoff dates by both SOMO and the buyers.

Ref	Notes	Amounts reported by SOMO not reported by the buyer US\$	Amounts reported by the buyer not reported by SOMO US\$	Difference US\$
A	The difference represents one shipment loaded in January 2012	8,833,907	-	8,833,907
B	The difference represents two shipments loaded in January and February 2013 reported by the buyer, in addition to differences in quantity and prices reported by SOMO of US\$9,341	(9,341)	(101,650,336)	(101,659,677)
C	The difference represents one shipment amounting to US\$205,684,990 loaded in January 2013 reported by buyer in 2012 not by SOMO	-	(205,684,990)	(204,328,698)
	The difference represent delay penalties reported by SOMO in 2012 related to amounts received under service contracts amounting to US\$1,335,237 in addition to differences of quantity and prices amounting to US\$21,055	1,356,292	-	
D	The difference represents one shipment loaded in December 2012 with due date in 2013 reported by SOMO and not reported by buyer in 2012	103,958,903	-	103,958,903
E	The difference represents six shipments loaded in December 2011 with due dates in 2012 reported by buyer and six shipments loaded in December 2012 with due dates in 2013 reported by SOMO	532,347,397	(617,679,709)	(84,690,782)
	The difference represents delay penalty reported by the buyer and differences of quantity and prices reported by SOMO	(28,116)	669,646	

5. Reconciliation of Reported Data (continued)

Ref	Notes	Amounts reported by SOMO not reported by the buyer US\$	Amounts reported by the buyer not reported by SOMO US\$	Difference US\$
F	The difference represents one shipment loaded in December 2011 with due date in 2012 reported by buyer, and two shipments loaded in December 2012 with due dates in 2013 reported by SOMO	375,210,614	(201,986,715)	173,223,899
G	The difference represents all shipments received by the buyer under service contracts	1,198,822,299	-	1,198,822,299
H	The difference represents one shipment loaded in December 2011 with due date in 2012 reported by buyer and not reported by SOMO	-	(39,694,898)	452,737,558
	The difference represents all shipments received by buyer under service contracts reported by SOMO but not reported by the buyer	492,432,456	-	
I	The difference represents one shipment loaded in January 2012 related to 2011 reported by SOMO and not reported by buyer	136,946,894	-	136,946,894
J	The difference represents delay penalty reported by SOMO and not reported by buyer	606,601	-	606,601
K	The difference represents one shipment loaded in December 2011 with due date in 2012 reported by the buyer and not reported by SOMO	-	(214,272,356)	(214,272,356)
L	The difference represents one shipment loaded in January 2013 related to 2012 reported by buyer and not reported by SOMO	-	(205,060,879)	(205,060,879)
M	The difference represent one shipments loaded in December 2011 with due date in 2012 reported by buyer and not reported by SOMO	-	(60,333,614)	(60,333,614)
N	The difference represents one shipment loaded in December 2011 with due date in 2012 reported by buyer, in addition to delay penalty of US\$595,787 reported by SOMO	595,787	(211,202,604)	(210,606,817)
O	The difference represents two shipments loaded in December 2012 with due dates in 2013 reported by SOMO and not reported by buyer	163,710,938	-	163,710,938

5. Reconciliation of Reported Data (continued)

Ref	Notes	Amounts reported by SOMO not reported by the buyer US\$	Amounts reported by the buyer not reported by SOMO US\$	Difference US\$
P	The difference represents one shipment loaded in January 2012 related to 2011 contract in the amount of US\$207,995,241 in addition to debit note of US\$8,590,049 both reported by SOMO. The difference is also attributed to the fact that the buyer reported a shipment loaded in January 2013 amounting to US\$104,571,154 and a shipment recorded by SOMO under PETRONAS account amounting to US\$99,752,628 as this shipment relates to service contracts for Halfaya field to which PETRONAS and Shell have partnered for a joined venture	216,585,290	(204,323,782)	12,228,196
	This difference is a result of the buyer rounding up the barrel price	-	(33,312)	
Q	The difference represents two shipments loaded in December 2012 with due date in 2013 not reported by the buyer, and five shipments related to 2011 contract reported by buyer and not reported by SOMO	211,810,483	(425,737,728)	(213,927,245)
R	The difference represents one shipment loaded under the service contract reported by SOMO not reported by buyer	109,824,000	-	109,824,000
S	The difference represents one shipment loaded in December 2011 with due date in 2012 reported by buyer, in addition to differences of quantity and prices reported by SOMO of US\$2,314,669	(2,314,669)	(215,152,363)	(217,467,032)
T	The difference represents one shipment loaded in December 2011 with due date in 2012 reported by buyer and two shipments loaded in December 2012 with due dates in 2013 reported by SOMO	257,730,564	(210,623,959)	47,106,605
	Total	3,808,420,299	(2,912,767,599)	895,652,700

5. Reconciliation of Reported Data (continued)

5.7 Signature bonuses payments in calendar year 2012

There were no signature bonuses payments made during 2012 related to previous licensing rounds. Signature bonus payments related to the fourth licensing round, which took place in year 2012, were made in year 2013. For the summary of these payments please refer to section 3.5.

5. Reconciliation of Reported Data (continued)

5.8 Internal Service Payments* reconciliation between Ministry of Oil and North Oil Company in calendar year 2012

Month	Amounts/NOC US\$**	Amounts/MoO US\$**	Difference US\$
January	18,010,292	18,010,292	-
February	16,295,026	16,295,026	-
March	18,867,925	18,867,925	-
April	23,156,089	23,156,089	-
May	18,867,925	18,867,925	-
June	14,150,943	14,150,943	-
July	13,722,127	13,722,127	-
August	15,008,576	15,008,576	-
September	21,440,823	21,440,823	-
October	24,871,355	24,871,355	-
November	22,298,456	22,298,456	-
December***	-	-	-
Total	206,689,537	206,689,537	-

Source: data presented in the table was reported by the respective entities (MoO and NOC)

* Internal service payments are payments received by National Oil Companies (NOCs) to cover the production cost of crude oil. These payments are made by the Ministry of Finance to SOMO which in turn makes the required transfers to the NOCs on a monthly basis. For more details, refer to section 3.7.

** The figures presented in this table were provided in IQD and converted to US\$ using 1US\$ = 1,166 IQD as an exchange rate.

*** No payments were made in December 2012.

5. Reconciliation of Reported Data (continued)

5.9 Internal service payments reconciliation between Ministry of Oil and Missan Oil Company in calendar year 2012

Month	Amounts/MOC US\$*	Amounts/MoO US\$*	Difference US\$
January	5,574,614	5,574,614	-
February	5,145,798	5,145,798	-
March	6,432,247	6,432,247	-
April	5,145,798	5,145,798	-
May	6,003,431	6,003,431	-
June	6,861,063	6,861,063	-
July	10,291,595	10,291,595	-
August	10,291,595	10,291,595	-
September	11,149,228	11,149,228	-
October	12,006,861	12,006,861	-
November	10,291,595	10,291,595	-
December**	-	-	-
Total	89,193,825	89,193,825	-

Source: data presented in the table was reported by the respective entities (MoO and MOC)

* The figures presented in this table were provided in IQD and converted to US\$ using 1US\$ 1,166 IQD as an exchange rate.

** No payments were made in December 2012.

5. Reconciliation of Reported Data (continued)

5.10 Internal service payments reconciliation between Ministry of Oil and South Oil Company in calendar year 2012

Month	Amounts/SOC US\$*	Amounts/MoO US\$*	Difference US\$**
January	-	99,485,420	(99,485,420)
February	99,485,420	81,475,129	18,010,291
March	81,475,129	101,200,686	(19,725,557)
April	101,200,686	81,475,129	19,725,557
May	81,475,129	152,658,662	(71,183,533)
June	152,658,662	88,336,192	64,322,470
July	88,336,192	95,197,256	(6,861,064)
August	95,197,256	96,054,889	(857,633)
September	96,054,889	90,051,458	6,003,431
October	90,051,458	93,481,990	(3,430,532)
November	93,481,990	90,051,458	3,430,532
December	90,051,458	-	90,051,458
Total	1,069,468,269	1,069,468,269	-

Source: data presented in the table was reported by the respective entities (MoO and SOC)

* The figures presented in this table were provided in IQD and converted to US\$ using 1US\$ = 1,166 IQD as an exchange rate.

** The differences are the result of time difference of recording payments between MoO and SOC.

5. Reconciliation of Reported Data (continued)

5.11 Internal service payments reconciliation between Ministry of Oil and Midland Oil Company in calendar year 2012

Month	Amounts/MdOC US\$*	Amounts/MoO US\$*	Difference US\$
January	6,861,063	6,861,063	-
February	5,145,798	5,145,798	-
March	8,576,329	8,576,329	-
April	8,576,329	8,576,329	-
May	8,576,329	8,576,329	-
June	8,576,329	8,576,329	-
July	8,576,329	8,576,329	-
August	8,576,329	8,576,329	-
September	8,576,329	8,576,329	-
October	8,576,329	8,576,329	-
November	8,576,329	8,576,329	-
December**	-	-	-
Total	89,193,822	89,193,822	-

Source: data presented in the table was reported by the respective entities (MoO and MdOC)

* The figures presented in this table were provided in IQD and converted to US\$ using 1US\$ = 1,166 IQD as an exchange rate.

** No payments were made in December 2012.

5. Reconciliation of Reported Data (continued)

5.12.1 *Reconciliation of crude oil quantities supplied to the refineries. Reconciliation performed between South Oil Company, Ministry of Oil and South Refineries for year 2012.*

Crude Oil (Barrel)			
Quantities/SR	Quantities/SOC	Quantities/MoO	Difference
55,199,021	55,199,021	55,199,021	-

Source: data presented in the table was reported by the respective entities (SR, SOC and MoO)

5.12.2 *Reconciliation of crude oil quantities supplied to the refineries. Reconciliation performed between South Oil Company, Ministry of Oil and Midland Refineries for year 2012.*

Crude Oil (Barrel)			
Quantities/MdR	Quantities/SOC	Quantities/MoO	Difference
27,463,298	27,463,298	27,463,298	-

Source: data presented in the table was reported by the respective entities (MdR, SOC and MoO)

5.12.3 *Reconciliation of crude oil quantities supplied to the refineries between Missan Oil Company, Ministry of Oil and South Refineries for year 2012.*

Crude Oil (Barrel)			
Quantities/SR	Quantities/MOC	Quantities/MoO	Difference
5,419,585	5,419,585	5,419,585	-

Source: data presented in the table was reported by the respective entities (SR, MOC and MoO)

5. Reconciliation of Reported Data (continued)

5.12.4 *Reconciliation of crude oil quantities supplied to the refineries. Reconciliation performed between Midland Oil Company, Ministry of Oil and Midland Refineries for year 2012.*

Crude Oil (Barrel)			
Quantities/MdR	Quantities/MdOC	Quantities/MoO	Difference
17,421,917	18,649,610	18,649,610	1,227,693

Source: data presented in the table was reported by the respective entities (MdR, MdOC and MoO)

The difference is due to using different metering systems by both MdR and MdOC.

5.12.5 *Reconciliation of crude oil quantities supplied to the refineries. Reconciliation performed between North Oil Company, Ministry of Oil and North Refineries for year 2012.*

Crude Oil (Barrel)			
Quantities/NR	Quantities/NOC	Quantities/MoO	Difference
108,854,251	108,854,251	108,854,251	-

Source: data presented in the table was reported by the respective entities (NR, NOC and MoO)

5. Reconciliation of Reported Data (continued)

5.13.1 Reconciliation of natural gas quantities supplied to gas companies. Reconciliation performed between North Oil Company, Ministry of Oil and North Gas Company for year 2012.

Natural Gas (m ³)			
Quantities/NGC	Quantities/NOC	Quantities/MoO	Difference
3,726,260,623	3,726,260,623	3,726,260,623	-

Source: data presented in the table was reported by the respective entities (NGC, NOC and MoO)

5.13.2 Reconciliation of natural gas quantities supplied to gas companies between South Oil Company, Ministry of Oil and South Gas Company for year 2012.

Natural Gas (m ³)			
Quantities/SGC	Quantities/SOC	Quantities/MoO	Difference
3,309,843,000	3,309,843,000	3,309,843,000	-

Source: data presented in the table was reported by the respective entities (SGC, SOC and MoO)

5. Reconciliation of Reported Data (continued)

5.14 Reconciliation of natural gas quantities supplied to Ministry of Industry and Minerals' companies that consumed natural gas. Reconciliation performed between Ministry of Industry and Minerals and the ministry's companies for year 2012.

Natural Gas (Million cubic feet)				
No.	Company Name	Quantities/ MIM	Quantities/ companies	Difference
1	The State Company of Fertilizers South Region	14,622.529	14,622.529	-
2	State Co. for Fertilizers North Area	5,520.364	5,520.364	-
3	State Company for Petrochemical Ind.	2,793.854	2,793.854	-

Source: data presented in the table was reported by the respective entities (Ministry of Industry and Minerals and the ministry's companies)

5. Reconciliation of Reported Data (continued)

5.15 Reconciliation of cost recovery* between Ministry of Oil and International Oil Companies for year 2012**.

Company Name	Oil Field	Cost Recovery /MoO US\$	Cost Recovery / Providers US\$	Difference US\$
BP Petro China	Rumaila	2,144,428,787	2,108,900,000	35,528,787
The difference represents payments made in 2012 related to 2011 amounting to (42 Million US\$), and a deduction of (6.6 Million US\$) representing bonuses paid to South Oil Company seconded employees in Rumaila Field operation division.				

Company Name	Oil Field	Cost Recovery /MoO US\$	Cost Recovery / Providers US\$	Difference US\$
ExxonMobil Shell	West Qurna (Phase1)	965,644,137	968,577,000	(2,932,863)
The difference represents disputed amount related to bonuses paid to South Oil Company seconded employees.				

Company Name	Oil Field	Cost Recovery /MoO US\$	Cost Recovery / Providers US\$	Difference US\$
ENI Occidental KOGAS	Zubair	1,436,830,338	1,464,138,010	(27,307,672)
The difference represents a deducted amount of (8 Million US\$) being bonuses paid to South Oil Company seconded employees and (19.3 Million US\$) disputed amount.				

* For more information on the definition and calculation method of cost recovery, refer to section 3.6.

** Based on the decision of the Stakeholder Council, these reconciliations were performed based on oil field information provided by the Ministry of Oil and the audited financial statements of oil fields.

5. Reconciliation of Reported Data (continued)

5.15 Reconciliation of cost recovery between Ministry of Oil and International Oil Companies for year 2012*.

Company Name	Oil Field	Cost Recovery /MoO US\$	Cost Recovery / Providers US\$	Difference US\$
AL WAHA PETROLEUM CO.LTD.	Ahadab	672,571,023	642,762,336	29,808,687
The difference represents cost recovery of capital expenditures recorded by Ministry of Oil in 2012 and not recorded by the provider. The capital expenditures should be recovered through five years according to Al Ahdab contract				

Company Name	Oil Field	Cost Recovery /MoO US\$	Cost Recovery / Providers US\$	Difference US\$
CNOOC TPAO	Missan	100,397,936	295,314,265	(194,916,329)
The difference represents the amount of cost recovery that was not recorded by the MoO in 2012 due to budget limitation				

Company Name	Oil Field	Cost Recovery /MoO US\$	Cost Recovery / Providers US\$	Difference US\$
Petro China Total Petronas	Halfaya	954,819,124	736,969,834	217,849,290
The difference is due to a cost recovery payment related to 2011 reported by the Ministry of Oil in 2012 and not reported by the providers				

Total		6,274,691,345	6,216,661,445	58,029,900
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* Based on the decision of the Stakeholder Council, these reconciliations were performed based on oil field information provided by the Ministry of Oil and the audited financial statements of oil fields.

Iraqi Extractive Industries Transparency Initiative (IEITI)

5. Reconciliation of Reported Data (continued)

5.16 Reconciliation of remuneration fees** between Ministry of Oil and International Oil Companies for year 2012**

Company Name	Field	Remuneration Fees/MoO US\$	Remuneration Fees/Providers US\$	Differences US\$	Notes ***
BP	Rumaila	338,530,795	299,800,000	38,730,795	The amount reported by MoO represents remuneration fees for the year 2012 amounting to US\$ 282,686,486 in addition to an amount of US\$ 41,883,232 paid to the contractor in settlement of 2011 remuneration fees, and an amount of US\$ 13,961,077 paid to the state partner. The difference in remuneration fees for 2012 is related to disagreement in calculation of curtailment amounts and production measurement between the contractor and Ministry of Oil.
PetroChina					
ExxonMobil	West Qurna (Phase1)	126,165,371	78,180,000	47,985,371	The difference is due to that the contractor did not load all the approved crude oil quantities as remuneration fees during 2012.
Shell					
ENI	Zubair	63,863,974	73,811,197	(9,947,223)	The difference related to differences in production measurement.
Occidental					
KOGAS	Ahadab	254,820,394	254,983,209	(162,815)	This difference is below the 1% materiality threshold.
AL WAHA PETROLEUM CO.LTD.					
PetroChina	Halfaya	26,198,762	-	26,198,762	Remuneration Fees for year 2012 was paid in first quarter of 2013 and consequently was not reported by the companies.
Total					
Petronas	Missan	-	-	-	No Remuneration Fees were paid during 2012 for Missan Fields.
CNOOC					
TPAO					
Total		809,579,296	706,774,406	102,804,890	

* For more information on the definition and calculation method of remuneration fees, refer to section 3.6.

** Based on the decision of the Stakeholder Council, these reconciliations were performed based on oil field information provided by the Ministry of Oil and the audited financial statements of oil fields.

*** These notes were provided by the Ministry of Oil.

5. Reconciliation of Reported Data (continued)

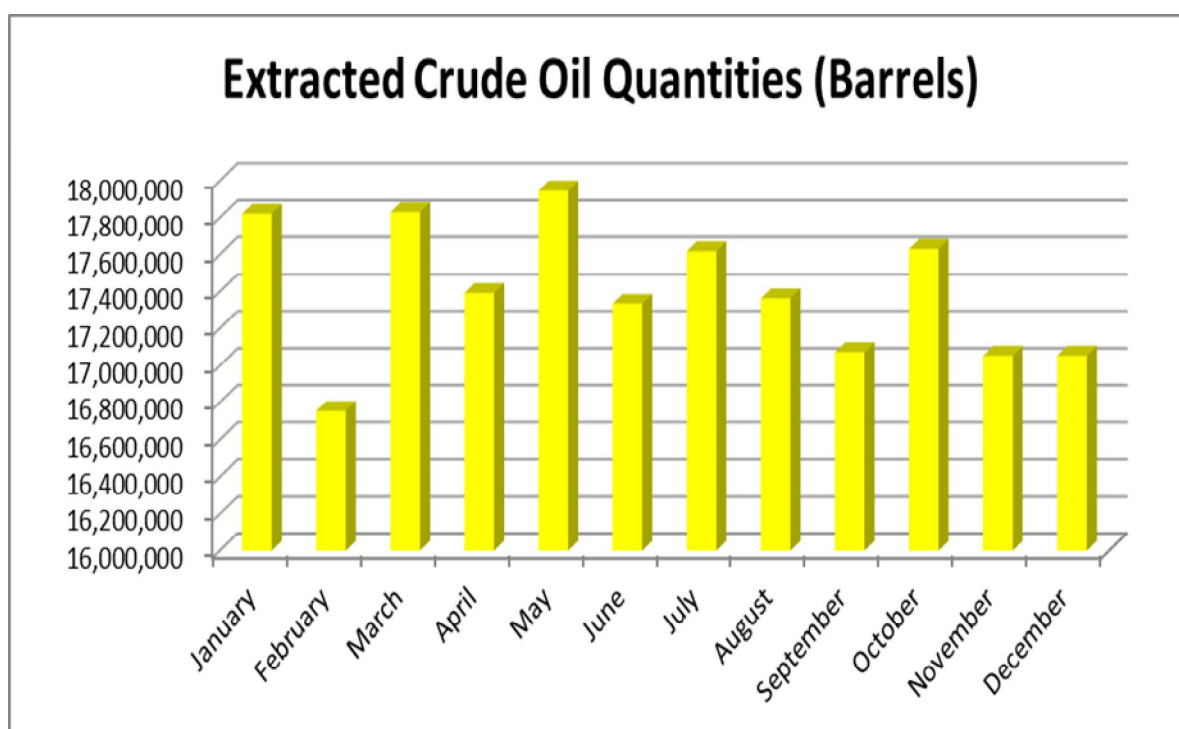
5.17 Reconciliation of extracted crude oil quantities between Ministry of Oil and North Oil Company

Month	NOC (Barrels)	MoO (Barrels)	Variances (Barrels)
January	17,820,653	17,820,653	-
February	16,753,322	16,753,322	-
March	17,828,788	17,828,788	-
April	17,392,099	17,392,099	-
May	17,945,963	17,945,963	-
June	17,333,619	17,333,619	-
July	17,616,375	17,616,375	-
August	17,361,933	17,361,933	-
September	17,071,372	17,071,372	-
October	17,628,950	17,628,950	-
November	17,052,146	17,052,146	-
December	17,053,573	17,053,573	-
Total	208,858,793	208,858,793	-

Source: data presented in the table was reported by the respective entities (NOC and MoO)

5. Reconciliation of Reported Data (continued)

5.17 Reconciliation of extracted crude oil quantities between Ministry of Oil and North Oil Company (in barrels)



Source: the chart was prepared based on the data provided by the MoO

5. Reconciliation of Reported Data (continued)

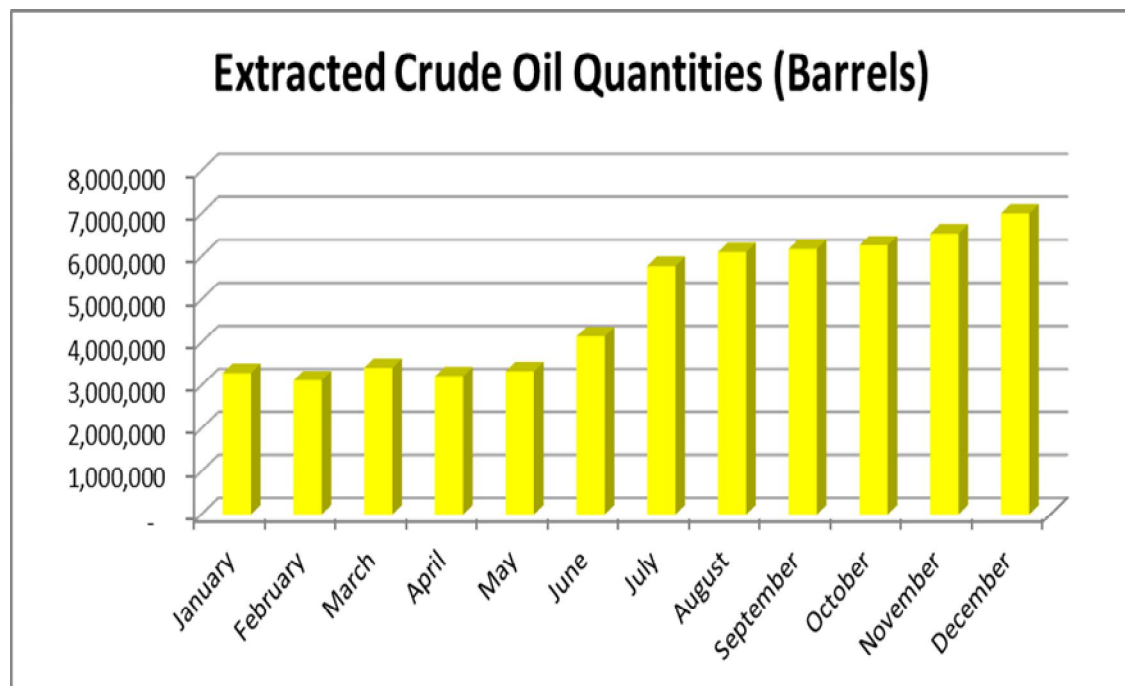
5.18 Reconciliation of extracted crude oil quantities between Ministry of Oil and Missan Oil Company

Month	MOC (Barrel)	MoO (Barrel)	Variances (Barrel)
January	3,289,744	3,289,744	-
February	3,115,935	3,115,935	-
March	3,410,642	3,410,642	-
April	3,212,189	3,212,189	-
May	3,331,087	3,331,087	-
June	4,136,347	4,136,347	-
July	5,780,871	5,780,871	-
August	6,099,033	6,099,033	-
September	6,177,088	6,177,088	-
October	6,262,858	6,262,858	-
November	6,538,075	6,538,075	-
December	7,002,154	7,002,154	-
Total	58,356,023	58,356,023	-

Source: data presented in the table was reported by the respective entities (MOC and MoO)

5. Reconciliation of Reported Data (continued)

5.18 Reconciliation of extracted crude oil quantities between Ministry of Oil and Missan Oil Company



Source: the chart was prepared based on the data provided by the MoO

5. Reconciliation of Reported Data (continued)

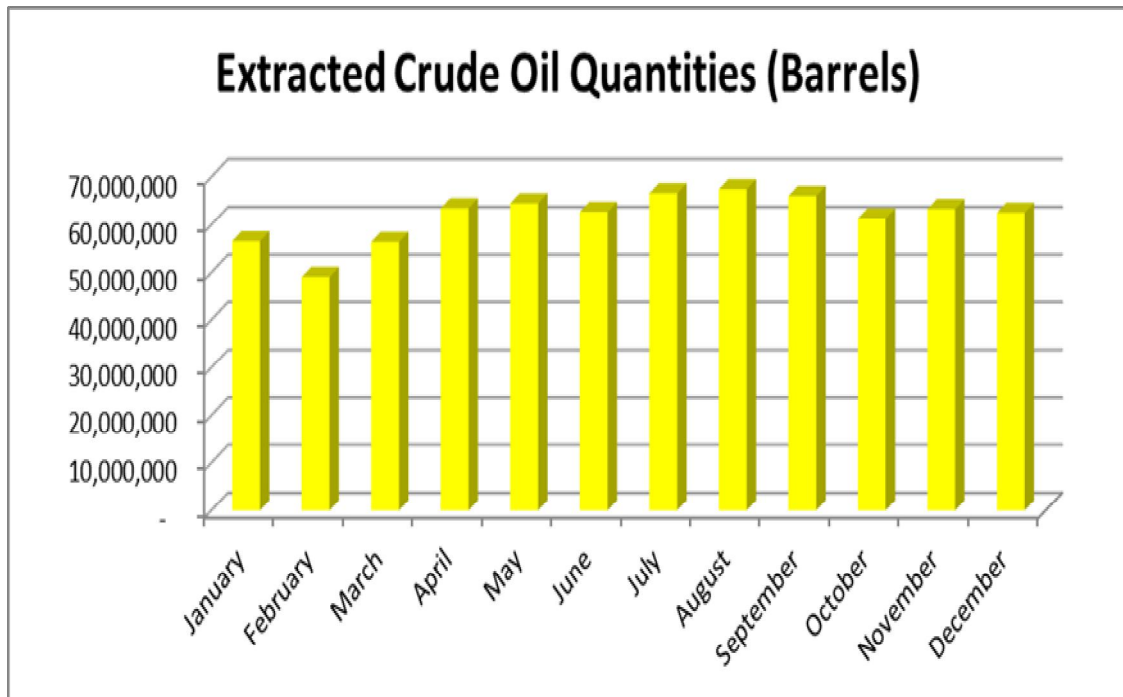
5.19 Reconciliation of extracted crude oil quantities between Ministry of Oil and South Oil Company

Month	SOC (Barrel)	MoO (Barrel)	Variances (Barrel)
January	56,549,714	56,549,714	-
February	49,047,913	49,047,913	-
March	56,370,324	56,370,324	-
April	63,493,840	63,493,840	-
May	64,518,297	64,518,297	-
June	62,705,343	62,705,343	-
July	66,594,157	66,594,157	-
August	67,454,172	67,454,172	-
September	66,024,873	66,024,873	-
October	61,309,665	61,309,665	-
November	63,297,858	63,297,858	-
December	62,547,620	62,547,620	-
Total	739,913,776	739,913,776	-

Source: data presented in the table was reported by the respective entities (SOC and MoO)

5. Reconciliation of Reported Data (continued)

5.19 Reconciliation of extracted crude oil quantities between Ministry of Oil and South Oil Company



Source: the chart was prepared based on the data provided by the MoO

5. Reconciliation of Reported Data (continued)

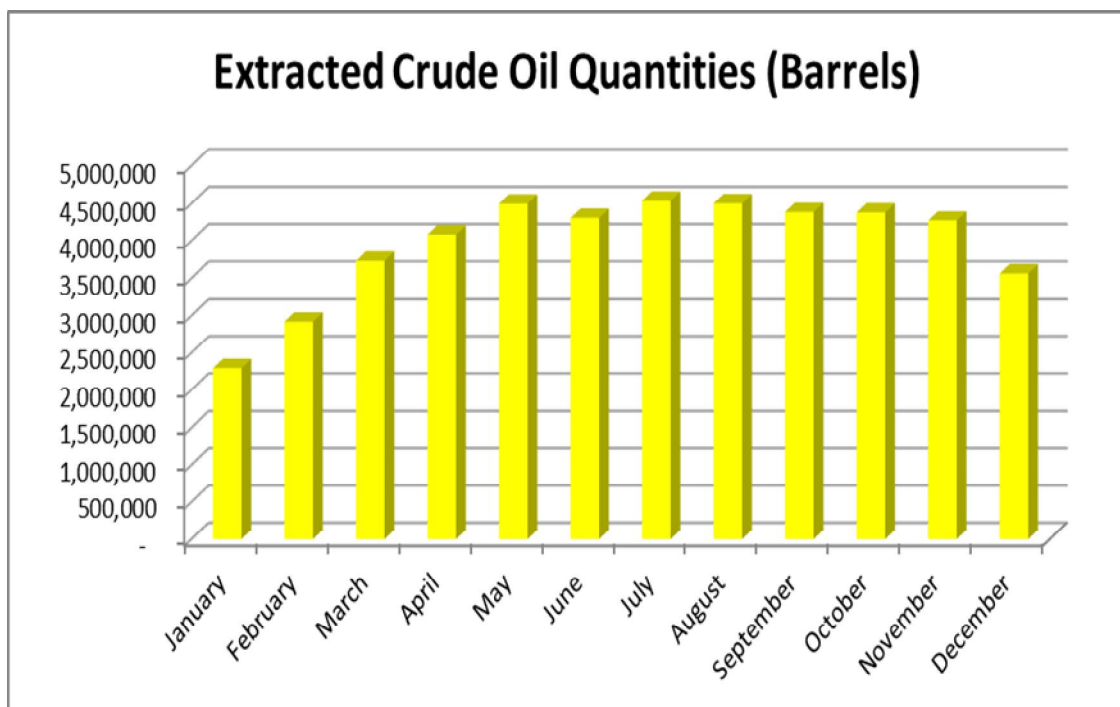
5.20 Reconciliation of extracted crude oil quantities between Ministry of Oil and Midland Oil Company

Month	MdOC (Barrel)	MoO (Barrel)	Variances (Barrel)
January	2,290,710	2,290,710	-
February	2,918,275	2,918,275	-
March	3,727,824	3,727,824	-
April	4,080,372	4,080,372	-
May	4,497,192	4,497,192	-
June	4,304,127	4,304,127	-
July	4,536,475	4,536,475	-
August	4,500,820	4,500,820	-
September	4,384,943	4,384,943	-
October	4,376,998	4,376,998	-
November	4,268,370	4,268,370	-
December	3,561,507	3,561,507	-
Total	47,447,613	47,447,613	-

Source: data presented in the table was reported by the respective entities (MdOC and MoO)

5. Reconciliation of Reported Data (continued)

5.20 Reconciliation of extracted crude oil quantities between Ministry of Oil and Midland Oil Company (in barrels)



Source: the chart was prepared based on the data provided by the MoO

5. Reconciliation of Reported Data (continued)

5.21 Corporate tax reconciliation between Ministry of Oil and International Oil Companies for year 2012

Differences in tax reconciliation is mainly attribute to the fact that corporate income tax for the year 2012 was deducted by the Ministry of Oil during year 2013, while deductions were recorded by most providers during the year 2012. This is illustrated in the table below. According to the existing tax law, payments would be made in the following year.

Field	Company Name	Tax / MoO (US\$)	Tax / IOC (US\$)	Differences (US\$)
Rumaila	BP	-	-	-
	PetroChina	-	56,707,720	56,707,720
West Qurna (Phase1)	ExxonMobil	-	9,846,129	9,846,129
	Shell	-	2,461,532	2,461,532
Zubair	ENI	-	7,735,277	7,735,277
	Occidental	-	1,195,364	1,195,364
	KOGAS	-	956,291	956,291
Halfaya	PetroChina	-	3,438,587	3,438,587
	Total	-	-	-
	PETRONAS	-	1,719,294	1,719,294
Total		-	84,060,194	84,060,194

Source: data presented in the table was reported by the respective entities (Ministry of Oil and International Oil Companies)

5. Reconciliation of Reported Data (continued)

5.22 Reconciliation of crude oil and natural gas quantities supplied to Electricity Generation Directorates (EGD). Reconciliation performed between Ministry of Electricity and Oil Pipeline Company (OPC) for year 2012*.

Product type	Quantities/OPC	Quantities/EGD Basrah	Difference
Crude Oil (Barrel)	5,137,805	5,137,805	-
Natural Gas (m ³)	934,800,339	934,800,339	-

Product type	Quantities/OPC	Quantities/EGD Al Furat Middle	Difference
Crude Oil (Barrel)	7,572,633	7,572,633	-
Natural Gas (m ³)	701,301,376	701,301,376	-

Product type	Quantities/OPC	Quantities/EGD Middle Region	Difference
Crude Oil (Barrel)	7,335,982	7,335,982	-
Natural Gas (m ³)	68,844,220	68,844,220	-

Source: data presented in the three tables above were reported by the respective entities (Oil Pipeline Company and Ministry of Electricity/EGD)

* A three way reconciliation was supposed to be performed for oil and gas quantities supplied to power station between National Oil Companies, Power Plants, and MoO. However, a reconciliation of the oil and gas quantities locally supplied to electricity generation directorates was performed by the electricity generation directorates (six in number) and the Oil Pipeline Company and handed to us. Although receiving this data was an achievement, not receiving it directly and separately from the concerned entities jeopardies the credibility of data reported by these entities and ultimately its reconciliation.

5. Reconciliation of Reported Data (continued)

5.22 Reconciliation of crude oil and natural gas quantities supplied to Electricity Generation Directorates (EGD). Reconciliation performed between Ministry of Electricity and Oil Pipeline Company (OPC) for year 2012*.

Production type	Quantities/OPC	Quantities/EGD Salah AIDin	Difference
Natural Gas (m ³)	1,123,438,097	1,123,438,097	-

Production type	Quantities/OPC	Quantities/EGD North Region	Difference
Natural Gas (m ³)	475,013,235	475,013,235	-

Production type	Quantities/OPC	Quantities/EGD Nasiriyah	Difference
Crude Oil (Barrel)	1,026,792	1,026,792	-
Natural Gas (m ³)	28,150,600	28,150,600	-

Source: data presented in the table were reported by the respective entities (Oil Pipeline Company and Ministry of Electricity/EGD)

* A three way reconciliation was supposed to be performed for oil and gas quantities supplied to power station between National Oil Companies, Power Plants, and MoO. However, a reconciliation of the oil and gas quantities locally supplied to electricity generation directorates was performed by the electricity generation directorates (six in number) and the Oil Pipeline Company and handed to us. Although receiving this data was an achievement, not receiving it directly and separately from the concerned entities jeopardies the credibility of data reported by these entities and ultimately its reconciliation.

5. Reconciliation of Reported Data (continued)

5.23 Reconciliation of the net revenue from sale of oil products to the local market. Reconciliation performed between Ministry of Finance and Oil Products Distribution Company for years 2009 – 2012*

Year	Amount reported by Ministry of Finance for treasury share	Amount reported by Oil Product Distribution Company	Differences**
2009	2,412,744,188	2,412,744,577	389
2010	2,239,942,202	2,239,942,494	293
2011	1,652,482,642	1,652,483,110	468
2012	-	-	***
Total	6,305,169,031	6,305,170,181	1,150

* Figures in this table were provided by the respective entities on accrual basis.

** Differences are attributed to rounding of reported figures by entity.

*** The Oil Product Distribution Company pays its dues to the Ministry of Finance after its financial statements are issued. There were no payments made during year 2012 since the company's financial statements were pending approval and not yet finalized.

5. Reconciliation of Reported Data (continued)

5.24 Monthly export quantities and average price of exported crude oil for the year 2012 with regard to the American, European and Asian Markets, and the quantity exported through Ceyhan Port & Seniya Depot by SOMO

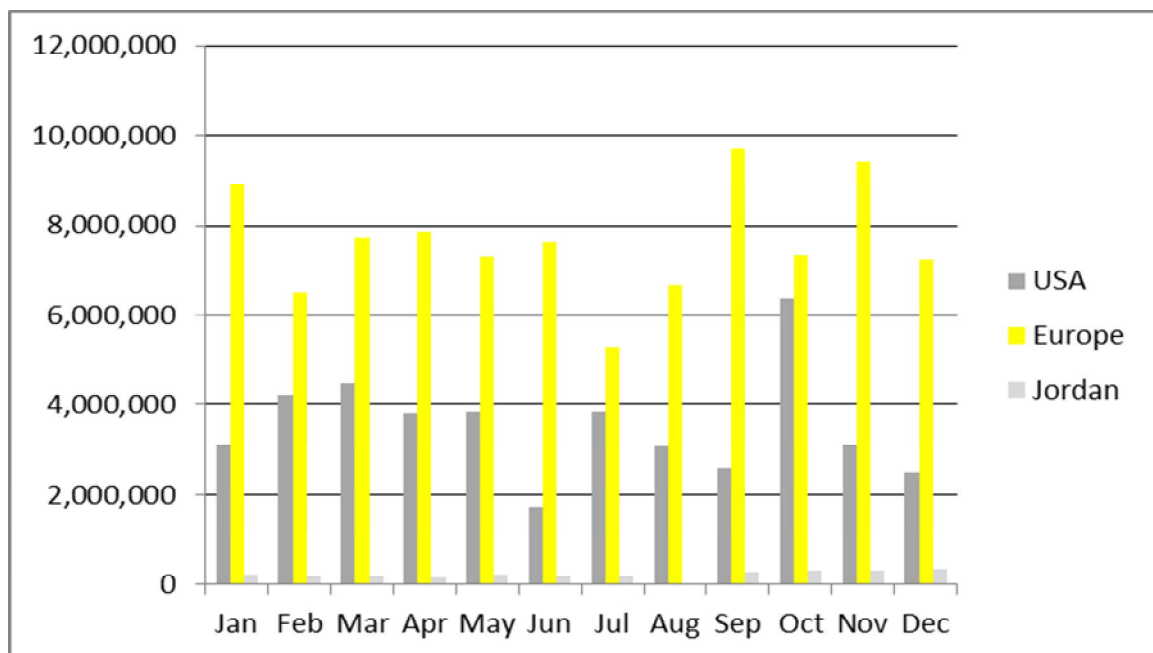
Month	Ceyhan Port and Seniya Depot (Barrel)				Monthly Average Price in (US\$)			
	USA	Europe	Far East	Jordan	USA	Europe	Far East	Jordan
January	3,104,824	8,910,787	-	221,465	105.87	107.92	-	92.58
February	4,215,764	6,492,057	-	177,725	110.30	117.48	-	101.55
March	4,462,046	7,719,043	-	193,921	115.54	121.66	-	107.33
April	3,790,665	7,831,542	-	158,278	113.75	114.17	-	101.53
May	3,824,362	7,305,934	-	213,318	106.72	104.57	-	92.20
June	1,732,672	7,627,728	-	173,859	97.99	90.33	-	76.84
July	3,847,885	5,278,350	-	184,709	90.99	98.98	-	84.59
August	3,071,323	6,640,139	-	-	98.69	109.68	-	-
September	2,594,642	9,708,813	-	297,364	105.25	109.91	-	94.86
October	6,364,611	7,329,595	-	309,964	103.51	107.83	-	93.60
November	3,085,005	9,403,213	-	299,824	101.69	105.42	-	91.11
December	2,495,843	7,238,015	-	351,066	101.99	106.24	-	91.35
Total	42,589,642	91,485,216	-	2,581,493				

Source: data presented in the table was reported by SOMO

5. Reconciliation of Reported Data (continued)

5.24 Monthly export quantities and average price of exported crude oil for the year 2012 with regard to the American, European and Asian Markets and the quantity exported through Ceyhan Port & Seniya Depot by SOMO

Quantity exported through Ceyhan Port & Seniya Depot in barrels/month

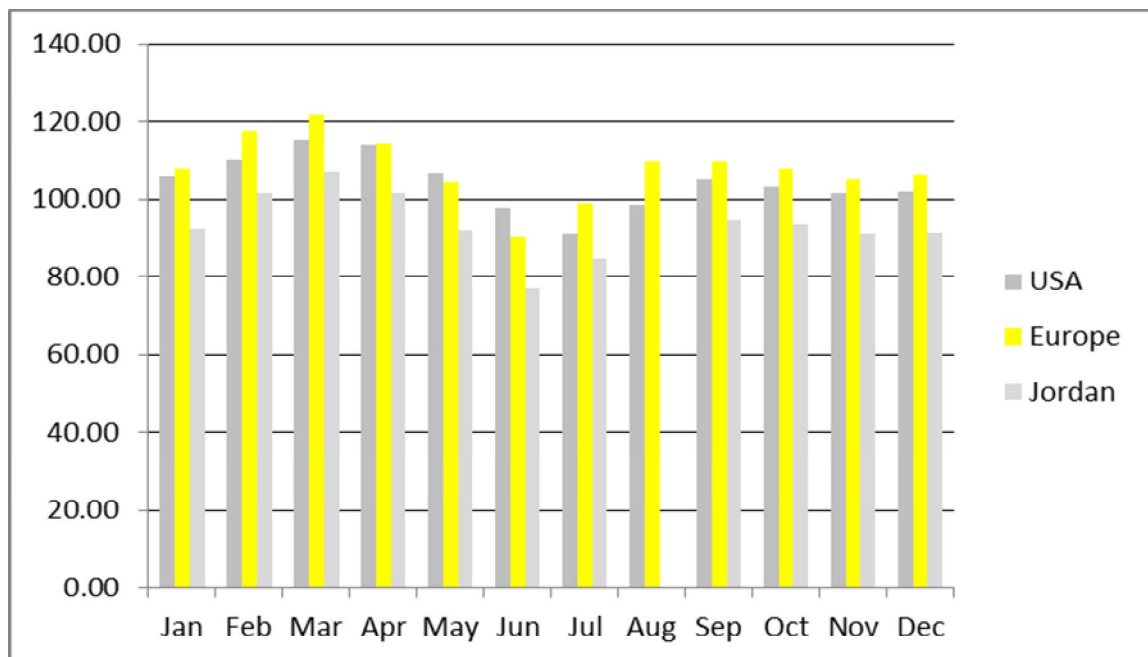


Source: the chart was prepared based on the data provided by SOMO

5. Reconciliation of Reported Data (continued)

5.24 Monthly export quantities and average price of exported crude oil for the year 2012 with regard to the American, European and Asian Markets and the quantity exported through Ceyhan Port & Seniya Depot by SOMO

Monthly export price average (US\$)



Source: data presented in the table was reported by the respective entity (SOMO)

5. Reconciliation of Reported Data (continued)

5.25 Monthly export quantities and average price of exported crude oil for the year 2012 with regard to the American, European and Asian Markets and the quantity exported through Basrah and Khor Al-Amaya ports by SOMO

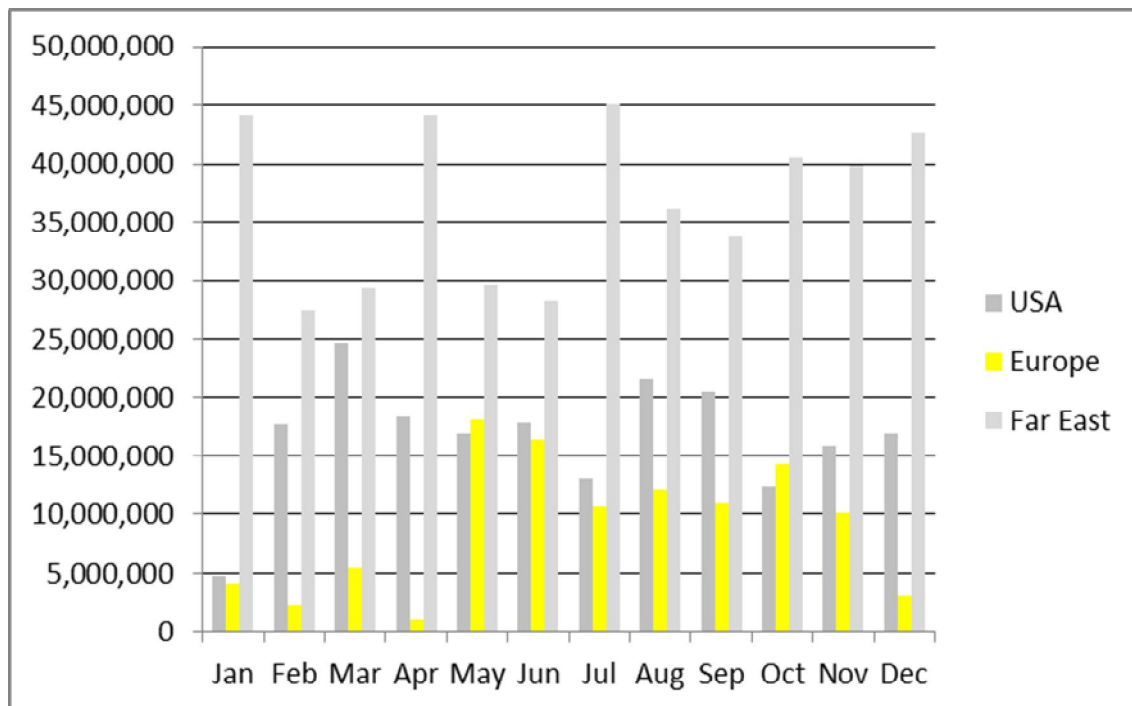
Month	Basrah Port and Khor Al-Amaya Port (Barrels)			Monthly average price in (US\$)		
	USA	Europe	Far East	USA	Europe	Far East
January	4,833,452	4,081,498	44,134,704	103.31	104.99	110.88
February	17,737,419	2,298,895	27,485,421	106.52	119.97	116.08
March	24,652,062	5,469,962	29,317,447	114.11	117.07	120.61
April	18,357,573	1,016,303	44,086,061	115.32	110.26	118.84
May	16,866,757	18,154,924	29,658,648	106.07	90.80	108.13
June	17,831,241	16,434,007	28,276,415	88.46	85.28	93.44
July	13,001,387	10,619,817	45,074,392	92.97	103.34	97.39
August	21,581,675	12,122,036	36,110,694	101.85	109.12	107.64
September	20,529,895	10,929,363	33,789,725	104.22	106.81	109.37
October	12,438,644	14,297,083	40,603,849	100.67	104.14	107.38
November	15,810,004	10,099,661	39,870,907	99.99	103.65	106.22
December	16,960,644	3,048,808	42,707,741	99.91	103.99	105.02
Total	200,600,753	108,572,357	441,116,004			

Source: data presented in the table was reported by SOMO

5. Reconciliation of Reported Data (continued)

5.25 Monthly export quantities and average price for exported crude oil for the year 2012 with regard to the American, European and Asian Markets and the quantity exported through Basrah and Khor Al-Amaya ports by SOMO

Quantity exported through Basrah & Khor Al-Amaya Ports in barrels/month

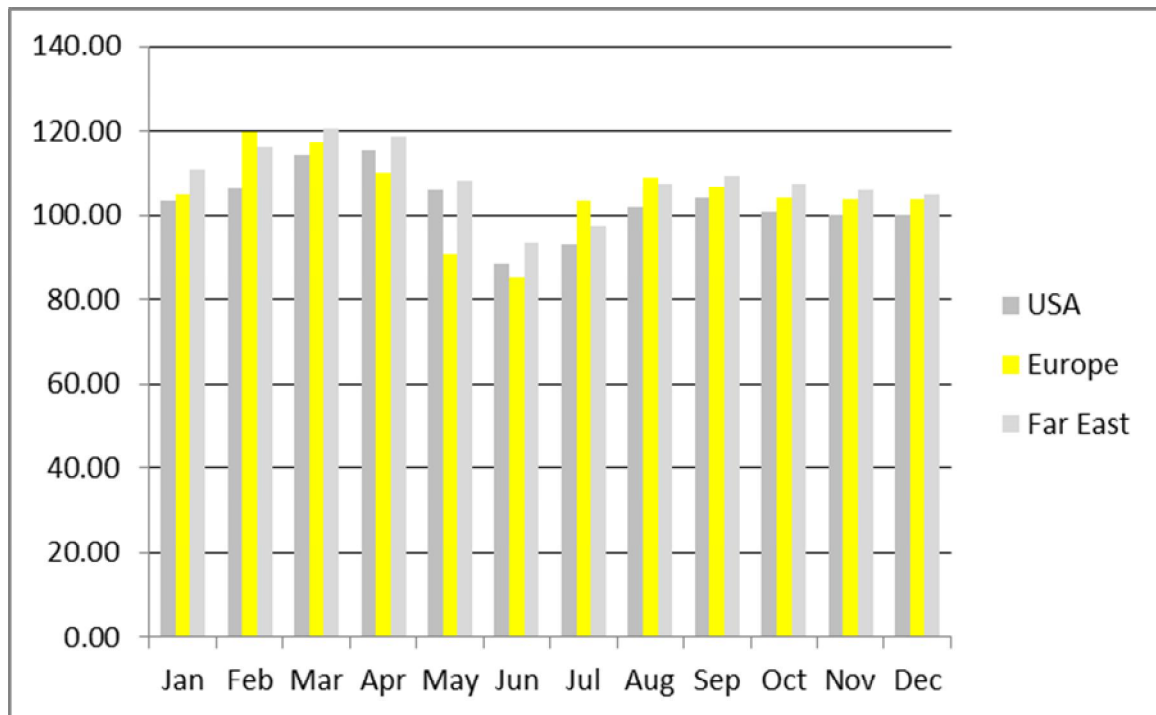


Source: the chart was prepared based on the data provided by SOMO

5. Reconciliation of Reported Data (continued)

5.25 Monthly export quantities and average price for exported crude oil for the year 2012 with regard to the American, European and Asian Markets and the quantity exported through Basrah and Khor Al-Amaya ports by SOMO

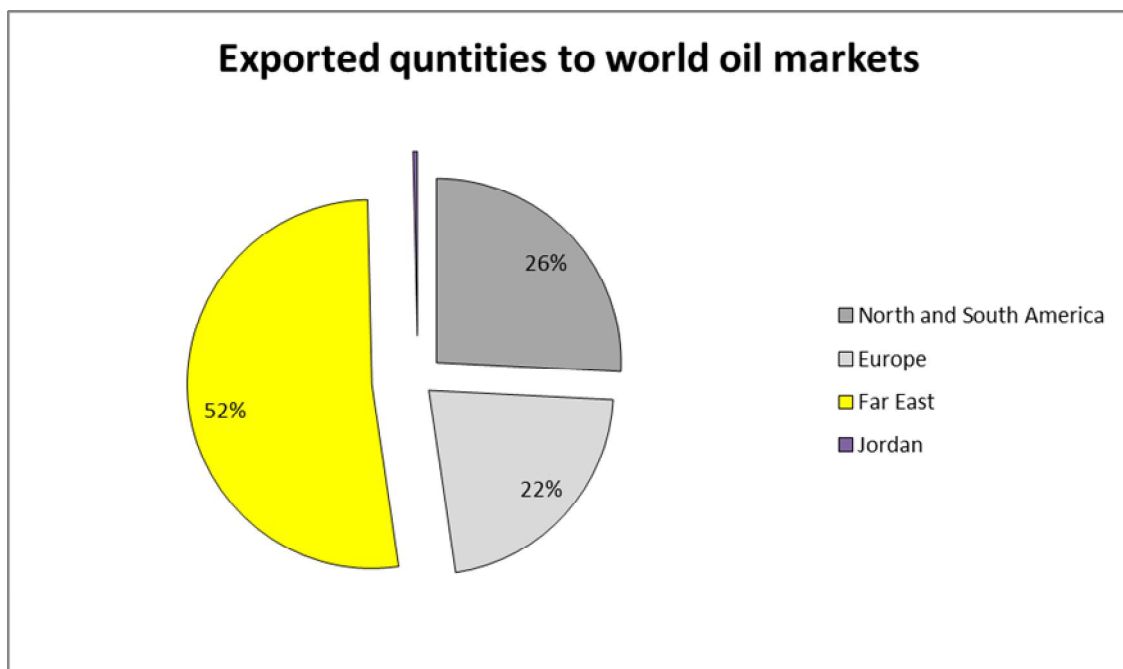
Monthly export price average (US\$)



Source: the chart was prepared based on the data provided by SOMO

5. Reconciliation of Reported Data (continued)

5.26 Quantities exported by North Oil Company, Missan Oil Company and South Oil Company to world oil markets



Source: the diagram was prepared based on the data provided by SOMO



Iraqi Extractive Industries Transparency Initiative (IEITI)

Mining Industry in Iraq

6. Mining Industry in Iraq

This chapter was prepared by the Iraqi Ministry of Industry and Minerals

6.1 Mining Industry in Iraq

6.1.1 In addition to Iraq's oil and gas resources, it possesses substantial mineral resources and some of the world's richest reserves including sulfur and phosphate. Up until recently, Iraq's Civil Society was not informed of, nor could it participate in debates regarding oil, gas and mineral production. The Iraqi public was not able to set production, exploitation and marketing policies with regard to Iraq's mineral resources, since sector-specific information was not public knowledge, and private participation to invest in such sectors was not open to Iraqi Nationals. After 2003, it became imperative to develop such policies, in order to regulate the exploitation of such resources in a manner that guarantees transparency and hence attracts investment that could further develop the industry through improving the image of Iraq in terms of being a reliable business partner and a safe destination for Foreign Direct Investments. The following data was provided by the Ministry of Industry and Mining (MIM).

6.2 Vision

6.2.1 Iraq will become a competitive regional player in the mining industry and it will make the industry a base for industrial growth and a mean for satisfying local market needs, and creating jobs for Iraqis. In addition it will be a leader in infrastructure and social development in remote areas in Iraq, which contributes to the sustainable development of the country.

6.3 Strategy

6.3.1 Short Term - Institutional Development (2017)

- Adopting legislations, policies and regulations that encourage and support mineral investments
- Establishing Iraqi Minerals Board and formulating a law stipulating its responsibilities
- Integrating the role of the central government with the local governments of mineral producing provinces with regards to mineral investments and allocating the greater portion of investment returns to those provinces
- Enabling private sector investment in the Minerals Sector
- Initiating communications with mining economic entities across the world, and updating standards and frameworks based on international experiences that are consistent with the Iraqi environment
- Providing the necessary funds from investment budgets for the continuation of geological mapping and mineral exploration, as well as the continuation of developing state-held companies related to the Minerals Sector and expanding their production activities
- Restructuring governmental mining industries in order to increase its economic effectiveness as well as boosting its social returns, and promoting private-public partnerships as well as joint ventures with international companies

6. Mining Industries in Iraq (continued)

- Setting up mineral research & development centers throughout academic institutions in Iraq
- Meeting higher standards for education in geological and mining engineering fields, as well as, enhancing the Geological Survey and Mining Company's relations with universities and scientific research centers
- Activating methodologies to obtain reliable information regarding the sources of Iraqi mineral wealth
- Studying investment obstacles of the mining sector and working on overcoming such obstacles
- Developing policies and regulations to attract investors and international companies to invest in the Iraqi Minerals Sector

6.3.2 Medium Term - Expand the Investment of Mineral Resources (2022)

- Reinforcing the role of the Iraqi Geological Survey and Mining Company in leading mineral exploration and drilling operations, with the involvement of the private sector in mineral investment
- Activating the role of the Iraqi Geological Survey and Mining Company's branches in provinces to strengthen relations with local governments, the private sector, and the society as a whole. This in turn increases awareness regarding the economic significance of mineral investments and its impact on society
- Adopting clear business frameworks for dealing with investors in the mining industry which guarantees the preservation of national interests, routine minimization, and the creation of a dependable and sustainable investment environment
- Improving living standards through the creation of direct and in-direct job opportunities, and developing the infrastructure of mineral deposit areas
- Supporting the establishment of mineral-producing clusters to increase competitiveness and enhance economic value chains
- Reinforcing raw mineral reserves, constructing new mines, and expanding mineral production through joint projects and private sector investments
- Reinforcing governmental support to the mining industry (central and local governments) through investments in infrastructure enhancements (energy sources, transportation routes, and water sources), and through initiating public-private partnerships
- Concentrating on industries relevant to the existing variety/diversity of mineral materials and their specifications, mainly construction, chemical, silicon, and drilling mud industries
- Meeting industry production specifications to guarantee competitiveness in international markets

6. Mining Industries in Iraq (continued)

- An evident growth in the role of the provinces' local governments in attracting investment in the Minerals Sector that complies with the relevant local policy
- Increasing the private sector's contribution in minerals production to play a significant and an influential role in the economic value of such activity

6.3.3 Long Term - Sustainable and Competitive Growth (2030)

- Achieving sustainable and environment-friendly growth in Iraqi mineral resources in which the private sector has an influential role
- Accomplishing a significant contribution to the Minerals Sector's GDP and improving the standards of living especially in remote areas through the creation of job opportunities and developing the infrastructure
- Creating an accurate scientific database specialized in the field of mining and mining productions in Iraq
- Dominating foreign markets through exports
- Building cultural awareness and solid links between the society and mineral projects through common interests
- Licensed mines operating on full capacity
- Developing extraction sites in desert areas into residential communities serviced by a dependable infrastructure
- Maintaining an effective monitoring system for mining operations which guarantees transparency and environmental sustainability, and at the same time ensuring optimal and responsible investment in mineral resources
- Creating a reliable mining research database which develops and improves through technology
- Strengthening economic and social value chains through the creation of direct and indirect workforce, and assisting sustainable and responsible growth

6. Mining Industries in Iraq (continued)

6.4 Summary of Iraq's main mineral resources and areas of use:

Mineral Ore	Recorded Reserve	Extractive Status	Production and Uses
Sulfur	900 (million ton)	Not operational since 2013	Phosphatic fertilizers and export
Phosphate	9500 (million ton)	Operating on low capacity	Phosphatic fertilizers industry
Silica Sand	400 (million ton)	Operating on low capacity	Glass, ceramic and refractories industries
Kaolin	1150 (million ton)	Operating on low capacity	Ceramic and refractories industries
Bentonite	385 (million ton)	Operational	Production of Bentonite for the Oil industry
Iron	80 (million ton)	Operational	Cement industry
Limestone	9500 (million ton)	Operational	Brick and cement industry
Glaubente Salt	35 (million ton)	Not Operational since 2013	Sodium sulphate production
Bauxite	1.2 (million ton)	Not Operational	Refractories industry
Flint Clay	9 (million ton)	Operating on low capacity	Refractories, and white cement industries
Feldspar Sand	3.2 (million ton)	Not Operational	Ceramic industry
Salt	43 (million ton)	Operational	Chemicals, nutritional, textile, and drilling industries
Gypsum	195 (million ton)	Operational	Construction
Attapulgitic clays	0.5 (million ton)	Not Operational	Drilling mud
Porcellanite	1.4 (million ton)	Not Operational	Filtration substances
Dolomite	675 (million ton)	Not Operational	Production of magnesia and building materials
Metals	2.7 (million ton)	Under construction	None
Recent/New Clays	685 (cubic meter)	Operational	Brick and cement industries
Gravel and Sand	1630 (cubic meter)	Operational	Raw materials for construction

6. Mining Industries in Iraq (continued)

6.5 Targeted extracting capacities:

Mineral Ore	Year			Uses
	2017	2022	2030	
Phosphate (million ton)	5	13	25	Phosphatic Fertilizers
Free Sulfur (million ton)	2	4	10	Chemical Industries
Limestone (million ton)	20	30	50	Cement Production
Silica Sand (million ton)	0.5	1	3	Silicon, Glass, and Ceramics
Kaolin (million ton)	0.2	0.5	3	Alumina and Ceramic Industries
Bentonite (million ton)	0.1	0.3	0.8	Drilling mud for oil wells & Concrete Pillars
Salt (million ton)	0.3	0.8	3	Petrochemical and Chemical Industries, Nutritional, Textile, and Drilling Industries
Gypsum (million ton)	0.5	1	3	Construction Materials
Iron (million ton)	0.1	0.3	0.5	Cement Production
Brick Clay (million cubic meters)	10	20	50	Construction Materials
Gravel and Sand (million cubic meters)	50	100	200	Construction Materials

6. Mining Industries in Iraq (continued)

6.6 Iraq's mineral resources production and local consumption for the years 2012 & 2013

No.	Commodity	2012		2013	
		Production (Ton)	Local Consumption / Sales (Ton)	Production (Ton)	Local Consumption / Sales (Ton)
1	Industrial Salt / Samawa	143,441	153,073	181,928	154,697
2	Raw Salt / Basra	-	10,000	-	5,500
3	Iron (Al Hussainiat)	-	8,104	-	10,565
4	Iron (Jeed Al Abed)	-	2,638	-	25
5	Kaolin (White)	-	1,916	-	1,230
6	Kaolin (Colored)	-	5	-	-
7	Kaolin (Al Wadi Al Safi)	-	25	-	-
8	Silica Sand (Glass & Ceramic)	432	432	615	615
9	Silica Sand (White Cement)	1,007	1,007	12,267	12,267
10	Silica Sand (Black Cement)	1,005	1,005	-	-
11	Bauxite	-	30	-	439
12	Flint Clay	-	3,257	-	14,711
13	Bentonite	6,530	6,589	6,288	6,176
14	Recent/New Clays	18	48	30	51
15	Feldspar Sand	-	-	-	-
16	Gravel and Sand	1,071	1,007	577	577
17	Phosphate	145,000	110,000	193,000	325,000
	Total	298,504	299,136	394,705	531,850

It can be noted from the above table that for certain items there were no production during the years 2012 & 2013 while there was local consumption. This was explained by the Ministry of Industry and Minerals through having old inventory.



Iraqi Extractive Industries Transparency Initiative (IEITI)

SOMO Market Research

7. *SOMO Market Research*

This chapter was prepared by SOMO

7.1 *Introduction*

- 7.1.1 Iraq owns tremendous quantities of oil, most of which need to be evaluated and developed in order to match its production and transformation capacities with its huge reserves. In addition, the oil sector is considered the leading sector in the Iraqi economy as it is the main source contributing to the government budget with 90% of general revenues. Thus, attention must be given to this sector in order to enhance the Iraqi economy.

7.2 *SOMO's strategy on marketing growth*

- 7.2.1 SOMO's marketing strategy holds both medium and long term goals that could be summarize as follows:
1. Marketing of crude oil in light of the expected increase in production as a result of producing crude oil from new fields thus increasing the volume of exports
 2. Achieving marketing flexibility in light of the quality of crude oil that expected to be produced by taking into consideration the new oil policies and it's connection with the environmental aspects for oil with high Sulphate contents
 3. Achieving high returns from marketing activities taking into consideration returns from exported quantities and the adoption of pricing mechanisms compatible with market variances

7.3 *Iraq's strategic plan for exporting Iraqi oil is summarized as follow:*

1. Marketing quantities of crude oil in light of the following:
 - The expected increase in production as a result of producing crude oil from new oil fields which will increase the volume of exports, given the lack of local consumption
 - Competitiveness of similar crude oil produced and exported by regional countries
2. Achieve marketing flexibility:
 - In light of crude oil qualities that are expected to be produced and the need to segregate it on the basis of quality specifications or blend with other oil in accordance to the need and the nature of refineries and oil trading in the international markets Taking into consideration the new oil policies and it's connection with the environmental aspects for oil with high sulphare contents.

7. *SOMO Market Research* (continued)

3. Achieve the highest economical return from marketing activities through:

- The expected economical returns from quantities exported to different oil markets
- The pricing mechanism that are compatible with market variances
- Involvement in investment activities to maximize revenue

7.4 *Requirements of strategic success:*

7.4.1 Reconsidering contractual terms and approved selling mechanism:

- 7.4.1.1 Re-evaluating the contractual terms to become more flexible and suitable for future changes, as well as, using new selling mechanisms that are consistent with the increase in export rates

7.4.2 Develop, habilitate and enhance oil export system capacity

7.4.2.1 ports:

- Upgrade and provide maintenance for current oil ports. In addition to repairing pavements, marine canal and the waiting areas surrounding Khour Al Umayya Port.
- Accelerate the construction pace of under construction ports with export capacities that are consistent with the ministry's plan to increase production capacity in addition to designing ports using modern international techniques

7.4.2.2 Oil pipelines:

- Habilitate currently operational oil pipelines
- Setup modern oil pipelines to increase pumping capacity that complies with the expected increase in export terminals such as the Iraq – Jordan (Aqaba) Pipeline
- Habilitate and setup oil pumping stations along the routes of operational oil pipelines to increase oil pumping rates

7.4.2.3 Storage capacities

7.4.2.4 setting up a sound production program that determines a production ceiling for each phase.

7.4.2.5 Development of transformational industry

7.4.2.6 Achieving a balance between the volumes of quantities produced, exported, and reserves

7. SOMO Market Research (continued)

- 7.4.2.7 Studying an operational plan to export multiple types of oil from southern terminals
- 7.4.2.8 Working on the development of diversification of sources of energy in light of the expected increase in demand for electricity to mitigate the demand for crude oil to satisfy the needs of electricity stations
- 7.4.3 Requirements of technical specifications:
- Segregating Iraqi oil based on quality specifications
 - Maintain the quality of exported crude oil
 - Maintain the quality of exported crude oil specifications to meet the needs of international markets
 - Benefiting from the experience of crude oils blending mechanism to produce new crude oil with high productivity
- 7.4.4 Investment requirements:
- A. build refineries near shared borders with neighbor countries, in addition, to build refineries in the form of shared projects with Jordan or Syria in these respective countries
 - B. Buy, build, or participate in a number of refineries in different international markets
 - C. Studying the possibility of entering in prepaid agreements to achieve economic benefits and diversify Iraqi crude oil marketing methods

7.5 Historic and forecasted data

- 7.5.1 The tables below displays the data pertaining to production, consumption, export, and reserve of Iraqi oil markets:

Crude Oil (Thousand barrel/day)			
Year	Produced	Internal consumption (Electricity and refineries)	Export
2007	2,036	381	1,643
2008	2,280	484	1,849
2009	2,336	514	1,906
2010	2,358	586	1,890
2011	2,558	628	2,166
2012	2,881	649	2,423
2013*	3,001	693	2,413

* The averages of 2013 are for nine months only.

7. SOMO Market Research (continued)

7.5.2 Crude oil reserves:

- Total reserves of crude oil as at 31 December 2012 are estimated at 145,295 billion barrels
- Total reserves of natural gas as at 31 December 2012 are estimated at 130,538,000 billion cubic feet

Expected consumption of oil products/ m ³ /day			
Year	Gasoline	Gasoil	Kerosene
2014	22,250	26,750	7,550
2015	22,750	28,250	7,750
2016	23,000	29,800	8,000
2017	23,500	29,250	8,250

Expected production of oil products/ m ³ /day			
Year	Gasoline	Gasoil	Kerosene
2014	16,000	24,500	7,500
2015	16,250	25,000	7,750
2016	16,500	25,000	8,000
2017	17,000	25,000	8,000



Iraqi Extractive Industries Transparency Initiative (IEITI)

8. KRG Extractive Industry

8. *KRG Extractive Industry*

- 8.1 Since no data was provided by KRG, IEITI Stakeholder Council has requested the inclusion of information about the extractive industry in KRG based on publicly available information. IEITI Stakeholder Council assumes no responsibility for the information contained in this chapter.
- 8.2 This chapter is dedicated to providing an insight on the extractive industry in KRG. For that purpose all information included in this chapter are based on information obtained through searches made on public websites and resources with references included as footnotes. Accordingly, this information was not subject to the data collection and reconciliation processes adopted for purposes of this report.
- 8.3 The chapter provides a general overview of the extractive industries (including oil and gas) in Kurdistan Region through the use of excerpts from governmental and public websites. It briefly describes the nature of extractive industries and activities currently taking place in Kurdistan Region. It includes information regarding estimated oil and gas reserves, current and projected oil and gas production and export figures. It also provides a brief description about oil and gas transportation pipelines in Kurdistan which has a significant impact on the future of the Region's oil and gas industry. In addition, it provides information regarding current and projected gas discoveries and exploration activities.
- 8.4 In addition, this chapter illustrates the reported operating revenues from crude oil and oil product sales for the years 2012 and 2013. It also includes a comprehensive list of operational oil fields in Kurdistan Region. Moreover, a brief description of the workforce and infrastructure in the oil and gas industry is provided.
- 8.5 Finally, it demonstrates all licensed and open areas in Kurdistan Region, in addition to refineries, power plants and export facilities.

8.6 Kurdistan Region extractive industries - Overview

- 8.6.1 "In 2007, the Kurdistan Region passed its landmark oil and gas law, which is fully in line with Iraq's permanent federal Constitution of 2005. Since then, MNR has presided over the impressive growth of oil and gas industry in the Region¹."

¹ <http://mnr.krg.org/images/FinancialReports/MNR-KRG%20Annual%20Financial%20Report%202013.pdf>

Iraqi Extractive Industries Transparency Initiative (IEITI)

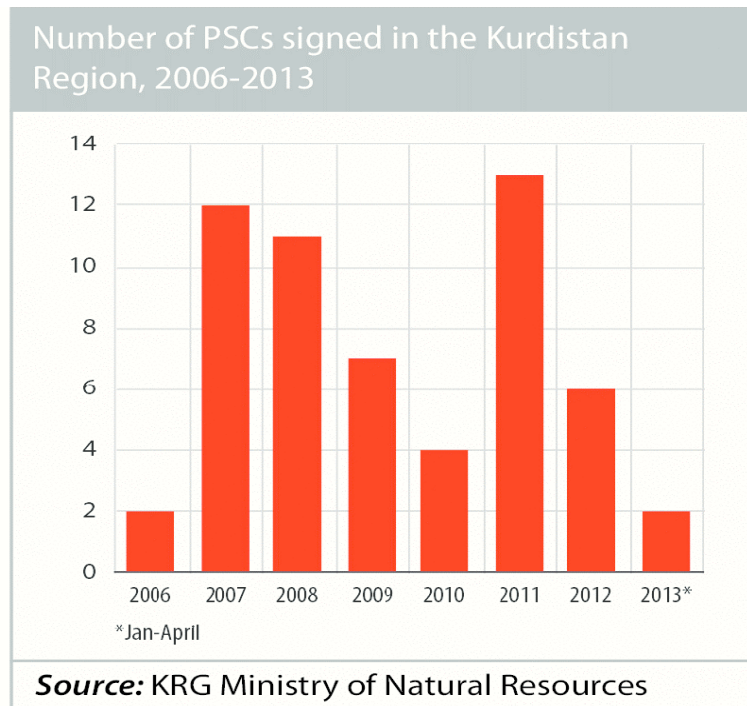
8. KRG Extractive Industry (continued)

8.6.2 Below is a brief description of oil, gas and mining industries in Kurdistan Region:

8.6.2.1 Oil:

8.6.2.1.1 "With 45 billion barrels of estimated oil reserves, the Kurdistan Region is poised to become a key part of Iraq's renaissance and a major actor on world oil markets²". "Further exploration has uncovered the possibility of another 25 billion potential barrels in unproven reserves³."

8.6.2.1.2 "Delineated in Chapter 10 of the Kurdistan Oil and Gas Law, the production-sharing contracts establish a sliding scale for royalties and profits. There is a standard royalty payment of 10 percent of the total oil produced, and the contractors are entitled to a maximum of 40 percent of the oil produced, to offset their costs. The contracts offer an initial five-year exploration term with the possibility to extend the contracts to seven years. When a discovery is achieved, a 20-year period for continued development is granted with further extensions negotiable⁴."



Source: <http://mnr.krg.org/index.php/en/the-ministry/contracts/new-psc>

² <http://mnr.krg.org/index.php/en/oil/vision>

³ <http://www.talascend.com/global/middle-east-and-africa/iraq/kurdistan-iraq-oil-and-gas-jobs>

⁴ <http://mnr.krg.org/index.php/en/the-ministry/contracts/new-psc>

8. *KRG Extractive Industry (continued)*

8.6.2.2 *Gas:*

8.6.2.2.1 "The Kurdistan Region could hold as much as 200 tcf (5.67 bcm) of natural gas reserves, around 3% of the world's total reserves. This positions Kurdistan for a prominent role in regional and global gas markets. Since 2003, large gas discoveries have been made . As exploration activities are intensifying, it is certain that more gas will be discovered⁵."

8.6.2.3 *Mining:*

8.6.2.3.1 "The mountainous region bordering Turkey and Iran could hold significant mineral deposits, including iron, chromium, nickel, cobalt, platinum, copper, zinc, lead, pyrite, silver, gold, talc, asbestos, barite, coal and marble, and igneous rocks such as sulphur, phosphorus, gypsum and limestone⁶."

8.6.2.3.2 "The Ministry is working to draft a mining law to generate interest in the mining sector, and to ensure that when it is developed it will be managed according to international standards of practice⁷."

8.6.2.3.3 "A draft non-metals mining law is awaiting ratification by the Kurdistan parliament, and a metals mining law will be drafted at a later stage⁸."

8.7 *Oil and Gas Sector*

8.7.1 Oil and gas sector in Kurdistan Region is in the development phase. The following paragraphs provide a brief description of oil and gas production, exports, transportation, consumption and revenues. Moreover, a brief description of the workforce and infrastructure in the oil and gas industry is provided, in addition to the identification of the operational oil fields and licensed areas.

⁵ <http://mnr.krg.org/index.php/en/gas/vision-gas>

⁶ *The Oil & Gas Year KRI 2012, P.35*

⁷ <http://mnr.krg.org/index.php/en/mining/mining-vision>

⁸ <http://mnr.krg.org/index.php/en/mining/mining-vision>

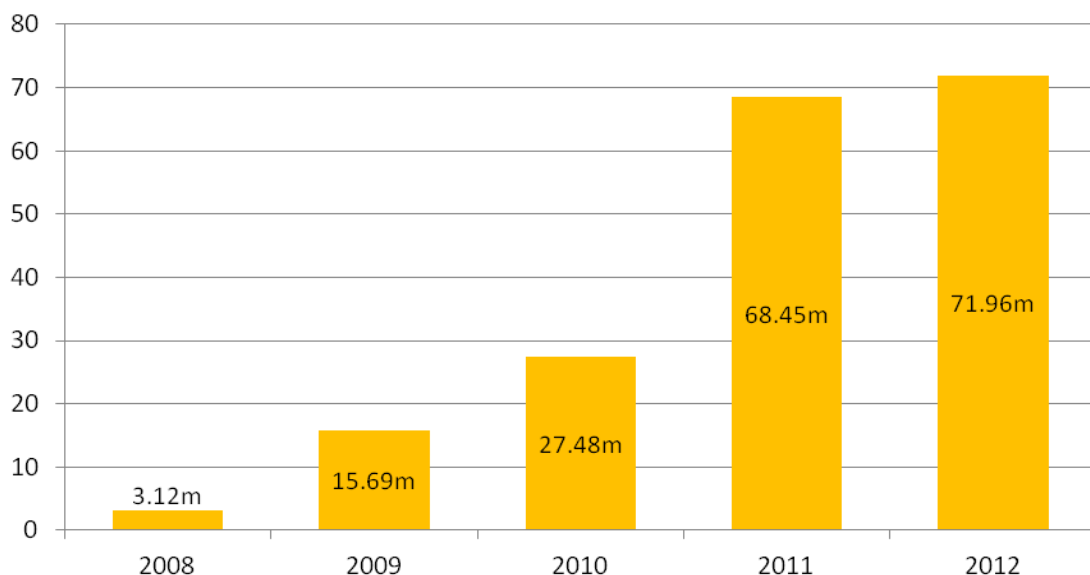
8. KRG Extractive Industry (continued)

8.7.2 Production and exports

8.7.2.1 "As exploration campaigns continue, the region has shifted to a development phase. Oil production increased from 75,000 barrels in February 2011 to 200,000 barrels today. The target is to reach 1 million barrels of daily production by 2015⁹"

8.7.2.2 "By 2019, the region is aiming to produce 2 million barrels daily¹⁰."

Oil production in Kurdistan Region, millions of barrels



Source: Ministry of Natural Resources, KRG. Figures rounded for clarity

Source: <http://mnr.krg.org/index.php/en/oil/vision>

8.7.2.3 According to Dr. Hawrami (Minister of Natural Resource, KRG) on the topic of oil exports in Kurdistan "the Kurdistan Region started exporting again a few months ago. This led to the September 13th agreement with Baghdad, which commits the KRG to an average of 200,000 barrels per day of exports by the end of this year, and an average of 250,000 barrels per day in 2013. The agreement is binding on both sides, it was signed by the Council of Ministers in Baghdad and approved by the KRG¹¹."

⁹ <http://mnr.krg.org/index.php/en/oil/vision>

¹⁰ <http://mnr.krg.org/index.php/en/oil/vision>

¹¹ <http://www.krg.org/a/d.aspx?s=040000&l=12&a=46031>

8. KRG Extractive Industry (continued)

- 8.7.2.4 However, as per data provided by the Technical Department of the Iraqi Ministry of Oil, crude oil production in Kurdistan Region for the first nine months of 2012 totaled 46,174,603 barrels, while crude oil quantities handed for export amounted to 22,345,069 barrels.
- 8.7.2.5 With estimated gas reserves in the region reaching 200 tcf, investment by the regional government and international companies has spurred the growth in capacity and has increased the production of gas, thereby generating a much needed electricity supply to the locals.
- 8.7.2.6 “Khor Mor, the Kurdistan Region’s only active commercial gas field, is operated by a consortium led by Dana Gas¹². ”
- 8.7.2.7 “The daily production includes 340 million cubic feet of gas per day and 15,000 barrels per day of condensate liquids, and there are plans for further expansion. In total, over 279 billion cubic feet of gas and 13 million barrels of condensate liquids have been produced by the companies since the start of production in October 2008, with the gas supply to local power stations enabling 1,750 MW of new electricity supply locally. This has ensured almost continuous power supply for 4 million people in the Kurdistan Region¹³. ”
- 8.7.2.8 “The KRG expects the region’s gas supply to expand until it can meet all domestic demand for electricity, industrial processes and residential heating and cooking. An additional 6 GW of mostly gas-fired generation capacity is in the works, according to Hawrami¹⁴. ”
- 8.7.2.9 The gross production which refers to the quantity of oil and gas produced by IOCs operating assets belonging to the KRG during year 2012 was 76,706,152 Barrel per day¹⁵.
- 8.7.2.10 According to the Ministry of Natural Resources’ production report¹⁶ the total oil and gas export measured in barrel of oil was 25,256,780 which consists of 749,567 barrel that were exported by trucks out of the Kurdistan region and 24,507,213 barrel was exported through SOMO.
- 8.7.2.11 With the significant increase in oil production in the Kurdistan Region and the construction of the new oil pipeline to Turkey, KRG plans to increase exports to international markets. Oil exports are expected to be between 300,000 and 400,000 barrels per day by 2015. Kurdistan Oil Marketing Organisation (KOMO) is responsible for the regulation and marketing of crude oil in the Region.

¹² The Oil & Gas Year KRI 2012, P.113

¹³ <http://www.gulfoilandgas.com/webpro1/MAIN/Mainnews.asp?id=23516>

¹⁴ The Oil & Gas Year KRI 2012, P.114

¹⁵ <http://mnr.krg.org/images/monthlyreports/Final%20Version%20Jan%20-%20Aug%20Production%20Report.pdf>

¹⁶ <http://mnr.krg.org/images/monthlyreports/Final%20Version%20Jan%20-%20Aug%20Production%20Report.pdf>

8. *KRG Extractive Industry* (continued)

- 8.7.2.12 According to article 12 of the Oil and Gas Law of the Kurdistan Region “The Kurdistan Oil Marketing Organisation (KOMO) is hereby established as a public company being a legal entity with independent finance and management¹⁷.”
- 8.7.2.13 “KOMO may market or regulate the marketing of the production from Petroleum Operations, and may, with the agreement of a Contractor to a Production Sharing Contract, market the Contractor’s share of Petroleum¹⁸.”

8.7.3 *Oil transportation pipeline:*

- 8.7.3.1 “Situated at the crossroads of the Middle East and Europe, the Kurdistan Region is ideally positioned to become a significant contributor to the world’s energy supply. As an increasing number of companies transition from exploration to production, Kurdistan is set to become an oil production hub for global energy markets¹⁹.”
- 8.7.3.2 “The Kurdistan Regional Government (KRG) in northern Iraq has announced a plan to construct an oil pipeline to Turkey with a volume of 1 million barrels per day (bpd), move hinting at tectonic shifts in the geo-economics and associated geopolitics of greater Southwest Asia. The oil is intended to be sold onto international markets²⁰.”
- 8.7.3.3 “Running from Khurmala to Fish Khabur at the Turkish border, the pipeline is expected to open at the end of September 2013, and initially will transport 150,000 barrels of oil per day. Acting as a strategic partner in the region, revenue from Kurdistan’s energy exports will be able to benefit all of Iraq²¹.”
- 8.7.3.4 “Tying into the export infrastructure, a major new domestic 81-kilometre pipeline from Taq Taq to Khurmala has been completed. Up to 150,000 barrels of oil per day are set to flow from Taq Taq, one of the earliest fields to go into production, to Khurmala where it can link to the Erbil refinery and the export pipelines. The Taq Taq-Khurmala pipeline will help the Kurdistan Region to realise the full production and export potential of the producing Taq Taq field²².”

¹⁷ <http://mnr.krg.org/index.php/en/oil/oil-pipeline>

¹⁸ <http://mnr.krg.org/index.php/en/oil/oil-pipeline>

¹⁹ <http://mnr.krg.org/index.php/en/oil/oil-pipeline>

²⁰ http://www.atimes.com/atimes/Middle_East/NE24Ak01.html

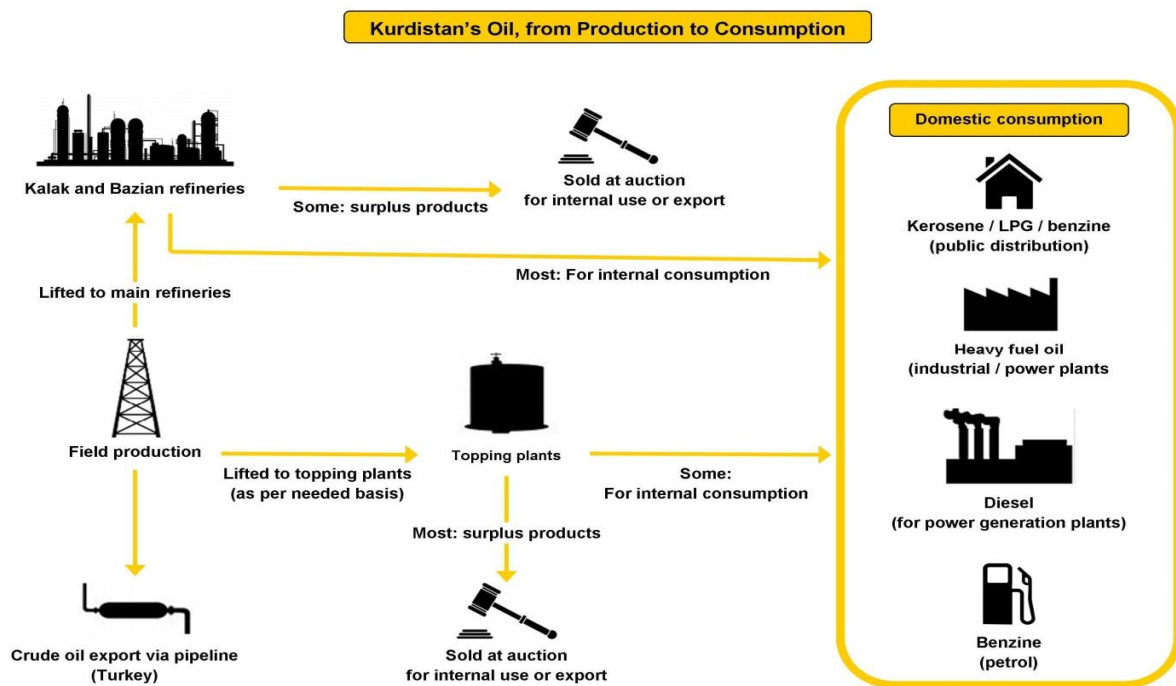
²¹ <http://mnr.krg.org/index.php/en/oil/oil-pipeline>

²² <http://mnr.krg.org/index.php/en/oil/oil-pipeline>

8. KRG Extractive Industry (Continued)

8.7.4 Oil production and consumption process

8.7.4.1 The following diagram summarizes the oil sales process beginning with oil production and ending at consumption of oil quantities produced (both local and international):



Source: <http://mnr.krg.org/index.php/en/oil/vision>

8.7.4.2 "In addition to developments in exploration, the Region is also expanding its refining capabilities, with two major facilities already in place. The Kalak Refinery, which is located in the Erbil governorate and is operated by KAR Group, currently has a capacity of 100,000 bpd. However, with the help of American engineering firm Ventech, the company hopes to expand that capacity to 200,000 bpd in the near future. In the Slemani governorate, the Bazian refinery has been operated by Qaiwan Group since 2009. The facility will soon have a refining capacity of 34,000 bpd after its own expansion, which is also being assisted by Ventech. The Bazian refinery is currently producing kerosene and diesel, and will start producing gasoline for the domestic market this year²³."

²³ <http://www.investingroup.org/publications/kurdistan/overview/energy/>

8. *KRG Extractive Industry (Continued)*

8.7.5 *Crude oil and products revenue*

- 8.7.5.1 All figures in the following two paragraphs have been obtained from the Ministry of Natural Resources' Annual Financial Report for 2013,²⁴ which is a first of its kind report.
- 8.7.5.2 Total operating revenue from crude oil sales as well as oil product sales, totaled US\$2,335,554,678 for 2012 (the breakdown of this revenue figure is not available). The report provides comparative figures for the six previous years, however, only provides detailed breakdowns for year 2013. Operating oil revenues for 2013 totaled US\$2,830,009,352 of which \$779,129,719 of local sales of crude oil, US\$1,229,452,540 of oil product sales, US\$743,639,794 of bonuses received by the Ministry of Natural Resources and US\$77,787,299 mainly as other income.
- 8.7.5.3 "Overall, total operating revenues from sales of crude oil and products equaled \$4,900,053,537 for the years 2007-2013"²⁵.

²⁴ <http://mnr.krg.org/images/FinancialReports/MNR-KRG%20Annual%20Financial%20Report%202013.pdf>

²⁵ <http://mnr.krg.org/images/FinancialReports/MNR-KRG%20Annual%20Financial%20Report%202013.pdf>

8. *KRG Extractive Industry (Continued)*

8.7.6 *Kurdistan Region operational oil fields*

8.7.6.1 The following is a list of operating oil fields in Kurdistan Region obtained from the Ministry of Natural Resources' website:

- | | | |
|-------------------|----------------|------------------|
| 1. Ain Sifni | 2. Garmian | 3. Shaikan |
| 4. Akri Bijeel | 5. Harir | 6. Shakrok |
| 7. Arbat | 8. Hawler | 9. Sangaw North |
| 10. Atrush | 11. Kurdamir | 12. Sangaw South |
| 13. Baranan | 14. Mala Omar | 15. Sarta |
| 16. Barda Rash | 17. Miran | 18. Shakal |
| 19. Bazian | 20. Piramagrun | 21. Sheikh Adi |
| 22. Ber Bahr | 23. Pulkhana | 24. Shorish |
| 25. Bina Bawi | 26. Qala Dze | 27. Sindi Amedi |
| 28. Central Dohuk | 29. Qara Dagh | 30. Sulevani |
| 31. Chia Surkh | 32. Oush Tapa | 33. Taq Taq |
| 34. Dinarta | 35. Rovi | 36. Tawke |
| 37. Duhok | 38. Safen | 39. Taza |
| 40. Erbil | 41. Sarsang | 42. Topkhana |

Source: <http://mnr.krg.org/index.php/en/the-ministry/contracts/pscs-signe>

8.7.7 *Workforce and Infrastructure*

8.7.7.1 With the rapid pace at which the Region's natural resources are being exploited, foreign investments, expertise and labor have been heavily needed.

8.7.7.2 "The Kurdistan Regional Government (KRG) has received approximately \$16.2 billion in international investment over the past five years. Major developments in the region's logistical infrastructure have grown in stride, with the oil and gas industry and human resources front and centre²⁶."

8.7.7.3 "The Kurdistan Region's oil and gas industry currently has an employment distribution of 29-percent local and 71-percent expatriate. The Ministry of Natural Resources aims to raise local employment in the oil and gas industry to 90 percent by 2016²⁷."

8.7.7.4 "The KRG's policy of localization involves promoting the transfer of knowledge from skilled expatriates to the local workforce through training programmes and local workshops²⁸."

²⁶ *The Oil & Gas Year KRI 2012, P.151*

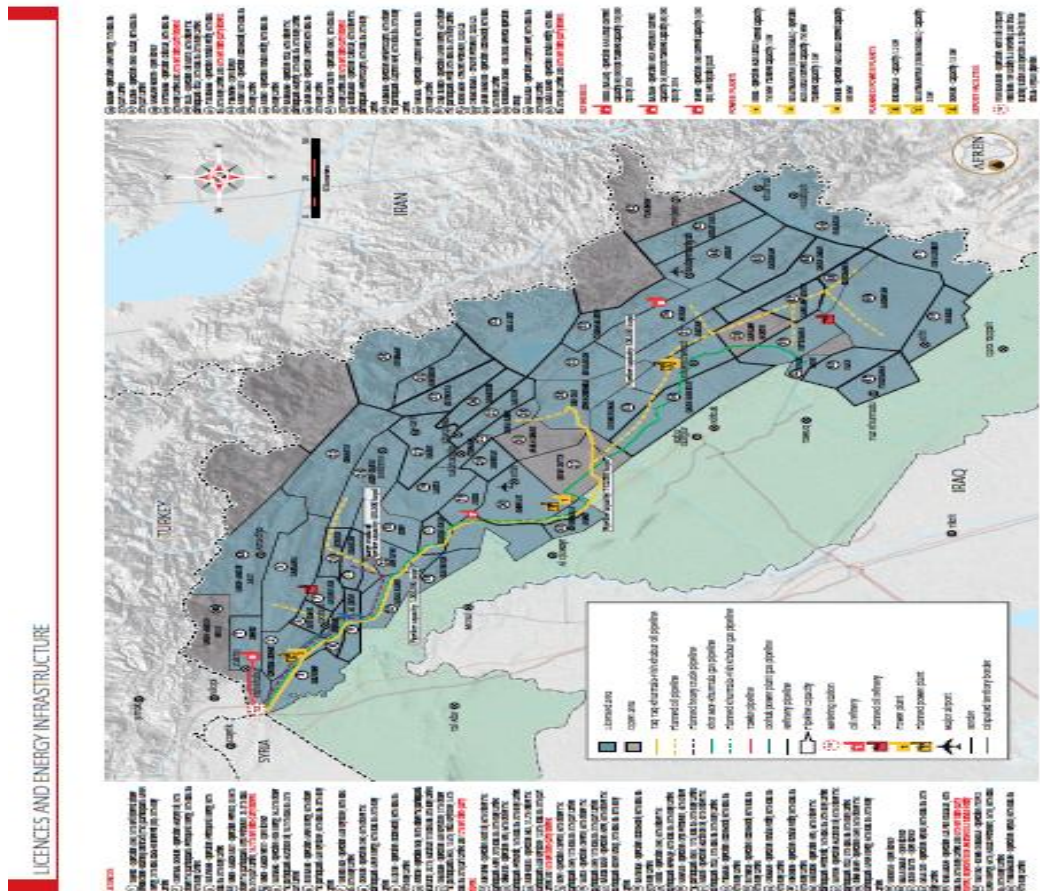
²⁷ *The Oil & Gas Year KRI 2012, P.151*

²⁸ *The Oil & Gas Year KRI 2012, P.77*

8. KRG Extractive Industry (Continued)

8.7.8 Licensed areas

- 8.7.8.1 “The number of licenses in the region is 57 while the number of operating oil companies operating in the Kurdistan region is 33²⁹.”
- 8.7.8.2 The map below illustrates licensed and open areas in Kurdistan Region, in addition to refineries, power plants and export facilities across Kurdistan.



Source: http://mnr.krg.org/images/pdfs/Licences_and_energy_infrastructure_TOGY_2013_1.pdf

²⁹ The Oil & Gas Year KRI 2012, P.103



Iraqi Extractive Industries Transparency Initiative (IEITI)

Lessons learned from this reconciliation

9. Lessons learned from this reconciliation

9.1 Lessons learned and suggestions for improvement could be summarized as follows:

9.2 Materiality

8.2.1 The materiality threshold was set by the Stakeholder Council at 1%. Although the materiality threshold was defined, explanations were sought for all differences.

Recommendation:

9.2.2 Adherence to the materiality threshold being a percentage of the caption reviewed and setting a fixed threshold amount below which further review/explanations are not sought.

9.3 Reporting deadlines

9.3.1 The reconciliation process entails data gathering, processing and validation which requires a considerable amount of time, effort and follow up. This is challenging taking into consideration the set tight deadlines.

Recommendation:

9.3.2 It is recommended that the IEITI Stakeholder Council engage the reconciler at an earlier time of the year in order to have more time to perform the reconciliation tasks.

9.4 Quality of reporting templates

9.4.1 Based on the Instructions for Completion of Templates, reporting templates need to be properly signed by the reporting entity. It was noted that some of the reporting templates were not properly signed, however, the forms were received through the official emails of the reporting entities.

9.4.2 Buyers were requested to provide the information using the templates approved by the Stakeholder Council. It was noted that some of the reporting entities did not use these templates, instead, data was reported using self-developed templates.

Recommendation:

9.4.3 Joint efforts be exerted by the reconciler and IEITI, through communication channels, to stress on the fact that adherence to the proper completion of reporting templates is strictly required by all reporting entities and that includes using approved templates and its proper signoff.

9.5 Auditor's report

9.5.1 Buyers were requested to submit their audited reports along with the set of completed templates. Some companies failed to comply with this requirement despite several reminders sent in that regard

9. Lessons learned from this reconciliation (continued)

9.5.2 Due to the current regulatory context in Iraq and the structure of the oil and gas industry, national oil companies are audited by the Iraqi Board of Supreme Audit (BSA) based on local Iraqi accounting standards.

9.5.3 These Iraqi standards, when originally developed in the 1980's, were based on International Accounting Standards (IAS). However, these standards were not updated for over 20 years. Accordingly this will create a gap between national oil companies as compared to industry practice.

9.5.4 The BSA audit governmental entities based on local standards, however, in specific cases and where local standards do not apply the BSA refers to the International Accounting Standards and International Financial Reporting Standards.

Recommendation:

9.5.5 It is recommended that buyers provide their annual audited financial statements to SOMO. In addition, National Oil Companies need to prepare their financial statements in accordance with International Financial Reporting Standards and have them audited in accordance with International Standards on Auditing.

9.6 Field work facilitation

9.6.1 The process of gathering data from the different Iraqi reporting entities requires extensive efforts. These efforts should be complemented by more extensive and direct involvement of the different members of the Stakeholder Council.

Recommendation:

9.6.2 It is recommended that Stakeholder Council members have more extensive and direct involvement, each in its respective group, for the facilitation of data gathering and commitment to deadlines.

9.7 Liaison officers and workshops

9.7.1 The Iraqi Extractive Industry Transparency Initiative is still relatively a new initiative and many entities need to learn more about it and awareness need to be built around it.

Recommendation:

9.7.2 It is recommended that Stakeholder Council assign liaison officers with the different reporting entities with the responsibility of bringing their counterparts at these entities into a better understanding of the initiative and to build rapport which would ultimately facilitate the process of data reporting and increases the accuracy of the reported data.

9.7.3 It is also recommended that workshops be conducted for the purpose of educating the different related parties/entities about the activities and mission of the initiative.

9. Lessons learned from this reconciliation (continued)

9.8 Contacts

9.8.1 The Iraqi Extractive Industry Transparency Initiative involves dealing with many parties/entities many of which have high employee turnover and accordingly change in contact details.

Recommendation:

9.8.2 It is recommended that IEITI Secretariat keep an updated list of the related parties/entities with updated contacts lists which would highly facilitate the communication processes and the collection of data.



Iraqi Extractive Industries Transparency Initiative (IEITI)

Appendix 1 - Reporting entities

Reporting entities

The following entities had been identified by the IEITI Stakeholder Council as the reporting entities for the fourth IEITI report:

Ministry of Finance
Ministry of Oil
Ministry of Electricity
Ministry of Industry and Minerals
Ministry of Planning
National Mining Companies
North Oil Company
South Oil Company
Missan Oil Company
Midland Oil Company
Oil Marketing Company (SOMO)
Midland Refineries Company
South Refineries Company
North Refineries Company
Electricity Directorates
North Gas Company
South Gas Company
Oil Products Distribution Company
International Crude Oil Buyers
International Oil Extracting Companies



Iraqi Extractive Industries Transparency Initiative (IEITI)

Appendix 2 - Instructions for completion of templates

Iraqi Extractive Industries Transparency Initiative (IEITI)

Instructions for completion of templates

1. Timetable

Reporting Templates (submission) must be completed and submitted with the IEITI Reconcilers by no later than 15 September 2013.

2. Submission

Both hard and soft copies of the submission must be submitted by every company and Government Agency. Submissions should include supporting schedules/information including a breakdown of the amounts/quantities declared on each line of the template.

Hard copy submissions must be mailed to:

IEITI Reconcilers
Ernst & Young Jordan
300 King Abdullah Street, Amman
P.O Box 1140, Amman 11118, Jordan

AND

National Secretariat for IEITI
Ministry of Oil Complex, 3rd floor
Zayounah, Baghdad-Iraq

Soft copies must be emailed to:
eiti.iraq@jo.ey.com

3. Templates

Templates have been developed to account for the needs of the report and they are tailored and addressed to the different entities involved in the extractive industries in Iraq. Entities include Government Agencies, SOMO and buyers.

Templates were tailored to be self-explanatory for each of the reporting entities; however, some templates would require the reporting entity to disclose its name at the top of the template. This requires the entity to disclose its full name exactly as it appears in its articles of incorporation (please include any subsequent name changes if applicable in the same space provided).

A section was devised at the bottom of each template to disclose the name and contact details of the responsible person submitting the template including his/her authorized signature and stamp of the reporting entity.

The data returned to IEITI reconcilers will be used in developing the annual report on Iraq's revenue transparency.

Iraqi Extractive Industries Transparency Initiative (IEITI)

Instructions for completion of templates (continued)

4. Queries and guidance regarding completion of templates

For any inquiries related to the completion and submission of these templates, you can contact Ernst & Young Jordan on the following email: eiti.iraq@jo.ey.com

Any inquiries will be addressed promptly and, where applicable, the same information will be addressed to other reporting entities.

Inquiries could be sent in either Arabic or English Languages.

5. Transaction currency

Some templates requires the disclosure of transaction amounts in United States Dollars (US\$) and/or Iraqi Dinar (IQ). Amounts disclosed in IQ must be rounded to the nearest thousand.

Please do not translate any transaction amount into the other currency as this pose a risk of different conversion rates being applied to the same transaction.

6. Basis of reporting

Unless otherwise stated in the template, all figures reported in the templates must be reported on a strict cash basis. Accordingly, transactions made prior to 1 January 2011 (for 2011 report) and 1 January 2012 (for 2012 report) or after 31 December 2011 (for 2011 report) and 31 December 2012 (for 2012 report) should be excluded. For clarification, the date of payment receipt is the date recorded on the receipt voucher/ supporting document.

7. Supporting schedules

Supporting schedules need to be prepared for all reported figures. It is preferable if these schedules are submitted with the templates as this will expedite the reconciliatory process.

Supporting schedules could be provided in any format developed by the reporting entity as long as its figures tally with the figures reported in the submitted templates. Supporting schedules could take the form of computer print outs or typed lists.

Government Agencies need to prepare supporting schedules detailing how each figure is compiled. These schedules need to be submitted with the reporting templates. Copies of receipts may subsequently be required to be submitted to the Reconciler, if discrepancies between the companies' templates and the Government's templates were identified.

Instructions for completion of templates (continued)

8. Attestations

The signature of the person signing off the submitted templates signifies that the reported figures have been checked.

Auditor's report can be provided by the buyers, international oil field (extractive) companies, SOMO and the Governmental Agencies' external auditors (Board of Supreme Audit) or another "Bona Fide" registered auditor. The wording of the auditor's report as provided by the auditing entity should not be altered.

A record should be maintained detailing how items shown on the completed templates reconcile with the items shown on the entity's audited financial statements, as this information may be required by your auditors in order to make the required attestation.

9. Accounting records

9.1 Companies

For companies, as noted above, amounts paid should be reported on cash basis of accounting. If the company normally prepares its accounting records based on accruals basis, i.e. the transaction is recognized at the time it is due rather than at the time it is paid, adjustments will have to be made to include amounts recorded in the accounting records up to 31 December 2011 but actually paid after this date in the template, and exclude amounts recorded up to 31 December 2010 which were paid after this date (for purposes of the third IEITI Report for the year 2011). The same would apply for reporting related to the year 2012. In summary, the accrual-based accounts must be converted to the cash basis.

It is recommended that a review of cashbooks be carried out to identify any payments missed through the ledger accounts. A review could also be carried out to ensure that all regular payments are accounted for.

9.2 Government Agencies

For Government Agencies, receipts are to be reported on cash basis. Care should be taken to ensure that amounts reported include all receipts during the financial year 2011 (for purposes of the third IEITI Report for the year 2011) and all receipts during the financial year 2012 (for purposes of the fourth IEITI Report for the year 2012), irrespective of whether the receipt was allocated in the agencies records against amounts due in a previous or subsequent financial year, unless otherwise stated in the template.



Iraqi Extractive Industries Transparency Initiative (IEITI)

Appendix 3 - Reporting Templates

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #10 - Missan Oil Company

Missan Oil Company	
Reporting Form Under EITI Regulations	
Internal Service Revenue received by Missan Oil Company from the Government of Iraq in Calendar Year 2012	
Month	Amount IQD
January	
February	
March	
April	
May	
June	
July	
August	
September	
October	
November	
December	
Total	0
We confirm that the above information reflects the details of the internal service revenue received by Missan Oil Company during the calendar year 2012	
Name:	
Position:	
E-mail address:	
Location:	
Date:	
Authorized Signature:	
Stamp:	

Template #10 - North Oil Company

North Oil Company	
Reporting Form Under EITI Regulations	
Internal Service Revenue received by North Oil Company from the Government of Iraq in Calendar Year 2012	
Month	Amount IQD
January	
February	
March	
April	
May	
June	
July	
August	
September	
October	
November	
December	
Total	0
We confirm that the above information reflects the details of the internal service revenue received by the North Oil Company during the calendar year 2012	
Name:	
Position:	
E-mail address:	
Location:	
Date:	
Authorized Signature:	
Stamp:	

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #10 - South Oil Company

South Oil Company	
Reporting Form Under EITI Regulations	
Internal Service Revenue received by South Oil Company from the Government of Iraq in Calendar Year 2012	
Month	Amount IQD
January	
February	
March	
April	
May	
June	
July	
August	
September	
October	
November	
December	
Total	0
We confirm that the above information reflects the details of the internal service revenue received by the South Oil Company during the calendar year 2012	
Name:	
Position:	
E-mail address:	
Location:	
Date:	
Authorized Signature:	
Stamp:	

Template #11 - Ministry of Oil

Ministry of Oil				
Reporting Form Under EITI Regulations				
Internal Service Payments made to National Oil Companies by the Government of Iraq in Calendar Year 2012				
Month	North Oil Company	Mission Oil Company	South Oil Company	Mid Oil Company
	Amount IQD	Amount IQD	Amount IQD	Amount IQD
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
Total	0	0	0	0
We confirm that the above information reflects the details of the internal service payments made to National Oil Companies during the calendar year 2012				
Name:				
Position:				
E-mail address:				
Location:				
Date:				
Authorized Signature:				
Stamp:				

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #16,18 - Mid Oil Company

Mid Oil Company					
Reporting Form Under EITI Regulations					
Crude Oil Production in Calendar Year 2012					
(Quantities Reported in Barrels)					
Month	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
Total Reported Crude Oil Quantities					
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq					
Name:					
Position:					
E-mail address:					
Location:					
Date:					
Authorized Signature:					
Stamp:					

Template #16,18 - Missan Oil Company

Missan Oil Company					
Reporting Form Under EITI Regulations					
Crude Oil Production in Calendar Year 2012					
(Quantities Reported in Barrels)					
Month	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
Total Reported Crude Oil Quantities					
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq					
Name:					
Position:					
E-mail address:					
Location:					
Date:					
Authorized Signature:					
Stamp:					

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #16,18 - North Oil Company

North Oil Company					
Reporting Form Under EITI Regulations					
Crude Oil Production in Calendar Year 2012					
(Quantities Reported in Barrels)					
Month	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
Total Reported Crude Oil Quantities					
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq					
Name:					
Position:					
E-mail address:					
Location:					
Date:					
Authorized Signature:					
Stamp:					

Template #16,18 - South Oil Company

South Oil Company					
Reporting Form Under EITI Regulations					
Crude Oil Production in Calendar Year 2012					
(Quantities Reported in Barrels)					
Month	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					
Total Reported Crude Oil Quantities					
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq					
Name:					
Position:					
E-mail address:					
Location:					
Date:					
Authorized Signature:					
Stamp:					

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #17 - Ministry of Natural Resources

Ministry of Natural Resources															
Reporting Form Under EITI Regulations															
Extracted and Exported Crude Oil in Calendar Year 2012															
(Quantities Reported in Barrels)															
Month / Reporting Items	Name of International Company (1)					Name of International Company (2)					Name of International Company (3)				
	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance
January															
February															
March															
April															
May															
June															
July															
August															
September															
October															
November															
December															
Total Reported Crude Oil Quantities															
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq															
Name:															
Position:															
E-mail address:															
Location:															
Date:															
Authorized Signature:															
Stamp:															

Template #17 - Ministry of Oil

Ministry of Oil / Technical Directorate															
Reporting Form Under EITI Regulations															
Extracted and Exported Crude Oil in Calendar Year 2012															
(Quantities Reported in Barrels)															
Month / Reporting Items	Name of International Company (1)					Name of International Company (2)					Name of International Company (3)				
	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance	Beginning Balance	Crude Oil Produced	Crude Oil Exported	Internal Consumption	Ending Balance
January															
February															
March															
April															
May															
June															
July															
August															
September															
October															
November															
December															
Total Reported Crude Oil Quantities															
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq															
Name:															
Position:															
E-mail address:															
Location:															
Date:															
Authorized Signature:															
Stamp:															

Iraqi Extractive Industries Transparency Initiative (IEITI)

SOMO																		
Buyer Name:																		
Reporting Forms Under EITI Regulations																		
Crude Oil Exports in Calendar Year 2012																		
(Quantities Reported in Barrels)																		
	Shipment No.	Contract No.	Invoice No.	Invoice Date (Day-Month-Year)	Quantity (Barrels)	Barrel Price (US\$)	Amount (US\$)	Quantity Tons	Quantities as reported by Third Party Verification Company (SOS)	Port	Loading Date (Day-Month-Year)	L.C.No.	Destination	Due Date (Day-Month-Year)	API	Vessel Name	Settlement Date (Day-Month-Year)	Notes
1																		
2																		
3																		
4																		
5																		
6																		
7																		
8																		
9																		
10																		
11																		
12																		
13																		
14																		
15																		
etc....																		
Total																		

We confirm that the above information has been prepared in accordance with International Public Sector Accounting Standards (IPSAS) under cash basis of accounting or its equivalent and disclosures are based on audited accounts by the Board of Supreme Audit (BSA)

Name of the independent auditor for the year ended 31 December 2012	
Date of the independent auditor report for the year ended 31 December 2012	
Location:	
Date:	
CFO/CEO signature:	
Stamp:	

Third Party Verification Co.																			
Third Party Verification Co. Name:																			
Reporting Forms Under EITI Regulations																			
Crude Oil Exports in Calendar Year 2012																			
(Quantities Reported in Barrels)																			
	Client Name	Shipment No.	Contract No.	Invoice No.	Invoice Date (Day-Month-Year)	Quantity (Barrels)	Barrel Price (US\$)	Amount (US\$)	Quantity Tons	Quantities as reported by Third Party Verification Company	Port	Loading Date (Day-Month-Year)	L.C.No.	Destination	Due Date (Day-Month-Year)	API	Vessel Name	Settlement Date (Day-Month-Year)	Notes
1																			
2																			
3																			
4																			
5																			
6																			
7																			
8																			
9																			
10																			
11																			
12																			
13																			
14																			
15																			
etc....																			
Total																			

We confirm that the above information has been prepared in accordance with International Public Sector Accounting Standards (IPSAS) under cash basis of accounting or its equivalent and disclosures are based on audited accounts by the Board of Supreme Audit (BSA)

Name of the independent auditor for the year ended 31 December 2012	
Date of the independent auditor report for the year ended 31 December 2012	
Location:	
Date:	
CFO/CEO signature:	
Stamp:	



Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #21 - International Oil Co. (KRG)

International Oil Company Name:						
Reporting Form Under EITI Regulations						
Oil & Gas Supplies in Calendar Year 2012						
(Quantities Reported in Barrels / Qubic Meters)						
Name of Receiving - Refinery / Power Station / National Gas Co.	Oil			Gas		
	Power Stations	Refineries	Gas Companies	Power Stations	Refineries	Gas Companies
Total Reported Oil and Gas Quantities						
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq						
Name:						
Position:						
E-mail address:						
Location:						
Date:						
Authorized Signature:						
Stamp:						

Template #21 - Mid Oil Co.

Mid Oil Company						
Reporting Form Under EITI Regulations						
Oil & Gas Supplies in Calendar Year 2012						
(Quantities Reported in Barrels / Qubic Meters)						
Name of Receiving - Refinery / Power Station / National Gas Co.	Oil			Gas		
	Power Stations	Refineries	Gas Companies	Power Stations	Refineries	Gas Companies
Total Reported Oil and Gas Quantities						
We confirm that the above information reflects the extracted oil, exported oil and internal oil consumption reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq						
Name:						
Position:						
E-mail address:						
Location:						
Date:						
Authorized Signature:						
Stamp:						

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #23 - MoO - South Oil Co.

Ministry of Oil			
Reporting Form Under EITI Regulations			
South Oil Company			
Oil & Gas Supply in Calendar Year 2012			
(Quantities Reported in Barrels / Qubic Meters)			
Receiving Entity Name	Receiving Entity Type (Gas Co/ Power Station/ Refinery)	Oil Quantity	Gas Quantity
Total Reported Crude Oil / Gas Quantities			
We confirm that the above information reflects the oil and gas supply to refineries, power stations and national gas companies reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq			
Name:			
Position:			
E-mail address:			
Location:			
Date:			
Authorized Signature:			
Stamp:			

Template #25 - Mining Co. (KRG)

Mining Co. Name								
Reporting Form Under EITI Regulations								
Production in Calendar Year 2012								
(Quantities Reported in Tons)								
Month	Product Type 1				Product Type 2			
	Beginning Balance	Production	Sales	Ending Balance	Beginning Balance	Production	Sales	Ending Balance
January								
February								
March								
April								
May								
June								
July								
August								
September								
October								
November								
December								
Total								
We confirm that the above information reflects the production of oil and gas reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq								
Name:								
Position:								
E-mail address:								
Location:								
Date:								
Authorized Signature:								
Stamp:								

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #25 - National Mining Co.

National Mining Co. Name								
Reporting Form Under EITI Regulations								
Production in Calendar Year 2012								
(Quantities Reported in Tons)								
Month	Product Type 1				Product Type 2			
	Beginning Balance	Production	Sales	Ending Balance	Beginning Balance	Production	Sales	Ending Balance
January								
February								
March								
April								
May								
June								
July								
August								
September								
October								
November								
December								
Total								
We confirm that the above information reflects the production of oil and gas reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq								
Name:								
Position:								
E-mail address:								
Location:								
Date:								
Authorized Signature:								
Stamp:								

Template #26 - Ministry of Industry & Minerals

Ministry of Industry & Minerals								
Reporting Form Under EITI Regulations								
Mining Productions in Calendar Year 2012								
(Quantities Reported in Tons)								
Mining Co Name	Product Type 1				Product Type 2			
	Beginning Balance	Production	Sales	Ending Balance	Beginning Balance	Production	Sales	Ending Balance
January								
February								
March								
April								
May								
June								
July								
August								
September								
October								
November								
December								
Total Reported Crude Oil Quantities								
We confirm that the above information reflects the oil and gas production by national mining companies reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq								
Name:								
Position:								
E-mail address:								
Location:								
Date:								
Authorized Signature:								
Stamp:								

Iraqi Extractive Industries Transparency Initiative (IEITI)

Template #26 - Ministry of Natural Resources

Ministry of Natural Resources (KRG)								
Reporting Form Under EITI Regulations								
Mining Productions in Calendar Year 2012								
(Quantities Reported in Tons)								
Mining Co Name	Product Type 1				Product Type 2			
	Beginning Balance	Production	Sales	Ending Balance	Beginning Balance	Production	Sales	Ending Balance
January								
February								
March								
April								
May								
June								
July								
August								
September								
October								
November								
December								
Total Reported Crude Oil Quantities								
We confirm that the above information reflects the oil and gas production by national mining companies reported in accordance with regulations on reporting and reconciliation of oil in the Republic of Iraq								
Name:								
Position:								
E-mail address:								
Location:								
Date:								
Authorized Signature:								
Stamp:								

Template #27 - Ministry of Industry (KRG)

Ministry of Industry (KRG)						
Reporting Form Under EITI Regulations						
Mining Revenue as reported by the Ministry of Industry in Calendar Year 2012						
Month	Mining Co. (1)		Mining Co. (2)		Mining Co. (3)	
	Amount (IQD)	Amount (US\$)	Amount (IQD)	Amount (US\$)	Amount (IQD)	Amount (US\$)
January						
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						
Total	0	0	0	0	0	0
We confirm that the above information reflects the details of revenue reported from Mining Companies during the calendar year 2012						
Name:						
Position:						
E-mail address:						
Location:						
Date:						
Authorized Signature:						
Stamp:						

Iraqi Extractive Industries Transparency Initiative (IEITI)

Templates

Research on Iraqi Oil Markets (American, European, and Asian) by SOMO

Iraqi Extractive Industries Transparency Initiative (IEITI)

To: Oil Marketing Company (SOMO)

Dear Sirs,

At the request of the Iraqi Extractive Industries Transparency Initiative (IEITI), kindly send to Ernst & Young "Jordan" at their address below, a Research on Iraqi Oil Markets that includes but not limited to the following:

- What is SOMO's strategy on marketing growth over Oil Markets (American, European, and Asian)?
- Details of Spot crude oil prices (PLATTS Rates \$/bbl) from 1 January 2012 to 31 December 2012.
- Historic and forecasted data pertaining to production, consumption, imports, exports and reserves regarding Iraqi Oil Markets (American, European, and Asian) for the period 2007-2015.
- Key information pertaining to Iraqi Oil Markets (American, European, and Asian) regulations.
- Information regarding the top companies purchasing Iraqi crude oil based on their market location (American, European, and Asian) including business description, strategic analysis, and financial information.
- Facilitate market analysis and forecasting of future industry trends in Iraqi Oil Markets (American, European, and Asian).
- Assess your competitor's major crude oil assets and their performance.
- Any other research on Iraqi Oil Markets (American, European, and Asian) that you may provide us with.

Hard copies should be sent to:
Ernst & Young "Jordan"
P.O. Box 1140 Amman 11118
Fax 00962 6 553 8300
Hashemite Kingdom of Jordan

Soft copies should be emailed to: eiti.iraq@jo.ey.com

Best Regards,
Name:
Signature:

Iraqi Extractive Industries Transparency Initiative (IEITI)

Templates

Research on Mining Extractive Industry in Iraq by Ministry of Industry and Minerals.

Iraqi Extractive Industries Transparency Initiative (IEITI)

To: Iraqi Ministry of Industry and Minerals

Dear Sirs,

At the request of the Iraqi Extractive Industries Transparency Initiative (IEITI), kindly send to Ernst & Young "Jordan" at their address below, a Research on Mining Extractive Industry in Iraq that includes but not limited to the following:

- The future outlook for key minerals and commodities in Iraq including confirmed and non-confirmed reserves.
- What is the infrastructure and logistics that currently exist? - Is Iraq's infrastructure prepared and equipped for the investment?
- What is the Iraqi Ministry of Industry and Minerals' strategy on Mining Extractive Industry growth?
- What are the views of senior decision-makers and Government Advisors on the future of the mining and wider resources industry in Iraq?
- Iraq's economic reforms and their implication on the Mining and Resources Sectors.
- A summary on the main mineral resources of Iraq.
- What are the investment opportunities in the Mining and Mineral Industries in Iraq.
- Are there any comprehensive systematic programs of geological mapping and mineral exploration that covers all the Iraqi territory?
- What are the industries that are related to Mining and Minerals in order to explore their suitability for revitalizing the industries in Iraq.

Hard copies should be sent to:
Ernst & Young "Jordan"
P.O. Box 1140 Amman 11118
Fax 00962 6 553 8300
Hashemite Kingdom of Jordan

Soft copies should be emailed to: eiti.iraq@jo.ey.com

Best Regards,
Name:
Signature:



Iraqi Extractive Industries Transparency Initiative (IEITI)

Templates

Central Bank of Iraq Form to FRBNY

To: Federal Reserve Bank of New York (FRBNY)

.....
.....

Dear Sirs,

At the request of the Iraqi Extractive Industries Transparency Initiative - (IEITI), kindly send certificates in respect of our positions listed below as at 31 December 2012 to Ernst & Young "Jordan" directly at their below address:

P.O. Box 1140 Amman 11118,
Fax 00962 6 553 8300
Hashemite Kingdom of Jordan
Att.: Nicola Sayegh
eiti.iraq@jo.ey.com

• Detailed bank statement of account for the year ended 31 December 2012 for the following accounts:

Deposit Account Number	Account Title
021086867	Central Bank of Iraq - Oil Proceeds Receipts Account
021086773	Central Bank of Iraq - Development Fund for Iraq
021080708	Central Bank of Iraq - Development Fund for Iraq Transition Account

Very truly yours,

Name:
Authorized Signatory:



Iraqi Extractive Industries Transparency Initiative (IEITI)

Appendix 4 - DFI 2012 Statement of Proceeds of Oil Export Sales

Iraqi Extractive Industries Transparency Initiative (IEITI)

Appendix 4 - DFI 2012 Statement of Proceeds of Oil Export Sales

Development Fund for Iraq

STATEMENT OF CASH RECEIPTS AND PAYMENTS

For the year ended 31 December 2012

IN THOUSAND US\$

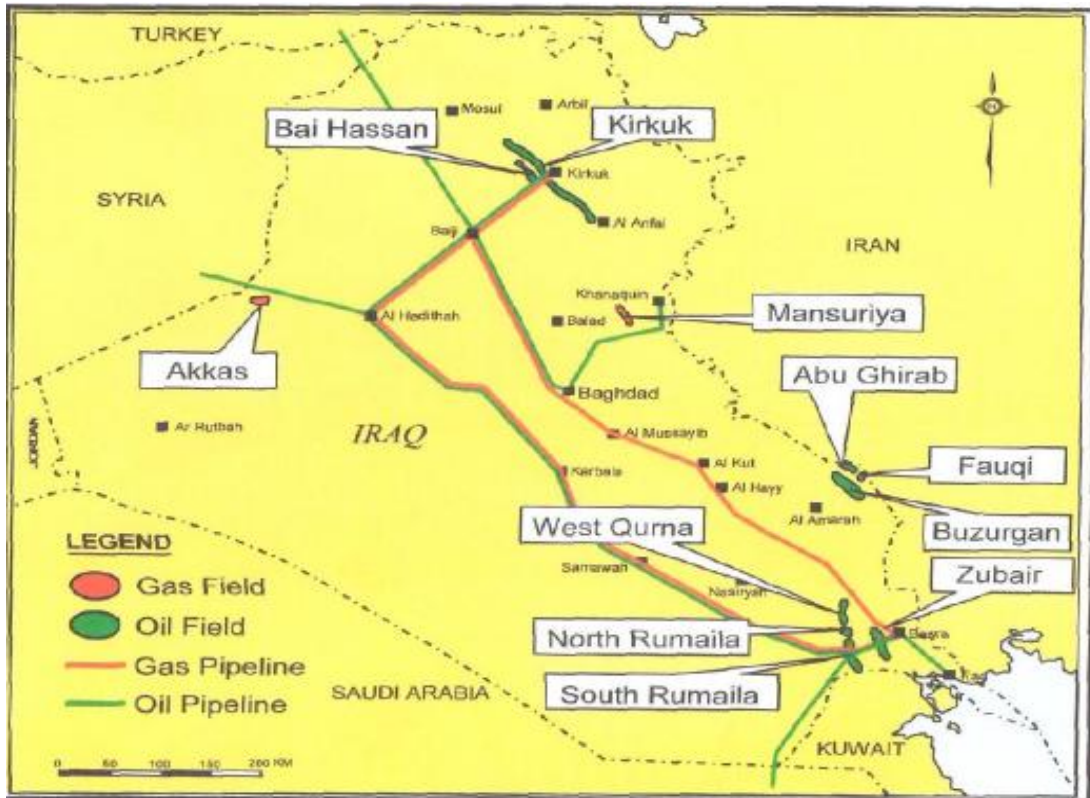
	2012	2011
Total export sales of petroleum as reported by SOMO	88,774,289	80,796,735
Less:		
Demurrage claims deducted from export sales invoices	(24,251)	(14,896)
Proceeds deposited in Oil Proceeds Receipts Account after end of period	(5,749,165)	(13,293,501)
Price differential	-	(1,327)
Add:		
Proceeds deposited in Oil Proceeds Receipts Account related to prior export sales invoices	6,331,173	11,898,690
Amounts transferred by the Central Bank of Iraq for crude oil shipments by international oil companies	4,446,437	-
Interest on delayed bank transfers	3	9
Total Proceeds deposited in Oil Proceeds Receipts Account	93,778,486	79,385,710
Amounts transferred to the United Nation Compensation Fund (5%)	(4,688,924)	(3,969,285)
Net proceeds deposited in the Development Fund for Iraq (95%)	89,089,562	75,416,425



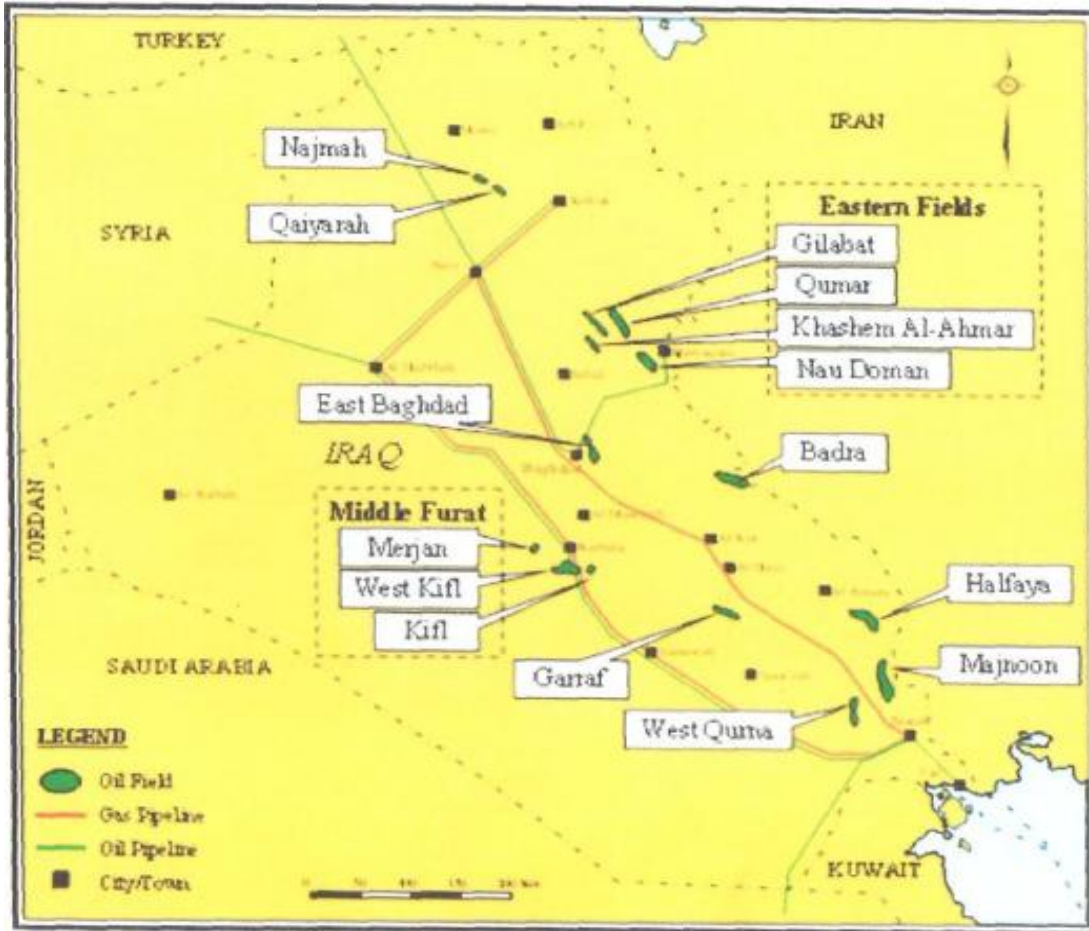
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Appendix 5 – Oil field areas map and coordinates

Appendix 5 – Oil field areas map and coordinates



Appendix 5 – Oil field areas map and coordinates (continued)



Appendix 5 – Oil field areas map and coordinates (continued)

The contract area is defined by the corner points numbered as shown for U.T.M. Zone 38N and connected by straight lines

Corner point	Northing	Easting
A	3,407,000.000	733,107.000
B	3,369,290.000	730,070.000
C	3,333,000.201	744,839.961
D	3,332,982.218	744,030.681
E	3,332,962.366	743,134.105
F	3,332,947.252	742,449.288
G	3,332,922.660	741,330.885
H	3,332,895.025	740,067.881
I	3,332,883.586	739,543.127
J	3,332,870.522	738,942.406
K	3,332,847.213	737,866.875
L	3,332,818.919	736,554.702
M	3,332,812.138	736,239.135
N	3,332,789.456	735,180.527
O	3,332,771.157	734,322.961
P	3,332,756.035	733,611.950
Q	3,332,728.604	732,316.608
R	3,332,698.670	730,894.721
S	3,332,690.483	730,504.349
T	3,332,670.277	729,537.952
U	3,332,648.700	728,501.452
V	3,332,400.319	728,184.570
W	3,331,903.995	727,551.358
X	3,331,605.972	726,657.047
AA	3,347,378.000	717,116.000
CC	3,361,650.000	714,500.000
DO	3,407,000.000	714,500.000
EE	3,407,000.000	733,107.000
FF	3,400,000.000	732,535.000
GG	3,368,500.000	730,390.000
HH	3,368,500.000	714,500.000

Appendix 5 – Oil field areas map and coordinates (continued)

Abu Ghirab Field

Corner point	Northing	Easting
A	3,577,500	733,500
B	3,575,400	734,500
C	3,573,500	731,700
D	3,591,000	718,500
E	3,593,750	711,500
F	3,595,750	714,000
G	3,592,000	723,250
H	3,582,250	730,500
I	3,581,675	729,200
J	3,581,000	730,710
K	3,577,650	731,600

Buzurgan Field

Corner point	Northing	Easting
A	3,564,300	739,500
B	3,544,000	730,000
C	3,562,000	716,500
D	3,568,800	706,200
E	3,579,500	707,000
F	3,579,000	710,000
G	3,565,700	723,600

Appendix 5 – Oil field areas map and coordinates (continued)

Fauqi Field

Corner point	Northing	Easting
A	3,549,800	740,400
B	3,561,250	734,400
C	3,586,000	734,400
D	3,566,000	741,655
E	3,564,800	741,655
F	3,563,750	740,800
G	3,562,350	739,400
H	3,561,825	738,100
I	3,561,300	738,450
J	3,559,300	739,000
K	3,558,500	738,400
L	3,556,350	741,400
M	3,555,850	741,050
N	3,555,300	741,800
O	3,555,500	743,050
P	3,555,450	744,150
Q	3,555,800	744,600
R	3,553,750	748,000
S	3,552,800	749,000
T	3,552,700	749,300
U	3,549,800	749,300

Appendix 5 – Oil field areas map and coordinates (continued)

Zubair

Corner point	Northing	Easting
A	3,399,000	750,600
B	3,363,500	760,200
C	3,353,000	771,000
D	3,329,100	771,000
E	3,331,964	764,328
F	3,333,700	760,926
G	3,361,800	742,200
H	3,393,200	738,600



Iraqi Extractive Industries Transparency Initiative (IEITI)

Appendix 6 – SOMO crude oil sale contract template

Contract between **OIL MARKETING COMPANY (SOMO)**
(hereinafter called **SELLER**) of the one part and
..... (hereinafter called **BUYER**) of the other part.

Whereby it is agreed as follows:-

SECTION ONE

Wherever the General Provisions of Section Two, attached and herein incorporated in this Contract, are at variance or in conflict with this Section One, the provisions of Section One shall govern.

ARTICLE ONE

DEFINITIONS

As used in this Contract, unless otherwise provided, the following words and terms shall have the following meanings:-

Barrel	means forty-two (42) U.S. Gallons at sixty degrees (60') Fahrenheit and at normal atmospheric pressure.
Day	means a period of twenty-four (24) running hours Commencing at 00.01 hours local time at the port of loading.
Barrel per Day (B/d)	means the average number of barrels of crude oil supplied during a calendar day as defined above.
F.O.B	means "Free on Board" as referred to in the ICC Incoterms 2010.
Dollar(\$)	The currency of the United States of America.
Month	means Gregorian Calendar month commencing at 00.01 hours local time at the port of loading on first day of the month.
Quarter	means a period of three (3) consecutive months Beginning on a 1 st January or a 1 st April or a 1 st July or a 1 st October.



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Year means a Gregorian Calendar Year.

API Gravity means scale adopted by the American Petroleum Institute for expressing the specific Gravity of crude oil.

ARTICLE TWO

PERIOD:

This Contract shall become effective on the-----day of-----,-----, and shall continue thereafter until the-----of-----,-----, unless renewed by mutual agreement.

DESTINATION:

The destination of the crude oil sold under this Contract shall be **(the company name) REFINING SYSTEMS IN NORTH AND SOUTH AMERICAN, EUROPEAN AND FAR EAST MARKETS**

Destination **should be declared and inserted** in the respective LIC (3) three Baghdad working days before the accepted date of arrival (laycan). However, any request for destination change sent by the buyer and received by the seller later than the aforementioned (3) three Baghdad working days time limit shall not be considered.

Buyer from time to time in order to meet refining or other operating requirements may request seller's approval to resell or exchange crude oil which approval shall not be unreasonably withheld.

ARTICLE THREE

QUANTITY AND QUALITY :

SELLER undertakes to sell and deliver FOB and BUYER undertakes to purchase, receive and pay for the following:-

<u>Type of Crude</u>	<u>Quantity</u>	<u>Port of Loading</u>
-----------------------------	------------------------	-------------------------------

The quality of the crude oil shall be the standard export quality available at the port of loading from time to time.

Quantities shall represent contracted quantities or number of barrels per day contracted multiplied by the number of days of the relevant period plus/minus 5% at SELLER'S option.

Quantities shall be lifted as evenly as possible over the course of such delivery period in lots of approximate barrels and as will be agreed between BUYER and SELLER.

Quantities lifted under allowed operational vessel slippage shall be deemed as part of the contracted quantities of the period.

In case when SELLER, for reasons technical or otherwise that are beyond his control, is unable to meet his full contractual commitments, SELLER shall have the right to reduce the contracted quantities for the duration of the period when such circumstances shall prevail. SELLER shall advise BUYER as soon as possible before the beginning of any period during which supplies to all buyers are to be reduced.

ARTICLE FOUR

PRICE:

1- OFFICIAL SELLING PRICE (OSP):

The price (s) of the crude oil to be delivered under this contract shall be the declared SOMO's official selling price for the scheduled month of loading.

A- FOR THE NORTH AND SOUTH AMERICA MARKET

Basrah Light Price Ex Basrah Oil Terminal is based on the Argus Sour Crude Index (ASCI) Front Month as a marker crude.

The ASCI (Front Month) is calculated by taking the monthly arithmetic average of all the daily ASCI quotations as published in the Argus Crude Report for the scheduled calendar month of loading. The scheduled calendar month of loading is defined as the

month in which loading is accepted by SOMO's nomination scheduling process.

B- FOR THE EUROPEAN MARKET

Basrah Light Price Ex Basrah Oil Terminal is based on **Brent (Dated)** as a marker crude.

The Brent (Dated) is calculated by taking the arithmetic average of the means of high and low spot assessments of Brent (Dated) quotations as published in the Platts Crude Oil Marketwire For five consecutive quotations starting from the 15th day from the Bill of Lading Date (Bill of Lading date shall be day one).

C- FOR THE FAR EAST MARKET

Basrah Light Price Ex Basrah Oil Terminal is based on **Oman + Dubai** as marker crudes.

2

The Oman and Dubai are calculated by taking the monthly arithmetic average of the means of high and low spot assessments of Oman and Dubai quotations as published in the Platts Crude Oil Marketwire during the scheduled calendar month of loading.

2- API ESCALATION / DE-ESCALATION

The resulting Basrah Light Price is to be reduced by U.S.DLR. 0.04 for each whole one tenth of a degree API below 34.00 degree and to be increased by U.S. DLR. 0.04 for each whole one tenth of a degree API above 34.00 degree.

3- FREIGHT ESCALATOR / DE ESCALATOR

The final price for each shipment destined to North and South America and to Europe shall be adjusted by taking the difference between A and B below:-

A: The average WORLDSCALE quotations published in Platts Dirty Tankerwire for the voyage Arab GULF-US GULF (280 kt North and South America bound ships) and Arab Gulf.-ukc (280 kt Europe bound ships) for the average of (the month prior to the month of loading) (I.E.M-1) and accepted nomination (M).

B: A base WORLDSCALE Rate of 20 (twenty)
The freight adjustment shall take into consideration the following:-

- The buyer is to be compensated if the assessment in (A) is more than the base rate.

If the assessments in (A) is less than the base rate then the Seller is to be compensated.

- Basrah Light of 34 API. I.E a conversion factor Metric Ton/Barrel of 7.37.

The price formula applicable for each shipment of Basrah Light Crude Oil shall be the price formula prevailing on the accepted date of loading.

ARTICLE FIVE

PAYMENT:

BUYER shall establish in respect of shipment(s) to be lifted under this Contract an irrevocable documentary Letter of Credit issued by a Bank acceptable to the Central Bank of Iraq (CBI) in the form set out in Appendix I hereof.

However, BUYER has the choice to open an irrevocable confirmed Revolving documentary Letter of Credit covering the contractual volume. This Letter of Credit will be revolving automatically making always a grand total covering the monthly shipment(s).

In all cases, the letter of credit or the revolving letter of credit and its amendment(s) without declaring destination for each shipment shall be established, confirmed, accepted and advised to SOMO by (CBI) at least

seven (7) calendar days prior to laycan date. Nevertheless, Buyer has to observe and adhere the time limit set in Article Two "Destination" of this contract.

In no event shall Seller be obliged to commence the loading until said letter of credit with the destination declaration inserted therein is found acceptable to Seller. Any delay and any costs associated with such delay shall be for the account of Buyer.

BUYER irrevocably undertakes that payment for each cargo of crude oil lifted shall be made out of the proceeds of the confirmed Letter of Credit directly to account of the Central Bank of Iraq at the Federal Reserve Bank-New York upon presentation to the Central Bank of Iraq the documents required by the Letter of Credit, including but not limited to the Commercial Invoice and the Bill of Lading.

All charges within Iraq are for SELLER, whereas all charges outside Iraq are to be borne by BUYER.

Unless otherwise provided herein, payment shall be made not later than thirty (30) days from B/L date, in same date funds.

If payment falls due on a Saturday or Bank holiday other than Monday in the place where payment is to be made then payment shall be made on the last preceding banking day. If payment falls due on a Sunday or a Monday Bank holiday in the place where payment is to be made then payment shall be made on the next succeeding banking day.

ARTICLE SIX

SOMO STANDARD DOCUMENTATION:

Bill of Lading	(9) (3 orig. & 6 copies)
Certificate of Origin	(4)
Certificate of Quality and Quantity	(4)
Shore Quantity Report	(4)
OBQ Report	(4)
Ullage Report	(4)
Bunker Inspection Record	(4)
Time Log	(4)
Load Port Inspection Checklist	(4)

(6- 8)

Laboratory Report of Quality	(4)
Sample Receipt	(4)
Basic Marine Movement Date Sheet	(4)
Certificate of Tank Washing Rem. On Board	(4)
Distribution of Documents	(4)

Two sets of documents are handed to Master, one being for consignee. SELLER shall advise BUYER by telex or cable within forty eight (48) hours following each loading with the following details:-

Vessel's Name.

Loading Port .

Commenced loading Date.

Completed Loading Date.

Sailing Date .

Gross and net quantities in metric tons, long tons and U.S. barrels.

API Gravity.

ARTICLE SEVEN

SPECIAL CONDITION:

BUYER hereby confirms that it has not paid nor will pay and has not given nor will give any commission, in cash or in kind, or benefit of any kind whatsoever to any person whomsoever, including any intermediary, in connection with the conclusion of this Contract.

Without prejudice to the general terms and conditions of this contract, Buyer will be committed to the requirements of the **Extractive Industries Transparency Initiative (EITI)** by confirming the price paid for crude oil under this agreement and taking such other reasonable measures as may be agreed between the parties.



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ARTICLE EIGHT

ADDRESSES:

Communications required under **Article Fifteen**, shall be effected at the addresses below:-

FOR SELLER:

OIL MARKETING COMPANY

P.O. BOX 5118

BAGHDAD- IRAQ TELEPHONE:

964-1-7742040 / 00 873 763 705 019

FAX: + 964 I 7726 574 /+ 964 I 774 2797

E-MAIL: info@.somooil.gov.iq

Web: www.somooil.gov.iq

FOR BUYER:

This Contract has been done and signed on the-----day-----of-----.

FOR SELLER

FOR BUYER

DIRECTOR GENERAL

S.O.M.O.

(8- 8)

SECTION TWO

GENERAL TERMS AND CONDITIONS

The provisions of these **part 2** General Terms and Conditions shall be subordinate to the provisions of **Part 1** Special Terms and Conditions to the extent there is any inconsistency

(1-12)

ARTICLE ONE

A. MEASUREMENT AND SAMPLING

1. Measurement of the quantities and the taking of Four (4) samples for the purpose of determining the quality of the crude oil in each shipment shall be in accordance with the latest approved methods as published by the American Petroleum Institute (API) in the Manual of Petroleum Measurement Standard (API MPMS) and the American Society for Testing and Materials or the Institute of Petroleum at the port of loading at the time of the shipment in question. Temperature correction to 60°F shall be made in accordance with latest edition of Chapter Eleven of the API Manual.
2. The bill of lading shall indicate the quantity of crude oil delivered in conformity with measurements at the port of loading and shall be considered final and binding upon both parties after deduction of bottom sediments and water.
Bill of lading date is the time and date when hoses are disconnected.
3. Any claims from BUYER as to determinations made at the loading port relating to the quality delivered shall be sent to SELLER within sixty (60) days from the date of the bill of lading.
4. No claim submitted by BUYER for one lot of the crude oil shall be regarded as a reason for rejecting any other lot of the crude oil to be delivered under the present Contract.
5. In case of a dispute arising over the quality of the delivered crude oil, BUYER and SELLER will refer to the analysis of the two samples to be carried out independently by the two parties. These analyses will be binding upon both parties provided they are found in agreement with each other within the reproducibilities of IP or ASTM methods.
6. Should these analyses prove different, however, the other two samples shall be analyzed by a third laboratory, to be agreed upon by both parties. The result of this analysis shall be final and the cost thereof shall be borne by the party losing the claim.

B. THIRD PARTY INSPECTION

An Independent inspector is to be appointed to carry out inspection duties outlined in American Petroleum Institute-Manual of Petroleum Measurement Standard (**API – MPMS**) for all shipments of Basrah light crude oil loaded from Basrah oil terminal, Khor Alamyia oil terminal or single point mooring (**SPM**). Both Seller and Buyer shall equally share the inspection fees.

ARTICLE TWO TITLE AND RISK

SELLER shall deliver, or cause to be delivered, the crude oil to the BUYER, as mutually agreed, FOB onboard an acceptable tank vessel at the export terminal. Title to and risk of loss of the crude oil shall pass to the BUYER when the oil passes the flange connection between the delivery hose and the vessel's cargo intake manifold. Any loss of or damage to the crude oil or to any property of the SELLER or terminal operator and the consequences of oil pollution of sea water, before, during or after loading, caused through the fault of the vessel or its crew, shall be for the BUYER'S account.

ARTICLE THREE LIFTING PROGRAMME

- 1- BUYER shall lift the quantities of crude oil agreed upon in this Contract as follows :-
 - A-** Quantities to be lifted under this Contract shall be fairly evenly spread.
 - B-** BUYER shall notify SELLER of quarterly requirements for the full calendar year at least sixty (60) days before commencement of the relevant year or at date of signature of new Contracts if later than November 1st of the preceding year.
 - C-** BUYER shall specify monthly lifting during each quarter at least forty five (45) days before commencement of the relevant quarter.
- 2- The above - mentioned tentative schedules, which are to be supplemented to cover all contracted quantities, may be altered by express request of BUYER, subject to SELLER'S approval.

SELLER shall not unreasonably withhold its approval, and will notify BUYER within fifteen (15) days of the request.

- 3- If, during any calendar quarter, BUYER fails to take deliveries of any quantities of crude oil provided for during such quarter; SELLER, after allowing for normal operational slippage of a nominated and accepted vessel between the quarters and a previously accepted tolerance of up to five percent (5%) of the quarterly contracted quantity, may deduct such quantities from the total quantities of crude oil to be delivered under this Contract.

ARTICLE FOUR NOMINATION OF VESSELS

- 1- BUYER shall notify SELLER twenty (20) days before the beginning of each month of its loading program for that month. Such program shall specify for each vessel: -
 - A- The expected date of arrival of each vessel.
 - B- Quality and Quantity of crude oil to be loaded, five percent (5%) more or less.
 - C- Vessel's name or TBN.
 - D- Port(S) of discharge and destinations.
 - E- Instructions needed by SELLER to issue documents in accordance with effective export regulations.
- 2- SELLER shall notify BUYER not later than ten (10) days after receipt of the notice specified hereinabove whether it accepts or refuses schedules or nominations. In case of refusal, SELLER shall propose other dates which shall be as close as possible to those proposed by BUYER. Dates thus determined shall be deemed accepted by BUYER unless the latter advises Seller to the contrary within three (3) working days following receipt of SELLER'S notification.
- 3- The accepted date of arrival (laycan) of the vessel at the loading ports shall be fixed on a one (1) day range.

However an accepted date of arrival (laycan) may be changed at any time by BUYER with SELLER'S consent.

- 4- BUYER shall require vessel's master to advise loading port by radio or cable of vessel's expected day and time of arrival at least seventy two (72) hours, forty eight (48) hours and twenty four (24) hours before arrival .
Failure to give any notice at least twenty four (24) hours in advance of arrival of any vessel will increase laytime allowed to SELLER by an amount equal to the difference between twenty four (24) hours and the number of hours prior to arrival of such vessel that notice of such ETA is received by SELLER .
- 5- Nominations quoted as **TBN** shall be replaced by firm vessel nomination with the same accepted laycan and to load a similar quantity of crude oil at least five (5) days before the firm date of arrival. Should BUYER fail to give the above notice of at least five (5) days, the deemed arrival date of the vessel shall be the fifth day after the date when notice is received by SELLER.
- 6- Should BUYER wish to substitute a vessel of different size to load a different quantity, this shall be subject to prior approval of SELLER.
- 7- BUYER shall specify when the nominated vessel is for part cargo and advice SELLER the DWT of the vessel and cargo on board (if any) which should not exceed the allowed limits set by port authorities.

ARTICLE FIVE VESSEL BERTHS

- 1- Each vessel shall comply with all regulations in force at the loading port.
- 2- Loading berth indicated by SELLER'S representative shall enable a vessel, to proceed thereto, lie thereat, and depart therefrom always safely afloat.

- 3- SELLER'S representative may shift the vessel at the loading port from one berth to another, and shall then assume all extra expenses in connection therewith. Such shifting time shall be counted as used laytime.
- 4- Vessel shall vacate her berth as soon as loading is completed. In the event of failure to do so, BUYER shall pay SELLER for any resultant demurrage, loss or damage which SELLER may incur including such as may be incurred due to resulting delay to other vessels awaiting their turn to load.
- 5- If in the course of entering berth or mooring or loading or unmooring or leaving berth, the vessel or her crew damage any of the terminal's sea or shore installations or equipment due to negligence or any reason, BUYER shall be responsible for all claims, damages, costs, and expenses arising therefrom .

ARTICLE SIX LOADING CONDITIONS

- 1- Vessels arriving within their accepted laycan shall be loaded in order of tendering their notice of readiness.
- 2- Upon arrival of the vessel at the loading port, the master or his representative shall tender to SELLER'S representative notice of readiness of the vessel to load crude oil, berth or no berth.
- 3- Laytime shall commence six (6) hours after notice of readiness to load has been tendered by the master to SELLER or SELLER'S representative, subject to BUYER'S and vessel's compliance with all other provisions of this Contract and if the notice is tendered within the accepted laycan as defined in Article Four Para (3) of this section.

If the notice is tendered before the beginning of the period as defined in Article Four Para (3) of this section, then laytime shall commence at **6 a.m.** local time on the first day of such period. However if the vessel is moored at loading berth before 00.01 hours on the first day of the period hereinabove indicated, then laytime

shall commence six (6) hours after completion of vessel's mooring berth or on commencement of loading, whichever shall first occur.

If the notice is tendered after the expiration of the accepted laycan as defined in article four Para. (3) Of this section, loading will be made in accordance with SELLER'S possibilities and BUYER shall have no right to claim for any delay thereby. However, SELLER may refuse to load a vessel which has arrived more than ten (10) days after noon time of the date determined as in article Four Para (3) of this section.

- 4- Laytime shall end when loading hoses have been disconnected after completion of loading.
- 5- At Ceyhan, the SELLER shall be allowed thirty-six (36) hours as laytime within which to complete loading a vessel scheduled to load at single loading port. At Basrah Oil Terminal and I or Khor Alamaya Terminal, the SELLER shall be allowed laytime within which to complete loading a vessel scheduled to load on a single loading port basis as follows: (A) Thirty-Six (36) Hours for vessels up to 129,999 summer deadweight tons, (B) Fifty-Four (54) Hours for vessels between 130,000 and 199,999 summer deadweight tons and (C) Sixty-Five Hours (65) for vessels 200,000 summer deadweight tons or greater.
- 6- Any time consumed due to the following shall not count as used laytime:-
 - A- Delay to the vessel in reaching or clearing her berth caused by conditions beyond SELLER'S control.
 - B- Delay to the vessel during loading, including delay due to inability of the vessel's facilities to load the cargo within the time allowed and generally speaking any time lost on account of vessel.
 - C- If BUYER or owner or master of the vessel or port authorities prohibit loading at any time.
 - D- Discharging of ballast and changing type of crude.

- E- Awaiting customs and immigration clearance and pratique.
 - F- Awaiting pilot or tugs, or while moving from anchorage to place of loading , or awaiting suitable tide.
 - G- Ship tanks inspection before loading.
 - H- Strike, lockout, stoppage or restraint of labour.
- 7- In case of dirty ballast or overflows on board or pollution of sea water by oil or loss of oil due to overflows or leaks of oil on board or ashore caused by the vessel, BUYER will be fully responsible before the port authorities and SELLER for all claims, losses, costs and expenses arising therefrom.

ARTICLE SEVEN DEMURRAGE

- 1- SELLER shall pay to BUYER demurrage in U.S. Dollars, for time used in loading in excess of time allowed in accordance with Article (6) above per day, or prorata for part of the day. The rate of demurrage shall be calculated for the vessel size as per chartering rate payable by BUYER. If the vessel size is larger than the size of the cargo, then demurrage rate shall be prorated accordingly, provided that in both above cases demurrage rate shall not exceed **WORLDSCALE 100.**
- A- If there is no charter party for the vessel, demurrage shall be paid in accordance with the average freight rate assessment (AFRA) effective on the date of bill of lading, provided such demurrage rate does not exceed WORLDSCALE 100, in which case WORLDSCALE 100 shall apply.
 - B- WORLDSCALE 100 rate means the rate provided by the edition of WORLDSCALE prevailing at the date of loading for vessels of the same type and category

- C-** If (AFRA) rates cease to be published or cease to be representative, SELLER and BUYER shall consult in order to establish an alternative method of assessment.
- 4- However, if demurrage occurs at the loading port because of fire or explosion in or about the plant of SELLER, or because of breakdown of machinery or equipment of SELLER, or because of bad weather, the rate of demurrage shall be reduced to one- half.
- 3- Notwithstanding the above, no demurrage shall be payable in the event:-
- A-** SELLER is prevented from or delayed in delivering all or any part of the crude oil for reasons of force majeure.
- B-** Or if the claim for demurrage is received by SELLER after sixty (60) days from the date of the bill of lading.
- C-** Or if the fully documented claim itself for demurrage is received by SELLER after ninety (90) days from the date of the bill of lading. Full documents means (BUYER'S calculation sheet, notice of readiness, time sheet duly signed by master and SELLER'S representative at the loading port and a copy of the CHARTER PARTY).

ARTICLE EIGHT TAXES AND DUTIES

- 1- BUYER shall bear alone port dues and fees charged on vessels at the port of loading.
- 2- Dues and other charges at the loading port on the crude oil loaded or to be loaded shall be borne by SELLER.

ARTICLE NINE
TERMINATION IN THE EVENT OF
LIQUIDATION OR DEFAULT

SELLER may terminate this Contract forthwith on giving to BUYER notice in writing to that effect in the event that:-

- 1- BUYER goes into liquidation or enters into an arrangement or composition with its creditors; or
- 2- BUYER shall be in arrears with the payments due to SELLE under this Contract; or
- 3- Whereby the terms of the Contract, a minimum quantity of crude Oil is to be taken by BUYER within any specified period, BUYER fails in the said period to take delivery of the said minimum quantity ; or
- 4- In The event of any breach of Article Ten or Eleven by BUYER; or
- 5- In case of any change in ownership , shareholding , country of registration or premises etc. that relate to BUYER as a contracting party.

ARTICLE TEN
ASSIGNMENT

- 1- Neither party shall have the right to assign its rights and obligations under this Contract in whole or in part without the written consent of the other.
- 2- In the event of an approved assignment, assignor shall be jointly held responsible with assignee for the full performance of its obligations towards the other party.

ARTICLE ELEVEN
DESTINATION

- 1- BUYER acknowledges that all laws, regulations and rules of the Republic of Iraq relating to destination of crude oil purchased hereunder shall apply to BUYER.

- 2- BUYER undertakes that all laws, regulations and rules of the Republic of Iraq shall apply to vessels employed by him to transport crude oil covered by this Contract.
- 3- BUYER undertakes, whenever required, to submit to SELLER or his representative within a reasonable time, the discharge certificate of each shipment duly endorsed by the Iraqi representation (or any other acceptable representation) in the country of destination.

ARTICLE TWELVE FORCE MAJEURE

- 1- Failure or omission to carry out or to observe any of the terms, provisions or conditions of this Contract shall not give rise to any claim by one party hereto against the other or be deemed to be a breach of this Contract if this is due to force majeure.
- 2- If by reason of force majeure the fulfillment by either party of any terms and conditions of this Contract is delayed for a period not exceeding three (3) months the period of such delay shall be added to the duration of this Contract. If , however , the period of delay exceeds three (3) months , either party at any time after the expiry of the three (3) months shall have the right to terminate this Contract by giving written notice.

ARTICLE THIRTEEN DAMAGES

Except as may be expressly provided in the Contract, neither the SELLER nor the BUYER shall be liable for, and no claim shall be made for, consequential indirect or special damages of any kind arising out of, or in any way connected with, the performance of or the failure to perform this Contract.

ARTICLE FOURTEEN ARBITRATION

- 1- The two contracting parties shall settle in good faith any dispute arising from this Contract through negotiations by the representatives of the two parties. If no agreement can be reached within a period of thirty (30) days, the two parties shall settle the

dispute by way of arbitration as stated in paragraph (2) of this article

- 2- The Arbitration Board shall be composed of three members; each contracting party shall select one member. The two selected arbitrators shall together select an umpire to be the President of the Board. If the two Parties fail to select the arbitrators in the manner shown above within a period of three (3) months, the members of the Arbitration Board shall be appointed in accordance with the rules of arbitration of the International Chamber of Commerce and the arbitration place shall be Baghdad or any other place mutually agreed upon.

ARTICLE FIFTEEN NOTICES

- 1- Any notices, declarations and other communications which either party may be required to give or make to the other party shall, unless otherwise specifically provided elsewhere, be given in writing within the required time and sent by post, by telegraph or by telex to the address of the other party specified for this purpose in the Contract and shall, unless otherwise specifically provided herein, be deemed to have been given or made on the date of receipt by the other party.
- 2- Either Party, by not less than fifteen (15) days notice in writing to the other Party, may from time to time change its address.

ARTICLE SIXTEEN APPLICABLE LAW

This Contract shall be construed and governed in accordance with the laws of the Republic of Iraq.

Appendix 7 – Development and Production Service Contract template

**DEVELOPMENT AND PRODUCTION
SERVICE CONTRACT**

FOR THE ----- CONTRACT AREA

BETWEEN

**----- OIL COMPANY
OF THE IRAQI MINISTRY OF OIL**

AND

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

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This Development and Production Service Contract ("**Contract**") is made and entered into this _____ day of _____ YYYY, by and between: _____ Oil Company, the Republic of Iraq ("**ROC**") of the **First Party**, and

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

_____, a company established and existing under the laws of _____, having its registered head office at _____ ("_____"), (individually a "**Company**"; and collectively the "**Companies**"); together with

_____, an Iraqi State company established and existing under the laws of Iraq (hereinafter referred to as "**State Partner**"),

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

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

WITNESSETH

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

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

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

WHEREAS the Parties mutually represent that they have the power, authority, and desire to enter into the Contract for the exploration, appraisal, development and production of the ----- Contract Area as defined herein;

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

ARTICLE 1 - DEFINITIONS

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

- 1.1 **“Accounting Procedures”** means the accounting procedures and requirements set out in Annex C.
- 1.2 **“Affiliate”** in relation to any Contractor’s entity, means:
- (a) a company which controls such entity, or
 - (b) a company which is controlled by such entity, or
 - (c) a company which is controlled by a company which controls such entity.

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

- 1.3 **“Appraisal”** or **“Appraisal Operations”** means any and all operations such as (but not be limited to) geological, geophysical, aerial and any other surveys and any interpretation of data relating thereto as may be contained in approved Work Programs and Budgets and the drilling of such shot-holes, core holes, stratigraphic tests, holes for the appraisal of Petroleum and other related holes and wells, the production testing, PVT and core analyses and the purchase or acquisition of such supplies, materials and equipment thereof, all as may be contained in approved Work Programs and Budgets.
- 1.4 **“Associated Gas”** means Natural Gas, occurring as gas-cap gas, which overlies and is in contact with Crude Oil in a reservoir and/or solution gas dissolved in Crude Oil in a reservoir.
- 1.5 **“Barrel”** means a liquid quantity consisting of forty-two (42) United States gallons under a pressure of one (1) atmosphere and a temperature of sixty (60) degrees Fahrenheit.
- 1.6 **“Barrel of Oil Equivalent”** or **“BOE”** means one (1) Barrel of Crude Oil one (1) Barrel of NGLs or eight thousand (8,000) SCF of Natural Gas.
- 1.7 **“Best International Petroleum Industry Practices”** means all those uses and practices that are, at the time in question, generally accepted in the international petroleum industry as being good, safe, economical, environmentally sound and efficient in exploring for, developing, producing, processing and transporting Petroleum. They should reflect standards of service and technology that are either state-of-the-art or otherwise appropriate to the operations in question and should be applied using standards in all matters that are no less rigorous than those in use by the Companies in other global operations.
- 1.8 **“BOD”** means the Board of Directors formed pursuant to Addendum 3.
- 1.9 **“BOPD”** means Barrels of Crude Oil per day.
- 1.10 **“BOEPD”** means Barrels of Oil Equivalent per day.
- 1.11 **“Budget”** means the estimates of the expenditure expected to be incurred for implementing an approved Work Program for any Calendar Year or part thereof.

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

machinery, articles and supplies as may be required or expedient for the above activities including decommissioning and abandonment operations; and all auxiliary operations, activities and services required or expedient for the better conduct or result of the above activities, all in accordance with the approved Development Plan and Best International Petroleum Industry Practices.

- 1.28 **“Development Plan”** or **“Plan”** means a scheduled program and cost estimate specifying the Petroleum Operations required for developing and/or increasing the production capacity from the Contract Area, which includes the Preliminary Development Plan, Final Development Plan, and any Revisions.
- 1.29 **“Dinar”** or **“IQD”** means the Iraqi Dinar.
- 1.30 **“Discovery”** means the discovery of an accumulation of hydrocarbons whose existence until that moment was unproven by drilling.
- 1.31 **“Dollar”** or **“US\$”** means the United States Dollar.
- 1.32 **“Effective Date”** means the date upon which this signed Contract becomes valid and enforceable as notified by ROC to Contractor in writing, in accordance with the provisions of Article 39.
- 1.33 **“Expenditure”** means as defined in Article 19.4.
- 1.34 **“Exploration”** means the drilling or deepening of wells to a formation specified as an undiscovered potential reservoir as specified in Annex D including conducting any formation tests thereon.
- 1.35 **“Export Oil”** means crude oil of a standard Iraqi export blend.
- 1.36 **“Export Oil Price”** means the price per Barrel of Export Oil Free on Board (“FOB”) at the Delivery Point, determined in accordance with the provisions of Article 18.
- 1.37 **“Final Development Plan”** has the meaning given in Article 11.
- 1.38 **“Financial Year”** means the Calendar Year.
- 1.39 **“First Commercial Production”** means the first day, within any period not exceeding one hundred and twenty (120) days, when Commercial Production of Crude Oil has averaged no less than ----- thousand (x0,000) BOPD over ninety (90) days, or within three (3) Years from the approval of the Preliminary Development Plan, whichever is earlier. The 120 day period shall exclude any days when production may have been decreased pursuant to Articles 12.5(c), 12.5(d) or 12.5(e).
- 1.40 **“Force Majeure”** means as defined in Article 31.
- 1.41 **“Gas”** or **“Natural Gas”** means a mixture of hydrocarbons and varying quantities of non-hydrocarbons that exist either in the gaseous phase or in solution with Crude Oil in natural underground reservoirs and when produced remain in gaseous phase at atmospheric conditions of temperature and pressure, and is classified as either Associated Gas or Non-Associated Gas.
- 1.42 **“Gas Processing Plant Products”** means the dry Gas, LPG, Natural Gasoline and Condensate that are derived from the processing of raw Gas, produced from the Contract Area, in facilities constructed pursuant to an approved Plan.
- 1.43 **“Government”** means the Government of the Republic of Iraq.
- 1.44 **“Gross Negligence”** or **“Willful Misconduct”** means any unjustifiable act or omission by Senior Supervisory Personnel which constitutes an intentional, deliberate reckless or conscious disregard of the Best International Petroleum Industry Practices or terms of this Contract in connection with Petroleum Operations.

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

- divided by the number of calendar days in that period of time.
- 1.59 **“Non-Associated Gas”** means Natural Gas, which is found in a reservoir that does not contain significant quantities of Crude Oil.
- 1.60 **“Official Selling Price”** or **“OSP”** means SOMO’s declared price for each Iraqi Export Oil blend.
- 1.61 **“Operating Cost”** means recoverable Contractor’s costs, expenses, duties, fees, and charges related to Production Operations pursuant to Annex C.
- 1.62 **“Operator”** means the entity that is designated to conduct Petroleum Operations under this Contract being either the Contractor’s Operator, or the Joint Operating Company, all in accordance with Article 9 and Addendum Three.
- 1.63 **“Participating Interest”** means, in respect of each Contractor’s entity, the undivided share expressed as a percentage for such party’s participation in the rights, benefits, privileges, duties, liabilities and obligations of Contractor.
- 1.64 **“Performance Factor”**, for the purposes of Article 19.5, means the ratio of the Net Production Rate to the bid Plateau Production Target although in no event shall it exceed one (1.0).
- 1.65 **“Petroleum”** means all hydrocarbons, including liquid and gaseous hydrocarbons, produced and saved from the Contract Area.
- 1.66 **“Petroleum Costs”** means recoverable costs and expenditures incurred and payments made by Contractor and/or Operator in connection with or in relation to the conduct of Petroleum Operations (except corporate income taxes paid in the Republic of Iraq or as otherwise stipulated herein) determined in accordance with the provisions of this Contract and the Accounting Procedures.
- 1.67 **“Petroleum Operations”** means any and all Exploration, Appraisal, Development and Production Operations and other activities related thereto, including transportation of Petroleum to the Transfer Point and abandonment operations including site restoration and decommissioning under this Contract.
- 1.68 **“Plateau Production Period”** means a period of ----- (----) Years starting with the date on which the Net Production Rate equals or exceeds the Plateau Production Target for a continuous period of thirty (30) days, but in no event starting later than seven (7) Years from the Effective Date.
- 1.69 **“Plateau Production Target”** is the Net Production Rate that was bid and is to be achieved and sustained for the Plateau Production Period as specified in Article 2.2(c).
- 1.70 **“Potentially Commercial Discovery”** means a written statement delivered by Contractor to ROC to the effect that Contractor considers a certain Discovery of Petroleum as potentially commercial and intends to submit a Development Plan in relation thereto subject to agreement with ROC on a Remuneration Fee.
- 1.71 **“Preliminary Development Plan”** has the meaning given in Article 11.2.
- 1.72 **“Production Operations”** means any and all operations related to production, transportation and storage of Petroleum including (but not limited to) workovers, stimulations, remediation, restoration, operating, staffing, supervising, repairing, decommissioning and maintaining of any and all wells, plants, equipment, pipelines, tank-farms, terminals and all other installations and facilities.
- 1.73 **“Production Measurement Point”** means the point, immediately upstream of a Transfer Point, where Petroleum production is measured.

- 1.74 “**Provisional Export Oil Price**” means the arithmetic average of SOMO’s declared OSPs for the Delivery Point for the Americas, Europe and the Far East, for the Month preceding the Month in which the Forward Quantity Statement under Addendum Four is provided, or the Month preceding such Month if those OSPs are not available.
- 1.75 “**Quarter**” means a period of three consecutive Months commencing on the first day of January, April, July, or October of any Calendar Year.
- 1.76 “**Remuneration**” means the compensation due to Contractor under Article 19 and the Accounting Procedures.
- 1.77 “**Remuneration Fee**” means the fee in US\$ per BOE paid to Contractor for Net Production and Gas Processing Plant Products as calculated pursuant to Article 19.3.
- 1.78 “**Remuneration Fee Bid**” or “**RFB**” means ____decimal _____Dollars (US\$ x.yy) per BOE as utilized in Article 19.3.
- 1.79 “**Revision**”, in respect of a Work Program and Budget or Plan, has the meaning given in Articles 12.3 and 12.4, respectively.
- 1.80 “**R-Factor**” is the ratio of cumulative Cash Receipts to cumulative Expenditures in the conduct of Petroleum Operations pursuant to Article 19.4.
- 1.81 “**Senior Supervisory Personnel**” means in respect of any Party, any individual who functions as its senior resident manager directing all operations and activities of such Party in the country or region in which he is resident, and any manager who directly reports to such senior resident manager in such country or region, but excluding all managers or supervisors who are responsible for or in charge of installations or facilities, onsite drilling, construction or production and related operations, or any other field operations.
- 1.82 “**SOMO**” means Iraq Oil Marketing Company.
- 1.83 “**Standard Cubic Foot**” or “**SCF**” when applied to Gas means the volume of Gas that occupies one (1) cubic foot of space measured dry under an absolute pressure of fourteen point six nine six (14.696) pounds per square inch and a temperature of sixty (60) degrees Fahrenheit.
- 1.84 “**State Partner**” means -----, an Iraqi State entity established and existing under the Law.
- 1.85 “**Sub-Contractor**” means any company or person contracted by the Contractor or Operator to provide goods or services with respect to Petroleum Operations.
- 1.86 “**Supplementary Costs**” means recoverable costs and expenditures incurred by Contractor, other than those costs defined as Petroleum Costs and as determined in accordance with Articles 7.2, 10.5, 12.7, 17.7 and 41.17, including interest due thereon.
- 1.87 “**Tax**” means as defined in Article 23.
- 1.88 “**Tax Year**” means the period of twelve (12) consecutive months according to the Gregorian calendar for which tax returns or reports are required according to the Law.
- 1.89 “**Term**” means the term of this Contract as defined in Article 3.2.
- 1.90 “**Training, Technology and Scholarship Fund**” or “**Fund**” means the fund established as defined in Article 26.2.
- 1.91 “**Transfer Point**” or “**TP**” means the inlet flange of an outgoing pipeline from a Production Measurement Point where Transporter shall receive Petroleum production from Operator.

- 1.92 **“Transporter”** means the entity(s) designated by ROC to operate the Transportation Facilities and Transportation Systems for transporting Petroleum from the Transfer Point(s) pursuant to Article 17 and Addendum Two.
- 1.93 **“Transportation Facilities”** means the pipelines, pumps, compressors, tanks, meters, and other transportation facilities that are built by Operator beyond the Transfer Point(s) for transporting Petroleum pursuant to this Contract.
- 1.94 **“Transportation System”** means, at any time, Transportation Facilities and all other facilities under control of the Transporter beyond the Transfer Point which are necessary for transportation, storage, metering and delivery of Petroleum.
- 1.95 **“Work Program”** means an itemization and time schedule of the Petroleum Operations to be carried out under this Contract.
- 1.96 **“Year”** means a period of twelve (12) consecutive months according to the Gregorian calendar; starting on some date or any anniversary of the date.

(End of Article 1)

ARTICLE 2 –SCOPE OF CONTRACT

- 2.1 This Contract is a Development and Production Service Contract for the ----- Contract Area, in accordance with the provisions herein. It includes 43 Articles, Annexes A, B, C, D, E, and F, and Addenda One, Two, Three, and Four; all attached hereto and made part hereof. In the event of a conflict between this Contract’s Articles and the Annexes or Addenda, the provisions of the Articles shall prevail. Any reference to an Addendum herein shall be deemed to include the fully-termed agreement which replaces such Addendum, unless the context requires otherwise.
- 2.2 Contractor, subject to the provisions herein and in accordance with Best International Petroleum Industry Practices, shall:
- (a) provide or arrange to provide services and technologies for conducting Petroleum Operations with the intention to achieve an optimal development of the Petroleum resources within the Contract Area;
 - (b) achieve First Commercial Production no later than three (3) Years from the approval date of the Preliminary Development Plan;
 - (c) achieve, no later than seven (7) Years from the Effective Date, a Plateau Production Target at a Net Production Rate of _____ thousand (____) BOPD for the Plateau Production Period;
 - (d) annually assess and determine the maximum volume of reserves and resources of Petroleum in the Contract Area;
 - (e) provide or arrange to provide all funding, machinery, equipment, technology, personnel and services necessary for conducting Petroleum Operations;
 - (f) incur all costs and expenses required for carrying out Petroleum Operations in accordance with approved Development Plans, Work Programs and Budgets in order to achieve the production targets set out in this Article 2; and
 - (g) fulfill all financial and other obligations of Contractor and enjoy all rights and benefits, in accordance with the provisions of this Contract.
- 2.3 For a period of five (5) Years from the Effective Date undiscovered potential reservoirs, as defined in Annex D, may be developed and produced under this Contract but shall be

subject to separate fee(s) which the Parties endeavor, in good faith, to agree.

- 2.4 If, pursuant to Article 2.3, agreement is reached on the development and production of new reservoirs then this Contract will be amended to reflect the agreed fees.
- 2.5 At any time, the entities constituting the Contractor shall be jointly and severally liable to ROC for all obligations of Contractor under this Contract.

(End of Article 2)

ARTICLE 3 –TERM OF CONTRACT

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

(End of Article 3)

ARTICLE 4 –SIGNATURE BONUS

- 4.1 Within thirty (30) days from the Effective Date the Companies shall deposit into a bank account designated by ROC a non-recoverable signature bonus of _____ million Dollars (US\$____,000,000).

(End of Article 4)

ARTICLE 5 –RELINQUISHMENT

- 5.1 For the discovered reservoirs as defined in Annex D Contractor shall:
 - (a) relinquish to ROC any reservoir(s) not included in the first Final Development Plan.
 - (b) relinquish to ROC within six (6) Years from the approval date of the first Final Development Plan any reservoir(s) included therein if Development Operations in respect of such reservoir(s) have not commenced in accordance with approved Plans.
- 5.2 For reservoirs in the Contract Area defined in Annex D as undiscovered potential reservoirs Contractor shall:
 - (a) relinquish to ROC four (4) Years after the Effective Date its right to explore for any and all reservoirs not the subject of a notice of a Potentially Commercial Discovery.
 - (b) relinquish to ROC within five (5) Years from the Effective Date any and all reservoirs for which Remuneration Fee(s) have not been agreed.
 - (c) relinquish to ROC within six (6) Years from the Effective Date any reservoirs on which Development Operations have not commenced in accordance with approved Plans.
- 5.3 ROC shall be free to explore for, appraise, develop and produce relinquished

reservoir(s) taking care not to hinder or unduly interfere with Petroleum Operations. However, Contractor may propose to match any terms agreed by ROC with a third party in respect of any reservoirs relinquished pursuant to Article 5.2(b) that are more favorable to ROC than those previously offered by Contractor. In this event ROC shall not unreasonably withhold its acceptance of Contractor's proposal to match.

(End of Article 5)

ARTICLE 6 – MINIMUM WORK AND EXPENDITURE OBLIGATIONS

- 6.1 Contractor shall provide or arrange to provide all the required services, within the respective periods of time and according to the provisions set out in Annex E, to fulfill the Minimum Work Obligation specified therein, for the following activities:
- (a) preparation and submission of the Preliminary Development Plan and the preparation of the Final Development Plan;
 - (b) conduct of seismic surveys, including processing and interpretation thereof;
 - (c) conduct of detailed geological and reservoir engineering studies, including three dimensional (3-D) simulation;
 - (d) drilling wells with the aim of appraising, developing and producing reservoirs defined as discovered reservoirs in Annex D, and achieving the Plateau Production Target;
 - (e) drilling exploration wells or deepening other wells with the aim of discovering undiscovered potential reservoirs as defined in Annex D;
 - (f) conduct of detailed laboratory and reservoir engineering studies to evaluate most suitable development approaches for the reservoirs programmed to come into production within the Final Development Plan; and
 - (g) conduct of engineering and related surface facilities and flow assurance studies.
- 6.2 Contractor shall spend a minimum amount of _____million Dollars (US\$ __,000,000) within three (3) Years of the approval of the Preliminary Development Plan.
- 6.3 Notwithstanding Article 6.2, the Contractor shall invest the sums consistent with the amounts and timing contemplated in approved Plans, subject to the terms and conditions set forth in this Contract.
- 6.4 The performance of each Company and the fulfillment of its contractual and financial obligations under this Contract shall be guaranteed by ultimate parent company, through an instrument in the form set out in Annex F. Such guarantee shall be effective as of the Effective Date and shall be delivered to ROC on the date of execution hereof in respect of Companies, and as provided in Article 28 in respect of assignees.
- 6.5 Ministry of Oil shall provide to Companies a guarantee through an instrument substantially in the form set out in Annex F, to guarantee the performance of the State Partner, Transporter, ROC, SOMO, and any other Iraqi State entity in their fulfillment of their respective contractual and financial obligations under this Contract.

(End of Article 6)

ARTICLE 7 – ROC'S ASSISTANCE

The Parties acknowledge that time is of the essence and ROC shall, in good faith, provide or

procure the provisions of any approval, consent or review required under this Contract in a timely manner.

As permitted by the Law, ROC shall:

- 7.1 provide Contractor with such pertinent technical data, if any, (in addition to information provided to Companies during the tender process) which may become available from time to time, to be used exclusively for Petroleum Operations;
- 7.2 ensure that the Contract Area, including all other areas where Petroleum Operations are required under this Contract, shall be free of any mines or hazardous war remnants and free of any claims by third parties. However, in the event a clearing operation is deemed necessary by either Party, Contractor shall prepare the respective work program for discussion with ROC prior to submission to the JMC for approval. Once this work program is approved by the JMC, Contractor shall execute the de-mining work program through competent service providers and fund the related cost, which cost shall be considered as Supplementary Costs and be recovered pursuant to Article 19;
- 7.3 provide adequate security, through the Iraqi armed forces, within the Contract Area and any other areas in the Republic of Iraq in which Petroleum Operations or operations related to the Transportation Facilities are conducted including during travel to and from such areas. ROC shall be solely liable for the conduct of all security operations by the Iraqi armed forces and Contractor shall not have any liability or obligation to any party for any acts or activities of the Iraqi armed forces or be obliged to reimburse ROC for the cost and expense of providing security as contemplated herein. However, in the event that the Contractor can demonstrate that the security being provided is inconsistent with its HSE policies and Best International Petroleum Industry Practices, the Parties hereby agree that supplementary measures shall be implemented by Contractor, including the short-term engagement of competent private security providers licensed to operate in Iraq, such costs being considered Petroleum Costs, which measures shall be reviewed from time to time in response to changes in security conditions;
- 7.4 provide assistance and shall use its best efforts to seek the assistance of and/or cooperation by any regional, district and/or local government or other representative, agency or authority of the Government to Contractor and Operator as may reasonably be required to secure and renew all entry visas or work permits for employees of Contractor and Operator or Sub-Contractors and their dependents, all permits and registrations required for each entity constituting Contractor to open and maintain a branch office in the Republic of Iraq, all customs and other clearances required for imports and exports of equipment and supplies required for Petroleum Operations, and assist Contractor and Operator in obtaining the office space, its equipment, accommodation, communication facilities and permits, way-leaves, easements, rights of way, licenses and renewals thereof, all for the purpose of conducting Petroleum Operations;
- 7.5 provide Contractor and Operator free of charge:
 - (a) access to the Contract Area including the existing roads and bridges leading to it and other areas where Petroleum Operations are required;
 - (b) access to and use of water, including water for injection within or outside the Contract Area, for the purpose of Petroleum Operations, provided that all installations for off-take, treatment, distribution, and disposal of water shall be the responsibility of Contractor;
 - (c) use of Petroleum for Petroleum Operations; and

- (d) use of existing wells and facilities within the Contract Area.
- 7.6 in the event of unintentional infringement on petroleum operations of either Party, the Parties shall convene to agree in good faith on a proper course of action, safeguarding the interests of both Parties.

(End of Article 7)

ARTICLE 8 – TERMINATION

8.1 Termination by ROC

- (a) ROC may terminate this Contract: (i) by giving Contractor written notice if the last remaining Company (or its parent company that provides a guarantee), becomes bankrupt or be declared insolvent: or (ii) by giving Contractor three (3) months written notice if Contractor commits a breach of a material obligation of this Contract, including but not limited to:
- (i) Contractor knowingly submits a false statement to ROC which is of material consideration for the execution of this Contract;
 - (ii) last remaining Company assigns any interest, right or obligation under this Contract contrary to the provisions of Article 28; or
 - (iii) Contractor fails to comply with approved Development Plans, Work Programs or Budgets. For the avoidance of doubt, if Contractor fails substantially to achieve the Plateau Production Target or Plateau Production Period for reasons including inadequate investment and/or failure to observe and apply Best International Petroleum Industry Practices, ROC may consider this to be a failure within the context of this Article and exercise its rights under this Contract.
- (b) If Contractor has remedied its breach pursuant to Article 8.1(a) within the three (3) months' notice period, ROC shall consider the notice as no longer being in effect. If ROC reasonably believes that Contractor is doing its best to remedy the breach and its efforts look promising, then ROC shall extend the notice period accordingly.
- (c) If ROC terminates this Contract in accordance with Article 8.1(a), Contractor shall:
- (i) forfeit all its future rights and interests under this Contract as from the date of termination;
 - (ii) release ROC from any and all actions, claims, demands and proceedings that may arise out of such termination other than in respect of a dispute in relation to such termination; and
 - (iii) pay ROC any unspent portion of the Minimum Expenditure Obligation. Otherwise, ROC shall be entitled to recover such balance from Contractor by any means it may deem appropriate.
- (d) If Petroleum Operations are suspended or substantially curtailed for a period exceeding twelve (12) consecutive Months due to Force Majeure, either ROC or Contractor may terminate this Contract after giving two (2) months written notice. Upon such termination, the provisions of Articles 8.1(c)(i) and 8.1(c)(ii) shall apply, and ROC shall compensate Contractor for accrued but unpaid Petroleum Costs, Supplementary Costs and Remuneration up to the date of termination.

- (e) If Contractor suspends its obligations in respect of Petroleum Operations by order or decree of the government of the home country of any of the Companies or their parent companies, ROC shall have the right to assume full responsibility for Petroleum Operations in any way it deems appropriate after giving Contractor one (1) month written notice to this effect. However, if such suspension continues for a period exceeding one (1) Year, ROC shall have the right to terminate this Contract after giving Contractor two (2) months written notice. Upon such termination, the provisions of Article 8.1(c) shall apply, and Contractor shall be entitled to no compensation whatsoever. However, if at any time during the period when Contractor has suspended its obligations and prior to the end of the termination notice, Contractor gives ROC notice that it is able and willing to resume its obligations with respect to Petroleum Operations, ROC and Contractor shall agree on the best course of action to resume Contractor's obligations and on the payment by ROC of any outstanding Petroleum Costs, Supplementary Costs and Remuneration that were due and payable to Contractor prior to the period of suspension. It is understood that Contractor shall not be entitled to any Petroleum Costs, Supplementary Costs and Remuneration during the period of suspension.
- (f) If Contractor fails to establish a normal presence in the Republic of Iraq, as manifested by the deployment of necessary personnel and equipment required to conduct Petroleum Operations within six (6) months after the approval date of the Preliminary Development Plan, and in due consideration of Articles 7 and 31.5, ROC shall have the right to terminate this Contract after giving Contractor two (2) months written notice. Upon such termination, the provisions of Article 8.1(c) shall apply, and Contractor shall be entitled to no compensation.

8.2 Termination by Contractor

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

- 8.3 In the event of termination of this Contract (whether by ROC or by Contractor), in accordance with this Article 8, Contractor hereby warrants that it shall not obstruct, hinder or otherwise interfere with Petroleum Operations.
- 8.4 The provisions of this Contract that by their nature survive termination or expiry of this Contract (including indemnities, liabilities, audit, confidentiality, governing law and arbitration) shall remain in full force and effect for a period of three (3) Years after such termination or expiry.
- 8.5 The provisions of Article 8 shall not prejudice the Parties' rights to refer any dispute in relation to the termination of this Contract to be resolved in accordance with Article 37.

(End of Article 8)

ARTICLE 9 – CONDUCT OF PETROLEUM OPERATIONS

- 9.1 Until ROC opts for the formation of a JOC, pursuant to this Article 9, Contractor's Operator shall conduct Petroleum Operations under the general supervision and control of a JMC formed pursuant to Article 13. In the event that permission is granted to a third

- party(ies) to operate within the Contract Area such as for operations that are not related to Petroleum Operations, operations involving reservoir(s) that have been relinquished pursuant to Article 5, or sole-risk operations under Article 12.7, ROC shall take necessary measures to ensure that such operations within the Contract Area shall not obstruct, hinder, or unduly interfere with Petroleum Operations. ROC shall indemnify and hold Contractor harmless of any damage, cost, or delay caused by or resulting from any such third party operations.
- 9.2 Contractor appoints ----- to serve as Contractor's Operator to conduct Petroleum Operations before the establishment of the JOC. Promptly upon Effective Date, Contractor's Operator shall agree with ROC an interim Work Program and Budget capable of lasting until the approval of the Preliminary Development Plan pursuant to Article 12.2.
- 9.3 Contractor shall not change the Contractor's Operator without the prior written consent of ROC.
- 9.4 At any time after Contractor first achieves an R-Factor equaling or exceeding one point zero (1.0) pursuant to Article 19.4, but in no event earlier than seven (7) Years after the Effective Date, ROC shall have the option to call for the formation of a Joint Operating Company, which shall be jointly owned and managed by the Parties but funded by the Contractor. The JOC shall serve as Operator and conduct Petroleum Operations on behalf of the Parties under the general supervision and control of a Board of Directors in accordance with this Contract and Addendum Three, and all in accordance with approved Development Plans, Work Programs and Budgets.
- 9.5 Within one (1) Year of ROC's decision for the formation of the JOC, the Parties shall establish the JOC consistent with the JOC Heads of Agreement which are set out in Addendum Three.
- 9.6 The Parties shall agree in due time to a plan and a procedure for the transfer of operatorship from Contractor's Operator to the JOC, taking into consideration that the transfer plan shall include but not be limited to:
- (a) an arrangement for the establishment of the JOC;
 - (b) a list of the various positions to be taken over by the JOC;
 - (c) a schedule of transfer stages which culminates in the completion of the transfer within one (1) Year of the date on which the JOC comes into existence pursuant to Article 9.4;
 - (d) inventories of the relevant facilities, equipment, documents, manuals, data and information necessary for the Petroleum Operations; and
 - (e) a program which ensures that substantially all operational and management positions necessary for the continuation of Petroleum Operations after the expiry of this Contract are held by Iraqi nationals.
- 9.7 Contractor's Operator shall, in accordance with the transfer schedule, transfer to the JOC control of all facilities and equipment relating to Petroleum Operations and all documents, manuals, data and information regarding the use and operation of such facilities and equipment so that the JOC personnel are able to manage and operate such facilities and equipment in accordance with the Best International Petroleum Industry Practices.
- 9.8 The transfer of the accounting and financial aspects shall be handled in accordance with the Accounting Procedures.

- 9.9 During the preparations for the transfer of operatorship to the JOC and in the course of the actual transfer, Contractor's Operator shall perform the functions and fulfill the obligations provided for in this Contract in respect of Petroleum Operations. Thereafter, the functions, obligations and rights of the Operator provided for in this Contract shall, by analogy, be applicable to the JOC in accordance with the provisions of this Contract and Addendum Three.
- 9.10 After the JOC has taken over conduct of Petroleum Operations and has become Operator, Contractor shall continue to have the obligation of joint management of JOC and a major role in all the planning, decisions, surveillance, and day-to-day conduct of Petroleum Operations. In general, Contractor shall make available its managerial and technological skills and personnel to JOC to ensure that Petroleum Operations are performed in accordance with the Best International Petroleum Industry Practices. In particular, Contractor shall continue to prepare and submit for ROC's approval annual Work Programs and Budgets, Development Plans, and their Revisions. The establishment of the JOC shall in no way relieve Contractor of its obligations to achieve the Plateau Production Target under this Contract.
- 9.11 Expenses directly incurred by ROC and approved by the JMC in the set-up, transfer and takeover of Petroleum Operations by the JOC shall be paid by Contractor and charged to the Operating Account in accordance with the Accounting Procedures. It is understood that any commitments entered into by ROC prior to the Effective Date that cover activity specified in the Minimum Work Obligation shall be honored and funded by Contractor, which funding shall be Petroleum Costs. However, Contractor shall have the right to review these commitments and, following consultation with the ROC, may terminate such commitments subject to the provision of suitable alternative arrangements.
- 9.12 Not later than the twentieth (20th) day of each Month, the Operator shall furnish Contractor with a detailed written estimate of its total cash requirements for the succeeding Month expressed in Dollars, in accordance with approved Work Programs and Budgets.
- Such estimate shall take into consideration any cash expected to be on hand at Month end. Payment by Contractor for the succeeding Month shall be made directly to the correspondent bank designated in Article 9.13 on the first (1st) day of the Month, or the next following working day, if such day is not a working day.
- 9.13 Operator is authorized to keep at its own disposal abroad, in an account opened with a bank with a minimum credit rating of A in the publications of the Standard and Poor's Rating Group (or equivalent of Fitch Ratings or Moody's Investors Service), the foreign funds advanced by Contractor. Interest or similar income generated by the account shall be credited to the account. Withdrawals from said account shall be used for payment for goods and services abroad and for transferring to a local bank in the Republic of Iraq the required amounts to meet expenditures in Dinars for the Operator in connection with Petroleum Operations, converted at the applicable rate of exchange available as published by the Iraqi Central Bank on the date of conversion. Within sixty (60) days after the end of each Financial Year, Operator shall submit to the appropriate exchange control authorities in the Republic of Iraq a statement, duly certified by a recognized firm of independent auditors, showing the funds credited to the account, the disbursements made out of the account and the balance outstanding at the end of such Financial Year.
- 9.14 Operator shall diligently conduct Petroleum Operations in compliance with the Law, and in accordance with Best International Petroleum Industry Practices.
- 9.15 Operator's activities aboveground and underground shall be designed to achieve

efficient and safe production of Petroleum from the Contract Area. Operator shall ensure that all materials, equipment, and facilities used in Petroleum Operations comply with generally accepted engineering norms, are of proper and acceptable construction, and are kept in good working order throughout the Term. The Parties shall at least one (1) Year before the expiry of this Contract agree on a detailed procedure for handing-over Contract Area Petroleum Operations and related facilities to ROC as a going concern.

- 9.16 Operator shall take all appropriate and necessary measures, in accordance with the Law, to safeguard the environment and prevent pollution which may result from Petroleum Operations, and to minimize the effect of any pollution which may occur.
- 9.17 Each of ROC, Contractor and Operator shall take all appropriate and necessary measures, in accordance with the Law and international standards to uphold transparency, accountability and the strict observance of general business ethics and anti-corruption laws and regulations. ROC, Contractor and Operator shall develop procedures and guidance documents to secure compliance with the above.
- 9.18 Operator shall conduct Petroleum Operations in accordance with the provisions of this Contract under the general supervision and control of the JMC or BOD, as the case may be.
- 9.19 Operator shall:
- (a) provide all personnel required for the Petroleum Operations, giving first priority to Iraqi nationals, provided the Iraqi nationals have the required qualifications and experience;
 - (b) without prejudice to the Contractor's right to occupy positions in the JOC, adhere to employment and training programs which shall aim at the Iraqization of Operator's manpower; all pursuant to a plan to be submitted by the Operator for approval by the JMC or BOD no later than six (6) Years from the Effective Date;
 - (c) utilize Sub-Contractors and suppliers of proven capability and professional experience on a competitive basis and in accordance with the tendering procedures established pursuant to Article 9.21(c), keeping the JMC or BOD informed accordingly. Any purchase order and sub-contract shall be in accordance with approved Work Programs and Budgets;

Operator may approve awards of any individual purchase order or sub-contract up to and including twenty million Dollars (US\$20,000,000) in value. However, prior approval shall be obtained before award of any individual purchase order or sub-contract, giving details of bids received and the basis for the recommended award, as follows:

- (i) by JMC or BOD for awards above twenty million Dollars (US\$ 20,000,000) and up to and including one hundred million Dollars (US\$ 100,000,000) in value;
- (ii) by ROC for awards above one hundred million USD (US\$100,000,000) in value, where such written approval shall not to be unreasonably withheld, provided if the total period taken by ROC exceeds forty five (45) days then approval of any such purchase order or sub-contract is deemed to have been provided by ROC. If ROC communicates within the specified period its non-approval of the award in question then the matter shall be promptly referred to the senior management of the Parties for resolution; and

- (d) prepare and issue reports pursuant to Article 15, and provide any further information as may reasonably be required by ROC.
- 9.20 Operator shall place fixtures and installations inside and outside the Contract Area as necessary to carry out Petroleum Operations, in accordance with approved Plans. Transportation Facilities that are integrated into the Transportation System shall be handed over upon completion and commissioning to the Transporter, which will thereafter be responsible for the operation and maintenance thereof, in accordance with the provisions of Addendum Two and the subsequent Petroleum Transfer Agreement.
- 9.21 Promptly after the Effective Date, but not later than six (6) months thereafter, Operator shall prepare and submit for JMC approval, in accordance with Article 12, the following operating procedures:
- (a) employment procedures and personnel regulations for locally recruited personnel including scales of salaries, wages, benefits, and all allowances applicable to the respective grade of staff and employees, together with employment requirements such as standard job descriptions and qualifications to fill the jobs, all in accordance with the Law and local market conditions. Equitability of basic salaries and terms of employment between Iraqis and non-Iraqis of similar qualification and experience shall be observed, with allowances and special benefits as appropriate for non-Iraqis;
 - (b) benefits and allowances to be paid in the Republic of Iraq to assigned personnel referred to in Annex C during the assignment for Petroleum Operations;
 - (c) tendering, bidding and contract awarding procedures for engineering, drilling, construction and other service contracts, and procedures for purchasing materials and equipment, all on a competitive basis (unless otherwise agreed by the JMC or BOD), taking into account provisions of this Contract, Best International Petroleum Industry Practices and the Law; and
 - (d) a detailed accounting system to be adopted by Operator based on the provisions of Annex C.

(End of Article 9)

ARTICLE 10 – GAS AND NATURAL GAS LIQUIDS

- 10.1 Gas shall not be flared except pursuant to the Law, and as provided herein.
- 10.2 Operator may use, free of charge, Gas for Petroleum Operations. Gas may also be used for injection or re-injection into reservoir(s) for the purpose of pressure maintenance, enhanced recovery or temporary storage, and any other feasible utilization.
- 10.3 Upon prior consent of ROC, Operator may flare Gas; provided, however, that the period and volume of Gas flaring shall be kept to the absolute minimum. Gas may also be flared in limited quantities for testing and maintenance purposes and in emergency cases.
- 10.4 Contractor shall submit to the JMC or BOD, as part of any Plan, proposed economically and technically feasible schemes for treating, processing, utilization, and/or disposal of all Gas produced and not used in Petroleum Operations. Contractor shall finance and build the necessary facilities to treat and process Gas, in accordance with an approved Plan.

- 10.5 If agreed in an approved Plan, Contractor shall finance and/or build Transportation Facilities downstream of the Transfer Point. Transportation Facilities built by Contractor related to the transportation of Gas beyond the Transfer Point shall be handed over upon completion and commissioning to the relevant Iraqi entity designated by ROC, which shall thereafter be responsible for the operation and maintenance thereof. All costs and expenses incurred by Contractor in connection with this Article shall be recovered as Supplementary Costs.
- 10.6 All costs and expenses incurred by Contractor in connection with the production, treatment, processing, re-injection, transportation, delivery, and disposal of Gas upstream of the Transfer Point shall be recovered as Petroleum Costs.
- 10.7 Gas Processing Plant Products that are delivered to ROC at the Transfer Point(s) shall generate Remuneration as provided under Article 19.3.

(End of Article 10)

ARTICLE 11 –DEVELOPMENT PLANS AND WORK PROGRAMS

- 11.1 Contractor and Operator are obligated to develop the discovered reservoir(s) within the Contract Area and maintain the required delivery capacities in accordance with the approved Development Plans and terms of the Petroleum Transfer Agreement; heads of which are set out in Addendum Two.
- 11.2 Promptly after the Effective Date, and in any case not later than six (6) months thereafter, Contractor shall prepare and submit the Preliminary Development Plan, presenting, in the light of the available knowledge of the reservoir(s) within the Contract Area, the overall targets and phases of development of the reservoir(s) within the Contract Area. The Preliminary Development Plan shall include:
- (a) a program designed to achieve First Commercial Production as soon as possible but no later than three (3) Years from approval of the Preliminary Development Plan;
 - (b) a program designed to explore the undiscovered potential reservoirs, as specified in Annex D, within three (3) Years of the approval of the Preliminary Development Plan;
 - (c) a program for the Appraisal of reservoir(s) within the Contract Area which require and justify further Appraisal Operations, including a time schedule for geophysical surveys and any interpretations of data relating thereto, geological and reservoir engineering studies, as well as laboratory work and field data gathering programs. The Appraisal Program is aimed at acquiring technical data required to conceive the Final Development Plan embracing the whole Contract Area; and
 - (d) a Work Program and Budget for the remainder of the current Calendar Year.
- 11.3 Contractor shall prepare and submit for approval annual Work Programs and Budgets, including production schedules for the succeeding Calendar Years, not later than the first of October of each Calendar Year.

Each annual Work Program and Budget shall set out in detail by Quarter all aspects of proposed Petroleum Operations to be carried out including all relevant data and information, the estimated cost and duration of each operation, the estimated monthly rate of production for each reservoir within the Contract Area and all other relevant data

- and information. The Work Program and Budget shall also include a forecast of yearly activities for the four (4) Year period following the end of the relevant Calendar Year or the period up to the expiry of this Contract whichever is shorter.
- 11.4 No later than three (3) Years from the Effective Date, the Contractor shall prepare the Final Development Plan, which shall, upon approval by ROC, supersede the Preliminary Development Plan.
- 11.5 Contractor and Operator shall conduct Petroleum Operations in a manner that is designed to achieve the Plateau Production Target within three (3) Years of the approval date of the Final Development Plan, but no later than seven (7) Years after the Effective Date. Development Plans submitted by Contractor for approval must contemplate achieving the Plateau Production Target within such time period.
- 11.6 Contractor shall prepare and submit Revisions and corresponding cost estimates as necessary for required approvals.
- 11.7 All Plans and production schedules shall be based on sound geological, reservoir, engineering, economic and health, safety and environmental principles, all in accordance with the Best International Petroleum Industry Practices, and with the objective of optimizing production and maximizing the volume of recoverable reserves of Petroleum from the Contract Area.
- 11.8 Development Plans shall include as a minimum the following:
- (a) details of the proposed development area;
 - (b) summary of reservoir studies;
 - (c) proposals relating to additionally required Appraisal, if any;
 - (d) proposals relating to the spacing, drilling and completion of wells and the surface facilities, installations and pipelines required for the production, treating, transportation, processing, and delivery of Petroleum;
 - (e) forecast of annual production and an estimate of relevant investments involved; and
 - (f) a description of any Petroleum processing, sales and transportation agreements or other off-take arrangements, including the principal terms of such arrangements, the relevant Transfer and Delivery Point(s), and any Transportation Facilities to be constructed.

(End of Article 11)

ARTICLE 12 – APPROVAL OF DEVELOPMENT PLANS AND WORK PROGRAMS

- 12.1 No Petroleum Operations shall be carried out unless and until the relevant Work Program, Budget, and Development Plan, or their Revisions, has been duly approved.
- 12.2 Contractor shall prepare and submit to the JMC, or the BOD, in a timely manner its proposals concerning the Plans, or their Revisions as well as the annual Work Programs and Budgets or their Revisions, and any administrative, accounting or other operating procedures, complete with supporting studies, data and information, for approval in accordance with the following procedure:
- (a) within fourteen (14) days of receiving Contractor's initial or revised proposal, in respect of annual Work Programs and Budgets, and any administrative, accounting or other operating procedures, the JMC or BOD shall either approve

- the proposal or return it to the Contractor with recommended changes. Contractor shall, within a further fourteen (14) days of receiving recommended changes, amend and re-submit the proposal to the JMC or BOD for approval;
- (b) within twenty (20) days of receiving Contractor's proposed Plan or Revision the JMC or BOD shall review the Plan or Revision and pass to the ROC for endorsement or return to the Contractor with recommended changes. Contractor shall amend the Plan or Revision and re-submit to the JMC or BOD for recommendation to ROC no later than twenty (20) days thereafter;
 - (c) within thirty (30) days of receiving a Plan or Revision from the JMC or BOD, the ROC shall advise Contractor and the JMC or BOD of its endorsement or rejection. In the event of a rejection the ROC shall provide written advice as to the reasons for its rejection;
 - (d) it is understood that the Parties shall make their best endeavors to expedite the approval process through close interaction and consultation, and, if necessary, through the intervention of their senior managements;
 - (e) if certain aspects of a Work Program or Budget remain unresolved after submission to senior management the Parties agree that the Operator will be authorized to act as though the most recent submission by the Contractor has been approved until such time as final resolution of disputed items has occurred; and
 - (f) time periods in this Article 12.2 shall be subject to appropriate extensions corresponding to any delay resulting from Force Majeure or as otherwise agreed between the Parties. In either case, if the total period taken for approval and endorsement by ROC of the Preliminary Development Plan or the Final Development Plan exceeds one hundred and twenty (120) days, then the Term together with all rights and obligations hereunder shall be extended to reflect the additional time taken for approvals.
- 12.3 After the approval of the annual Work Program and Budget by the JMC or BOD, it shall be implemented by Operator under the general supervision and control of the JMC or BOD. Operator may make minor changes to the details of an approved Work Program or Budget, provided, however, such changes shall not change the budgeted amount for each major line item by more than ten percent (10%), change the total approved Budget by more than five percent (5%), or alter the general objectives of the Work Program. Otherwise, the change shall be considered a Revision calling for the JMC's or BOD's prior approval unless such changes are warranted under emergency or extraordinary circumstances requiring immediate action, including but not limited to safeguarding lives or property, protection of the environment or for health reasons. Such emergency changes shall be reported by Operator to the JMC or BOD and ROC within five (5) working days.
- 12.4 Any modification to an approved Plan that alters the general objectives of that Plan or changes the total estimated cost by more than ten percent (10%) shall be considered a Revision which shall be subject to approval in accordance with this Article 12.
- 12.5 ROC shall have the right to review the proposed level of production in respect of any proposed or approved Work Program and may, upon written notification, require Contractor and/or Operator to increase or decrease the rate of production from the Contract Area for any of the following reasons:
- (a) to avoid material damage to reservoirs;
 - (b) for health, safety or environmental considerations;

- (c) for short-term operational requirements;
 - (d) for Government imposed curtailment; or
 - (e) for curtailments due to failure of Transporter to receive Net Production or Gas Processing Plant Products at Transfer Points through no fault of Contractor or Operator.
- 12.6 In case reduction of Petroleum production is to be applied pursuant to Article 12.5(d), ROC shall apply such reduction in a non-discriminatory manner to all of its production from the Republic of Iraq. In case reduction of Petroleum production is to be applied pursuant to Article 12.5(e), ROC shall apply such reduction in a non-discriminatory manner to all producers sharing the affected facilities. During the periods when the rate of production is decreased due to production curtailment imposed under Article 12.5(d) or Article 12.5(e), the Remuneration Fee Bid adjustment under Article 19.5 shall cease to apply and the Parties shall agree in good faith a mechanism to fully compensate Contractor as soon as practicable, which may include, amongst other things, a revised production schedule or an extension to the Term or payment of lost income to Contractor in respect of the estimated volumes not produced during the period for which the production levels are curtailed under Article 12.5(d) or Article 12.5(e).
- 12.7 ROC may, at any time by written notice, request Contractor to fund and Operator to execute specific works or build specific facilities not included in approved Plans or associated Work Programs and Budgets. If agreed by Contractor, Operator shall amend the relevant Work Program, Budget or Development Plan within ninety (90) days of receiving such notice. All costs associated with the construction and operation of the additional facilities or works paid for by the Contractor shall be considered Supplementary Costs. If Contractor decides not to share the potential risks and rewards of such works and facilities in accordance with this Contract, the costs thereof shall be borne by ROC. In such event, ROC shall have the right to appoint a third party to execute the works taking care not to hinder or unduly interfere with Petroleum Operations, and the said works shall be conducted by and for ROC's sole risk and reward.

(End of Article 12)

ARTICLE 13 –JOINT MANAGEMENT OF PETROLEUM OPERATIONS

- 13.1 The Parties shall establish, within thirty (30) days from the Effective Date, the Joint Management Committee for the purpose of general supervision and control of Petroleum Operations until the Date of Transfer of Operatorship (after which date the functions of the JMC shall be transferred to the BOD). Unless agreed otherwise, ROC shall nominate four (4) members, including the chairman. Contractor shall nominate four (4) members, including the deputy chairman, the secretary, and a member from the State Partner. The Parties shall also designate one alternate to each of their members and shall promptly inform each other in writing of any change of the members or alternates.
- 13.2 JMC or BOD shall have the following duties and authorities related to Petroleum Operations:
- (a) review and recommendation of Plans and any Revisions thereof;
 - (b) review and approval of annual Work Programs and Budgets, production schedules, and any Revisions thereof;
 - (c) review and approval of operating procedures pursuant to Article 9;

- (d) review and/or approval of the award of contracts to Sub-Contractors and purchase orders as applicable pursuant to Article 9.19(c);
 - (e) approval of training programs and Iraqization plans for integrating Iraqi personnel into various aspects of Petroleum Operations, pursuant to Articles 9.21(a) and (b) and 26.2;
 - (f) supervision and control of the implementation of approved Development Plans and Work Programs and the overall policy of Operator;
 - (g) review and approval of manpower levels and organization chart of Operator;
 - (h) review of Quarterly statements, annual accounts and other financial statements related to Petroleum Operations; and
 - (i) review of periodical and other reports submitted by Contractor or Operator and issue of comments and recommendations to ensure proper implementation of Petroleum Operations in accordance with the provisions of this Contract; and
 - (j) recommendation of the appointment of the independent international auditor as per Article 20.4.
- 13.3 Decisions of the JMC shall be taken by unanimous vote of the members or their alternates present at the meeting or by proxy. In the event that the JMC is unable to reach a unanimous decision in respect of any issue for which it is responsible under this Contract, then the issue shall be promptly referred to the senior management of the Parties for resolution. The quorum shall be at least three (3) members or alternates of each Party. Decisions taken by the JMC shall be recorded in official minutes signed by the members present and communicated by the Operator to the Parties.
- 13.4 JMC shall meet whenever necessary or expedient for the implementation of this Contract and at any time a Party requests a meeting to be held. In any event the JMC shall meet at least four times per Year, ideally every Quarter. A meeting of the JMC may be convened by either Party giving not less than twenty (20) days prior written notice to the other Party or, in a case requiring urgent action, by giving reasonable shorter notice, with decisions by way of circulated written resolutions. Operator shall prepare the agenda and necessary documents prior to such meetings and communicate the same to the members of the JMC. Either Party may add, with seven (7) days prior notice except in the case of emergency, any matter related to Petroleum Operations.
- 13.5 JMC may adopt such procedures as it deems appropriate regarding the conduct of its functions, meetings, and other related matters. For the purpose of facilitating the conduct of its functions, the JMC may appoint such appropriate sub-committees as shall from time to time be required.
- 13.6 All reasonable costs incurred by Contractor and approved by the JMC for the carrying out of JMC's or its sub-committees' duties shall be considered as Petroleum Costs.
- 13.7 Decisions made by JMC or BOD shall not release the Contractor from its obligations under this Contract.

(End of Article 13)

ARTICLE 14 – DATA AND SAMPLES

- 14.1 All original data and samples obtained by Contractor or the Operator shall be the property of ROC.
- 14.2 Contractor and Operator shall provide ROC, free of charge, with copies of any and all

data obtained as a result of Petroleum Operations including, but not limited to, geological, geophysical, geochemical, petrophysical, engineering, well logs, maps, magnetic tapes, cores, cuttings and production data as well as all interpretative and derivative data, including reports, analyses, interpretations and evaluation prepared in respect of Petroleum Operations (hereinafter referred to as "Data"). Contractor and Operator shall have the right to make use of such Data, free of charge, for the purpose of Petroleum Operations.

- 14.3 Contractor and Operator may, for use in Petroleum Operations, retain copies or samples of material or information constituting the Data and, with the approval of ROC, original material. Where such material is capable of reproduction or division, and when originals have first been delivered to ROC, Contractor and Operator may export samples or other reproduced material for processing or laboratory examination or analysis, taking into consideration whether such analysis can be conducted in the Republic of Iraq. Contractor and Operator shall guarantee the proper handling and keeping of exported samples, and that such exports shall be returned to the Republic of Iraq within a maximum period of three (3) months from the date of completion of any study, analysis or processing thereof, except for the consumable samples and materials.
- 14.4 Contractor and Operator shall save and keep in the Republic of Iraq, for a minimum period of one (1) Year, representative portions of each sample of cores and cuttings taken from drilled wells, to be disposed of or forwarded to ROC in a manner directed by ROC.
- 14.5 Contractor shall work with ROC to cause the establishment of entities in the Republic of Iraq capable of analyzing and processing Data obtained during Petroleum Operations.

(End of Article 14)

ARTICLE 15 –REPORTS AND RECORDS

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

(End of Article 15)

ARTICLE 16 –ACCESS AND INSPECTION

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

(End of Article 16)

ARTICLE 17 –MEASUREMENT, TRANSFER, AND DELIVERY OF PETROLEUM

- 17.1 The volume and quality of Petroleum shall be measured at Production Measurement Point(s) immediately upstream of the relevant Transfer Point(s). The location of the Production Measurement Point(s) and Transfer Point(s) shall be specified in approved Plans.
- 17.2 In accordance with Addendum Two, the Operator shall deliver Net Production and any Gas Processing Plant Products to Transporter(s), on behalf of ROC, at the respective Transfer Point(s). The transportation of Petroleum from the Transfer Point(s) to the Delivery Point(s) shall be carried out by the Transporter(s), under the terms of Addendum Two and the subsequent Petroleum Transfer Agreements. Transporter(s) shall act exclusively on behalf of ROC, and Contractor and Operator shall have no liability or obligations in respect of the transportation of Petroleum from the Transfer Point(s) to the Delivery Point(s) except as set forth in Article 17.6 and Annex E.
- 17.3 Methods and procedures for measurement of volume and quality of Petroleum at the Transfer Point(s) shall be as per Addendum Two and the subsequent Petroleum Transfer Agreements. Methods and procedures for measurement of volume and quality of Export Oil at the Delivery Point shall be as per standard practice of SOMO in respect

of the Export Oil.

- 17.4 Petroleum from the Contract Area may be commingled with correspondent streams produced from other fields. If Contractor chooses to receive Petroleum Costs, Supplementary Costs and Remuneration in the form of Export Oil, the quality of Export Oil that may be lifted by Contractor at the Delivery Point shall be the available Iraqi Export Oil that is nearest to the quality of Crude Oil produced in the Contract Area unless otherwise agreed by the Contractor with SOMO.
- 17.5 The volume of Export Oil that may be lifted by Contractor at the Delivery Point shall be determined in accordance with Articles 18 and 19 and Addendum Four.
- 17.6 Prior to delivery at the Transfer Point(s), Net Production and Gas Processing Plant Products shall satisfy the minimum quality and condition specifications defined in the relevant approved Plan.
- 17.7 In accordance with an approved Plan Contractor shall finance and/or build Transportation Facilities downstream of the Transfer Point(s) over and above those required by Annex E. In the event that Contractor finances and/or builds such Transportation Facilities, they shall be handed over to the Transporter(s) upon completion and commissioning. Any costs and expenses incurred by Contractor or Operator pursuant to this Article 17.7 shall be Supplementary Costs.

(End of Article 17)

ARTICLE 18 – VALUATION OF PETROLEUM

- 18.1 It is the intent of both Parties that the pricing of Export Oil for all purposes under this Contract shall reflect the prevailing export market price FOB Delivery Point.
- 18.2 The Export Oil Price for each quantity and quality of Export Oil that may be lifted by Contractor, during any Month in a Lifting Quarter, shall be SOMO's declared OSP for:
- (a) the Month of loading for such quantity;
 - (b) the quality and Delivery Point for such quantity; and
 - (c) the final destination to which such Export Oil is delivered by the Contractor.
- For the avoidance of doubt in calculating the Export Oil Price for any quantity of Export Oil the standard provisions stipulated in SOMO's standard crude oil sales agreements, shall be applied including provisions relating to (a) API escalation/de-escalation, and (b) freight protection.
- 18.3 In the event that Export Oil market conditions oblige SOMO to adopt a different pricing mechanism, SOMO shall promptly advise Contractor of the new pricing mechanism.
- 18.4 The determination of the Export Oil Price, as above, (used for actualizing the quantities of Export Oil that may be lifted by Contractor in each Month of the said Lifting Quarter) as well as adjustments required to the quantity of Export Oil to be lifted (due to the timing between estimated and actual dates of lifting) shall be pursuant to Addendum Four and Annex C (Article 9.6).
- 18.5 Contractor shall cooperate with SOMO in areas such as:
- (a) assessment of worldwide evolution in export qualities of crude oil;
 - (b) market studies and outlet forecasts in various market areas; and
 - (c) other information concerning Export Oil market conditions.

The costs of such cooperation shall be paid by Contractor.

(End of Article 18)

ARTICLE 19 –PETROLEUM COSTS, SUPPLEMENTARY COSTS AND REMUNERATION

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

R-Factor	Remuneration Fee For Net Production and Gas Processing Plant Products (US\$/BOE)
Less than 1.0	100%*RFB
1.0 to less than 1.25	80%*RFB
1.25 to less than 1.5	60%*RFB
1.5 to less than 2.0	40%*RFB
2.0 and above	20%*RFB

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

For the purposes of calculating the R-Factor:

- (a) Aggregate “Cash Receipts” of Contractor from Petroleum Operations as of the end of any Calendar Year is the aggregate value from the Effective Date up to and including that Calendar Year of:
- (i) Petroleum Costs and Remuneration paid to Contractor as provided in Article 19.6; plus
- (ii) any Contractor’s incidental income (of the type specified in the Accounting Procedures) arising from Petroleum Operations;

- (b) Aggregate “Expenditure” made by Contractor for Petroleum Operations as of the end of any Calendar Year is the aggregate value from the Effective Date up to and including that Calendar Year of:
 - (i) Petroleum Costs;
 - (ii) Signature bonus; plus
 - (iii) Training, Technology and Scholarship Fund as per Article 26.

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

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

19.6 Petroleum Costs and Remuneration

- (a) Petroleum Costs and Remuneration due to Contractor shall be paid without interest, in Export Oil at the Delivery Point unless the Contractor elects, by April 1st each Year, to receive payment in cash in Dollars for the following Year. For payment in cash, payment shall be made within sixty (60) days of the submission of an invoice pursuant to Clause 9 of the Accounting Procedures. For payment in Export Oil, the Export Oil Price shall be in accordance with Article 18 and liftings shall be scheduled in accordance with an agreement reached pursuant to Addendum Four. Any election shall remain in effect for the Calendar Year for which the election was made.
- (b) Petroleum Costs, Supplementary Costs and Remuneration shall be deemed to cover all costs, expenses, liabilities and remuneration to Contractor under this Contract. ROC shall not be obliged to pay any other compensation whatsoever to Contractor for the fulfillment of its obligations under this Contract.
- (c) Petroleum Costs and Remuneration shall become due and payable upon invoicing starting with the Quarter in which the First Commercial Production occurs and shall be paid to the extent of fifty percent (50%) of the Deemed Revenue in accordance with the provisions of this Contract. Payment of due and payable Petroleum Costs shall have priority over the payment of due and payable Remuneration.
- (d) Any due and payable Petroleum Costs and Remuneration that remain unpaid in respect of any Quarter shall be carried forward and paid in succeeding Quarter(s) until fully paid.

19.7 Supplementary Costs

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

Point unless the Contractor elects, by April 1st each Year, to receive payment in Dollars for the following Year. For payment in cash, payment shall be made within sixty (60) days of the submission of an invoice pursuant to Clause 9 of the Accounting Procedures. For payment in Export Oil, the Export Oil Price shall be in accordance with Article 18 and liftings shall be scheduled in accordance with an agreement reached pursuant to Addendum Four. Any election shall remain in effect for the Calendar Year for which the election was made.

- (d) Outstanding balances on all Supplementary Costs shall bear interest at LIBOR plus one percent (1%) from the date when Supplementary Costs are first invoiced until the date when they are received, provided that interest shall be fixed for each tranche of Supplementary Costs based on LIBOR prevailing as at the first invoice date.
 - (e) Supplementary Costs paid shall be deemed to cover all amounts due to Contractor for Supplementary Costs incurred.
 - (f) Recovery of Supplementary Costs shall be paid to the extent of sixty (60)% of Deemed Revenue less Petroleum Costs and Remuneration paid as follows:
Deemed Revenue * 60% - (Petroleum Costs paid + Remuneration paid)
 - (g) Any due and payable Supplementary Costs that remain unpaid in respect of any Quarter shall be carried forward and paid in succeeding Quarter(s) until fully paid.
 - (h) ROC reserves the right at any time by notice to Contractor to increase the percentage of Deemed Revenue available as specified in Article 19.7(e).
- 19.8 Subject to Article 8, any due and payable Petroleum Costs, Supplementary Costs and Remuneration that remain outstanding at the expiry or termination of this Contract shall be paid within thirty (30) days thereof, or under such other terms as may be agreed by the Parties.
- 19.9 In the event that Petroleum Costs, Supplementary Costs and Remuneration are paid in Export Oil, ROC shall arrange with SOMO to deliver to Contractor at the Delivery Point an amount of Export Oil, at the relevant Export Oil Price, equivalent to the amount of Petroleum Costs, Supplementary Costs and Remuneration due and payable hereunder. Contractor's Quarterly lifting of Export Oil shall be estimated in advance on the basis of Petroleum Costs, Supplementary Costs and Remuneration due and payable in the Lifting Quarter, unpaid Petroleum Costs, Supplementary Costs and Remuneration carried forward, production schedule and Provisional Export Oil Price. Contractor's final lifting shall be adjusted on the basis of actual amounts of Petroleum Costs, Supplementary Costs and Remuneration due as computed under this Article 19, and on the applicable Export Oil Price in accordance with the provisions of Article 18 and Addendum Four.

(End of Article 19)

ARTICLE 20 –BOOKS OF ACCOUNT, ACCOUNTING AND AUDIT

- 20.1 Contractor and Operator shall maintain at their business offices in the Republic of Iraq books of account in accordance with the Accounting Procedures and accepted accounting practices generally used in the international petroleum industry, and such other books, records and original supporting documents as necessary to show the work

- performed and Petroleum Costs and Supplementary Costs incurred and Remuneration and Supplementary Costs earned including the quantity and value of all Petroleum produced, saved, and delivered as well as the quantity and value of Export Oil received by Contractor at the Delivery Point.
- 20.2 Contractor and Operator shall keep their books of account and accounting records in Dollars and in the Arabic and English languages. Contractor and Operator shall also prepare and keep an Arabic summary of the main items of these books of account and accounting records.
- 20.3 Contractor and Operator shall furnish to ROC or its designee monthly reports showing the quantity of Petroleum produced and saved from the Contract Area. Such reports shall be prepared in accordance with practices generally used in the international petroleum industry and in a form agreed upon with ROC. The reports shall be signed by the authorized representatives of Contractor and Operator or their deputies and delivered to ROC or its designee within thirty (30) days after the end of the Month covered by such report.
- 20.4 The Parties shall jointly appoint an independent auditor of international qualification and standing to audit all the books and accounts of Contractor and Operator on an annual basis and report thereon. The costs of such audit shall be considered as Petroleum Costs. The auditors shall confirm, *inter alia*, that:
- (a) the record of Petroleum Costs, Supplementary Costs and Remuneration are correct and in accordance with this Contract;
 - (b) the costs are properly classified in accordance with the expenditure classification;
 - (c) documentation exists to justify such costs and expenditures; and
 - (d) no evidence exists of any fraudulent records and accounts in respect of the costs incurred.
- 20.5 Contractor and Operator shall, within forty five (45) days after the end of each Quarter, submit to ROC a statement of Petroleum Costs and Supplementary Costs incurred and Remuneration earned by Contractor during such Quarter as per Annex C.
- 20.6 Contractor shall submit to ROC a set of accounts audited by the independent auditor for each Calendar Year within three (3) Months from the last day of said Calendar Year to show the results of Petroleum Operations.
- 20.7 Contractor's and Operator's books, records and necessary supporting documents shall be made available for auditing by ROC at any time during regular working hours for twelve (12) Months from the end of each Quarter to which such documents relate. If within such twelve (12) Months, ROC has not advised Contractor of its objections thereto, the said books, records and supporting documents shall be deemed approved.
- 20.8 If the ROC has an objection to any costs, expenses or fees as reported and invoiced by the Contractor, the ROC will notify the Contractor in writing within thirty (30) days of receiving an invoice specifying the reasons for its objection but shall pay both the undisputed and disputed amounts pending resolution of the matter. Within three (3) months from the date of Contractor's receipt of ROC's objection, Contractor and ROC shall mutually agree to either seek in good faith an acceptable solution or nominate one (1) or more Experts to settle the matter. If the matter is referred to an Expert, the Expert shall, within the three (3) month period following its appointment, provide its solution to the dispute that is in line with the provisions of this Contract and Annex C. Failing such settlement, either Party may refer the matter to arbitration pursuant to Article 37. Should the disputed amounts previously paid by ROC subsequently be found to be not payable

under this Contract, such amounts shall be reimbursed in Dollars to ROC along with interest at LIBOR plus one percent (1%) from the date of initial payment until the date on which the reimbursement is made, provided that interest shall be fixed for each disputed amount at LIBOR prevailing as at the date when originally paid.

- 20.9 During and for a period of three (3) years after the Term, the books of account and other books and records referred to above shall be made available by Contractor and Operator at all reasonable times for auditing by duly authorized representatives of the Government, in accordance with the Law.

(End of Article 20)

ARTICLE 21 –EXCHANGE AND CURRENCY CONTROL

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

(End of Article 21)

ARTICLE 22 –TITLE TO ASSETS

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

(End of Article 22)

ARTICLE 23 – TAXES

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

(End of Article 23)

ARTICLE 24 – PARTNERSHIP, INDEMNITY AND INSURANCE

- 24.1 It is expressly agreed that it is not the purpose or intention of this Contract to create, nor shall it be construed as creating, any mining partnership, joint venture, commercial partnership or other partnership between the Parties.
- 24.2 Contractor shall indemnify and hold ROC harmless against all and any claims, actions, demands and proceedings made by third parties arising out of any loss or damage resulting from an act or omission of Contractor and/or Operator or their Sub-Contractors in their conduct of Petroleum Operations. All costs incurred by Contractor to indemnify and hold ROC harmless as aforesaid shall be Petroleum Costs except in the case of Gross Negligence or Willful Misconduct on the part of Contractor and/or Operator or their

Sub-Contractors.

- 24.3 Contractor shall be liable for any loss of or damage to any installations belonging to ROC or any third party arising from Gross Negligence or Willful Misconduct of Contractor and/or Operator or their Sub-Contractors. ROC shall indemnify and hold harmless Contractor against all and any claims, actions, demands and proceedings made by third parties arising out of any loss or damage resulting from an act or omission of ROC or its sub-contractors.
- 24.4 Notwithstanding the foregoing, neither Party shall be liable for consequential damages such as loss of profit or loss of production.
- 24.5 Contractor and Operator shall establish an insurance plan, to be approved by the JMC or BOD, for its operations hereunder and obtain the insurance policies covering any installations, equipment and materials belonging to ROC in the Field in accordance therewith. Such insurance shall cover the types of exposure that are normally covered in the international petroleum industry, including but not limited to damage to equipment, installations and third party liabilities. Contractor and Operator shall ensure that its Sub-Contractors adequately insure their risks under their relevant sub-contracts.
- 24.6 Such insurance plan will require Contractor and Operator obtain and maintain insurances with an Iraqi or foreign insurance company operating in the Republic of Iraq to cover the risks in connection with Petroleum Operations and any other activities related thereto and as may be required by the Law during the Term, including third party liability and environmental damage and injury where such coverage is available in the Republic of Iraq on commercially reasonable terms. If such coverage is unavailable in the Republic of Iraq, insurance shall be obtained from a foreign insurance company. The insurance company shall arrange, in co-operation with Contractor and Operator to the extent needed, re-insurance placement for coverages on the international market for the part of exposure in excess of the insurance company's net retention.
- 24.7 The cost of insurance obtained and maintained by Contractor and Operator and any amounts paid for deductibles, losses, or claims in excess of such insurance and not attributable to the Gross Negligence or Willful Misconduct of Contractor and Operator or Sub-Contractors under this Contract shall be Petroleum Costs.
- 24.8 Contractor and Operator shall notify ROC of the issue and terms of all insurance policies obtained by it under this Contract.

(End of Article 24)

ARTICLE 25 –IMPORTS AND EXPORTS

- 25.1 Contractor and Operator and respective Sub-Contractors engaged in Petroleum Operations shall be permitted to import machinery, equipment, vehicles, materials, supplies, consumables and movable property to be used solely for the purpose of carrying out Petroleum Operations and supporting activities. Such imports shall be exempt from customs duties and levies provided that applicable administrative formalities are complied with provided that such exemption shall not be in contradiction with the Law.
- 25.2 Expatriate employees of Contractor and Operator and Sub-Contractors shall be permitted to import, and shall be exempted from customs duties with respect to the reasonable importation of, household goods and personal effects, provided that such properties are imported for the sole use of the employee and his family and provided further that such imported property shall be re-exported by employee without any export

duty or impost upon termination of his employment, or be disposed of in the Republic of Iraq in accordance with the Law.

- 25.3 Items imported by Contractor and Operator or Sub-Contractors on a temporary basis and no longer required for Petroleum Operations or supporting activities shall, unless otherwise agreed by ROC, be re-exported without any export duty or impost in accordance with the Law.
- 25.4 The sale in the Republic of Iraq of any imported items under this Contract shall be subject to ROC's prior consent and to the relevant Law.
- 25.5 Customs duties, as used herein, shall include all duties, taxes and other financial imposts which may be due as a result of the importation of the above-mentioned items but, shall not include charges, dues or fees of general application to be paid to Governmental entities for services rendered.
- 25.6 Contractor shall be exempted from any export duty or impost with respect to the Export Oil that Contractor may lift under this Contract, except for port dues of general application to all buyers for services rendered by the port authorities in accordance with the Law. Such port dues shall not be considered Petroleum Costs.

(End of Article 25)

ARTICLE 26 –EMPLOYMENT, TRAINING, AND TECHNOLOGY TRANSFER

- 26.1 Without prejudice to the right of Operator to select and employ such number of personnel as, in the opinion of the Operator but subject to Article 13.2, are required for carrying out Petroleum Operations in a safe, cost effective and efficient manner, Operator shall, to the maximum extent possible, employ, and require Sub-Contractors to employ, Iraqi nationals having the requisite qualifications and experience.
- 26.2 Through a Training, Technology and Scholarship Fund, Contractor and Operator shall offer and facilitate for an agreed number of Iraqi nationals, as designated by ROC, the opportunity, both inside and/or outside of the Republic of Iraq, for on-the-job training and practical experience in petroleum operations and academic education. The Fund shall also be used for supporting oil and gas related technology and research including the establishment or upgrading of research institutes inside the Republic of Iraq.
- 26.3 As a minimum, Contractor shall allocate during the Term an annual amount of five million Dollars (US\$5,000,000) to the Training, Technology and Scholarship Fund. The Fund payment shall not be recoverable as Petroleum Costs.
- 26.4 Not later than six (6) months after the Effective Date, Contractor and Operator shall, in consultation with ROC, establish and implement training programs for staff positions in each phase and level of Petroleum Operations including skilled, technical, executive and management positions, with a view to ensuring employment of Iraqi nationals and gradual and progressive reduction or replacement of expatriates.
- 26.5 The Companies shall separately negotiate, in good faith and on reasonable terms, technical assistance agreements with ROC whereby every Company may make available commercially proven technology and information of a proprietary nature for use in the Republic of Iraq by the ROC and its Affiliates.

(End of Article 26)

ARTICLE 27 –PARTICIPATION

27.1 The State Partner shall have twenty-five percent (25%) of Contractor's total Participating Interest and the Companies shall have the remaining seventy-five percent (75%) of Contractor's Participating Interest, which shall be apportioned between the Companies as follows:

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

27.2 Companies shall pay for the State Partner's entire share of Petroleum Costs and Supplementary Costs during the Term and any extension thereto. The Companies shall have entitlement to all Petroleum Costs and Supplementary Costs paid, while the State Partner shall be entitled to receive twenty five percent (25%) of any Remuneration paid.

27.3 Participation shall further be subject to the provisions of Addendum One.

(End of Article 27)

ARTICLE 28 –ASSIGNMENT

28.1 No Company may assign its rights or obligations under this Contract, in whole or in part, without the prior written consent of the ROC. The direct or indirect transfer of shares or other ownership interests in any Company (except for the transfer of shares in a listed parent company) shall constitute an assignment of rights and obligations under this Contract and shall be subject to Article 28.

28.2 By providing ROC one (1) month prior notice of its intent, any Company shall have the right to assign any of its Participating Interest, shares, rights, privileges, duties or obligations under this Contract to a wholly-owned and controlled Affiliate without the prior written consent of ROC. Such assignment shall not release said Company from its obligations under this Contract and it shall remain jointly responsible together with the assignee Affiliate for the proper and timely execution of this Contract.

28.3 In the event that any Company, wishes to assign, in whole or in part, any of its Participating Interest, shares, rights, privileges, duties or obligations under this Contract to a third party or an Affiliate that is not wholly-owned and controlled, said entity shall submit to ROC a request to this effect giving detailed evidence of the technical and financial competence of the recommended assignee. ROC shall consider the said request and notify the Company of its approval or otherwise within three (3) months of receipt thereof. Before such assignment becomes effective, the assignee shall first provide ROC with a guarantee acceptable to ROC in the form set out in Annex F.

28.4 If any Company wishes to assign part of its Participating Interest in this Contract to a third party pursuant to Article 28.3, ROC shall have the option to take such part and assign it to a nominated Iraqi entity on the same terms and conditions offered to the third party.

28.5 Notwithstanding the foregoing, for the purpose of financing Petroleum Operations, any Company may pledge or otherwise encumber, totally or partially, its rights under this Contract to a reputable international bank and/or financing institution acceptable to ROC (such acceptance shall not be unreasonably withheld), provided that such pledge or encumbrance shall not in any way affect the rights or interests of ROC.

28.6 Notwithstanding the above, unless with the prior written consent of the ROC no Company shall assign its obligations or duties as Operator during the period from the

Effective Date to the time of establishment of the Joint Operating Company except to a wholly-owned and controlled Affiliate.

- 28.7 Without prejudice to the provisions of the Heads of Joint Operating Agreement (Addendum One), in the event that any Company (or its parent company that provides a guarantee) becomes bankrupt, or makes an arrangement with or assignment in favor of its creditors or makes a composition with creditors, or if it assigns to a third party any of its interests/shares in this Contract contrary to the provisions herein, or goes into liquidation other than for reconstruction or amalgamation with an Affiliate, ROC shall have the right to terminate the participation of such Company in this Contract by thirty (30) days notice to such Company, unless during such period the Company has cured such condition. The rights and obligations of Company shall be assigned to the remaining Companies proportionately to their respective Participating Interests or as they may otherwise mutually agree.
- 28.8 The State Partner or any successor or assignee may assign its Participating Interest, in whole or in part, to an entity that is entirely owned and controlled by the Government without the consent of the Companies.

(End of Article 28)

ARTICLE 29 –LAWS AND REGULATIONS

- 29.1 Contractor and Operator shall be bound by and shall comply in all respects with the provisions of the Law. Unless otherwise provided in this Contract, Contractor shall indemnify and hold ROC harmless against all penalties, fines and other liabilities of every kind for breach of any Law by Contractor or Operator.
- 29.2 Notwithstanding the provisions of Article 29.1, Contractor and Operator shall, in accordance with the Law, be exempted from customs and stamp duties on the execution of this Contract, and from restrictions concerning work licenses and employment of expatriates, subject to the provisions of Article 9.21. However, Contractor shall submit all data and information required by the relevant Iraqi authorities in this respect.
- 29.3 Contractor and Operator shall in all their contracts with Sub-Contractors include a provision whereby Sub-Contractors shall undertake to abide by and comply with the Law.
- 29.4 If, after the Effective Date, the financial interests of Contractor are adversely and substantially affected by a change to the Law that was in force in the Republic of Iraq on the Effective Date, or by revocation, modification, or non renewal of any approvals, consents or exemptions granted to Contractor pursuant to this Contract (other than as a result of Gross Negligence or Willful Misconduct of Contractor or Operator), the Parties shall, within ninety (90) days, agree on necessary adjustments to the relevant provisions of this Contract in order to reasonably restore Contractor's financial interests under this Contract to their position as it was immediately prior to the occurrence of the said change or revocation to the Law, or modification, or non renewal of any approvals, consents, or exemptions granted to Contractor under this Contract.
- 29.5 Should the Parties be unable to agree within ninety (90) days on any amendments to be made in respect of Article 29.4 or such other period as may be agreed by the Parties, the dispute may be resolved in accordance with Article 37.

(End of Article 29)

ARTICLE 30 –LOCAL GOODS AND SERVICES

- 30.1 Award of contracts for works and services performed in the Republic of Iraq shall be carried out on a competitive basis. Preference shall always be given to Iraqi entities and firms or foreign firms in association therewith, provided that their relevant capabilities and prices are competitive with those available in the international market.
- 30.2 Preference shall be given to locally manufactured and/or available goods, materials, equipment, consumables and the like as long as their technical specifications, availability, prices, and time of delivery are comparable to those available in the international market.
- 30.3 Contractor and Operator shall ensure that their Sub-Contractors, agents, assignees and employees shall strictly adhere to the provisions of this Article 30.

(End of Article 30)

ARTICLE 31 –FORCE MAJEURE

- 31.1 The non-performance or delay in performance by either Party of its obligations or duties under this Contract shall be excused if and to the extent that such non-performance or delay is caused by Force Majeure.
- 31.2 The Party affected by Force Majeure shall notify the other Party thereof in writing within fourteen (14) days, stating the cause and the extent of effect of such Force Majeure and shall keep the other Party informed of significant developments. The affected Party shall use all reasonable diligence to remove or overcome the Force Majeure situation as quickly as possible in a cost-effective manner.
- 31.3 Force Majeure shall mean any cause or event, unforeseen or beyond the reasonable control of the Party claiming to be affected by such cause or event, and shall include, without limitation, Acts of God, war (whether declared or undeclared), force of nature, insurrection, riot, fire, and with respect to the Contractor only legislation/order of the Government and other acts or circumstances beyond the control of either Party affected by it, provided that such acts or circumstances are not attributable to the Party invoking Force Majeure or its Affiliates. Inability to pay monies due shall not constitute a condition of Force Majeure for either Party.
- 31.4 In the event that Petroleum Operations are delayed, curtailed or prevented due to Force Majeure for a period exceeding ninety (90) consecutive days, then the Term together with all rights and obligations hereunder shall be extended accordingly, subject to the provisions of Article 8.
- 31.5 It is agreed by the Parties that at no time during the Term shall either the security conditions prevailing in the Contract Area or the political and security conditions generally prevailing in the Republic of Iraq on the Contract signing date constitute a condition of Force Majeure unless these conditions prevent the implementation of Petroleum Operations.

(End of Article 31)

ARTICLE 32 –ENTIRE AGREEMENT AND AMENDMENTS

- 32.1 This Contract constitutes the entire agreement between ROC and Contractor relating to the Contract Area. Hence it supersedes any previous representations, whether explicit

or implicit, and any prior agreement of any kind or nature, whether oral or written, in this respect.

- 32.2 This Contract shall not be amended or supplemented except by an instrument in writing signed by duly authorized representatives of both Parties designated for those purposes hereto.
- 32.3 If any provision of this Contract shall be found by any court, tribunal or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this Contract and all provisions not affected by such invalidity or unenforceability shall remain in full force and effect. The Parties shall attempt to substitute, for any invalid or unenforceable provision, a valid and enforceable provision that achieves to the greatest possible extent, the principal objectives of the invalid or unenforceable provision.
- 32.4 The provisions of this Contract shall inure to the benefit of and be binding upon the successors and permitted assignees of the Parties.

(End of Article 32)

ARTICLE 33 –CONFIDENTIALITY AND TECHNOLOGY OWNERSHIP

- 33.1 All information and Data obtained in connection with or in relation to this Contract shall be kept confidential by both Parties and their Affiliates and shall not be disclosed or communicated to any third party without the other Party's prior written consent, except to (i) Affiliates; (ii) any professional consultant retained by a Party or (iii) where necessary for the approval, implementation and/or financing of Petroleum Operations; provided that in all cases the party to whom the information or data is disclosed agrees to the same confidentiality obligation as contained herein.
- 33.2 The confidentiality undertaking in Article 33.1 shall not apply:
- (a) upon the confidential information becoming public knowledge other than by default on the part of a Party;
 - (b) upon the confidential information becoming available to a Party from a third party (unless the third party acts in violation of a confidentiality obligation which the Party is aware);
 - (c) if the confidential information is independently developed by a Party or its Affiliates; or
 - (d) to the extent that the confidential information is required by law, judicial proceedings or applicable stock exchange regulations, to be disclosed.
- 33.3 The foregoing provisions of Articles 33.1 and 33.2 shall continue in force for three (3) Years following termination or expiry of this Contract.
- 33.4 To the fullest extent permitted by applicable law or agreements, the Contractor's entities agree to make available on reasonable terms their most appropriate technical expertise and technology (and that of their Affiliates) for use in the conduct of Petroleum Operations, including such technology as can best improve the economic yield or performance of the reservoirs operated by the Operator under this Contract. Any such technology shall remain the property of the relevant Contractor entities (or their Affiliates), subject to any licensing or other appropriate arrangements entered into in connection with Petroleum Operations. The Operator shall be entitled to use such technology only for Petroleum Operations, subject to the terms of such licensing or other arrangements.

- 33.5 Subject to Article 33.4, any technology specifically developed by the Contractor or the Operator in the course of their activities under this Contract shall be owned by both Parties, and, except in the case of disclosure of such to, or use by, a third party, may be used by any of them or their Affiliates in their own operations without the consent of the other and without making any payment to the other.

(End of Article 33)

ARTICLE 34 –HEADINGS OF ARTICLES

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

(End of Article 34)

ARTICLE 35 –LANGUAGE

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

(End of Article 35)

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

- 36.1 Each Company that is not an Iraqi Company shall establish and maintain a branch office in the Republic of Iraq. ROC shall assist Companies in this respect as per Article 7.4.
- 36.2 Contractor's Operator shall, within ninety (90) days of the Effective Date, establish an office in Baghdad, Iraq and shall maintain such office for the Term. ROC shall assist Contractor's Operator in establishing and maintaining the office.
- 36.3 Contractor's Operator shall notify ROC of the address of its office in Baghdad and of the name of its authorized representative in Iraq who shall be assigned on full time resident status. The said representative shall be entrusted with sufficient powers and authorities to represent and bind Contractor in all dealings with the Government, the ROC and third parties in the Republic of Iraq, to receive legal notices served on Contractor, and to comply with lawful directions and orders given by the competent Government authorities and ROC in connection with or in relation to this Contract.
- 36.4 Contractor's Operator shall notify ROC of any change in the address of its office or the appointment of its representative at least ten (10) days prior to the effective date of such change.

(End of Article 36)

ARTICLE 37 –GOVERNING LAW, CONCILIATION AND ARBITRATION

- 37.1 This Contract and the rights and obligations of the Parties shall be governed, interpreted and construed in accordance with the Law.
- 37.2 The Parties shall endeavor to settle amicably any dispute (“the Dispute”) arising out of or in connection with or in relation to this Contract or any provision or Agreement related thereto. Where no such settlement is reached within thirty (30) days of the date when one Party notifies the other Party of the Dispute, then the matter may, as appropriate, be referred for resolution by the senior management of the Parties to the Dispute. Where no such settlement is reached within thirty (30) days of such referral to management, any party to the Dispute may refer the matter, as appropriate, to an independent expert or, by giving sixty (60) days notice to the other Parties, refer the matter to arbitration as stipulated hereunder.

Expert

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

The Expert shall act as an expert and not as an arbitrator. The related costs and expenditure for referring issues for Expert evaluation shall be shared equally by the Parties in Dispute.

Arbitration

- 37.4 All Disputes arising out of or in connection with this Contract, other than those Disputes that have been finally settled by reference to either senior management or Expert, shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by three (3) arbitrators appointed in accordance with the said Rules.
- 37.5 The seat of the arbitration shall be Paris, France, unless agreed otherwise by the parties to the Dispute.
- 37.6 The language of arbitration shall be the English language. The award of arbitration shall be in English and shall be final and binding on the parties to the Dispute. Judgment on the award rendered may be entered in any court having jurisdiction in recognition and enforcement thereof.
- 37.7 Unless otherwise agreed by the Parties, the operations and the activities of the Parties with respect to the performance of this Contract shall not be stopped or delayed pending the award of arbitration.
- 37.8 Any arbitration under this Contract must be initiated within two (2) Years of the date on which one Party notifies the other Party of the Dispute, and in any event within three (3) Years of the date of the expiry or termination of this Contract.

(End of Article 37)

ARTICLE 38 –NOTICES

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

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

(End of Article 38)

ARTICLE 39 –SIGNATURE, RATIFICATION AND EFFECTIVE DATE

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

(End of Article 39)

ARTICLE 40 –WAIVER

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

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

(End of Article 40)

ARTICLE 41 –HEALTH, SAFETY AND ENVIRONMENT

41.1 In the performance of this Contract, Contractor and Operator shall conduct Petroleum Operations with due regard to health, safety and the protection of the environment (“HSE”) and the conservation of natural resources, and shall in particular:

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

- (i) make all efforts to prevent environmental damage and, should some adverse impact on the environment occur, to minimize such damage and the consequential effects thereof on people and property;
 - (ii) prevent harm to or degradation of livelihood or quality of life of surrounding communities and, should some adverse impact occur, minimize such impact and ensure proper compensation for injury to persons or damage to property caused by the effect of Petroleum Operations; and
 - (iii) instill a culture of proactive commitment to HSE values among all personnel involved in Petroleum Operations.
- (b) develop detailed guidelines for environmental protection, monitoring and community interaction as a condition for Petroleum Operations. These guidelines should meet recognized international industry standards in the following areas:
- (i) air pollution;
 - (ii) protection of surface waters from leaks and spills, including the preparation of: (a) plans for re-injection of all produced water, and (b) Spill Prevention, Control and Countermeasures Plan;
 - (iii) protection of groundwater;
 - (iv) waste management of: (a) solid waste, and (b) hazardous waste, with a focus on waste minimization, reuse and recycle of materials;
 - (v) minimization of footprint of drilling operations, especially in sensitive areas such as marshlands, by drilling several wellbores from the same drill pad and using directional, horizontal and multilateral drilling techniques;
 - (vi) making optimal use of spare available wellbores and spare production and transport capacity;
 - (vii) protection of flora and fauna (wildlife);
 - (viii) protection of archaeological and cultural sites;
 - (ix) plans for decommissioning and abandonment of petroleum facilities, and for the restoration of operational sites;
 - (x) land compensation and resettlement of local communities within the area of operations;
 - (xi) implementation of a grievance procedure mechanism between the Contractor and communities impacted by Petroleum Operations;
 - (xii) preservation of local livelihoods from indigenous communities in the area of Petroleum Operations; and
 - (xiii) general well-being of the communities where Petroleum Operations, which shall be conducted in collaboration with local and central authorities, civil society and local investors to enhance the social benefits for national, regional and municipal governments.
- (c) Comply with the requirements of the Law and reasonable requirements of ROC.
- 41.2 If Contractor and Operator fail to comply with the provisions of Article 41.1(a)(i) or contravenes any Law, and such failure or contravention results in any environmental or

- ROCial damage, Contractor and Operator shall, in accordance with an approved Work Program and Budget, forthwith take all necessary and reasonable measures to remedy the failure and the effects thereof.
- 41.3 Contractor shall draw up and implement a comprehensive worker HSE plan to include, but not be limited to, the following elements:
- (a) Worker Disease Prevention Program to be applied throughout the project life, and comprising:
 - (i) education about personal hygiene and disease-prevention measures, including immunization where appropriate, against infectious diseases, such as tuberculosis, malaria, dysentery, hepatitis and sexually transmitted diseases;
 - (ii) regular testing of drinking water;
 - (iii) training food handlers and testing them for communicable diseases; and
 - (iv) prohibiting smoking, except in designated outdoor areas.
 - (b) Occupational Safety Program throughout the construction and operation periods, including:
 - (i) initial and refresher safety and security training;
 - (ii) tool-kit sessions at the start of each working day;
 - (iii) giving a safety topic at the beginning of each meeting;
 - (iv) traffic safety training for drivers and pedestrians;
 - (v) special safety training for operators of industrial plants and mobile heavy equipment, e.g., cranes and bulldozers;
 - (vi) furnishing personal protection equipment (hard hats, safety shoes and glasses, and hearing protection, where needed);
 - (vii) providing emergency medical teams to administer urgent medical treatment on site, or to evacuate the injured to a hospital, and to supervise sanitation and health matters at construction camps; and
 - (viii) appointing monitors at construction and major operational sites to ensure adherence to safety and environmental protection rules.
- 41.4 If ROC has good reason to believe that any works or installations erected by Contractor and Operator or any operations conducted by Contractor and Operator are not in accordance with the Law and are endangering or may endanger local communities or any property of any person, or are causing or may cause pollution, or are harming or may harm fauna or flora or the environment to a degree which ROC deems unacceptable, ROC may give notice to Contractor and Operator to promptly consider and develop for the JMC or BOD approval a remedial action plan and measures to mitigate such damage within a reasonable period as may be determined by ROC and to repair any such damage. If ROC deems it necessary, it may also require Contractor and Operator to suspend Petroleum Operations in whole or in part until Contractor and Operator have taken such remedial measures or have repaired any damage caused.
- 41.5 The measures and methods to be used by Operator for the purpose of complying with the terms of Article 41.1(a)(i) shall be determined in timely consultation with ROC and Contractor upon the commencement of Petroleum Operations or whenever there is a significant change in the scope or method of conducting Petroleum Operations and shall take into account the international standards applicable in similar circumstances and the

- relevant environmental impact study carried out in accordance with Article 41.6 below. Operator shall notify ROC and Contractor, in writing, of the measures and methods finally determined by Operator and shall cause such measures and methods to be reviewed from time to time in the light of prevailing circumstances.
- 41.6 Contractor shall engage a team of specialized environmental professionals to carry out two environmental impact studies in order:
- (a) to determine at the time of the studies the prevailing conditions relating to the environment, human beings, local communities, and the flora and fauna in the Contract Area and in the adjoining or neighboring areas; and
 - (b) to establish the likely effect on the environment, human beings, local communities, and the flora and fauna in the Contract Area and in adjoining areas as a result of Petroleum Operations, and to submit, for consideration by the Parties, methods and measures contemplated in Article 41.5 for minimizing environmental damage and carrying out site restoration activities.
- 41.7 The first of these environmental impact studies shall act as the baseline study for the purposes of Article 41.15 and shall be concluded promptly after the Effective Date but in any event before commencement of any fieldwork. It shall also contain detailed guidelines of environmental protection and monitoring to meet recognized international industry standards.
- 41.8 The second environmental impact study shall be submitted by Contractor and Operator as part of the Final Development Plan.
- 41.9 The studies mentioned in Article 41.6 shall contain proposed environmental guidelines to be followed in order to minimize environmental damage and shall include, but not be limited to, the following, to the extent appropriate to the respective study taking into account the phase of operations to which the study relates:
- (a) proposed access cutting;
 - (b) clearing and timber salvage;
 - (c) wildlife and habitat protection;
 - (d) fuel storage and handling;
 - (e) use of explosives;
 - (f) camps and staging;
 - (g) liquid and solid waste disposal;
 - (h) cultural and archaeological sites;
 - (i) selection of drilling sites;
 - (j) terrain stabilization;
 - (k) protection of freshwater horizons;
 - (l) blow-out prevention plan;
 - (m) flaring during completion and testing of wells;
 - (n) abandonment of wells;
 - (o) rig dismantling and site completion;
 - (p) reclamation for abandonment;
 - (q) noise control;

- (r) debris disposal; and
 - (s) protection of natural drainage and water flow.
- 41.10 Subject to the provisions of the Law on the protection of the environment, any new project or expansion or modernization projects for Petroleum Operations for which a proposal, other than a Plan, is submitted by Contractor or Operator, ROC shall consider the assessment of the project and convey a decision with respect to environment clearance within a period of ninety (90) days from the receipt of the requisite documents and data. Subject to receipt of the necessary environmental clearance, the JMC or BOD shall decide upon the proposal of Contractor or Operator within thirty (30) days thereafter.
- 41.11 Contractor and Operator shall ensure that:
- (a) the pertinent completed environmental impact studies are made available to its employees and to its Sub-Contractors to develop adequate and proper awareness of the measures and methods of environmental protection to be used in carrying out Petroleum Operations;
 - (b) the contracts entered into between Contractor and Operator and Sub-Contractors relating to Petroleum Operations shall include the provisions stipulated herein and any established measures and methods for the implementation of Contractor's obligations in relation to the environment under this Contract; and
- 41.12 Operator shall, in conjunction with Contractor, prior to conducting any drilling activities, prepare and submit for review and approval by ROC contingency plans for dealing with Crude Oil spills, fires, accidents and emergencies, designed to achieve rapid and effective emergency response. The plans referred to above shall be discussed with ROC and concerns expressed shall be taken into account.
- (a) In the event of an emergency, accident, oil spill or fire arising from Petroleum Operations affecting the environment, Operator shall immediately notify ROC and Contractor and shall promptly implement the relevant contingency plan and perform such site restoration as may be necessary in accordance with Best International Petroleum Industry Practices.
 - (b) In the event of any other emergency or accident arising from Petroleum Operations which may affect the environment, Contractor and Operator shall take such action as is prudent and necessary in accordance with Best International Petroleum Industry Practices.
- 41.13 In the event that Contractor and Operator fail to comply with any of the terms contained in Article 41.12 ROC, after giving Contractor and Operator reasonable notice in the circumstances, may take any action which may be necessary to ensure compliance with such terms and to recover from Contractor, immediately after having taken such action, all costs and expenditures incurred in connection with such action together with such interest as may be determined in accordance with the Accounting Procedures.
- 41.14 Where the Contract Area is partly located in areas forming part of certain national parks, sanctuaries, mangroves, wetlands of national importance, biosphere reserves and other biologically sensitive areas, passage through these areas shall generally not be permitted. However, if there is no passage other than through these areas to reach a particular point beyond these areas, permission of the appropriate authorities shall be obtained by ROC for the benefit of Contractor, subject to a biodiversity action plan.

- 41.15 The obligations and liability of Contractor with respect to the environment under this Contract shall be limited to damage to the environment which is attributable to actions or activities that:
- (a) occur after the Effective Date and prior to the expiry or termination of this Contract; and
 - (b) result from an act or omission of Contractor and Operator.
- 41.16 Except for cases of Gross Negligence and Willful Misconduct on the part of Contractor and/or Operator, all costs incurred towards protection of the environment and communities shall be treated as Petroleum Costs.
- 41.17 Any costs approved by ROC and incurred by the Contractor in remediation of conditions existing prior to the Effective Date and identified in the first study noted in Article 41.7 shall be considered Supplementary Costs.
- 41.18 In the event that Petroleum Operations are delayed, curtailed or prevented due to extended delays in acquiring necessary environmental approvals, the Parties shall meet and agree an appropriate extension of the Term together with all rights and obligations hereunder, subject to the provisions of Article 8.

(End of Article 41)

ARTICLE 42 –SITE RESTORATION AND DECOMMISSIONING

- 42.1 Around mid-Term, Operator shall prepare a proposal for JMC or BOD approval relating to site restoration including a decommissioning plan.
- 42.2 Upon expiry or termination of this Contract or relinquishment of part of the Contract Area, Contractor and Operator shall remove all equipment and installations from the Contract Area in a manner consistent with the guidelines mentioned in Article 41.1(b) and agreed with ROC pursuant to an abandonment plan, the costs of which shall be Petroleum Costs.
- 42.3 Upon expiry or termination of this Contract and takeover by ROC of Petroleum Operations in the Contract Area:
- (a) the ROC shall become liable for future site restoration and decommissioning; and
 - (b) the ROC shall release Contractor from any obligations relating to site restoration and decommissioning not included in an approved Plan and shall indemnify Contractor for any costs, liabilities, claims or obligations associated therewith.
- 42.4 Notwithstanding Article 42.3, for three (3) years after expiry or termination of this Contract, Contractor shall remain liable for any site restoration or decommissioning obligations that should have been discharged prior to expiry or termination.

(End of Article 42)

ARTICLE 43 –GENERAL BUSINESS ETHICS

- 43.1 In the performance of this Contract, Contractor's entities, Operator and ROC shall ensure that they each strictly comply with general business ethics.
- 43.2 Contractor and Operator shall in their subcontracts stipulate their right to terminate the subcontracts with immediate effect in case of violation of the general business ethics by the Sub-Contractor and Contractor and Operator shall terminate a subcontract in case of such a violation if ROC requests Contractor and Operator to do so.

- 43.3 Neither Contractor's entities, Operator nor ROC shall give or receive from any director, employee or agent of the other or its Affiliate in connection with this Contract, any gift, entertainment or other benefit of more than minimal cost or value or any commission, fee or rebate and any hospitality will be kept within reasonable limits.
- 43.4 Each of ROC and Contractor's entities warrant that it and its Affiliates have not made, offered, or authorized, requested, received, or accepted and will not make, offer, or authorize, request, receive or accept with respect to the matters which are the subject of this Contract, any payment, gift, promise or other advantage, whether directly or indirectly through any other person or entity, to or for the use or benefit of any public official (i.e., any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization) or any political party or political party official or candidate for office, or any other person where such payment, gift, promise or advantage would violate (i) the Law; (ii) the laws of the country of incorporation of such entity or such entities ultimate parent company and of the principal place of business of such ultimate parent company; or (iii) the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999. Each entity shall defend, indemnify and hold the others harmless from and against any and all claims, damages, losses, penalties, costs and expenses arising from or related to, any breach by such first entity of such warranty. Such indemnity obligation shall survive termination or expiration of this Contract.

(End of Article 43)

IN WITNESS WHEREOF, the Parties hereto have executed this Contract in five (5) originals (each in Arabic and English) at [], on the day and Year first above written.

For and on behalf of ROC

_____ Witness _____

For and on behalf of Contractor

_____ Witness _____

(Company)

_____ Witness _____

(Company)

_____ Witness _____

(Company)

_____ Witness _____

ANNEX A –DESCRIPTION OF CONTRACT AREA

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

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

U.T.M. Zone -----

CORNER POINT	NORTHING	EASTING

(End of Annex A)

ANNEX B –MAP OF CONTRACT AREA

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

(End of Annex B)

ANNEX C –ACCOUNTING PROCEDURE

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

CLAUSE 1. GENERAL PROVISIONS

1.1 Definitions

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

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

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

1.2 Purpose of Accounting Procedures

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

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

1.3 Operating Account and Records

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

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

(i) Costs of assets including the cost of:

1. drilling in general and cost of each well;
2. production facilities such as flow lines and degassing stations in sufficient detail;
3. Transportation Facilities;
4. tank-farms and pumping stations; and
5. infrastructure, facilities and industrial centers.

(ii) Costs of Materials including the cost and quantity of each item. The method of pricing should be stated.

(iii) Operating costs analyzed by main items such as salaries, Materials and services as defined or described in these Accounting Procedures.

(b) Contractor's and Operator's books shall be kept in the Republic of Iraq in the English language with an Arabic summary. All transactions shall be recorded in Dollars in accordance with the provisions of Article 20 of the Contract.

(c) Accounts shall be kept according to the accounting system approved by the JMC or BOD pursuant to Article 9.21(d) of the Contract.

(d) Contractor and Operator shall maintain appropriate cost control records to meet

the requirements and obligations under the Contract.

- (e) Petroleum production, storage and transfer records shall be maintained according to the Contract and consistent with modern international petroleum industry practices.
- (f) Expenditures shall be charged in Dollars as follows:
 - (i) all Dollar expenditures shall be charged in the amount incurred;
 - (ii) all Dinar expenditures shall be translated into Dollars at the exchange rate prevailing on the date of the relevant expenditure in accordance with the regulations of the Central Bank of Iraq;
 - (iii) expenditures in currencies other than Dollars or Dinars, shall be charged in the equivalent amount in Dollars using the actual exchange rate applied by a first class international bank on the date of payment;
 - (iv) a record shall be kept of the exchange rates actually used in converting Dinars and other non-Dollar expenditures into Dollars; and
 - (v) on the date of each balance sheet, monetary items in currencies other than Dollars shall be translated to Dollars at the rate of exchange applicable on such balance sheet date.

1.4 Statements

(a) Quarterly Statements

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

(b) Yearly Statements

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

1.5 Audits

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

CLAUSE 2. OPERATING ACCOUNT

Subject to the provisions of the Contract and these Accounting Procedures, Contractor shall charge the Operating Account with Petroleum Costs, Supplementary Costs and Remuneration. Pursuant to Article 19 of Petroleum Costs and Supplementary Costs shall start being charged as from the Effective Date, while Remuneration shall start being charged as from First Commercial Production. Remuneration shall be computed pursuant to Article 19 of the Contract and charged accordingly to the Operating Account. Petroleum Costs shall be prepared on a cash basis and shall include, but not be limited to, the following items:

2.1 Personnel

- (a) Operator's Locally Recruited Personnel

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

(b) Assigned Personnel

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

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

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

(c) Personnel Engaged in Other Activities

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

(d) Training Costs

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

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

2.2 Materials

The cost of Materials purchased for or furnished to Petroleum Operations as detailed under Clause 4.1.

2.3 Transportation

(a) Transportation of Personnel and Materials

The cost of transportation of Materials necessary for the performance of Petroleum Operations, including costs of packaging, brokerage, insurance and

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

(b) Transportation Facilities

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

2.4 Buildings and Equipment

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

2.5 Services

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

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

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

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

2.6 Damages and Losses

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

2.7 Legal Expenses

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

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

2.8 Taxes

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

2.9 Insurance and Claims

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

2.10 Currency Exchange

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

2.11 Tariffs

Subject to the provision of Clause 3, all sums paid to ROC, contractor(s) on petroleum fields other than the Contract Area, or any third party in compensation for the use of facilities in connection with Petroleum Operations such as, but not limited to, pipelines,

hydrocarbon treatment plants and storage facilities, on a basis of a mutually agreed tariff.

2.12 Surface Rights

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

2.13 Environment

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

2.14 Administrative Overhead and General Expenses

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

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

From the Date of Transfer of Operatorship, the payment for the above administrative overhead charges shall be shared equally between Contractor and ROC.

2.15 To the extent any of the costs identified in Article 2 of this Annex C would qualify as eligible costs pursuant to Articles 7.2, 10.5, 12.7, 17.7 or 41.17 of the Contract, such costs shall be considered Supplementary Costs and not Petroleum Costs.

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

CLAUSE 3. INFORMATION TO JMC OR BOD AND ROC

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

3.1 Regarding Personnel Costs

- (a) Estimate of the overall amount thereof.
- (b) Analysis and explanation of the applicable personnel policy and practice of Operator and Operator's Affiliates.
- (c) Reasonable breakdown of the aforesaid expenditures as per details stated in these Accounting Procedures.
- (d) Rates and/or methods of apportionment of such costs.

3.2 Regarding Specific Services

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

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

3.3 Regarding Tariffs

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

CLAUSE 4. CHARGING PRINCIPLES

4.1 Purchases

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

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

- (b) The Parties may furnish New Materials from their own stock provided that the New Material transferred from the warehouses or other facilities of Contractor's entities or their respective Affiliates shall be priced at cost, and provided that such cost is not higher than the prices for New Materials of the same quality, obtained on comparable terms and conditions, prevailing in the international market at the time such Materials were supplied to Contractor and Operator.

4.2 Direct and Indirect Costs

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

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

4.3 Use of Equipment and Facilities Owned by Entities Constituting Contractor

For the use of any equipment or facilities that are wholly owned by entities constituting Contractor, the Operating Account shall be charged a rental commensurate with the cost of ownership.

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

CLAUSE 5. INVENTORIES

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

5.1 Periodic Inventories, Notices and Representation

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

5.2 Reconciliation and Adjustment of Inventories

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

CLAUSE 6. DISPOSAL OF MATERIALS

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

CLAUSE 7. SUMS RECEIVED FROM THIRD PARTIES

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

CLAUSE 8. BASIS OF ACCOUNTING

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

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

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

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

- 9.1 Due Petroleum Costs, Supplementary Costs and Remuneration brought forward from the previous Quarter, if any;
- 9.2 Petroleum Costs, Supplementary Costs and Remuneration becoming due during Quarter;
- 9.3 Total Petroleum Costs, Supplementary Costs and Remuneration payable for the Quarter (9.1 + 9.2);
- 9.4 Petroleum Costs, Supplementary Costs and Remuneration received by Contractor for

the Quarter;

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

CLAUSE 10. NON-RECOVERABLE COSTS

Unless otherwise provided elsewhere in the Contract, the following list of items shall be treated as non-recoverable costs for the purpose of cost recovery:

- 10.1 Costs incurred as a result of any proven Gross Negligence or Willful Misconduct of Contractor and Operator including any amount paid in settlement of any claim alleging Gross Negligence or Willful Misconduct whether or not Gross Negligence or Willful Misconduct is admitted or whether such sum is stated to be paid on an ex-gratia or similar basis;
- 10.2 Replacement and/or repair costs in respect of assets or other property which is uninsured or under-insured, and liability incurred to third parties on the basis of strict liability, where Contractor and Operator has agreed with ROC to insure against such loss and has failed to do so;
- 10.3 Any expenditure incurred directly or indirectly in connection with the raising of money to finance Petroleum Operations and other incidental costs and charges related thereto by whatever method raised; such expenditure includes, but is not limited to, interest, commissions, fees and brokerage;
- 10.4 Any costs, charges or expenses including donations relating to public relations or enhancement of Contractor's corporate image and interests;
- 10.5 Any expenditure incurred which is not related to Petroleum Operations or on matters or activities beyond the Delivery Point(s);
- 10.6 Corporate income tax;
- 10.7 Training, Technology and Scholarship Fund;
- 10.8 Signature bonus;
- 10.9 Payments to ROC under Article 23.4; and
- 10.10 Any other expenditure which is stated elsewhere in the Contract to be a non-recoverable expenditure.

CLAUSE 11. CONTROL STATEMENTS AND MAJOR ACCOUNTS

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

major accounts including Capital Cost and Operating Cost.

CLAUSE 12. TRANSFER PROCEDURE FOR THE OPERATING ACCOUNT

- 12.1 In accordance with Article 9.7 of the Contract, when the Joint Operating Company becomes the Operator, the former Operator shall transfer to the Joint Operating Company all the accounting records relating to the Operating Account.
- 12.2 In conducting the transfer of the books of account and the inventory of all properties in accordance with the provisions of these Accounting Procedures, the implementation procedure for the transfer and verification, the accounting files to be transferred and accounting matters to be settled as well as other details, shall be agreed in advance by the former Operator and the Joint Operating Company. The transfer procedure shall be completed within the period agreed upon by the Parties. Thereafter, owing to the needs of any shareholder, the Joint Operating Company shall allow such shareholder's staff access to the books of accounts within the relevant periods and provide them with duplicates of the relevant accounting records, if necessary.

CLAUSE 13. EXTERNAL AUDITOR'S CERTIFICATE

Contractor shall provide ROC with a certificate from the external auditor of Contractor's Operator's head office Affiliate confirming that the charges and the rates applied pursuant to Clauses 2.1(a) to 2.5(c) represent actual costs.

(End of Annex C)

ANNEX D – DEFINITION OF RESERVOIRS

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

SECTION 1 – DISCOVERED RESERVOIRS

SECTION 2 – UNDISCOVERED POTENTIAL RESERVOIRS

(End of Annex D)

ANNEX E –MINIMUM WORK OBLIGATION

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

- (a) Acquire ----- square kilometers of 3-D seismic data over the Contract Area, including processing and interpretation thereof.
- (b) Drill ---- appraisal wells to the base of the ----- Formation (as defined in Annex D).
- (c) Drill ----- exploration wells to the top of the -----.
- (d) Perform detailed geological and reservoir engineering studies, including 3-D simulation for the reservoirs, and carry out detailed laboratory and reservoir engineering studies to evaluate the most suitable recovery mechanism for all discovered undeveloped reservoirs that will be the subject of Plans. Integrate all relevant available data and information, including such data existing prior to the execution of exploration and appraisal activities.
- (e) Agree and execute a thorough reservoir surveillance plan, to acquire sufficient data for development planning and operations. These are expected to include tests, well integrity surveys, PLTs, RSTs and PVT measurements.

(End of Annex E)



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ANNEX F –FORMS OF GUARANTEE

FORM 1: FOR A COMPANY

To: ROC

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

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

[Company’s Guarantor] hereby unconditionally and irrevocably guarantees [Company] in the performance and fulfillment of its obligations under the Contract.

The obligations of [Company’s Guarantor] hereunder shall be limited to the extent of the Participating Interest held by [Company] under the Contract.

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

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

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

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

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

Signed for and on behalf of

[Company’s Guarantor]

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

To: [Companies]

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

In consideration of

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

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

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

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

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

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

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

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

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

Signed for and on behalf of Ministry of Oil

Name: _____

Title: _____

(End of Annex F)

ADDENDUM ONE –HEADS OF JOINT OPERATING AGREEMENT

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

CLAUSE 1. SCOPE

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

CLAUSE 2. PARTICIPATING INTEREST

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

CLAUSE 3. OPERATOR

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

CLAUSE 4. OPERATING COMMITTEE

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

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

CLAUSE 5. WORK PROGRAMS AND BUDGETS

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

CLAUSE 6. COSTS AND EXPENSES

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

CLAUSE 7. DEFAULTS

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

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

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

when such default has been remedied.

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

7.4 In no event shall State Partner be considered in default.

CLAUSE 8. WITHDRAWAL

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

CLAUSE 9. ASSIGNMENT

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

CLAUSE 10. RELATION OF THE PARTICIPANTS

Subject to Article 2.5 of the Contract, the rights, duties, obligations and liabilities of the Participants under this Heads of Agreement and the JOA shall be individual, not joint or collective. It is not the intention of the Participants to create, nor shall this Heads of Agreement or the JOA be deemed or construed to create a mining or other partnership, joint venture, association or trust, or as authorizing any Participants to act as an agent, servant or employee for any other Participant for any purpose whatsoever except as explicitly set forth in the JOA.



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CLAUSE 11. GOVERNING LAW AND ARBITRATION

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

CLAUSE 12. EFFECTIVE DATE AND TERM

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

CLAUSE 13. JOINT OPERATING AGREEMENT (JOA)

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

(End of Addendum One)

ADDENDUM TWO –HEADS OF PETROLEUM TRANSFER AGREEMENT

CLAUSE 1. DEFINITIONS

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

CLAUSE 2. SCOPE

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

CLAUSE 3. SCOPE OF PETROLEUM TRANSFER AGREEMENT

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

CLAUSE 4. FACILITIES AT THE TRANSFER POINT

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

CLAUSE 5. TRANSFER RATE

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

CLAUSE 6. TRANSFER CONDITIONS

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

CLAUSE 7. MEASURING

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

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

CLAUSE 8. TRANSPORTATION SYSTEM

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

CLAUSE 9. EFFECTIVE DATE AND TERM

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

CLAUSE 10. GOVERNING LAW AND ARBITRATION

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

CLAUSE 11. RELATED PROCEDURES

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

CLAUSE 12. PETROLEUM TRANSFER AGREEMENT

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

(End of Addendum Two)

ADDENDUM THREE –HEADS OF CHARTER OF JOINT OPERATING COMPANY

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

CLAUSE 1. ESTABLISHING OF THE JOINT OPERATING COMPANY

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

CLAUSE 2. JOC NAME

The name of JOC shall be the ----- Operating Company.

CLAUSE 3. HEADQUARTERS OF JOC

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

CLAUSE 4. JOC OBJECTIVES

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

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

CLAUSE 5. FINANCING

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

CLAUSE 6. FUNCTION OF JOC

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

CLAUSE 7. BOARD OF DIRECTORS

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

CLAUSE 8. DUTIES AND AUTHORITIES OF BOARD OF DIRECTORS

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

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

CLAUSE 9. MANAGEMENT

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

CLAUSE 10. EMPLOYMENT REGULATIONS

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

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

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

CLAUSE 11. LIABILITY

Liabilities shall be pursuant to the Contract.

CLAUSE 12. DURATION OF JOC

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

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

CLAUSE 13. DISSOLUTION OF JOC

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

CLAUSE 14. CHARTER OF JOC

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

CLAUSE 15. MODIFICATION OF THE CHARTER OF JOC

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

CLAUSE 16. HAND-OVER OF OPERATORSHIP

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

CLAUSE 17. GOVERNING LAW AND ARBITRATION

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

CLAUSE 18. CONFIDENTIALITY

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

CLAUSE 19. EFFECTIVE DATE AND TERM

This Heads of Agreement shall come into force on the Effective Date and shall continue in effect until the earlier of Contract expiry, Contract termination or upon the Parties entering into the Charter of the JOC. The full charter of the JOC shall be entered into no later than six (6) months from the ROC's decision to form the JOC.

(End of Addendum Three)

ADDENDUM FOUR –HEADS OF EXPORT OIL SALES AGREEMENT

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

SPECIAL TERMS (PART 1)

CLAUSE 1. DEFINITIONS

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

“**Parties**” means Seller and Buyer.

“**Buyer**” means Contractor.

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

CLAUSE 2. QUANTITY

2.1 Forward Quantity Statement

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

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

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

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

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

2.2 Lifting Statement

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

2.3 Option to Deliver Excess Volumes

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

CLAUSE 3. DELIVERY

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

CLAUSE 4. EFFECTIVE DATE AND TERM

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

CLAUSE 5. PRICE

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

CLAUSE 6. PAYMENT

The Proceeds receivable by the Seller under this Heads of Agreement shall be used to reduce the amounts owed to the Buyer by the ROC under the Contract and, therefore, no payments to the Seller are required for such Export Oil deliveries. The Buyer shall not be required to pay the

Seller nor post letters of credit or other guarantees of payment, relative to such deliveries, except for deliveries in excess of amounts owed to the Buyer under the Contract.

CLAUSE 7. COMPLIANCE WITH LAWS

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

CLAUSE 9. EXPORT OIL SALES AGREEMENT

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

CLAUSE 10. GENERAL TERMS AND CONDITIONS (PART 2)

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

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

Attachment A to Addendum Four- Export Oil Lifting and Reporting

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

(End of Addendum Four)

Appendix 8 – Technical Service Contract template

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

BETWEEN

OF THE IRAQI MINISTRY OF OIL (ROC)

AND

AND

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

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

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

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

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

WITNESSETH

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

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

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

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

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

ARTICLE 1 –DEFINITIONS

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

- 1.1 **"Accounting Procedure"** means the accounting procedures and requirements set out in Annex C.
- 1.2 **"Additional Appraisal Program"** means as defined in Article 11.1(b).
- 1.3 **"Affiliate"** in relation to any entity constituting Contractor, means:
- (a) a company which controls such entity, or
 - (b) a company which is controlled by such entity, or
 - (c) a company which is controlled by a company which controls such entity.

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

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

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

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

- 1.23 **"Delivery Measurement Point"** or **"DMP"** means the point, immediately upstream of the Delivery Point, where the volume and quality of Export Oil that may be lifted by Contractor under this Contract is measured.
- 1.24 **"Delivery Point"** or **"DP"** means the point(s) where Contractor may lift Export Oil in lieu of its due and payable Supplementary Fees and Service Fees.
- 1.25 **"Development or Redevelopment Operations"** means any and all Petroleum Operations other than Appraisal and Production Operations, including primary and subsequent (secondary, tertiary or other) recovery projects and pressure maintenance, conducted with a view to redeveloping the Field including, but without limitations: the drilling, deepening, completing, plugging, side-tracking, re-completing and equipping of evaluation and development wells; the engineering, building and erecting or laying of production plants and facilities (such as, without limitation, separators, compressors, generators, pumps and tankage, gathering lines, pipelines, and all facilities required to be installed for production, pressure maintenance, treatment, storage and transportation of Petroleum, and loading the same into seagoing tankers); the obtaining of such materials, equipment, machinery, articles and supplies as may be required or expedient for the above activities; and all auxiliary operations, activities and services required or expedient for the better conduct or result of the above activities, including decommissioning and abandonment operations, all in accordance with approved Plans and Work Programs and Best International Petroleum Industry Practices.
- 1.26 **"Development Plan"** or **"Plan"** means a scheduled program and cost estimate specifying the Development or Redevelopment Operations required for developing and/or increasing the production capacity of the Field, which includes the Rehabilitation Plan, Enhanced Redevelopment Plan, and any subsequent Revisions thereof.
- 1.27 **"Dinar"** or **"IQD"** means the Iraqi Dinar.
- 1.28 **"Dollar"** or **"USD"** means the United States Dollar.
- 1.29 **"Effective Date"** means the date when all the conditions listed in Article 39 are satisfied.
- 1.30 **"Enhanced Redevelopment Plan"** means, pursuant to Article 11.3, the full Field redevelopment plan, based on all knowledge existing on the Effective Date as well as additional knowledge derived from the execution of the Rehabilitation Plan; all with the objective of increased and optimized production and enhanced recovery of Petroleum from the Field.
- 1.31 **"Expenditure"** means as defined in Article 19.5(d).
- 1.32 **"Export Oil"** means Crude Oil of standard Iraqi export blend.
- 1.33 **"Export Oil Price"** means the price per Barrel of Export Oil Free on Board ("FOB") at the Delivery Point, determined in accordance with the provisions of Article 18.
- 1.34 **"Field"** means the ----- Field within the Contract Area as defined in Annexes A, B and D, subject to the provisions of Article 5 hereof.
- 1.35 **"Field Operating Division"** or **"FOD"** means a non-profit, unincorporated, joint

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

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

- 1.47 **"Lead Contractor"** means the Company that is appointed as from the Effective Date as the representative of Contractor and which is authorized to act on Contractor's behalf in the conduct of Petroleum Operations.
- 1.48 **"LIBOR" or "London Inter-Bank Offered Rate"** means the interest rate determined as the arithmetic average (rounded upward to the nearest one thousandth of a percentage point) of the offered rates for deposits in Dollars for a period of three (3) Months as published by the Financial Times (London Edition) on the date which is one (1) business day prior to the beginning of the said three (3) Months period corresponding to each interest period. Should the Financial Times rate not be published for a period of seven (7) consecutive days, the Wall Street Journal (New York Edition) shall be used.
- 1.49 **"Lifting Quarter"** means the Quarter during which Export Oil is available for lifting by Contractor at the Delivery Point under this Contract and Addendum Four, where any Lifting Quarter shall be the Quarter in which Service Fees and Supplementary Fees are due and payable.
- 1.50 **"Measurement Point"** means the place(s) at which volumes and qualities of Crude Oil pumped out, received, transmitted or delivered shall be measured, such as the Production Measurement Point and Delivery Measurement Point.
- 1.51 **"Minimum Expenditure Obligation"** means that amount which shall be the minimum amount to be spent by the Contractor as specified in Article 6.2.
- 1.52 **"Minimum Work Obligation"** means the minimum work commitment undertaken by Contractor under Article 6, and Annex E.
- 1.53 **"Natural Gas Liquids" or "NGL"** means the propane and heavier (C3+) components of natural gas that can be classified according to their vapour pressures as low vapour pressure (Condensate), intermediate vapour pressure (Natural Gasoline) and high vapour pressure (LPG).
- 1.54 **"Net Production"**, over a certain period of time, means all Barrels of Crude Oil and NGL actually produced from the Field over the said period of time, less base sediments and water, saved, measured at the Production Measurement Point, and received by Transporter at the Transfer Point.
- 1.55 **"Net Production Rate"**, in Barrels of Crude Oil per day, means the Net Production of Crude Oil and NGL for a certain period of time divided by the number of calendar days in that period of time.
- 1.56 **"Official Selling Price" or "OSP"** means SOMO's declared price for each of the Iraqi crude oil blends.
- 1.57 **"Operating Account"** means the account or set of accounts maintained by Contractor and Operator to record Petroleum Costs and Supplementary Costs.
- 1.58 **"Operating Cost"** means recoverable Contractor's costs, expenses, duties, fees, and charges related to Production Operations pursuant to Annex C.
- 1.59 **"Operator"** means the entity designated to conduct Petroleum Operations in accordance with Article 9, namely the ROC until the FOD takes responsibility for

Petroleum Operations and thereafter the FOD.

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

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

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

(End of Article 1)

ARTICLE 2 –SCOPE OF CONTRACT

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

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

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

(End of Article 2)

ARTICLE 3 –TERM OF CONTRACT

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

(End of Article 3)

ARTICLE 4 –SIGNATURE BONUS

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

(End of Article 4)

ARTICLE 5 –RELINQUISHMENT

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

(End of Article 5)

ARTICLE 6 –MINIMUM WORK OBLIGATION

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

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

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

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

(End of Article 6)

ARTICLE 7 – ROC’S ASSISTANCE

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

ROC shall:

- 7.1 provide Contractor with all available pertinent technical data, if any, (in addition to information provided to Companies during the bidding process) which may become available from time to time, to be used exclusively for Petroleum Operations;
- 7.2 provide Contractor with the inventory and equipment in its possession used in maintaining petroleum operations prior to the Effective Date;
- 7.3 provide Contractor within thirty (30) days of the Effective Date the available technical data, not already provided, related to the discovered but undeveloped reservoirs;
- 7.4 ensure that the Contract Area, including all other areas where Petroleum Operations are required under this Contract, shall be free of any mines or hazardous war remnants and free of any claims by third parties. However, in the event that a clearing operation is deemed necessary by either Party, Contractor shall prepare the respective work program for discussion with ROC prior to submission to the JMC for approval. Once such work program is approved by the JMC, Operator shall execute the de-mining work program through competent service providers and Contractor shall fund the related costs, which shall be considered as Supplementary Costs and recovered pursuant to Article 19;
- 7.5 provide adequate security, through the Iraqi armed forces within the Contract Area and

any other areas in the Republic of Iraq in which Petroleum Operations or operations related to the Transportation Facilities are conducted including during travel to and from such areas. ROC shall be solely liable for the conduct of all operations by the Iraqi armed forces and shall indemnify and hold Contractor harmless in respect of any liability or obligation due to any loss, damage, fee, compensation to any party for any acts or activities of the Iraqi armed forces or from being obliged to reimburse ROC for the cost and expense of providing security as contemplated herein. However, in the event that the Contractor, in its reasonable opinion and following consultation with ROC, considers the security provided for its personnel is inconsistent with its HSE policies, Best International Petroleum Industry Practices or inadequate to allow Petroleum Operations to be conducted safely and without threat to life, the Parties hereby agree supplementary measures shall be implemented by Contractor and FOD, as the case may be including, but not limited to, the engagement of competent private security providers licensed to operate in the Republic of Iraq, such costs being considered Petroleum Costs. Such arrangements shall be revised from time to time in response to changes in security conditions;

- 7.6 provide assistance, and shall use its best efforts to seek the assistance of and/or cooperation by any regional, district and/or local government, or other representative, agency or authority of the Government to Contractor and Operator as may reasonably be required to secure and renew all entry visas or work permits for employees of Contractor and Operator or Sub-Contractors and their dependents, all permits and registrations required for Contractor to open and maintain a branch office in the Republic of Iraq, all customs and other clearances required for imports and exports of equipment and supplies required for Petroleum Operations and assist Contractor and Operator in obtaining the office space, its equipment, accommodation, communication facilities and permits, way-leaves, easements, rights of way, licences and renewals thereof, all for the purpose of conducting Petroleum Operations;
- 7.7 provide Contractor and Operator free of charge:
- (a) access to the Contract Area and to any other areas where Petroleum Operations are required;
 - (b) access to, and use of, water, including water for injection requirements, within or outside the Contract Area for the purpose of Petroleum Operations, provided that all installations for off-take, treatment, distribution, and disposal of water shall be the responsibility of Contractor it being agreed that costs relating to access to, and use of, water, including water for injection incurred outside the Contract Area shall be considered Supplementary Costs and recovered pursuant to Article 19.2 (c), or, at Contractor's option, could be considered Petroleum Costs. The Contractor shall be under no obligation to fund investments related to quantities of water in excess of those required for Petroleum Operations unless agreed otherwise;
 - (c) use of Petroleum for Petroleum Operations; and
 - (d) use of all existing wells and facilities related to the Field within the Contract Area.
- 7.8 In the event of unintentional infringement on Petroleum Operations of either Party, the

Parties shall convene to agree in good faith on a proper course of action, safeguarding the interests of the Parties.

(End of Article 7)

ARTICLE 8 –TERMINATION

8.1 Termination by ROC

- (a) ROC may terminate this Contract (i) by giving Contractor written notice if the last remaining Company (or its parent company that provides a guarantee) becomes bankrupt or is declared insolvent, or (ii) by giving Contractor three (3) Months written notice if Contractor commits a breach of a material obligation of this Contract, including but not limited to:
 - (i) Contractor knowingly submits a false statement to ROC which is of material consideration for the execution of this Contract;
 - (ii) the last remaining Company assigns any interest, right or obligation under this Contract contrary to the provisions of Article 28; and
 - (iii) Contractor fails substantially to comply with approved Plans, Work Programs and Budgets.
- (b) If Contractor has remedied its breach pursuant to Article 8.1(a) within the three (3) Months' notice period, ROC shall consider the notice as ineffective and automatically revoked. If ROC reasonably believes that Contractor is doing its best to remedy the breach and its efforts look promising then ROC shall extend the notice period accordingly.
- (c) If ROC terminates this Contract in accordance with Article 8.1(a) Contractor shall:
 - (i) forfeit all its future rights and interests under this Contract as from the date of termination;
 - (ii) release ROC from any and all actions, claims, demands and proceedings that may arise out of such termination other than in respect of a dispute in relation to such termination; and
 - (iii) pay ROC any unspent portion of the Minimum Expenditure Obligation, otherwise, ROC shall be entitled to recover such balance from Contractor by any means it may deem proper.
- (d) If Petroleum Operations are suspended or seriously jeopardized for a period exceeding twelve (12) consecutive Months due to Force Majeure, either ROC or Contractor may terminate this Contract by giving two (2) Months written notice. Upon such termination, the provisions of Articles 8.1(c)(i) and 8.1(c)(ii) shall apply, and ROC shall compensate Contractor for accrued but unpaid Supplementary Fees and Service Fees up to the date of termination.
- (e) If Contractor suspends its obligations in respect of Petroleum Operations by order or decree of the government of the home country of any of the Companies

or their parent companies, ROC shall have the right to assume full responsibility for Petroleum Operations in any way it deems appropriate after giving Contractor one (1) Month written notice to this effect. However, if such suspension continues for a period exceeding one (1) Year, either Party shall have the right to terminate this Contract after giving the other Party two (2) Months written notice. Upon such termination, the provisions of Articles 8.1(c)(i), 8.1(c)(ii) and 8.1(c)(iii) shall apply and Contractor shall be entitled to no compensation whatsoever. However, if at any time during the period when Contractor has suspended its obligations and prior to the end of termination notice, Contractor gives ROC notice that it is able and willing to resume its obligations toward Petroleum Operations, ROC and Contractor shall agree on the best course of action to resume Contractor's obligations and on the payment by ROC of the outstanding Supplementary Fees and Service Fees that were due and payable to Contractor prior to the period of suspension. It is understood that Contractor shall not be entitled to any Supplementary Fees or Service Fees during the period of suspension.

- (f) Subject to Article 7, if Contractor fails to establish a normal presence in the Republic of Iraq, as manifested by the necessary personnel and equipment required to conduct Petroleum Operations within six (6) Months after the approval date of the Rehabilitation Plan, and in due consideration of Article 31.5, ROC shall have the right to terminate this Contract after giving Contractor two (2) Months written notice. Upon such termination, the provisions of Article 8.1(c) shall apply and Contractor shall be entitled to no compensation.
- (g) The provisions of this Article 8.1 shall not prejudice Contractor's rights to refer any dispute in relation to the termination of this Contract to be resolved in accordance with Article 37.

8.2 Termination by Contractor:

- (a) If Contractor elects to terminate this Contract before the end of the Term, Contractor shall give ROC three (3) Months written notice to this effect giving reasons for such election. If by the end of the said notice period the Parties have not agreed on a course of action other than termination then Contractor may terminate this Contract after giving ROC a further written notice of one (1) Month. Upon such termination the provisions of Article 8.1(c) shall apply.
- (b) In the event of termination of this Contract (whether by ROC or by Contractor), in accordance with this Article 8, Contractor hereby warrants that it shall not obstruct, hinder or otherwise interfere in anyway with Petroleum Operations by ROC or any third party.
- (c) The provisions of this Article 8.2 shall not prejudice ROC's rights to refer any dispute in relation to the termination of this Contract to be resolved in accordance with Article 37.

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

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

(End of Article 8)

ARTICLE 9 – CONDUCT OF PETROLEUM OPERATIONS

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

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

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

- 9.12 Not later than the twentieth (20th) 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 (1st) day of the Month, or the next following working day, if such day is not a working day.
- 9.14 Each of Operator and Contractor are authorized to keep, at their own disposal, abroad the foreign funds advanced by Contractor, in an account opened with a first class international bank. Interest or similar income generated by the account shall be credited to the account. Withdrawals from said account shall be used to pay for goods and services abroad and to transfer to a local bank in the Republic of Iraq the required amounts to meet expenditures in Dinars for the Operator in connection with Petroleum Operations, converted at the applicable rate of exchange available as published by the Iraqi Central Bank on the date of conversion. Within sixty (60) days after the end of each Financial Year, Operator shall submit to the appropriate exchange control authorities in the Republic of Iraq a statement, duly certified by a recognized firm of independent auditors, showing the funds credited to the account, the disbursements made out of the account and the balance outstanding at the end of such Financial Year.
- 9.15 Operator shall diligently conduct Petroleum Operations in compliance with the Law, and in accordance with Best International Petroleum Industry Practices.
- 9.16 Operator's activities aboveground and underground shall be designed to achieve efficient and safe production of Petroleum. Operator shall ensure that all materials, equipment, and facilities used in Petroleum Operations comply with generally accepted engineering norms, are of proper and acceptable construction, and are kept in good working order throughout the Term. The Parties shall at least one (1) Year before the expiry of this Contract agree on a detailed procedure for handing-over the Field and related facilities to ROC as a going concern.
- 9.17 Operator shall in accordance with the Law and Article 41 take all appropriate and necessary measures to safeguard the environment and prevent or minimise the effect of any pollution which may result from Petroleum Operations.
- 9.18 Each of Contractor, ROC and Operator shall take all appropriate and necessary measures, in accordance with the Law and international standards, to uphold transparency, accountability, and the strict observance of general business ethics and anti-corruption laws and regulations. Contractor and Operator shall develop procedures and guidance documents to secure compliance with the above.

- 9.19 Operator shall conduct Petroleum Operations in accordance with the provisions of this Contract, and under the general supervision and control of the JMC.
- 9.20 Operator shall:
- (a) provide all personnel required for the Petroleum Operations, giving first priority to Iraqi nationals, provided the Iraqi nationals have the required qualifications and experience;
 - (b) without prejudice to the Contractor's right to occupy positions in FOD, adhere to employment and training programs which shall aim at the Iraqization of Operator's manpower pursuant to a plan to be submitted by the Operator and approved by the JMC; no later than three (3) Years from the Effective Date;
 - (c) utilize Sub-Contractors and suppliers of proven capability and professional experience on competitive basis, and in accordance with the tendering procedures established pursuant to Article 9.22(c); subject to the provisions of Article 29, keeping JMC informed accordingly. Any purchase order and sub-contract shall be in accordance with approved Work Programs and Budgets;
- However, prior approval shall be obtained before an award of any individual purchase order or sub-contract as follows, giving details of bids received and the basis for recommended award:
- (i) by FOD up to or equal to twenty million USD (US\$20,000,000) in value;
 - (ii) by JMC if exceeding twenty million USD (US\$20,000,000) and up to or equal to one hundred million USD (US\$100,000,000) in value;
 - (iii) by ROC if exceeding one hundred million USD (US\$100,000,000) in value, where such written approval shall not to be unreasonably withheld, provided if the total period taken by ROC exceeds forty five (45) days then approval of any such purchase order or sub-contract is deemed to have been provided by ROC. If ROC communicates within the specified period its non-approval of the award in question then the matter shall be promptly referred to the senior management of the Parties for resolution; and
- (d) prepare and issue reports pursuant to Article 15, and provide any further information as may reasonably be required by ROC.
- 9.21 Operator shall place fixtures and installations inside and outside the Contract Area, as shall be necessary to carry out Petroleum Operations, in accordance with the approved Plans. Fixtures and installations relating to the Transportation System shall be handed over upon completion and commissioning to the Transporter which will thereafter be responsible for the operation and maintenance thereof in accordance with the provisions of Addendum Two and the subsequent Crude Oil Transfer Agreement.
- 9.22 Promptly after the Effective Date, but not later than six (6) Months thereafter, Contractor shall prepare and submit for JMC approval, in accordance with Article 12, the following operating procedures:

- (a) employment procedures and personnel regulations for locally recruited personnel including scales of salaries, wages, benefits, and all allowances applicable to the respective grade of staff and employees, together with employment requirements such as standard job descriptions and qualifications to fill the jobs, all in accordance with the Law and local market conditions. Salaries and terms of employment of Iraqis shall be determined by consultation between ROC and Contractor subject to the Law; ;
- (b) benefits and allowances to be paid in the Republic of Iraq to assigned personnel referred to in Annex C during the assignment for Petroleum Operations;
- (c) tendering, bidding and contract awarding procedures for engineering, drilling, construction and other service contracts, and procedures for purchasing materials and equipment, all on a competitive basis (unless otherwise agreed by the JMC), taking into account, where applicable, the provisions of this Contract, Best International Petroleum Industry Practices, and the Law; and
- (d) detailed accounting system to be adopted by Contractor and Operator based on the provisions of Annex C.

(End of Article 9)

ARTICLE 10 – ASSOCIATED GAS

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

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

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

(End of Article 10)

ARTICLE 11 –DEVELOPMENT PLANS AND WORK PROGRAMS

- 11.1 Promptly after the Effective Date, and in any case not later than six (6) Months thereafter, Contractor shall prepare and submit for JMC approval the Rehabilitation Plan, based on the available knowledge of the Field including a detailed Work Program and Budget for the remainder of the current Calendar Year. While focusing on near-term Petroleum Operations related to additional Appraisal activities and increased production from the Field, the said Plan shall also anticipate the overall targets and phases of redevelopment of the Field for the Term. The Rehabilitation Plan shall particularly include:
- (a) a "Remedial Program" for the immediate and near-term actions to be taken to halt any non-optimal operations, to arrest production decline, and to achieve a sustainable and improved production rate pursuant to Article 2.2(a)(i), all in accordance with Best International Petroleum Industry Practices; and
 - (b) an "Additional Appraisal Program" for the currently producing as well as the discovered but undeveloped reservoir(s) in the Contract Area which require and justify further Appraisal works, including a time schedule for geophysical surveys and any interpretations of data relating thereto, geological and reservoir engineering studies, as well as laboratory work and Field data gathering programs. The Additional Appraisal Program is aimed at acquiring technical data required to conceive the Enhanced Redevelopment Plan.
- 11.2 Contractor shall prepare annual Work Programs and Budgets, including production schedules for the succeeding Calendar Years, not later than the first of October of each Calendar Year. Each annual Work Program and Budget shall set out in detail by Quarter all aspects of proposed Petroleum Operations to be carried out including all relevant data and information, estimated cost, duration of each operation, estimated monthly rate of production for each reservoir in the Contract Area. Annual Work Programs shall also include forecasts of yearly activities including costs for the four (4) year period following the end of the relevant Calendar Year or the period up to the

expiry of this Contract whichever is shorter.

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

(End of Article 11)

ARTICLE 12 –APPROVAL OF DEVELOPMENT PLANS AND WORK PROGRAMS

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

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

- (d) it is understood that the Parties shall use their best endeavours to expedite the approval process through close interaction and consultation, and, if necessary, through the intervention of their senior managements;
- (e) if line items of an annual Work Program or Budget remain unresolved after submission to senior management the Parties agree that the Operator will be authorized to act as though the most recent submission by the Contractor has been approved until such time as final resolution of disputed items has occurred; and
- (f) time periods in this Article 12.2 shall be subject to appropriate extensions corresponding to any delay resulting from Force Majeure or as otherwise agreed between the Parties. In either case, if the total period taken for approval and endorsement by ROC of the Rehabilitation Plan or the Enhanced Redevelopment Plan exceeds one hundred and twenty (120) days, then the Term together with all rights and obligations hereunder shall be extended to reflect the additional time taken for approvals.

12.3 After the approval of the annual Work Program and Budget by the JMC, it shall be implemented by Operator under the general supervision and control of the JMC in accordance with the authorities set out in Article 13.2. Operator may make minor changes to the details of an approved Work Program and Budget, provided, however, such changes shall not change the budgeted amount for each major line item by more than ten percent (10%), change the total approved Budget by more than five percent (5%), or alter the general objectives of the Work Program. Otherwise, the change shall be considered a Revision of said Work Program or Budget requiring JMC's prior approval unless such changes are warranted due to emergency or extraordinary circumstances requiring immediate action, including but not limited to safeguarding lives or property, protection of the environment or health reasons. Such changes shall be reported by Operator to the Parties and the JMC within five (5) working days.

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

12.5 ROC shall have the right to review the proposed or target level of production in respect of any proposed or approved annual Work Program and may, with reasonable justification and upon written notification, require Contractor and Operator to increase or decrease the rate of production from the Contract Area for any of the following reasons:

- (a) to avoid material damage to reservoirs;
- (b) to minimize Associated Gas wastage, provided however ROC shall, at all times, use best endeavours to take all Associated Gas;
- (c) for safety consideration;
- (d) for operational consideration;

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

In case reduction of production of Crude Oil is applied as per Articles 12.5(e), ROC shall apply such reduction in a non-discriminatory manner to all of its and its Affiliates' production from the Republic of Iraq. Contractor and Operator shall comply with such reduction upon receipt of notification from ROC to this effect. During the periods when the rate of production is decreased due to minimising Associated Gas wastage under Article 12.5(b), production curtailment imposed under Article 12.5(e) or Article 12.5(f), the Remuneration Fee Bid adjustment under Article 19.5(e) shall cease to apply. Immediately after such ROC notice of minimizing Associated Gas wastage or production curtailment the Parties shall agree in good faith a mechanism to fully compensate Contractor as soon as practicable, which may include, amongst other things, a revised Field production schedule or an extension to the Term or payment of lost income to Contractor in respect of the estimated volumes not produced during the period for which the production levels are decreased under Article 12.5(b) or curtailed under Article 12.5(e) or Article 12.5(f).

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

(End of Article 12)

ARTICLE 13 –JOINT MANAGEMENT OF PETROLEUM OPERATIONS

- 13.1 The Parties shall establish, within thirty (30) days from the Effective Date, a joint management committee, referred to herein as the "Joint Management Committee" or "JMC", for the purpose of general supervision and control of Petroleum Operations. The JMC shall consist of eight (8) members. ROC shall nominate four (4) members, including the Chairman. Contractor shall nominate four (4) members, including the Deputy Chairman and the Secretary. The Parties shall also designate one alternate to each of their members and shall promptly inform each other in writing of any change of the members or alternates.
- 13.2 The JMC shall have the following duties and authorities related to Petroleum Operations:
- (a) review and recommendation of Plans and any Revisions thereof;
 - (b) review and approval of annual Work Programs, Budgets and production schedules, and any Revisions thereof;

- (c) review and approval of operating procedures prepared pursuant to Article 9;
 - (d) review and/or approval of the award of sub-contracts and purchase orders as applicable pursuant to Article 9;
 - (e) approval of training programs and Iraqization plans for developing Iraqi personnel pursuant to Articles 9 and 26;
 - (f) supervision and control of the implementation of approved Plans and Work Programs and the overall policy of Operator in accordance with Article 9.10;
 - (g) review and approval of manpower strength and organisation chart of Operator;
 - (h) review of Quarterly statements, annual accounts and other financial statements;
 - (i) review of periodical and other reports submitted by Contractor or Operator and issue of comments and recommendations to ensure proper implementation of Petroleum Operations; and
 - (j) recommendation of the appointment of the independent international auditor as per Article 20.
- 13.3 Decisions of the JMC shall be taken by unanimous vote of the members or their alternates present at the meeting or by proxy. In the event that the JMC is unable to reach unanimous decision in respect of any issue, then the issue shall be promptly referred to the senior management of the Parties for resolution. Quorum shall be at least three (3) members or alternates of each Party. Decisions taken by the JMC shall be recorded in official minutes signed by the members present and communicated by Operator to the Parties.
- 13.4 The JMC shall meet whenever necessary or expedient for the implementation of this Contract and at any time a Party requests a meeting to be held. In any event the JMC shall meet at least four (4) times each Calendar Year. A meeting of the JMC may be convened by either Party giving not less than twenty (20) days prior written notice to the other Party or, in a case requiring urgent action, by giving reasonable shorter notice, with decisions by way of circulated written resolutions. Contractor through the Operator shall prepare the agenda and necessary documents prior to such meetings and communicate the same to the members of the JMC. Either Party may, on seven (7) days prior notice other than in the case of an urgent action, add any matter related to Petroleum Operations not listed by Operator to any JMC meeting agenda.
- 13.5 The JMC may adopt such procedures as it deems appropriate regarding the conduct of its functions, meetings, and other related matters. For the purpose of facilitating the conduct of its functions, the JMC may appoint such appropriate sub-committees as shall from time to time be required.
- 13.6 All costs incurred by Contractor and approved by the JMC for carrying out JMC or sub-committee duties shall be considered as Petroleum Costs.
- 13.7 Decisions made by JMC shall not release the Contractor from its obligations under this Contract.

(End of Article 13)

ARTICLE 14 –DATA AND SAMPLES

- 14.1 All original data and samples obtained by Contractor or the Operator shall be the property of ROC.
- 14.2 Contractor and Operator shall provide ROC, free of charge, with copies of any and all data obtained as a result of Petroleum Operations including, but not limited to, geological, geophysical, geochemical, petrophysical, engineering, well logs, maps, magnetic tapes, cores, cuttings and production data as well as all interpretative and derivative data, including reports, analyses, interpretations and evaluation prepared in respect of Petroleum Operations (hereinafter referred to as "Data"). Contractor and Operator shall have the right to make use of such Data, free of charge, for the purpose of Petroleum Operations.
- 14.3 Contractor and Operator may, for use in Petroleum Operations, retain copies or samples of material or information constituting the Data and, with the approval of ROC, original material. Where such material is capable of reproduction or division and originals have been delivered to ROC, Contractor and Operator may export samples or other reproduced material for processing or laboratory examination or analysis, taking into consideration whether such analysis can be conducted in the Republic of Iraq. Contractor and Operator shall guarantee their proper handling and keeping, and that such exports shall be returned to the Republic of Iraq within a maximum period of three (3) Months from the date of completion of any study, analysis or processing thereof, except for the consumable samples and materials.
- 14.4 Contractor and Operator shall save and keep in the Republic of Iraq, for a minimum period of one (1) Year, representative portions of each sample of cores and cuttings taken from drilled wells, to be disposed of or forwarded in a manner directed by ROC.
- 14.5 Contractor shall work with ROC to establish entities in the Republic of Iraq capable of analyzing and processing Data obtained during Petroleum Operations.

(End of Article 14)

ARTICLE 15 –REPORTS AND RECORDS

- 15.1 Operator shall once the FOD is established report in writing to ROC the progress of Petroleum Operations according to the following schedule:
- (a) within one (1) Month of the last day of March, June, September and December covering the previous Quarter; and
 - (b) within three (3) Months of the last day of December covering the previous Calendar Year.
- 15.2 A report under Article 15.1 shall contain, without limitation, the following in respect of the period which it covers:

- (a) details of Petroleum Operations and the factual information obtained;
 - (b) description of the area in which Operator has operated;
 - (c) account of the expenditure on Petroleum Operations in accordance with the Accounting Procedure; and
 - (d) maps indicating all bore-holes, wells and other Petroleum Operations.
- 15.3 Contractor and Operator shall prepare at all times during the Term accurate and current records of their operations. Such records shall be maintained by Contractor and Operator in accordance with procedures to be established by the JMC in accordance with Best International Petroleum Industry Practices.
- 15.4 Operator's reports on Petroleum Operations shall comply with the Law.

(End of Article 15)

ARTICLE 16 –ACCESS AND INSPECTION

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

(End of Article 16)

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

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

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

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

(End of Article 17)

ARTICLE 18 –VALUATION OF EXPORT OIL

- 18.1 It is the intent of both Parties that the pricing of Export Oil for all purposes under this Contract shall reflect the prevailing export market price FOB Delivery Point.

- 18.2 The Export Oil Price for each quantity and quality of Export Oil that may be lifted by Contractor, during any Month in a Lifting Quarter, shall be SOMO's declared OSP for:
- 18.2.1 the Month of loading for such quantity;
 - 18.2.2 the quality and Delivery Point for such quantity; and
 - 18.2.3 the final destination to which such Export Oil is delivered by the Contractor.

For the avoidance of doubt in calculating the Export Oil Price for any quantity of Export Oil the standard provisions stipulated in SOMO's standard crude oil sales agreements, shall be applied including provisions relating to (a) API escalation/de-escalation, and (b) freight protection.

- 18.3 In the event that Export Oil market conditions oblige SOMO to adopt a different pricing mechanism, SOMO shall promptly advise Contractor of the new pricing mechanism.
- 18.4 The determination of the Export Oil Price, as above, (used for actualising the quantities of Export Oil that may be lifted by Contractor in each Month of the said Lifting Quarter) as well as adjustments required to the quantity of Export Oil to be lifted (due to the timing between estimated and actual dates of liftings) shall be pursuant to Addendum Four and Annex C (Article 9.6).
- 18.5 Contractor shall cooperate with SOMO in areas such as:
- (a) assessment of worldwide evolution in export qualities of crude oil;
 - (b) market studies and outlet forecasts in various market areas; and
 - (c) other information concerning Export Oil market conditions.

The costs of such cooperation shall be paid by Contractor.

(End of Article 18)

ARTICLE 19 – SUPPLEMENTARY FEES AND SERVICE FEES

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

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

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

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

19.3 Supplementary Fees

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

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

19.4 Petroleum Costs

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

19.5 Remuneration Fee

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

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

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

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

$$BPR_n = IPR * DF_n$$

and

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

where:

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

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

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

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

$$DF = 0.95$$

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

For the purposes of calculating the R-Factor:

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

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

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

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

19.6 Service Fees

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

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

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

(End of Article 19)

ARTICLE 20 –BOOKS OF ACCOUNT, ACCOUNTING AND AUDIT

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

authorised representative of Operator or his deputy and delivered to the Parties or their designees within thirty (30) days after the end of the Month covered by such report.

- 20.4 The Parties shall jointly appoint an independent auditor of international qualification and standing to audit all the books and accounts of Contractor and Operator on an annual basis and report thereon. The costs of such audit shall be considered as Petroleum Costs. The auditors shall confirm, inter alia, that:
- (a) the record of costs is correct;
 - (b) the costs are in accordance with this Contract;
 - (c) the costs are properly classified in accordance with the expenditure classification;
 - (d) documentation exists to justify such costs and expenditures; and
 - (e) no evidence exists of fraudulent records and accounts in respect of the costs incurred.
- 20.5 Contractor shall, within forty five (45) days after the end of each Quarter, submit to ROC a statement of Supplementary Costs and Petroleum Costs showing costs incurred by Contractor during such Quarter, and when applicable a statement for cost recovery for that Quarter as per Annex C.
- 20.6 Contractor and Operator shall submit to ROC a set of accounts audited by the independent auditor for each Calendar Year within three (3) Months from the last day of said Calendar Year to show the results of Petroleum Operations.
- 20.7 Contractor's and Operator's books, records and necessary supporting documents shall be made available for auditing by ROC at any time during regular working hours for twelve (12) Months from the end of each Quarter to which such documents relate. If within such twelve (12) Months, ROC has not advised Contractor and Operator of its objections, the said books, records and supporting documents shall be considered approved. Audits conducted by auditors appointed under Article 20.4, the Iraqi Supreme Auditing Board or ROC shall be conducted in accordance with generally accepted accounting principles used in the international petroleum industry.
- 20.8 If the ROC has an objection to any costs or expenses as reported and invoiced by the Contractor, the ROC will notify the Contractor of its objection in writing but shall pay both the disputed and undisputed amounts pending resolution of the matter. Within one (1) Month from the date of Contractor's receipt of ROC's objection, Contractor and ROC shall mutually agree to either seek in good faith an acceptable solution or nominate one (1) or more Experts to settle the matter. If the matter is referred to an Expert, the Expert shall, within three (3) Months following their appointment, provide their solution to the dispute that is in line with the provisions of this Contract and Annex C. Failing such settlement, either Party may refer the matter to arbitration pursuant to Article 37.
- 20.9 During, and for a period of three (3) Years after the Term, the books of account and other books and records referred to above shall be made available by Contractor and Operator at all reasonable times for auditing by duly authorised representatives of the

Government, in accordance with the Law.

(End of Article 20)

ARTICLE 21 –EXCHANGE AND CURRENCY CONTROL

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

(End of Article 21)

ARTICLE 22 –TITLE TO ASSETS

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

(End of Article 22)

ARTICLE 23 – TAXES

- 23.1 Each entity constituting Contractor shall keep books of account and be individually liable for and shall pay corporate income tax in accordance with the Law.
- 23.2 In no event shall ROC be liable under this Contract for any taxes payable by Companies outside of the Republic of Iraq.
- 23.3 For the avoidance of doubt, it is the understanding of the Parties that the sole tax liability of Contractor under this Contract shall not exceed corporate income tax levied at a rate not to exceed thirty five percent (35%) of Contractor's taxable profit under the Law which shall, as between the Contractor and ROC, be deemed to be the Remuneration Fee received during the relevant Tax Year calculated in accordance with Article 19.5 ("Contractor's Income Tax Liability").
- 23.4 In the event Contractor is subject to any demand to pay other taxes (other than or in excess of Contractor's Income Tax Liability) ROC shall bear and pay on behalf of each entity constituting Contractor all such other or additional taxes and shall indemnify and hold each entity constituting Contractor harmless against any and all liabilities relating to the payment of such other or additional taxes.

(End of Article 23)

ARTICLE 24 – PARTNERSHIP, INDEMNITY AND INSURANCE

- 24.1 It is expressly agreed that it is not the purpose or intention of this Contract to create, nor shall this Contract be construed as creating, any mining partnership, joint venture, commercial partnership or other partnership between the Parties.
- 24.2 Except for the period when ROC is Operator or as otherwise provided in this Contract, Contractor shall indemnify and hold ROC harmless against all and any claims, actions, demands and proceedings made by third parties arising out of any loss or damage, resulting from an act or omission of Contractor and/or Operator and/or their Sub-Contractors in their conduct of Petroleum Operations. All costs incurred by Contractor to indemnify and hold ROC harmless as aforesaid shall be considered as Petroleum Costs except in the case of Gross Negligence or Wilful Misconduct on the part of the Contractor and/or Operator and/or their Sub-Contractors.
- 24.3 Except for the period when ROC is Operator and in respect of the Contract Area, Contractor shall be liable for any loss of or damage to any installations belonging to ROC or any third party arising from Gross Negligence or Wilful Misconduct of Contractor and/or Operator or their Sub-Contractors.
- 24.4 Notwithstanding the foregoing, under no circumstances shall Contractor, its Affiliates or Operator be liable to ROC, its Affiliates or any third party, for consequential or indirect damages, losses, expenses or liabilities, loss of profit, loss of production, reservoir or formation damage or other losses whether or not similar to the foregoing and

howsoever arising.

- 24.5 Contractor shall establish an insurance plan, to be approved by the ROC, for its operations hereunder and obtain the insurance policies in favour of ROC and/or Contractor, as provided for in accordance therewith. Such insurances shall cover the types of exposure that are normally covered in the international petroleum industry, including but not limited to damage to equipment, installations and third party liabilities. Contractor and/or Operator shall ensure that Sub-Contractors adequately insure their risks under their relevant sub-contracts.
- 24.6 Such insurance plan shall require that the Contractor obtains and maintains insurance from an Iraqi insurance company or foreign insurance company permitted to conduct business in the Republic of Iraq to cover the risks associated with the Petroleum Operations and any other activities related thereto and as may be required by Law during the Term, including third party liability and environmental damage and injury, where such coverage is available in the Republic of Iraq and available on commercially reasonable terms. If such coverage is unavailable in the Republic of Iraq, insurance shall be obtained from a foreign insurance company. The insurance company shall arrange, in co-operation with Contractor to the extent needed, re-insurance placement for coverages on the international market for the part of exposure in excess of the insurance company's net retention.
- 24.7 The cost of insurance or reinsurance obtained and maintained by Contractor and/or Operator whether obtained inside or outside the Republic of Iraq and any amounts paid for deductibles, losses, or claims in excess of such insurances and not attributable to the Gross Negligence or Wilful Misconduct of Contractor or Operator or their Sub-Contractors under this Contract shall be considered as Petroleum Costs.
- 24.8 Contractor and/or Operator shall notify ROC of the issue and terms of all insurance policies obtained by it under this Contract.

(End of Article 24)

ARTICLE 25 –IMPORTS AND EXPORTS

- 25.1 Contractor, Operator and Sub-Contractors engaged in carrying out Petroleum Operations shall be permitted to import machinery, equipment, vehicles, materials, supplies, consumables and movable property to be used solely for the purpose of carrying out Petroleum Operations and supporting activities. Importation of machinery, equipment, vehicles, materials, supplies, consumables and movable property to be used solely for the purpose of carrying out Petroleum Operations and supporting activities shall be exempted from customs duties to the extent they are imported in the name of ROC. Any other customs duties relevant to carrying out of Petroleum Operations and supporting activities shall be recoverable as Petroleum Costs. Contractor, Operator and Sub-Contractors shall comply with the applicable administrative formalities in this respect.
- 25.2 Expatriate employees of Contractor, Operator and Sub-Contractors shall be permitted to import and shall be exempted from customs duties with respect to the reasonable importation of household goods and personal effects, provided that such property is

imported for the sole use of the employee and his family and provided further that such imported property shall be re-exported by employee, without any export duty or impost upon termination of his employment, or be disposed of in the Republic of Iraq in accordance with the Law.

- 25.3 Items imported by Contractor, Operator or Sub-Contractors on temporary basis and no longer required for Petroleum Operations or supporting activities shall, unless otherwise agreed by ROC, be re-exported without any export duty or impost in accordance with the Law.
- 25.4 The sale in the Republic of Iraq of any items imported under this Contract shall be subject to ROC's prior consent and to the Law.
- 25.5 Customs duties, as used herein, shall include all duties, taxes and other financial imposts which may be due as a result of the importation of the above-mentioned items but, shall not include charges, dues or fees of general application to be paid to Governmental entities for services rendered.
- 25.6 Contractor shall be exempted from any export duty or impost with respect to the Export Oil that Contractor may lift under this Contract, except for port dues of general application to all buyers which are payable for services rendered by the port authorities in accordance with the Law. Such port dues shall not be considered Petroleum Costs.

(End of Article 25)

ARTICLE 26 –EMPLOYMENT, TRAINING, AND TECHNOLOGY TRANSFER

- 26.1 Without prejudice to the right of Contractor and Operator to select and employ such number of personnel as, in the opinion of the Contractor or Operator, are required for carrying out Petroleum Operations in a safe, cost effective and efficient manner, Contractor and Operator shall, to the maximum extent possible, employ, and require Sub-Contractors to employ, Iraqi nationals having the requisite qualifications and experience.
- 26.2 Through a Training, Technology and Scholarship Fund, Contractor and Operator shall offer and facilitate for an agreed number of Iraqi nationals, as designated by ROC in consultation with Contractor, the opportunity, both inside and/or outside of the Republic of Iraq, for on-the-job training and practical experience in Petroleum Operations, and academic education. The Fund shall also be used for supporting oil and gas related technology and research including the establishment or upgrading of research institutes inside the Republic of Iraq.
- 26.3 As a minimum, Contractor shall allocate during the Term an annual amount of five million USD (US\$ 5,000,000) to the Training, Technology and Scholarship Fund. The Fund payment shall not be recoverable as Petroleum Costs.
- 26.4 Not later than twelve (12) Months after the Effective Date, Contractor shall, in consultation with ROC, establish and implement training programs for staff positions in each phase and level of Petroleum Operations including skilled, technical, executive and management positions, with a view to ensuring increased employment of Iraqi nationals and a commensurate reduction of expatriate employees.

26.5 Each Company may separately negotiate, in good faith, technical assistance agreements with ROC to make available, on commercially agreeable terms, technology and information of a proprietary nature for use in the Republic of Iraq by ROC and its Affiliates.

(End of Article 26)

ARTICLE 27 –PARTICIPATION

27.1 The State Partner shall have twenty-five percent (25%) of Contractor's total Participating Interest and the remaining Participating Interest of seventy five percent (75%) shall be apportioned between the Companies as follows:

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

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

27.3 Participation shall further be subject to the provisions of Addendum One.

(End of Article 27)

ARTICLE 28 –ASSIGNMENT

28.1 No Company may assign its rights or obligations under this Contract, in whole or in part, without the prior written consent of ROC. The direct or indirect transfer of shares or other ownership interests in any Company (except for the transfer of shares in a listed parent company) shall constitute an assignment of rights and obligations under this Contract and shall be subject to this Article 28.

28.2 By providing ROC one (1) Month prior written notice of its intent, any Company shall have the right to assign any of its Participating Interest, shares, rights, privileges, duties or obligations under this Contract to a wholly-owned and controlled Affiliate. Such assignment shall not release said Company from its obligations under this Contract and it shall remain jointly responsible together with the assignee Affiliate for the proper and timely execution of this Contract.

28.3 In the event that any Company wishes to assign, in whole or in part, any of its Participating Interest, shares, rights, privileges, duties or obligations under this Contract to a third party or an Affiliate that is not wholly-owned and controlled, the Company shall submit to ROC a request to this effect giving detailed evidence of the technical and financial competence of the recommended assignee. ROC shall consider the said request and notify Company of its approval or otherwise within three (3) Months of receipt thereof. Before such assignment becomes effective, the foreign assignee shall

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

- 28.4 If any Company wishes to assign part of its Participating Interest in this Contract to a third party pursuant to Article 28.3, ROC shall within the period set out under Article 28.3 have the option to take such part and assign it to a nominated Iraqi entity on the same terms and conditions offered to the third party.
- 28.5 Notwithstanding the foregoing, for the purpose of financing Petroleum Operations, any entity constituting Contractor may pledge, or otherwise encumber totally or partially, its rights under this Contract to an internationally recognized bank and/or financing institution acceptable to ROC (such acceptance not to be unreasonably withheld) provided that such pledge or encumbrance shall not in any way affect the rights or interests of ROC.
- 28.6 Without prejudice to the provisions of the Heads of Joint Operating Agreement (Addendum One) between the entities constituting Contractor, in the event that any Company (or the Affiliated company that provides a guarantee) becomes bankrupt, or makes an arrangement with or assignment in favour of its creditors or makes a composition with creditors, or if it assigns to a third party any of its interests/shares in this Contract contrary to the provisions herein, or goes into liquidation other than for reconstruction or amalgamation with a wholly-owned and controlled Affiliate, ROC shall have the right to terminate the participation of such Company in this Contract by a written notice to Contractor. The rights and obligations of such Company shall be assigned to the remaining Companies proportionately to their respective Participating Interests or as they may otherwise mutually agree.
- 28.7 The State Partner shall have the right to assign its Participating Interest only to an entity that is entirely owned and controlled by the Government otherwise any assignment by the State Partner of its Participating Interest shall require the consent of the Companies.

(End of Article 28)

ARTICLE 29 –LAWS AND REGULATIONS

- 29.1 Contractor and Operator shall be bound by and shall comply, in all respects, with the provisions of the Law. Unless otherwise provided in this Contract, Contractor shall indemnify and save harmless ROC against all penalties, fines and other liabilities of every kind for breach of the Law by Contractor or Operator.
- 29.2 Notwithstanding the provisions of Article 29.1, Contractor, Operator and their Sub-Contractors shall, in accordance with the Law, be exempted from customs and stamp duties on the execution of this Contract, and from restrictions concerning work licences and employment of expatriates, subject to the provisions of Article 9.22. However, Contractor, Operator and their Sub-Contractors shall submit all data and information required by the relevant Iraqi authorities in this respect.

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

(End of Article 29)

ARTICLE 30 –LOCAL GOODS AND SERVICES

- 30.1 Works and services performed in the Republic of Iraq through sub-contracts shall be carried out on a competitive basis. Preference shall always be given to Iraqi entities and firms, or foreign firms in association therewith, provided that their relevant capabilities and prices are competitive with those available in the international market.
- 30.2 Preference shall be given to locally manufactured and/or available goods, materials, equipment, consumables and the like provided that their technical specifications, availability, prices, and time of delivery are comparable to those available in the international market.
- 30.3 Contractor and Operator shall ensure that contracts with Sub-Contractors, agents, assignees and employees shall strictly adhere to the provisions of this Article 30.

(End of Article 30)

ARTICLE 31 –FORCE MAJEURE

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

(End of Article 31)

ARTICLE 32 –ENTIRE AGREEMENT AND AMENDMENTS

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

signed by duly authorized representatives of both Parties.

- 32.3 If any provision of this Contract shall be found by any court, tribunal or administrative body of competent jurisdiction to be invalid or unenforceable, the invalidity or unenforceability shall not affect the other provisions of this Contract and all provisions not affected by such invalidity or unenforceability shall remain in full force and effect. The Parties shall attempt to substitute, for any invalid or unenforceable provision, a valid and enforceable provision that achieves to the greatest possible extent, the principal objectives of the invalid or unenforceable provisions.
- 32.4 The provisions of this Contract shall inure to the benefit of and be binding upon the successors and permitted assignees of the Parties.

(End of Article 32)

ARTICLE 33 –CONFIDENTIALITY AND TECHNOLOGY OWNERSHIP

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

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

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

(End of Article 33)

ARTICLE 34 – HEADINGS OF ARTICLES

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

(End of Article 34)

ARTICLE 35 – LANGUAGE

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

(End of Article 35)

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

- 36.1 Each Company shall establish a presence in the Republic of Iraq as required by the Law.
- 36.2 Lead Contractor shall, within ninety (90) days of the Effective Date, establish an office in Baghdad, Iraq and shall maintain such office for the Term. ROC shall assist Lead Contractor in establishing and maintaining the said office.
- 36.3 Lead Contractor shall notify ROC of the address of its office in Baghdad and of the name of its authorised representative in the Republic of Iraq who shall be assigned on full time resident status. The said representative shall be entrusted with sufficient powers and authorities to represent and bind Contractor in all dealings with the Government, ROC and third parties in the Republic of Iraq, to receive legal notices served on Contractor, and to comply with lawful directions and orders given by the

competent Government authorities and ROC in connection with or in relation to this Contract.

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

(End of Article 36)

ARTICLE 37 –GOVERNING LAW, CONCILIATION AND ARBITRATION

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

Expert

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

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

Arbitration

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

- 37.6 The language of arbitration shall be the English language. The award of arbitration shall be in English and shall be final and binding on the Parties to the Dispute. Judgment on the award rendered may be entered and enforced in any court having jurisdiction in recognition and enforcement thereof.
- 37.7 Unless otherwise agreed by the Parties, the operations and the activities of the Parties with respect to the performance of this Contract shall not be stopped or delayed pending the award of arbitration.
- 37.8 Any arbitration under this Contract must be initiated within two (2) Years of the date on which one Party notifies the other Party of the Dispute, and in any event within three (3) Years of the date of the expiry or termination of this Contract.

(End of Article 37)

ARTICLE 38 –NOTICES

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

ROC

Lead Contractor

Copy to:

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

(End of Article 38)

ARTICLE 39 –SIGNATURE, RATIFICATION AND EFFECTIVE DATE

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

(End of Article 39)

ARTICLE 40 –WAIVER

- 40.1 Failure or delay on the part of either Party to exercise any right, power or privilege under this Contract shall not operate as a waiver thereof.
- 40.2 No waiver by either Party of any one or more obligations or defaults by the other Party in the performance of this Contract shall operate or be construed as a waiver of any other obligations or defaults whether of a like or of a different character.

(End of Article 40)

ARTICLE 41 –PROTECTION OF THE ENVIRONMENT

- 41.1 In performance of this Contract, Operator shall conduct Petroleum Operations with due regard to the protection of the environment and conservation of natural resources and shall in particular:
- (a) adopt Best International Petroleum Industry Practices in conducting and monitoring its Petroleum Operations and take necessary and adequate steps to:
 - (i) prevent environmental damage and, should such environmental damage occur, minimize such damage and the consequential effects thereof on property and people;
 - (ii) prevent harm to or degradation of livelihood or quality of life of surrounding communities and, should some adverse impact occur, minimize such impact and ensure proper compensation for injury to persons or damage to property caused by the effect of Petroleum Operations; and
 - (b) comply with the requirements of the Law and reasonable requirements of ROC.
- 41.2 If Operator fails to comply with the provisions of Article 41.1(a)(i) or contravenes any relevant Law relating to the environment, and such failure or contravention results in any environmental damage, Operator shall forthwith take all necessary and reasonable measures to remedy the failure and the effects thereof.
- 41.3 If ROC in its reasonable opinion believes that any works or installations erected by Operator or any operations conducted by Operator are not in accordance with the Law and are damaging or may damage the environment, or are causing or may cause pollution, ROC shall give notice to Contractor and Operator to promptly consider and

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

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

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

41.10 Contractor and/or Operator shall ensure that:

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

41.11 Operator shall, in cooperation with Contractor, prior to conducting any drilling activities, prepare and submit for review by ROC contingency plans for dealing with crude oil spills, blowouts, fires, accidents and emergencies, designed to achieve rapid and effective emergency response. The plans referred to above shall be discussed with ROC and concerns expressed shall be taken into account.

- (a) In the event of an emergency, accident, oil spill or fire arising from Petroleum Operations affecting the environment, Operator shall forthwith notify ROC and Contractor and shall promptly implement the relevant contingency plan and perform such site restoration as may be necessary in accordance with Best International Petroleum Industry Practices.
 - (b) In the event of any other emergency or accident arising from the Petroleum Operations affecting the environment, Operator shall, in consultation with Contractor, take such action as may be prudent and necessary in accordance with Best International Petroleum Industry Practices.
- 41.12 In the event that Contractor and Operator fail to comply with any of the terms contained in Article 41.11, ROC, after giving Contractor and Operator reasonable notice in the circumstances, may take any emergency response action which may be necessary to ensure compliance with the terms of the relevant contingency plan and to recover from Contractor, immediately after having taken such action, all costs and expenditures incurred in connection with such action together with such interest as may be determined in accordance with Annex C.
- 41.13 Where the Contract Area is partly located in areas forming part of formally designated national parks, sanctuaries, mangroves, wetlands of national importance, biosphere reserves and other biologically sensitive areas passage through these areas shall generally not be permitted unless permitted by the Law. However, if there is no passage, other than through these areas to reach a particular point beyond these areas, permission of the appropriate authorities shall be obtained by ROC for the benefit of Operator.
- 41.14 In accordance with Article 41.6, the environmental impact study shall act as the baseline study to determine the obligations and liability of Contractor and Operator for the environment which shall be limited to damage to the environment which:
- (a) occurs after the Effective Date and prior to the expiry or termination of this Contract; and
 - (b) results from an act or omission of Contractor or Operator.
- 41.15 Except for cases of Gross Negligence and Wilful Misconduct on the part of Contractor and/or Operator, all costs incurred towards protection of or damage to the environment shall be treated as Petroleum Costs.
- 41.16 Any costs approved by ROC and incurred by the Contractor in remediation of conditions existing prior to the Effective Date and identified in the first study noted in Article 41.6 shall be considered Supplementary Costs.
- 41.17 In the event that Petroleum Operations are delayed, curtailed or prevented due to extended delays in acquiring necessary environmental approvals, the Parties shall meet and agree an appropriate extension of the Term together with all rights and obligations hereunder, subject to the provisions of Article 8.

(End of Article 41)

ARTICLE 42 –SITE RESTORATION AND DECOMMISSIONING

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

(End of Article 42)

ARTICLE 43 –GENERAL BUSINESS ETHICS

- 43.1 In the performance of this Contract, Contractor, Operator, ROC or any of their Affiliates and every other person acting on their behalf (“Related Person”) shall ensure that they each strictly comply with general business ethics, the provisions of the United Nations Convention against Corruption and any provision of any act, rule or regulation of the laws of the country of incorporation of such entity or such entity’s ultimate parent company pertaining to anti-bribery, anti-corruption, anti-money laundering, the export or import of technical data, restrictive trade practices regardless of their technical applicability to the relevant person (the “Business Ethics Laws”).
- 43.2 Contractor and Operator shall in their sub-contracts stipulate their right to terminate the sub-contracts with immediate effect in case of violation of the general business ethics or Business Ethics Laws by Sub-Contractor or suppliers, and Contractor and/or Operator shall terminate a sub-contract in case of such a violation at their discretion or if ROC requests Contractor or Operator to do so.
- 43.3 Neither Contractor, Operator, ROC nor their Related Persons shall, in relation to or in the performance of this Contract, give or receive from any director, employee or agent of the other or its Affiliates, any gift, entertainment or other benefit of more than minimal cost or value or any commission, fee or rebate, and any hospitality shall be held within reasonable limits.
- 43.4 Each of ROC and the entities constituting Contractor warrant that neither they nor any of their Related Persons has taken or will take any action or failed to take or will fail to take any action where such action or failure to act would result in a violation of any Business Ethics Law by any Party and that each of them or their Related Persons have not made, offered, or authorized, requested, received, or accepted and will not make, offer, or authorize, request, receive, or accept with respect to the matters which are the subject of or related to the signing of this Contract, any ancillary document related to this Contract or any matter arising out or related to the Petroleum Operations, any payment, gift, promise or other advantage, whether directly or indirectly through any other person or entity, to or for the use or benefit of any public official (i.e. any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization) or any political party or political party official or candidate for office, or any other person, where such payment, gift, promise or advantage would violate (i) the Law; (ii) the laws of the country of incorporation of such entity or such entity’s ultimate parent company and of the principal place of business of such ultimate parent

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

(End of Article 43)

IN WITNESS WHEREOF, the Parties hereto have executed this Contract in six (6) originals (each in Arabic and English) at Baghdad on the day and year first above written.

For and on behalf of ROC:

_____ Witness _____

For and on behalf of Contractor

_____ Witness _____
(Company)

_____ Witness _____
(Company)

_____ Witness _____
(Company)

_____ Witness _____
(State Partner)

ANNEX A –DESCRIPTION OF CONTRACT AREA

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

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

CORNER POINT	NORTHING	EASTING
A		
B		
C		
D		
E		
F		
G		
H		

(End of Annex A)

ANNEX B –MAP OF CONTRACT AREA

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

(End of Annex B)

ANNEX C –ACCOUNTING PROCEDURE

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

ARTICLE 1 –GENERAL PROVISIONS

1.1 Definitions

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

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

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

1.2 Purpose of Accounting Procedure

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

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

1.3 Operating Account and Records

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

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

(i) Costs of assets including:

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

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

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

services as defined or described in this Accounting Procedure.

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

1.4 Statements

(a) Quarterly Statements

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

(b) Yearly Statements

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

1.5 Audits

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

(End of Article 1)

ARTICLE 2 –OPERATING ACCOUNT

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

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

2.1 Personnel

(a) Operator's Locally Recruited Personnel

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

(b) Assigned Personnel

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

These rates shall include all costs of salaries, wages, benefits, indemnities and

ROCIal charges according to laws, regulations or contractual agreements applicable to such personnel. In addition, they shall include reimbursement of personnel administrative charges according to the standard practice of Contractor's Affiliates.

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

(c) Personnel Engaged in Other Activities

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

(d) Training Costs

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

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

2.2 Materials and Stock

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

2.3 Transportation

(a) Transportation of Personnel and Materials

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

(b) Transportation Facilities

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

2.4 Buildings and Equipment

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

2.5 Services

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

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

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

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

2.6 Damages and Losses

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

2.7 Legal Expenses

All costs and expenses of actual or potential litigation or arbitration or legal services necessary or expedient for the protection of the Contract Area against third party claims, including attorney's fees and expenses as hereinafter provided, together with all judgements obtained against the Parties or any of them on account of Petroleum

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

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

2.8 Taxes

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

2.9 Insurance and Claims

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

2.10 Currency Exchange

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

2.11 Tariffs

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

storage facilities, on a basis of a mutually agreed tariff.

2.12 Surface Rights

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

2.13 Environment

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

2.14 Administrative Overhead and General Expenses

The services of all personnel of Contractor's head office or its Affiliates not otherwise chargeable, as well as the contribution of Contractor's head office or its Affiliates to Petroleum Operations of an intangible nature and any overhead or its indirect cost incurred by a Company's head office or its Affiliates shall be compensated by a charge based on one percent (1%) of Petroleum Costs and Supplementary Costs (excluding the signature bonus paid under Article 4 of the Contract) during each Calendar Year or a fraction thereof.

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

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

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

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

(End of Article 2)

ARTICLE 3 – INFORMATION TO JMC AND ROC

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

3.1 Regarding Personnel Costs:

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

3.2 Regarding Specific Services:

- (a) Estimate of the overall amount thereof;
- (b) Reasonable breakdown of such services by major type; and
- (c) Tariffs and rates expected to apply in respect to such services, especially to assigned personnel.

3.3 Regarding Tariffs:

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

(End of Article 3)

ARTICLE 4 –CHARGING PRINCIPLES

4.1 Purchases

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

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

- (b) The Parties may furnish new Materials from their own stock provided that the new Material transferred from the warehouses or other facilities of entities constituting Contractor or their respective Affiliates, shall be priced at cost, and provided that such cost is not higher than the price for new Material of the same quality, obtained on comparable terms and conditions, prevailing in the international market at the time such new Material was supplied to Contractor.

4.2 Direct and Indirect Costs

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

principles:

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

4.3 Use of Equipment and Facilities Owned By Entities Constituting Contractor

For the use of any equipment or facilities that are wholly owned by entities constituting Contractor, the Operating Account shall be charged a rental commensurate with the cost of ownership.

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

(End of Article 4)

ARTICLE 5 –INVENTORIES

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

5.1 Periodic Inventories, Notices and Representation

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

5.2 Reconciliation and Adjustment of Inventories

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

(End of Article 5)

ARTICLE 6 –DISPOSAL OF MATERIALS

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

(End of Article 6)

ARTICLE 7 –SUMS RECEIVED FROM THIRD PARTIES

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

(End of Article 7)

ARTICLE 8 –BASIS OF ACCOUNTING

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

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

(End of Article 8)

ARTICLE 9 –PAYMENT OF SERVICE FEES AND SUPPLEMENTARY FEES

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

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

(End of Article 9)

ARTICLE 10 –NON- RECOVERABLE COSTS

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

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

(End of Article 10)

ARTICLE 11 –CONTROL STATEMENTS AND MAJOR ACCOUNTS

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

(End of Article 11)

ARTICLE 12 –TRANSFER PROCEDURE FOR THE OPERATING ACCOUNT

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

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

(End of Article 12)

ARTICLE 13 –EXTERNAL AUDITOR’S CERTIFICATE

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

(End of Article 13)

(End of Annex C)

ANNEX D – DEFINITION OF RESERVOIRS

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

SECTION 1 – PRODUCING RESERVOIRS

(a) _____ RESERVOIR

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

(b) _____ RESERVOIR

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

(c) _____ RESERVOIR

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

SECTION 2 – DISCOVERED UNDEVELOPED RESERVOIRS

SECTION 3 – UNDISCOVERED POTENTIAL RESERVOIRS

(End of Annex D)

ANNEX E –MINIMUM WORK OBLIGATION

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

SECTION 1 – ADDITIONAL APPRAISAL OPERATIONS

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

SECTION 2 – REHABILITATION WORK

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

(End of Annex E)

ANNEX F –FORMS OF GUARANTEE

ANNEX F –FORMS OF GUARANTEE

FORM I: FOR A COMPANY

We refer to the Technical Service Contract forOil Field, (hereinafter referred to as the "Contract") entered into on this day of yyyy, betweenX... andROC....., an Iraqi State oil company.

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

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

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

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

Signed for and on behalf of

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

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

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

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

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

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

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

shall be bound by this Contract.

Signed for and on behalf of Ministry of Oil

Name:

Title:

(End of Annex F)

ADDENDUM ONE –HEADS OF JOINT OPERATING AGREEMENT

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

ARTICLE 1 –SCOPE

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

(End of Article 1)

ARTICLE 2 –PARTICIPATING INTEREST

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

(End of Article 2)

ARTICLE 3 –LEAD CONTRACTOR

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

(End of Article 3)

ARTICLE 4 –OPERATING COMMITTEE

- 4.1 An Operating Committee composed of representatives of the Participants shall be
established and shall act for the entire duration of JOA to make decisions and establish
joint policies and make proposals to be submitted to ROC or the JMC, as well as to
make any other decisions necessary or expedient for the orderly supervision and

direction of the Petroleum Operations.

- 4.2 The decisions of the Operating Committee on all matters shall be made by the affirmative vote of the representatives of Participants having a combined voting right of at least seventy percent (70%), each Participant being entitled to have and to exercise through its representatives a voting right equal numerically to its Participating Interest. The Operating Committee shall also decide upon Contractor's representation in the JMC provided that Lead Contractor shall have at least one (1) of the members provided to Contractor and the State Partner shall have one (1) member.

(End of Article 4)

ARTICLE 5 –WORK PROGRAMS AND BUDGETS

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

(End of Article 5)

ARTICLE 6 –COSTS AND EXPENSES

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

(End of Article 6)

ARTICLE 7 –DEFAULTS

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

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

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

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

- 7.4 In no event shall State Partner be considered in default.

(End of Article 7)

ARTICLE 8 –WITHDRAWAL

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

(End of Article 8)

ARTICLE 9 –ASSIGNMENT

Each Participant may assign, subject to any requirement under the Contract, all or part of, its Participating Interest to an Affiliate without the consent of the other Participants; provided that

such Participant shall remain responsible for the performance of the financial and other obligations under the Contract and the JOA to the same extent as if the transfer had not occurred and provided further that the assigning Participant shall timely notify the other Participants of any such assignment.

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

(End of Article 9)

ARTICLE 10 –RELATION OF THE PARTICIPANTS

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

(End of Article 10)

ARTICLE 11 –GOVERNING LAW AND ARBITRATION

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

(End of Article 11)

ARTICLE 12 –EFFECTIVE DATE AND TERM

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

(End of Article 12)

ARTICLE 13 –JOINT OPERATING AGREEMENT (JOA)

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

(End of Article 13) (End

of Addendum One)

ADDENDUM TWO –HEADS OF CRUDE OIL TRANSFER AGREEMENT

ARTICLE 1 –DEFINITIONS

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

(End of Article 1)

ARTICLE 2 –SCOPE

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

(End of Article 2)

ARTICLE 3 –SCOPE OF CRUDE OIL TRANSFER AGREEMENT

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

(End of Article 3)

ARTICLE 4 –FACILITIES AT THE TRANSFER POINT

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

(End of Article 4)

ARTICLE 5 –TRANSFER RATE

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

(End of Article 5)

ARTICLE 6 –TRANSFER CONDITIONS

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

(End of Article 6)

ARTICLE 7 –MEASURING

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

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

(End of Article 7)

ARTICLE 8 –TRANSPORTATION SYSTEM

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

Facilities, Operator shall ensure the participation of Transporter's representatives during engineering and construction of the Transportation Facilities, as well as the training of Transporter's personnel concerning operation and maintenance to be conducted before handing Transportation Facilities over to Transporter. Operator shall provide Transporter with all documents and standard warranties provided by manufacturers relating to the said Facilities. Operator, on behalf of Contractor, and Transporter shall agree in advance on a procedure for smooth hand-over of the Transportation Facilities after completion and commissioning.

(End of Article 8)

ARTICLE 9 –EFFECTIVE DATE AND TERM

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

(End of Article 9)

ARTICLE 10 –GOVERNING LAW AND ARBITRATION

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

(End of Article 10)

ARTICLE 11 –RELATED PROCEDURES

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

(End of Article 11)

ARTICLE 12 –TRANSPORTATION AGREEMENT

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

(End of Article 12)

(End of Addendum Two)

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

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

ARTICLE 1 –ESTABLISHING OF THE FIELD OPERATING DIVISION

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

(End of Article 1)

ARTICLE 2 –FOD NAME

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

(End of Article 2)

ARTICLE 3 –HEADQUARTERS OF FOD

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

(End of Article 3)

ARTICLE 4 –FOD OBJECTIVES

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

(End of Article 4)

ARTICLE 5 –ROLE OF CONTRACTOR

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

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

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

(End of Article 5)

ARTICLE 6 –FINANCING

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

(End of Article 6)

ARTICLE 7–FUNCTION OF FOD

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

(End of Article 7)

ARTICLE 8–JOINT MANAGEMENT COMMITTEE

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

- 8.1 general supervision and control of the conduct of Petroleum Operations by FOD in accordance with the authorities set out in Article 13.2 of the Contract;
- 8.2 the establishment of the operating organisation and procedure;
- 8.3 the structuring of the accounting system and of the financial controls as well as the financial planning insofar as it is necessary to manage FOD;

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

(End of Article 8)

ARTICLE 9 –MANAGEMENT

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

(End of Article 9)

ARTICLE 10 –EMPLOYMENT REGULATIONS

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

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

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

(End of Article 10)

ARTICLE 11 –LIABILITY

Liabilities shall be pursuant to the Contract.

(End of Article 11)

ARTICLE 12 –DURATION OF FOD

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

(End of Article 12)

ARTICLE 13 –FULL AGREEMENT ON THE FOD

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

(End of Article 13)

ARTICLE 14 –HAND-OVER OF OPERATORSHIP

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

(End of Article 14)

ARTICLE 15 –GOVERNING LAW AND ARBITRATION

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

(End of Article 15)

ARTICLE 16 –CONFIDENTIALITY

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

(End of Article 16)

ARTICLE 17 –EFFECTIVE DATE AND TERM

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

(End of Article 17) (End of

Addendum Three)

ADDENDUM FOUR –HEADS OF EXPORT OIL SALES AGREEMENT

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

SPECIAL TERMS (PART 1)

ARTICLE 1 –DEFINITIONS

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

"Parties" means Seller and Buyer.

"Buyer" means Contractor.

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

"ROC" means Regional Oil Company.

(End of Article 1)

ARTICLE 2 –QUANTITY

2.1 Forward Quantity Statement

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

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

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

ROC shall review the Forward Quantity Statement, and will no later than the last day of the Month of the preceding Lifting Quarter either confirm its accuracy, or advise Contractor of any errors in the calculation of the volumes to be lifted. The nominal quantity agreed for each Month may be varied by up to plus or minus five percent (5%) as operational tolerance at the time of actual loading. Actual quantity lifted is based on net bill of lading.

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

2.2 Lifting Statement

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

2.3 Option to Deliver Excess Volumes

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

(End of Article 2)

ARTICLE 3 – DELIVERY

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

(End of Article 3)

ARTICLE 4 – EFFECTIVE DATE AND TERM

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



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

(End of Article 4)

ARTICLE 5 –PRICE

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

(End of Article 5)

ARTICLE 6 –PAYMENT

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

(End of Article 6)

ARTICLE 7- COMPLIANCE WITH LAWS

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

(End of Article 7)

ARTICLE 8 –EXPORT OIL SALES AGREEMENT

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

(End of Article 8)

ARTICLE 9- GENERAL TERMS AND CONDITIONS (PART 2)

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

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

(End of Article 9)

Attachment A to Addendum Four- Export Oil Lifting and Reporting

Export Oil Lifting and Reporting (Assuming first lifting in January)			No Later Than
Quarter preceding First Lifting Quarter	Oct.	Quarterly Service Fees and Supplementary Fees Reports agreed (for next Quarter)	15 th
	Nov.	Forward Quantity Statement for First Lifting Quarter (Price = October price)	1 st
	Dec.	January crude nomination (acceptance of all Month nominations by 20 th)	10 th
First Lifting Quarter	Jan.	February crude nomination Quarterly Service Fees Report agreed	10 th 15 th
	Feb.	Forward Quantity Statement, for Second Lifting Quarter (Price=January price) March crude nomination	1 st 10 th
	Mar.	April crude nomination	10 th
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 th 15 th
	May	Forward Quantity Statement (For Third Quarter) (Price = April price) June crude nomination	1 st 10 th
	June	July crude nomination	10 th
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 th 15 th
	Aug.	Forward Quantity Statement (For Fourth Quarter) (Price = July price) September crude nomination	1 st 10 th
	Sep.	October crude nomination	10 th
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 th 15 th
	Nov.	Forward Quantity Statement (For next Quarter) (Price = October price) December crude nomination	1 st 10 th
	Dec.	January crude nomination	10 th

(End of Addendum Four)

Source: Ministry of Oil



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