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**Published on the website on May 2024**

**Legislative Decree No. (34) of 2011 approving the exploration and production sharing agreement for deep gas between the Government of the Kingdom of Bahrain and the American Company Occidental.**

We, Hamad bin Isa Al Khalifa King of the Kingdom of Bahrain

Having reviewed the Constitution;

Law No. (10) of 2006 regarding the tasks and functions of the National Oil and Gas Authority, and amending some provisions of Decree Law No. (42) of 1999 establishing the Bahrain Petroleum Company;

Decree No. (63) For 2005 In Respect Of The Incorporation Of The National Oil & Gas Authority

Decree No. (78) Of 2005 Forming The Board Of Directors Of The National Oil And Gas Authority And Defining Its Objectives And Powers ans its Amendment;

Decree No. (77) For The Year 2007 Incorporating Oil & Gas Holding Company;

the exploration and production sharing agreement (EPSA) for deep gas aground between the Government of the Kingdom of Bahrain and the American Company Occidental. Signed in Manama on 10 February 2011;

And upon submission of the Minister of Energy

And after the approval of the Council of Ministers

**Hereby Decree the following Law**

**Article one**

the exploration and production sharing agreement (EPSA)agreement for deep gas aground between the Government of the Kingdom of Bahrain and the American Company Occidental, attached to this law. Signed in Manama on 10 February 2011, has been approved.

Article two

The Prime Minister and the Ministers - each within his jurisdiction - shall implement this law, and it shall come into effect from the day following the date of its publication in the Official gazette.

**King of the Kingdom of Bahrain**

**Hamad bin Isa Al Khalifa,**

**Prime Minister**

**Khalifa bin Salman Al Khalifa**

**Minister of Energy**

**Abdul Hussain Bin Ali Mirza**

Issued at Riffa Palace:

On: 5 Dhu al-Qi'dah 1432 A.H.

Corresponding to: 3 October 2011

**The Kingdom of Bahrain Exploration and Production Sharing Agreement Between The National Oil and Gas Authority And Occidental of Bahrain Deep Gas, LLC In respect of Bahrain Onshore Deep Gas**

**(Manama 10 February 2011)**

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**Waiver Deed Form**

This exploration and production sharing agreement dated 10th February 2011 (the "signature date") is entered into between:

1. The National Oil and Gas Authority, an entity incorporated in the Kingdom of Bahrain whose registered office is in Manama, kingdom of Bahrain hereinafter called "The National Gas and Oil Authority ", of the first part.

2. occidental of Bahrain deep gas, LLC, a company incorporated in Delaware, United States of America and having its registered office in Wilmington, Delaware, United States of America, (as well as its permitted successors and assigns), individually and collectively hereinafter called the "contractor" or "contractor party") of the second part.

Whereas:

(a) all natural gas existing in its natural state in the underground areas of the territory of the kingdom of Bahrain and its territorial sea, is owned by the kingdom of Bahrain;

(b) ownership of all mineral wealth existing in situ in the territories of the Kingdom of Bahrain, rests with the Kingdom of Bahrain in accordance with article 11 of its constitution.

(c) The National Oil and Gas Authority, an entity existing under the laws of the Kingdom of Bahrain, formed pursuant to Royal Decree no. 63 for 2005 is the entity responsible for the Kingdom of Bahrain's overall petroleum policy including the handling of the operations of prospecting for, exploring, producing, processing, refining and marketing oil, gas and petroleum products.

(d)contractor has provided to the national oil and gas authority, prior to the signature date of this agreement, a duly authorized copy of a resolution properly and legally passed by the board of directors of such contractor authorizing its representative signatory to this agreement to execute this agreement and to the effect that such contractor has the will, power and authority to enter into this agreement and to perform its obligations.

(e) contractor has also, contemporaneously with the signing of this agreement, delivered to the national oil and gas authority a legal opinion from its internal legal advisor, in a form satisfactory to The National Oil and Gas aAuthority, to the effect that this agreement has been duly signed and delivered on behalf of such contractor with due authority and is legally valid and enforceable according to its terms and conditions.

(f) and where as contractor represents and confirms that he has the required financial ability, technical competence, and professional skills necessary to carry out the petroleum operations hereinafter described, and, subject to the terms and conditions of this agreement, is ready, willing and able to assume and carry out the rights and obligations hereinafter provided in respect of such petroleum operations.

Now therefore, in consideration of the premises, mutual covenants and conditions herein contained, the parties agree as follows:

**Article 1**

**Definitions And Interpretation**

**1-1 definitions:**

Whenever used in this agreement, the following terms shall have the meanings assigned to them hereunder unless specifically defined otherwise or unless the context otherwise requires.

**"abandonment":**means the plugging and abandonment of wells and the decommissioning, removal, abandonment and insuring the safety of all onshore installations and structures acquired and/or constructed by or on behalf of contractor for use in petroleum operations and the reclamation, remediation, reinstatement and making good of the deep gas contract area in an environmentally sound manner, all in accordance with good international petroleum industry practices, and all applicable laws at the time of such abandonment (and the phrases "abandon", "abandoning" and "abandoned" shall be construed accordingly)

**"abandonment fund":**shall have the meaning assigned to it in article 26-6

**"accepting contractor party"** shall have the meaning assigned to it in article 29-2(b)

**"accounting guidelines and procedure":**means the accounting guidelines and procedure attached hereto as appendix (d).

**"affiliate"** means:

a) in relation to any contractor party (a) any company in which the contractor party or any company owned or controlled by the contractor party now or hereafter owns or controls, or (b) the ultimate parent company of the contractor party and any company in which such ultimate parent company now or hereafter owns or controls; and

b) in relation to The National Gas and Oil Authority (a) any company in which The National Gas and Oil Authority now or hereafter owns or controls, or (b) the government.

For the purposes of paragraphs (a) and (b) of this definition, "owns or controls" means owning or controlling, directly or indirectly more than fifty percent (50%) of the shareholding entitled to vote in the election of directors or if there is no such shareholding, more than fifty percent (50%) of the equity share capital of such company (and the phrase "owned or controlled" shall be construed accordingly)

"Agreement": means this "exploration and production sharing agreement" for the deep gas contract area in the Kingdom of Bahrain, which is composed of 35 articles and the following appendices:

Appendix A map of the deep gas contract area

Appendix B deep gas contract area description and coordinates

Appendix C Jauf discovery polygon

Appendix D accounting guidelines and procedure

Appendix E procedure for expert determination

Appendix F ancillary agreements

Appendix G form of bank letter of guarantee

Appendix H form of parent company guarantee

Appendix I form of assumption deed

**"ancillary agreements":**means each of the agreements described in appendix "f";

**"annual work programme and budget":**means a statement setting forth such of the petroleum operations which the contractor plans to carry out during a contract year (or part thereof) and the estimated expenditure for such petroleum operations as prepared and approved pursuant to article 11;

**"appraisal area"**means the area in which the appraisal plan is to be pursued, as determined pursuant to article 8-2 (d);

"appraisal plan": shall have the meaning assigned to it in article 8-3(a);

**"appraisal well"**: means a well drilled for the main purpose of defining the extent and evaluating the commerciality of an already discovered natural gas accumulation.

**"strangers sales ":**means a sale of petroleum which:

a) is to a person who is not an affiliate of the seller of the petroleum

b) is for cash consideration

c) provides no direct or indirect collateral benefit to seller, other than the cash consideration

**"associated liquids":**means those hydrocarbons which are liquid at standard conditions and are extracted or recovered from production of non-associated gas after surface extraction and/or after gas processing;

**"Bahrain income tax law":**means Bahrain income tax promulgated by legislative decree no. 22 for 1979 as amended from time to time.

**"bapco":**means the Bahrain Petroleum Company, a company existing under the laws of the Kingdom of Bahrain, formed pursuant to legislative decree no 42 for 1999 (as amended by law no 10 for 2006 and wholly owned by The National Gas and Oil Authority holding);

**"barrel":**means a volume of forty-two (42) standard United States gallons, liquid measure, net of basic sediments and water, corrected to a temperature of sixty (60) degrees Fahrenheit, under one atmosphere of pressure.

**"base of the Jauf formation"**: means the basal part of the Jauf formation of early to middle Devonian shallow marine, fine to medium grained sandstone. Base of the Jauf formation overlays the tawil clastics of early Devonian, as more particularly described in appendix “b”

**"baseline Jauf associated gas production":**shall have the meaning assigned to in article 14-2(a)(2);

**"baseline Jauf non-associated gas production rate":**shall have the meaning assigned to in article 14-1(a):

**"British thermal unit":**The amount of heat required to raise the temperature of one pound of pure water by one degree Fahrenheit at standard absolute atmospheric pressure of 14.73 pounds per square inch.

**"business day":**means any day which is neither a Friday, a Saturday nor a public holiday in the kingdom of Bahrain.

**"calendar month":**means any of the twelve months of a contract year (and the phrase "calendar month" shall be construed accordingly).

**"calendar quarter":**means any of the four periods of 3 calendar months each within a contract year, commencing on January first, April first, July first. And October first (and the phrase "calendar quarterly" shall be construed accordingly).

**"chairman":**shall have the meaning assigned to it in article 7-3(a);

**"change in control":**means any direct or indirect change in control of an entity (excluding transfers between wholly-owned affiliates), whether through merger, sale of stock or other equity interests, or otherwise through a single transaction or series of related transactions, from one or more transferors to one or more transferees. For the purposes of this definition, "control" means owning or controlling, directly or indirectly more than 50 percent of the shareholding entitled to vote in the election of directors or if there is no such shareholding, more than 50 percent of the equity share capital of such company.

**"commercial discovery":**means a discovery within the deep gas contract area that is included in the exploration agreement for deep gas wherein a well or wells has or have been completed and tested in accordance with good international petroleum industry practices for such reservoirs and have been found capable of producing natural gas commercially, with a reasonable rate of return on the project that justify economic development and commercial production taking into account recoverable reserves, production rates, reservoir performance, facilities required, available technology, estimated prices, and generally all relevant technical, financial, and economic factors;

**"commercial production date":**means, in relation to a development area, the first day when production of natural gas commences by flowing at the rate proposed in the relevant development plan without interruption for a continuous period of thirty (30) days;

**"contract year":**means the period commencing on the effective date and ending on the last day of the calendar quarter in which the first anniversary of The effective date falls, and each successive period of twelve (12) consecutive calendar months until the end of the term of this agreement;

**"contractor"** and **"contractor party":** shall have the meaning assigned to it in the preamble and shall include, for the avoidance of doubt, any permitted successors and assigns;

**"contractor group":** shall have the meaning assigned to it in article 25-1(d);

**"cost recovery limit":**shall have the meaning assigned to it in article 14-3(d);

"crude oil": means crude mineral oil, distillates, asphalt, ozocerite, and all kinds of hydrocarbons and bitumen regardless of gravity, either solid or liquid, in their natural condition (excluding associated liquids);

**"deep gas":**means non-associated gas produced from the deep gas contract area;

**"deep gas contract area":**means the area subject to this agreement as shown on the map attached hereto as appendix a, and as more precisely defined in the document attached hereto as appendix b, subject to any relinquishment or modification to such original area from time to time pursuant to this agreement, provided that such area shall, notwithstanding the foregoing, only include areas of the main island of Bahrain completely landwards from the high water mark along the coast of the Kingdom of Bahrain (and shall not include the islands of Sitra, Muharraq, Um Al Naasan and any future reclaimed land);

**''Defaulting contractor party":**shall have the meaning assigned to it in article 29-2(a);

**''Depth objective":**means, in relation to any exploration well, the objective specified in paragraph (1) of the article (being article 5-2(a)(3), 5-2(a)(4) or 5-4(a)(2) as the case may be) which applies to such exploration well;

**"development area":** means the area in which the development plan is to be pursued, as determined pursuant to article 9;

**"development costs":**shall mean all petroleum costs under any annual work programme and budget, whether or not they are capital in nature, but not including financing costs, directly related to development operations, including: the drilling of development wells; along with the design, construction, installation, or replacement of storage, pipelines, plants, equipment, and other facilities for the production, storage, treatment, flaring, and transportation of production to the point or points of delivery, and for the performance of re-pressuring, recycling and other recovery projects;

**"development plan”:**shall have the meaning assigned to it in article 9-2(b);

**"discovery area":**means the area corresponding to a discovery, as determined pursuant to article 8-2(d)

**dispute**shall have the meaning specified in Article 32-1 (a)

**"effective date":**shall have the meaning assigned to it in article 35-11;

**Crude oil discovery**A Discovery in which the Oil/Gas ratio of the Discovery is less than Ten Thousand (10,000) Standard Cubic Feet of Natural Gas under Standard Conditions per Barrel of Crude Oil or Associated Liquid

Discovery of non-associated gas: means a Discovery in which the Oil/Gas Ratio of the Discovery is equal to or greater than Ten Thousand (10,000) Standard Cubic Feet of Natural Gas under Standard Barrel Conditions of Crude Oil or Associated Liquid;

**"emergency plan":**shall have the meaning assigned to it in article 21-1(a)(4)

**"estimate":** shall have the meaning assigned to it in article 14-3(b)(6)

**"expert":**means the expert or experts appointed in accordance with article 32-2 and appendix e of this agreement.

**"exploration expenditures":**shall mean all petroleum costs under any annual work programme and budget, whether or not they are capital in nature, but not including financing costs, directly related to exploration or appraisal operations (whether successful or not) including: geological, and other surveys; the drilling of shot holes, core holes, stratigraphic tests, exploration wells and appraisal wells (including the costs associated with dry holes); testing of such wells and the costs of marketing any resulting test production; all costs associated with the acquisition, processing and interpretation of geological and geophysical data; and the purchase, lease or acquisition of associated supplies, services, materials, equipment, land and facilities therefore.

**''Exploration operations":**Means petroleum operations, including geophysical, geological and engineering studies and the drilling of exploration wells, conducted for the purpose of finding new natural gas deposits;

**''Exploration period":**means the initial seven (7) contract years period of this agreement commencing on the effective date, as such period is divided into two (2) successive exploration phases pursuant to article 3-1, as such period may be extended pursuant to the terms of this agreement;

**''Exploration phase":**means the first exploration phase or the second exploration phase, as applicable;

**''Exploration well":**means a well drilled for the purpose of finding new natural gas deposit;

**"first exploration phase":**shall have the meaning assigned to it in article 3-1(a)(1) "minimum ''First exploration phase minimum work programme commitments” shall be the petroleum operations to be conducted pursuant to article 5-2

**''Five year plan":**means a business plan for a period of five (5) contract years setting forth such of the petroleum operations which the contractor plans to carry out in that period of five (5) contract years (or part thereof) and the estimated expenditure for such petroleum operations as prepared and approved pursuant to article 11-2;

**"force majeure":**shall have the meaning assigned to it in article 30-1;

**"gas price":**shall have the meaning assigned to it in article 16-1;

**"Gas Sale Agreement":**shall have the meaning assigned to it in article 16-2(a);

**"good international petroleum industry practices":**means good oil and gas field practices generally accepted by the international petroleum industry at the applicable time (including good oil and gas field conservation practices) taking into consideration the local practices generally recognized and observed by the petroleum industry in the kingdom of Bahrain under similar circumstances;

**"government":**means the government of the Kingdom of Bahrain;

**“Environmental health and safety”:**means all or any health, safety and/or environment laws, decrees, rules and/or regulations of the kingdom of Bahrain as are applicable to the petroleum operations

**"health, safety and/or environment management system":**means an integrated management system covering all health, safety and environmental aspects of the petroleum operations to be earned out pursuant to article 21-1, and shall be inclusive of the oil spill and incident contingency plan;

**"Jauf development":**shall have the meaning assigned to it in article 14-4(a);

**"Jauf development area":**means the development area containing the Jauf discovery;

**"Jauf discovery":**means the deposit of non-associated gas within the deep gas contract area located in the Jauf reservoir that was discovered by The national gas and oil authority /BAPCO prior to the signature date (being a minimum of four hundred eighteen billion standard cubic feet of non-associated gas);

**"Jauf discovery":**shall have the meaning specified in Appendix (2) attached to this Agreement Article 14-1 (a);

**"incremental Jauf non-associated gas production":**shall have the meaning assigned to it in article 14-2(a)(3);

**"integrated development plan":** shall have the meaning assigned to it in article 7-1 (b)(7);

**interest rate"libor":**means the ft London inter bank fixing rate offered for three months on us dollar deposits as published by the financial times in London.  Should the financial times rate not be published for a period of seven (7) consecutive days, then another rate mutually agreed by the parties shall be applied;

**"management committee":**shall have the meaning assigned to it in article 7;

**"fundamental breach":**means a fundamental breach, which, if not cured, is tantamount to the frustration of the entire agreement either as a result of the unequivocal refusal of a party to perform its contractual obligations or as result of conduct which has destroyed the purpose of this agreement;

**"minimum work programme commitments":**shall mean first exploration phase minimum work programme commitments and the second exploration phase minimum work programme commitments, as applicable;

**''million units''** means one million British thermal units;

**"Million Standard Cubic Feet:":**means one million (1,000,000) standard cubic feet of natural gas at standard conditions;

**"natural gas":**means all hydrocarbons that are in gaseous phase at standard temperature and pressure; including casing head gas and residue gas remaining after the extraction or separation of liquid hydrocarbons from wet gas, and all non-hydrocarbon gas or other substances (including but not limited to carbon dioxide, sulphur and helium) which are produced in association with gaseous hydrocarbons; provided that this definition shall include condensed or liquid hydrocarbons and associated liquids;

**"The national gas and oil authority group":**shall have the meaning assigned to it in article 25-1(a);

**"The National Gas and Oil Authority Holding"** means the Oil and Gas Holding Company, which is a company established in accordance with the laws of the Kingdom of Bahrain under Decree No. 77 of 2007 and has a registered office in the Kingdom of Bahrain;

**"non-associated gas":**means natural gas not in contact with, nor dissolved in crude oil in the reservoir and liquid hydrocarbons within such natural gas or obtained from such natural gas by condensation or extraction prior to or at the point of delivery (including associated liquids)

''Non-defaulting contractor party":  shall have the meaning assigned to it in article 29-2(b);

''Non-Jauf cost recovery non-associated gas": shall have the meaning assigned to it in article 14-2(a)(7);

**''Non-Jauf development":**shall have the meaning assigned to it in article 14-4(a);

**''Notice of dispute":**shall the meaning assigned to it in article 32-1 (a);

**"operating costs":**shall mean all petroleum costs under any annual work programmes and budgets that are not capital in nature and that are not included as either exploration costs or development costs or are otherwise designated as operating costs under this agreement, but not including financing costs, inclusive of costs for the operation, servicing and maintenance of equipment and facilities for the production, storage, treatment, flaring, and Transportation of production to the point or points of delivery; as well as contributions to the abandonment fund;

**"participating interest":**It means the undivided share of one of the contracting parties in all the rights and obligations of the contracting party under this agreement. As of the date of signing the agreement, the participation shares shall be as follows: 0 (Oxide Natal Company) 100%

**"parties":**means The National Gas and Oil Authority and each contractor party and "party" means either The National Gas and Oil Authority or contractor, as the context may require;

**"petroleum":**means all liquid and gaseous hydrocarbon existing in their natural condition in the strata, as well all substances, including sulfur, produced in association with such hydrocarbons;

"petroleum costs account" shall have the meaning assigned to it in paragraph 1-a(5) of appendix d;

**"petroleum costs":**means all expenditures made and all costs incurred by contractor in carrying out petroleum operations in accordance with this agreement and directly related thereto as from the effective date. Petroleum costs shall be determined in accordance with the accounting guidelines and procedure and designated as exploration expenditures, development costs and operating costs, as appropriate, in relation to the exploration, development and production operations in respect of which such expenditures and costs are incurred. Petroleum costs shall not include the following items of costs and expenditures:

a) foreign taxes paid on income derived from sources within the kingdom of Bahrain;

b) finance costs (including bank charges and interest) incurred by contractor in financing petroleum operations; or

c) bonus payments specified in article 15;

**"petroleum operations":**means any and all operations carried out by contractor under this agreement for the purpose of:

a) exploring, appraising, developing, producing, storing, marketing, transporting natural gas in and from the deep gas contract area

b) the plugging and abandonment of any wells and the abandonment of installations and facilities;

**"point or points of delivery":**shall mean the point or points of delivery proposed pursuant to article 9-2(d)(5) (as approved by the management committee and The National Gas and Oil Authority ) and any future points of delivery approved by the management committee pursuant to article 17-1 (b)(2) and article 7-1(b)(17);

**"production commencement date":**means the date on which contractor first delivers natural gas to the point of delivery;

**"production period"** shall, in relation to each development area, have the meaning assigned to it in article 3-4(a);

“Profit from non-associated gas obtained from reservoirs other than Jauf”: shall have the meaning assigned to it in article 14-2(a)(5);

**"profit non-associated gas":**shall have the meaning assigned to it in article 14-2(a)(7);

**"project":**shall have the meaning assigned to it in article 21-1(g)(1);

**"Recovery factor”:**shall have the meaning assigned to it in article 14-5(b)

**"ramp up period":** means the period of time commencing on the first commercial production date in relation to the development area containing the Jauf discovery and ending on the second (2) anniversary of the first commercial production date in relation to the development area containing the Jauf discovery;

**"reasonable and prudent operator":**means a person (operator) seeking, in good faith, to perform his contractual obligation and, in so doing and in the general conduct of his undertaking, exercising that degree of skill, diligence, prudence, and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same type of undertaking under the same or similar circumstances or conditions, and the "reasonable and prudent operator" standard shall be construed accordingly

**"re-allocated production":**shall have the meaning assigned to it in article 14-1(d);

**"retained exploration area":**means that portion of the deep gas contract area retained for exploration operations in accordance with article 3-2;

**"right exercise date":**shall have the meaning assigned to it in article 10-1;

**"right of government participation":**shall have the meaning assigned to it in article 10-1;

**"rules":**shall have the meaning assigned to it in article 32-3(a);

**"saq formation":**means the sediments consisting of arkosic sandstone and red micaceous siltstones of the middle Cambrian to early Ordovician age.  The formation is 400 meters thick in the type section.  The saq sandstone is overlaid by hanadir shale of Ordovician age and is divided into saq a, b, c, d units, as more particularly described in part one of appendix “b”;

**"second exploration phase":**shall have the meaning assigned to it in article 3-1(a)(2).

**"second exploration phase minimum work programme commitments"** means the petroleum operations to be conducted pursuant to article 5-4;

**"secretary":**shall have the meaning assigned to it in article 7-3(b);

**"shallow reservoirs":**shall have the meaning assigned to it in article 22-2(b);

**"signature date":**shall have the meaning assigned to it in the preamble;

**"standard conditions":** means a temperature of 15 degrees Celsius and a pressure of one atmosphere (equivalent to 1.1325 bar or 101.325 kilo pascal or 14.696 pounds per square inch), or as mutually agreed by the parties from time to time;

**"statement of petroleum costs":**shall have the meaning assigned to it in article 14-2(b)(6);

**"taxable income":**shall have the meaning assigned to it in article 18-2;

**"technical subcommittee":**shall have the meaning assigned to it in article 7-5(B);

**"term":**means the term of this agreement as described in article 2-2 including any extension in accordance with article 3-4(b) if applicable;

**"testing objective":**means, in relation to any exploration well, the objective specified in paragraph (1) of the article (being article 5-2(a)(3), 5-2(a)(4) or 5-4(a)(2) as the case may be) which applies to such exploration well;

**"third party":**means any entity, individual, company, corporation, partnership, joint venture or association, whether a body corporate unincorporated or association of persons, other than the parties, but specifically including affiliates of the parties;

**"total baseline Jauf non-associated gas production":**shall have the meaning assigned to it in article 14-1(a);

**"total Jauf non-associated gas production":**shall have the meaning assigned to it in article 14-2(a)(1);

**"ultimate parent company":**means the ultimate parent company of each contractor party, which in the case of occidental of Bahrain deep gas, LLC is Occidental Petroleum Corporation, a company organized under the laws of Delaware, United States;

"Uncitral": means the united nations commission on international trade;

**"wholly-owned affiliate" means:**

a) in relation to any contractor party (other than the government interest acquirer if applicable (1) any company which the contractor party or any company owned or controlled by the contractor party now or hereafter owns or controls, or (2) the ultimate parent company of the contractor party and any company which such ultimate parent company now or hereafter owns or controls

b) in relation to The National Gas and Oil Authority (1) any company which The National Gas and Oil Authority now or hereafter owns or controls, or (2) the government.

For the purposes of paragraphs (a) and (b) of this definition, (owns or controls) means owning or controlling, directly or indirectly, one hundred percent of the shareholding entitled to vote in the election of directors or if there is no such shareholding, one hundred percent of the equity share capital of such company (and the phrase "owned or controlled" shall be construed accordingly)

**"wilful misconduct"** means in relation to either party, any act or failure to act by a senior managerial employee of such party which was intended or which was undertaken with reckless disregard of the harmful consequences that the person in question should have known that such act or failure to act would have had on the safety or property of another person or entity, but shall not include any error of judgement or mistake made by such senior managerial employee in the exercise in good faith of any function, authority or discretion conferred upon such party under this agreement, providing that nothing in this definition shall be prejudice to the laws of the Kingdom of Bahrain.

1-2 Interpretation

In this agreement:

a) headings are included for convenience only and shall not affect the interpretation or construction of this agreement,

b) an expression which denotes any gender includes the other genders, a natural person includes an artificial person and vice versa, and the singular includes the plural and vice versa

c) any reference to any legislation is to such legislation as at the execution date of this agreement as the same may be amended, modified, consolidated and/or re-enacted from time to time

d) a reference to an article or appendix is to an article of, or appendix to, this agreement

e) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, innovated, restated or replaced from time to time

f) a reference to any party to this agreement or any other document or arrangement includes that party's successors in title and permitted assigns

g) a reference to the words "including", "include", "includes", "in particular" and "other" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding these terms.

1-3 Currencies

Amounts preceded by the symbol "US $" refer to amounts in the currency of the United States of America, which currency is also referred to herein as "Dollars".

**Article 2**

**scope, purpose and term**

2-1 Scope of the Agreement:

a) the scope of this agreement shall solely be for the exploration, appraisal, development, production, treatment, processing and transportation of natural gas within the deep gas contract area.

b) the parties acknowledge and agree that contractor shall have no right to prospect for, explore, appraise, develop, produce, collect, store, treat, process and transport crude oil within the deep gas contract area.

c) contractor shall conduct and finance petroleum operations and all natural gas produced from within the deep gas contract area shall be shared between The national gas and oil authority and contractor in accordance with the terms of this agreement

d) this agreement is stand alone and fully independent of any other project related to petroleum operations in the Kingdom of Bahrain.

2-2 purpose of entry into agreement:

The purpose of entry into this agreement by the Kingdom of Bahrain is to ensure that the Kingdom of Bahrain is able to meet its current and future gas demand through:

a) the finding of additional natural gas reserves within the deep gas contract area

b) the development and production of conventional and unconventional natural gas from the deep gas reservoirs within the deep gas contract area.

2-3 term of agreement:

The term of this agreement is thirty (30) years as from the effective date, subject to the possibility of

a) early termination pursuant to article 29;

b) early termination on voluntary relinquishment of all of the deep gas contract area pursuant to article 4-1(a) or 4-3; or

c) extension pursuant to article 3-4(b).

**Article 3**

**Exploration and production periods**

3-1 exploration period

a) the exploration period is comprised of:

1) a "first exploration phase" of four (4) contract years commencing on the effective date. Contractor shall submit the bank letter of guarantee pursuant to article 6-1

2) if applicable, an optional "second exploration phase" of three (3) contract years commencing on the expiry of the first exploration phase. Contractor's option to enter the second exploration phase is subject to having provided to The National Gas and Oil Authority a notice of his intention to enter the second exploration phase at least ninety (90) days prior to the expiry of the first exploration phase, and to having, prior to the expiry of the first exploration phase:

(Firstly) performed the first exploration phase minimum work programme commitments; and

(Secondly) provided to The National Gas and Oil Authority the guarantee in respect of the second exploration phase as contemplated in article 6-1.

3-2 Retained exploration area:

a) Contractor may propose to The National Gas and Oil Authority at least ninety (90) days prior to the end of the second exploration phase, and subject to contractor having performed the second exploration phase minimum work programme commitments prior to the end of the second exploration phase, a retained exploration area in return for conducting an agreed¬upon programme of exploration operations (the "retained exploration area programme commitments"). Such notice to The National Gas and Oil Authority

1) shall specify the coordinates of the proposed retained exploration area and the geological stratigraphic interval within the deep gas contract area

2) shall describe contractor's proposed retained exploration area programme commitments for the balance of the then current contract year and the next contract year, along with:  (Firstly) the amount due in the event of breach for non performance and (Secondly) the proposed guarantee to in respect of the retained exploration area programme commitments.

b) The National Gas and Oil Authority shall have the discretion whether to approve any such proposal.  In the event that The National Gas and Oil Authority approves contractor's proposal, contractor will then undertake the retained exploration area programme commitments (failing which the amount due in the event of breach for non-performance shall be paid), and may continue exploration operations in such retained exploration area for so long as contractor and The National Gas and Oil Authority have agreed.

3-3 discovery within 180 days of end of exploration period In the event that the contractor makes a discovery within one hundred and eighty (180) days prior to the expiry of the exploration period, the exploration period shall be extended in regard to the applicable discovery area, or to the applicable appraisal area, as may be reasonably necessary in order to provide contractor with the time provided for in article 8 and article 9 to attempt to obtain applicable appraisal plan or development plan approval

3-4 Production period of development areas

a) in the event of approval of a development plan the period in which contractor has the right to conduct petroleum operations pursuant to the development plan shall be from the date of approval of the development plan until the thirtieth (30) anniversary of the effective date (the "production period")

b) contractor may request by written notice to The National Gas and Oil Authority, at least five (5) contract years prior to the expiry of the production period of the development plan, an extension to the term of a period of up to five (5) years

c) the grant of any extension pursuant to article 3-4(b) shall be at the absolute discretion of The National Gas and Oil Authority; provided, however, that The National Gas and Oil Authority shall respond to contractor's request under article 3-4(b) within one year of such request.

3-5 The National Gas and Oil Authority discretion to extend first exploration phase

a) if, at the end of the first exploration phase, the first exploration phase minimum work programme commitments are not completed, then The National Gas and Oil Authority may, in its discretion, extend the term of such first exploration phase for a period necessary to enable the contractor to complete such commitments, such extension not to exceed six (6) calendar months, provided, however, that contractor must: (Firstly) give notice of his request for such extension to The national gas and oil authority at least ninety (90) days prior to the expiry of such first exploration phase; and (Secondly) show technical or other good reasons for non-performance of the first exploration phase minimum work programme commitments. In the event of any such extension of the first exploration phase The National Gas and Oil Authority may at its discretion subtract the period of such extension from the period of the second exploration phase, if any.

b) if, at the end of the first exploration phase, there is a discovery area that the contractor wishes to appraise before making the determination whether to proceed into the second exploration phase, then The National Gas and Oil Authority may, in its discretion, extend the term of the such first exploration phase in order to extend the deadline for the contractor's election to proceed into the second exploration phase, such extension not to exceed twelve (12) calendar months except as otherwise agreed by The National Gas and Oil Authority , provided, however, that the contractor must give notice of its request for such an extension to The National Gas and Oil Authority at least ninety (90) days prior to the expiry of such first exploration phase. In the event of any such extension of the first exploration phase The National Gas and Oil Authority may at its discretion subtract the period of such extension from the period of the second exploration phase, if any.

**Article 4**

**Relinquishment**

4-1 Relinquishment at end of exploration period

a) contractor may opt not to enter second exploration phase.

b) contractor shall relinquish all of the deep gas contract area at (Firstly) the end of the first exploration phase or (Secondly) at the end of the second exploration phase (where relevant), excepting any:

1)development area

2) appraisal area, provided that the contractor is duly implementing the applicable procedures to convert such appraisal area into a development area within the time provided for in article 9

3) appraisal area for which a proposed development plan has become the subject of expert determination pursuant to article 9-2 (G)

4) discovery area for which the contractor has proposed an appraisal plan, provided that the contractor is duly implementing the applicable procedures to convert such discovery area into an appraisal area within the time provided for in article 9

5) discovery area for which a proposed appraisal plan has become the subject of expert determination pursuant to article 8-3(E)

6) discovery area for which contractor has not proposed an appraisal plan, provided that the discovery was made within one hundred and eighty (180) days prior to the end of the exploration period, and provided that the contractor is duly implementing the applicable procedures to convert such discovery area into an appraisal area within the time provided for in article 9

7) if there is a well still drilling at the end of the exploration period, at the discretion of The National Gas and Oil Authority , the prospective discovery area as determined in accordance with article 8-2(d) to be associated with any prospective discovery that might occur as a result of such well, in order to permit the contractor to implement the applicable procedures to convert such a prospective discovery area into an appraisal area within the time provided for in article 8, and/or

8) retained exploration area pursuant to article 3-2

c) contractor shall, in regard to any area or areas retained after the expiry of the second exploration phase, relinquish any:

1) development area that contractor does not timely develop in accordance with article 9;

2) appraisal area that does not become the subject of a development area within the time provided for in article 9

3) appraisal area that the contractor elects to relinquish pursuant to article 9-2(h) as a result of The National Gas and Oil Authority 's revisions of contractor's proposed development plan;

4) discovery area that does not become the subject of an appraisal area within the time provided for in article 8, and, subsequently, a development area within the time provided for in article 9

5) a prospective discovery area arising pursuant to article 4-1 (b)(6) that does not become the subject of an appraisal area within the time provided for in article 8, and, subsequently, a development area within the time provided for in article 9; and/or

6) part of any retained exploration area that does not become the subject of a discovery area or an appraisal area within the time provided for in article 8, and, subsequently, a development area within the time provided for in article 9.

4-2 Relinquishment of development areas

a) The contractor shall relinquish each development area:

1) in the case where there is no current production, immediately upon contractor's notice to The national gas and oil authority that such development area is no longer considered economic by contractor and is being voluntarily relinquished

2) in the case where there is current production, on the date one hundred and eighty (180) days after the contractor's notice that such development area is no longer considered economic by the contractor and is being voluntarily relinquished, and in accordance with a reasonable transitional programme in the event that The National Gas and Oil Authority elects to continue such operations

3) in the case where there is current production, on receipt of written notice from The National Gas and Oil Authority where The National Gas and Oil Authority has given prior written notice to the contractor that The National Gas and Oil Authority considers that production from such development area is no longer being optimized and, in the reasonable opinion of The National Gas and Oil Authority, additional works could be undertaken by contractor for ninety (90) days to optimize production and if the contractor has failed to propose any or sufficient additional works for one hundred and eighty (180)days after such prior notice from The National Gas and Oil Authority , provided that if the contractor does not agree with The National Gas and Oil Authority 's determinations, the matter shall be determined by the expert in accordance with article 32-2;

4) on the date the contractor has discontinued production, without the consent of The National Gas and Oil Authority , for more than one hundred and eighty (180) days

5) in the case where contractor has not commenced production from the development area within one hundred and eighty (180) days from the estimated date of the commencement of production set forth in the development plan as contemplated in article 9-2(d)(7)

6) in relation to the Jauf discovery, on the date of expiry of the Jauf non-associated gas production period where there is an absence of agreement between The National Gas and Oil Authority and contractor pursuant to article 14-6

7) on receipt by the contractor of written notice from The National Gas and Oil Authority demanding that contractor relinquish a development area pursuant to article 9-1(E); or

8) on the expiry of the production period, Which ever comes first, subject to an extension having been granted under article 3-4(b).

4-3 Voluntary relinquishment

Contractor may relinquish any portion, or all, of the deep gas contract area at any time during first and second exploration phases. Any relinquishment by contractor of the entire deep gas contract area, either voluntary or as required by the terms of this agreement, shall result in the termination of this agreement, subject to contractor being deemed to have the obligations described under article 29-3.

4-4 Relinquishment upon expert determination

a) in the event that contractor elects to relinquish a discovery area pursuant to article 8-3(f) as a result of the expert's revision of the contractor's proposed appraisal plan, the contractor shall immediately relinquish the relevant discovery area.

b) in the event that the contractor elects to relinquish an appraisal area pursuant to article 9-2(h) as a result of the expert's revision of contractor's proposed development plan, the contractor shall immediately relinquish the relevant appraisal area.

4-5 relinquishment upon termination

Upon termination of this agreement under article 29 the contractor shall relinquish all of the deep gas contract area, including any discovery areas, appraisal areas, or development areas, without The National Gas and Oil Authority having any further obligations or liability to the contractor whatsoever, except as may be applicable in the case of an arbitral decision under article 32 and in respect of any obligation or liability arising prior to such termination.

4-6 Relinquishment of a development area

In the event of contractor relinquishment of a development area, for any reason, the contractor shall provide written notice pursuant to article 4-7 at least one hundred eighty (180) days prior to the date of such proposed relinquishment and the parties shall cooperate to effect the transfer of operations to The National Gas and Oil Authority in a diligent and expeditious manner, including the entry into and delivery of such agreements required to effect the transfer.

4-7 relinquishment pursuant to article 9-1(f)

Pursuant to article 9-1(f), if the contractor does not propose to develop the Jauf discovery then, in accordance with article 9-1(f)(2), the contractor shall relinquish the portion within the deep gas contract area that extends vertically upwards from the base of the Jauf formation

4-8 relinquishment notice and approval

In respect of any relinquishment undertaken pursuant to article 4, the contractor shall submit to The National Gas and Oil Authority for its approval, a written notice indicating the area or areas in the deep gas contract area to be relinquished and such notice shall be accompanied by a map and a description indicating the precise extent of the area to be relinquished and the area to be retained expressed in degrees and minutes of latitude and longitude. The relinquished area shall consist of a size and shape (in relation to both the horizontal and vertical extent of the areas) so as to reasonably allow petroleum activities to be carried out by The National Gas and Oil Authority or its nominee in such relinquished area or areas.  Any dispute over the size or shape of such relinquishment shall be resolved via expert determination in accordance with article 32-2.

4-9 contractor's obligations upon relinquishment

Upon any relinquishment the contractor shall have the obligations described in article 29-6

**Article 5**

**Minimum work programme commitments**

5-1 obligation to commence operations

Contractor shall commence exploration operations no later than three (3) calendar months after the effective date.

5-2 first exploration phase minimum work programme commitments

a) contractor shall perform the following petroleum operations (the "first exploration phase minimum work programme commitments")

1) integrated multi-disciplinary studies (Firstly) geological and geophysical studies of all conventional and unconventional hydrocarbon resources in the deep gas contract area. (Secondly) deep gas drilling design optimization and hydraulic fracturing modelling studies, with a minimum expenditure of one million dollars (1,000,000 Dollars) ,

2) Reprocess five hundred (500) line kilometres of two-dimensional seismic data, and perform a seismic interpretation (or reinterpretation, where applicable) of all two-dimensional and three-dimensional seismic data available for the deep gas contract area, with a minimum expenditure of five hundred thousand dollars (5,000,000 Dollars); and

3) drill two (2) saq exploration wells within the Jauf discovery polygon to explore all potential natural gas bearing formations down to and including all of the potential reservoirs of the saq formation, which exploration wells shall meet the following objectives: (Firstly) each exploration well shall be drilled to the minimum depth of sixteen thousand two hundred (16,200) feet or such other minimum depth as the management committee, on recommendation of the technical subcommittee, determines (in the context of the approval of the relevant work programme) to be the depth required to explore all potential natural gas bearing formations from the base of the Jauf formation down to and including all of the potential reservoirs of the saq formation; and (Secondly) contractor shall, in relation to each exploration well, undertake all relevant activities as are required in accordance with good international petroleum industry practices to evaluate the non-associated gas productivity of each potential natural gas bearing formation from the base of the Jauf formation down to and including all of the potential reservoirs of the saq formation, including production testing in respect of such exploration well as determined by the management committee, on recommendation of the teclmical subcommittee (in the context of the approval of the relevant work programme), and a minimum of four (4), five (5), six (6) or such other minimum number of hydraulic fracturing treatments as the management committee, on recommendation of the technical subcommittee, so determines (in the context of the approval of the relevant work programme), With a minimum expenditure of twenty million dollars ($20,000,000) for each such exploration well; and

4) drill one (1) saq exploration well outside the Jauf discovery polygon to explore all potential natural gas bearing formations from the base of the Jauf formation down to and including all of the potential reservoirs of the saq formation, which exploration well shall meet the following objectives: (Firstly) the exploration well shall be drilled to the minimum depth of eighteen thousand five hundred (18,500) feet or such other minimum depth as the management committee, on recommendation of the technical subcommittee, determines (in the context of the approval of the relevant work programme) to be the depth required to explore all potential natural gas bearing formations from the base of the Jauf formation down to and including all of the potential reservoirs of the saq formation; and (Secondly) contractor shall, in relation to the exploration well, undertake all relevant activities as are required in accordance with good international petroleum industry practices to evaluate the non-associated gas productivity of each potential natural gas bearing formation from the base of the Jauf formation down to and including all of the potential reservoirs of the saq formation, including production testing as determined by the management committee, on recommendation of the technical subcommittee (in the context of the approval of the relevant work programme), and a minimum of four (4), five (5), six (6) or such other number of hydraulic fracturing treatments as the management committee, on recommendation of the technical subcommittee, so determines (in the context of the approval of the relevant work programme), With a minimum expenditure of twenty five million dollars ($25,000,000).

b) If the requirements specified for an exploratory well to be drilled pursuant to Section 5-2(a) (3) or (4) (as applicable) are not met for any reason, the Contractor shall have the right to elect to drill another exploratory well or to pay the default amount due for non-performance pursuant to Section 2-(a) (3) or (4) (as applicable) and NOGA may, at its discretion, agree to extend the first exploration phase for this purpose. The following conditions apply for the drilling of alternative exploration wells:

1) If the Contractor opts to drill an exploratory well that is a substitute for an exploratory well required to be drilled pursuant to Article 5-2(a)(3), the Contractor shall drill the substitute well fulfilling the same conditions as the exploratory well required to be drilled pursuant to Article 5-2(a)(3), and if such substitute well fails to fulfill the required conditions, the Contractor shall pay the amount due for nonperformance pursuant to Article 5-2(a)(3), and

2) If the Contractor opts to drill an exploratory well that is a substitute for an exploratory well required to be drilled pursuant to Article 5-2(a)(4), the Contractor shall drill the substitute well fulfilling the same conditions as the exploratory well required to be drilled pursuant to Article 5-2(a)(4), and if such substitute well fails to fulfill the required conditions, the Contractor shall pay the amount due for nonperformance pursuant to Article 5-2(a)(4).

5-3 carry forward of excess exploration work

Subject to article 5-5, in the event that contractor has performed, during the first exploration phase, petroleum operations in excess of the first exploration phase minimum work programme commitments; then such excess exploration operations shall, if in line with the second exploration phase minimum work programme commitments, count against the equivalent minimum work programme commitments of the second exploration phase unless otherwise agreed

5-4 second exploration phase minimum work programme commitments

a) in the event that contractor elects to enter the second exploration phase in accordance with article 3-1(a)(2), contractor shall perform the following petroleum operations ("second exploration phase minimum work programme commitments"):

1) a seismic programme consisting of the acquisition, processing and interpretation of: (Firstly) thirty (30) kilometres of two-dimensional seismic data (long offset, high fold, high resolution) (Secondly) contingent three hundred (300) Square Kilometres of three-dimensional seismic data, With a minimum expenditure of five hundred thousand dollars (500,000 Dollars); and

2) drill one (1) saq exploration well, either within or outside the Jauf discovery polygon to explore all potential natural gas bearing formations from the base of the Jauf formation down to and including all of the potential reservoirs of the saq formation, which exploration well shall meet the following objectives: and

1) The exploration well shall be drilled to the minimum depth of sixteen thousand four hundred (16,400) feet or such other minimum depth as the management committee, on recommendation of the technical subcommittee, determines (in the context of the approval of the relevant work programme) to be the depth required to explore all potential natural gas bearing formations from the base of the Jauf formation down to and including all of the potential reservoirs of the saq formation; and

2) contractor shall, in relation to each exploration well, undertake all relevant activities as are required in accordance with good international petroleum industry practices to evaluate the non-associated gas productivity of each potential natural gas bearing formation from the base of the Jauf formation down to and including all of the potential reservoirs of the saq formation, including production testing in respect of such exploration well as determined by the management committee, on recommendation of the technical subcommittee (in the context of the approval of the relevant work programme), and a minimum of four (4), five (5), six (6) or such other minimum number of hydraulic fracturing treatments as the management committee, on recommendation of the technical subcommittee, so determines (in the context of the approval of the relevant work programme),With a minimum expenditure of twenty million dollars (20,000,000 Dollars) for such exploration well.

a) contractor shall have fulfilled his obligation to drill an exploration well

1) if such exploration well meets both its depth objective and its testing objective; or

2) article 5-4(c) applies in relation to such exploration well If, following drilling activities, the contractor has failed to fulfill his obligation to drill an exploration well, then the contractor shall drill a substitute exploration well. The rules for determining the depth objective and the testing objective for such substitute exploration well shall be the same as those which applied to the exploration well for which it is to be substituted. The contractor shall have fulfilled the original second exploration phase minimum work programme commitment by drilling any substitute well which meets the depth objective and testing objective determined for the substitute well. The National Gas and Oil Authority may, in its discretion, agree to extend the duration of the second exploration phase for this purpose

b) this article 5-4(c) shall apply to an exploration well , but only if the exploration well has penetrated the base of the Jauf formation within the deep gas contract area and:

1) such exploration well would have met its depth objective but for the existence of a geological condition which a reasonable and prudent operator could not have foreseen, avoided or controlled and which, taking into account the purpose of entry into this agreement pursuant to article 2-2, would lead a reasonable and prudent operator to determine that it should not continue drilling such exploration well; or

2) notwithstanding such exploration well did not meet its testing objective, the contractor undertook all relevant activities which, in the light of the available technical data and results of the drilling operation at the relevant time, would have been undertaken by a reasonable and prudent operator using best efforts, in accordance with good international petroleum industry practices, to evaluate the non-associated gas potential of each potential natural gas bearing formation from the base of the Jauf formation down to and including all of the potential reservoirs of the saq formation; or

3) in the case of an exploration well which failed to meet both its depth objective and its testing objective, such exploration well satisfies the conditions set out in article 5-4(c)(1) and 5-4(c)(2).

d) following the conclusion of drilling operations within the second exploration phase in respect of any exploration well which failed to meet either or both of its depth objective and testing objective, a meeting of the management committee shall be convened for the purpose of reviewing the causes of its failure and considering any recommendations of the technical subcommittee which have resulted from its own review of the drilling operations. The management committee shall, on recommendation of the technical subcommittee, determine whether article 5-4(c) applies to the failed exploration well. If the management committee is unable to reach such a determination, and the contractor considers that article 5-4(c) does apply to the failed exploration well, then contractor may, by initiating expert determination pursuant to article 32-2, seek an expert certificate to the effect that article 5-4(c) does so apply. The parties acknowledge and agree that article 5-4(c) shall apply to any failed exploration well which is the subject of a determination by the management committee or a certificate issued by an expert pursuant to the provisions of this article 5-4(d), but not otherwise

e) upon conclusion of the second exploration phase, if the contractor has failed to fulfil the second exploration phase minimum work programme commitments, the contractor shall promptly pay to The National Gas and Oil Authority , in relation to each second exploration phase minimum work programme commitment that contractor has failed to fulfil, the minimum expenditure related to that second exploration phase minimum work programme commitment, provided that in the case of any exploration well to which article 5-4(c) applies, there shall be deducted from the minimum expenditure related to such exploration well an amount equal to the expenditure reasonably and properly incurred by the contractor on such exploration well (up to but not exceeding the relevant minimum expenditure amount). the contractor shall pay the minimum expenditure amount as set forth in this article 5-4(e) as, subject to articles 21-1(?), and 21-1(?) and 25, the sole and exclusive financial compensation for such failure to fulfil the second exploration phase minimum work programme commitment, however, in such case, The National Gas and Oil Authority shall have the right, upon written notice to the contractor within ninety (90) days of such payment, to require the contractor to relinquish the entire deep gas contract area, which shall result in the termination of this agreement, subject to the contractor being deemed to have the obligations described under article 29-3. For the avoidance of doubt, to the extent that the contractor has fulfilled the second exploration phase minimum work programme commitments and without prejudice to this article 5-4(e), the minimum expenditure amounts set forth above with respect to such commitments shall not apply, and no action or payment shall be required with respect to the minimum expenditure amounts even if the contractor spent less than such amounts in fulfilling such commitments

5-5 other petroleum operations:

The drilling of appraisal wells, the undertaking of seismic surveys, or any other petroleum operations carried out as part of an appraisal plan shall not count against the contractor's minimum work programme commitments.

**Article 6**

**Guarantees**

6-1 Guarantee for minimum work programme commitments

a) Each contractor party (other than the government interest acquirer if applicable) shall have the obligation: (1) within thirty (30) days from the effective date; (2) thirty (30) days prior to commencement of the first and second exploration phase, if applicable; and (3) thirty (30) days prior to the term of any retained exploration area; to provide The National Gas and Oil Authority with an irrevocable bank letter of guarantee, in favour of The National Gas and Oil Authority, from an international bank of repute, acceptable to NOGA; or, at the discretion of The National Gas and Oil Authority , to provide an irrevocable parent company guarantee, in favour of The National Gas and Oil Authority , from the ultimate parent company of such contractor party or from a parent acceptable to The National Gas and Oil Authority , for an amount which shall in the aggregate equal to the respective amounts specified in article 6-1(b), or article 3-2 (regarding any retained exploration area), as applicable, associated with carrying out the minimum work programme commitments and retained exploration area programme commitments. Any such bank letter of guarantee shall be from an internationally reputable financial institution and shall be in the form described in appendix (g) and any such parent company guarantee shall be in the form described in appendix (h), or, in either case, as The National Gas and Oil Authority may otherwise approve by notice to contractor as being: (1) in compliance with article 6-1(c); or (2) not in compliance with article 6-1(c) but nevertheless acceptable to The National Gas and Oil Authority .  Any such bank letter of guarantee or parent company guarantee shall be for a term which does not expire earlier than the first exploration phase, the second exploration phase or to the end of the term of any retained exploration area, as applicable, plus an additional sixty (60) days thereafter.  Each contractor party shall also, within thirty (30) days of the effective date, and on or prior to the date upon which any subsequent letter of bank guarantee or parent company guarantee is to be provided, deliver to The National Gas and Oil Authority a legal opinion from its legal advisors, in a form and substance acceptable to The National Gas and Oil Authority, to the effect that such bank letter of guarantee, or parent company guarantee, as applicable, has been duly signed and delivered on behalf of the guarantor with due authority and is legally valid and enforceable according to the terms of this agreement. The National Gas and Oil Authority may terminate this agreement upon contractor's failure to provide or maintain such bank letter of guarantee/guarantees, or such parent company guarantee/guarantees, as applicable, and/or such legal opinions, within and for the prescribed period.

b) the respective aggregate amount of the bank letter of guarantee/guarantees, or parent company guarantee/guarantees, as applicable, referred to in article 6-1(a), shall be:

1) for the first exploration phase - sixty six million and five hundred thousand dollars (66,500,000 Dollars),

2) for the second exploration phase - twenty million and five hundred thousand dollars (20,500,000 Dollars)

3) for any retained exploration area, the amount agreed upon under article 3-2 as associated with the retained exploration area programme commitments. Each contractor party (other than the government interest acquirer if applicable) shall provide the bank letter of guarantee/guarantees, or parent company guarantee /guarantees, only in an amount equal to its participating interest share of the aggregate amounts set forth above.

c) if a bank letter of guarantee or parent company guarantee is in a form other than in accordance with the form described in appendix (h) or appendix (i) (as applicable), such bank letter of guarantee or parent company guarantee shall provide that:

1)Upon delivery to the issuing bank or parent company guarantor of a certificate from the contractor party, countersigned by The National Gas and Oil Authority , that a corresponding item of work has been completed in accordance with this agreement and that all technical data related thereto has been delivered to The National Gas and Oil Authority, the subject bank letter of guarantee or parent company guarantee shall be reduced by the applicable amount (pro-rata as may be applicable) described in article 5; and

2) if, at the end of the first exploration phase, the second exploration phase, or at the end of the term of a retained exploration area, The National Gas and Oil Authority gives notice to the contractor that the contractor has failed to perform any applicable work programme commitments, then, the issuing bank and/or parent company guarantor of the contractor party, as applicable, shall, on demand from NOGA, whether or not the contractor party or such guarantor (as may be applicable) contests such failure, immediately pay to The National Gas and Oil Authority any and all amounts determined by The National Gas and Oil Authority as being due pursuant to article 5-2(D) or 5-4(D) (as the case may be). as a result of the non- performance of the applicable work programme commitments.

d) without limiting the general nature of the bank letter of guarantee/guarantees or parent company guarantee /guarantees required to be provided under article 6-1 or 6-2, The National Gas and Oil Authority shall be entitled to draw on such bank letter of guarantee or parent company guarantee/guarantees where contractor has failed to pay the minimum expenditure amount applicable in respect of non performance as set forth in article 5-2 and article 5-4 subject to the provisions of article 29-6(a)(4).

6-2 Guarantee for general obligations under this agreement

Each contractor party (other than the government interest acquirer if applicable) shall, within thirty (30) days of the effective date, deliver to The National Gas and Oil Authority an irrevocable parent company guarantee, in favour of The National Gas and oil Authority, from the ultimate parent company of such party or from a parent acceptable to The National Gas and Oil Authority , providing that such parent shall provide all (not only its pro-rata share) technical and financial resources that the contractor party may require to meet on a timely basis all of contractor's obligations under the agreement, including but not limited to contractor's obligations under article 22, in the form described in appendix (g), or as The National Gas and Oil Authority may otherwise approve by notice to contractor. Each contractor party (other than the government interest acquirer if applicable) shall also, within thirty (30) days of the effective date, deliver to The National Gas and Oil Authority a legal opinion from its internal legal advisors, in a form and substance acceptable to NOGA, to the effect that such parent company guarantee has been duly signed and delivered on behalf of the guarantor with due authority and is legally valid and enforceable according to the terms of this agreement. The National Gas and Oil Authority may terminate this agreement upon contractor's failure to provide such parent company guarantee/guarantees and/or such legal opinion/opinions within the prescribed period.

**Article 7**

**management committee**

7-1 management committee authority

a) The National Gas and Oil Authority and the contractor shall, within forty-five (45) days after the effective date, establish a committee (the "management committee") for the purpose of overseeing petroleum operations. The mandate of the management committee is to assist contractor in the performance of petroleum operations under this agreement, and to provide a forum for a continuous dialogue and flow of information between contractor and The National Gas and Oil Authority regarding contractor's petroleum operations.

b) the management committee shall have authority to review and approve the following submissions and requests:

1) any work programmes proposed by the contractor to be undertaken in the first exploration phase and the second exploration phase (if applicable), including the applicable schedule and budget for such work programmes and the specific timings of the spudding of the wells to be drilled in the relevant phase;

2) any proposed annual work programme and budget, and the contractor's proposed revisions thereof;

3) any proposed five year plan, and the contractor's proposed revisions thereto;

4) the recommendation of the characterization of a commercial discovery as the qualifying discovery to The National Gas and Oil Authority to allow The National Gas and Oil Authority to give final approval or rejection;

5) any proposed appraisal plans;

6) any proposed development plans in relation to discoveries appraised by the contractor, and The National Gas and Oil Authority 's proposed revisions thereof, as a condition of approval including any proposed development plan in relation to the Jauf discovery;

7) incorporating into an integrated planes The National Gas and Oil Authority or the contractor's proposal to develop individual development plans on an integrated basis (any such plan to be an "integrated development plan"), recommending any amendments to any previously approved development plan as a result of such incorporation and approving any amendments to an integrated planes (if applicable) as a result of the inclusion of any additional development plans/areas into an existing integrated planes;

8) any proposed method and device for measurement of volume and assessment of quality of natural gas proposed by contractor;

9) any proposed abandonment plan and the budget for abandonment operations;

10) the geographic and vertical boundaries of any proposed area/areas for relinquishment in the deep gas contract area;

11) a manual setting forth policies, procedures and controls consistent with this agreement in relation to purchasing and contracts (sub-contractor tender lists, tender evaluations, contracts and contract awards, purchase orders and service orders);

12) any proposals to make an expenditure in regard to petroleum operations in excess of two million dollars (2,000,000 Dollars);

13) entry into the petroleum costs account of costs that are not supported by an approved annual work programme and budget pursuant to article 27-4;

14) any proposed work programme and budget to ensure that production of non-associated gas from the deep gas contract area is optimized;

15) the proposed health, safety and/or environment management system and any proposed amendments to the health, safety and/or environment management system;

16) the training plan under article (24); and

17) any proposed additional point or points of delivery, whether proposed by The National Gas and Oil Authority or the contractor.

7-2 Management committee members

a) the management committee shall consist of six (6) members with one (1) vote each, three (3) of them being representatives appointed by The National Gas and Oil Authority and three (3) of them being representatives appointed by contractor. Each representative shall be entitled to appoint an alternate in the event such representative is unable to attend a meeting

b) each party shall, within thirty (30) days of the effective date, give written notice to the other party indicating the names of such party's appointees to the management committee, provided that any or all of them may be replaced by the appointing party from time to time by written notice to the other party.

c) each of a party's representatives (and their alternates) is deemed to be acting on behalf of such party and is deemed to have full power and authority to represent and bind such party with respect to all matters properly coming before the management committee provided that such matters fall under the jurisdiction of the management committee.

d) each representative is entitled to bring to the meetings of the management committee such advisors to assist it in the business of the meeting as may be reasonably necessary, provided that such advisors may only act in an advisory capacity and shall not be entitled to vote.  Unless the management committee agrees otherwise, the cost of each such advisor shall be borne solely by the party which appointed it and shall not be cost recoverable under this agreement.

e) any travel costs sustained by representatives travelling to and attending management committee meetings shall be borne by each party separately and shall not be cost recoverable under this agreement.

7-3 Management committee chairman and secretary

a) The National Gas and Oil Authority shall appoint one (1) of its representatives to act as the chairman of the management committee (hereinafter the "chairman").  In the event of the chairman's absence from any such meeting, The National Gas and Oil Authority may designate one (1) of its representatives present at such meeting to act as chairman of the meeting. The chairman shall be responsible for:

1) presiding over all meetings of the management committee;

2) the circulation of minutes produced by the secretary pursuant to article 7-3(b)(2) to each member in attendance at a meeting within fifteen (15) business days of the conclusion of each meeting, which minutes shall include the results of any votes taken and resolutions adopted by the management committee and other pertinent matters; and

3) the circulation of the approved minutes within twenty (20) business days from the conclusion of each meeting or, if applicable, twenty (20) business days from the date on which the minutes where finalized or amended following comments from any member on the management committee,

b) the management committee shall appoint one (1) of its members to act as the secretary of the management committee (hereinafter the "secretary"), who shall be responsible for:

1) preparing the agenda for a proposed meeting;

2) the preparation of proposed minutes following each meeting and provision of such minutes to the chairman in sufficient time to allow the chairman to meet its obligations under article 7-3(a)(2);

3) keeping all documents and records relating to the management committee; and

4) other relevant tasks that the management committee may assign to the secretary from time to time.

7-4 Management committee meetings and voting

a) the management committee shall meet at least four (4) times a year, in the Kingdom of Bahrain, or any other place agreed upon by The National Gas and Oil Authority and the contractor, upon thirty (30) days prior written notice by the chairman, which notice shall include an agenda and necessary information and/or documents for the proposed meeting. In addition, The National Gas and Oil Authority and the contractor are each entitled to call special meetings of the management committee with not less than fifteen (15) days notice (unless all parties otherwise agree), which shall include an agenda.  By notice to all other parties, any party can advise of additional matters which such party desires to be considered at a meeting of the management committee already called for, and provided that such notice is given at least ten (10) days before the date of the meeting, such matters shall be included in the agenda and considered at such meeting.

b) Subject to article 7-4(c), the management committee may validly deliberate and take decisions at a meeting only if at least two (2) representatives of each party are present, and an equal number of representatives, of each party are present

c) if it is considered by either party that a matter requires urgent handling or may be decided without convening a meeting, then the parties may agree in writing to make decisions via faxes or via the circulation of documents.

d) A majority vote shall be required for any management committee decision, or any management committee approval as may expressly be required by this agreement.

e) for the avoidance of doubt, (1) the members of the management committee appointed by The National Gas and Oil Authority shall not unreasonably withhold their approval in any management committee decision in relation to any proposal submitted by contractor and (2) the members of the management committee appointed by contractor shall not unreasonably withhold their approval in any management committee decision in relation to any proposal submitted by The National Gas and Oil Authority.

f) in the event that a majority vote cannot be obtained in respect of any matter for which management committee approval is expressly required under this agreement, either party may convene a further meeting of the management committee in an attempt to resolve the issue. Either party shall have the right to submit to the pertinent issues to binding expert determination in accordance with article 32-2 and the procedures described in appendix e. Subject to article 9-2(g), in the event that such expert determines that the proposal made by the submitting party is in accordance with good international petroleum industry practices and such other pertinent criteria as may expressly be provided for in this agreement, then such proposal by the submitting party shall be deemed approved. Subject to article 8-3(e), in the event that such expert determines that the proposal made by the submitting party was not in accordance with good international petroleum industry practices and such other pertinent criteria as may expressly be provided for in this agreement, then such expert shall have the authority to determine revisions to the proposal that such expert feels would be required in order to bring the proposal into compliance with good international petroleum industry practices and such other pertinent criteria as may expressly be provided for in this agreement. The date of any such expert determination shall be deemed to be the date of approval of the proposal.

g) either party may submit to the management committee for review and advice matters for which this agreement does not require management committee approval that it may deem important, including relationship matters between the parties,

h) any notice to a party made in compliance with article 34 shall be considered as a notice to such party's management committee members.

i) on receipt by the representatives of the management committee of the minutes of a meeting of the management committee circulated by the chairman pursuant to article 7-3(a)(2), each member present at the meeting may within ten (10) business days of receipt give notice of comments to the minutes to the chairman.  If the chairman has not received any notices of comments from any members present at the meeting, then the minutes shall be deemed to have been approved.

7-5 subcommittees

a) the management committee shall, within sixty (60) days after the effective date, establish a technical subcommittee.  The management committee shall, within sixty (60) days after approval of a development plan, establish a finance subcommittee and a health, safety and/or environment subcommittees.

b) the technical subcommittee established pursuant to article 7-5(a) shall consist of representatives appointed by The National Gas and Oil Authority and representatives appointed by the contractor, and all meetings of the technical subcommittee shall have in attendance representatives of both The National Gas and Oil Authority and the contractor. The technical subcommittee shall have a secretary appointed by the technical subcommittee, who shall be responsible for the production of written minutes (and recommendations where applicable) for each meeting. Prior to the establishment of the finance subcommittee, the technical subcommittee shall undertake such financial activities as the management committee shall approve.

c) the finance subcommittee established pursuant to article 7-5(a) shall consist of representatives appointed by The National Gas and Oil Authority and representatives appointed by the contractor, and all meetings of the financial subcommittee shall have in attendance representatives of both The National Gas and Oil Authority and the contractor.  The finance subcommittee shall have a secretary appointed by the finance subcommittee, who shall be responsible for the production of written minutes (and recommendations where applicable) for each meeting.

d) the health, safety and/or environment subcommittee established pursuant to article 7-5(a) shall consist of representatives appointed by The National Gas and Oil Authority and representatives appointed by the contractor, and all meetings of the health, safety and/or environment subcommittee shall have in attendance representatives of both The National Gas and Oil Authority and the contractor. The health, safety and/or environment subcommittee shall have a secretary appointed by the health, safety and/or environment subcommittee, who shall be responsible for the production of written minutes (and recommendations where applicable) for each meeting.

e) the management committee shall approve guidelines for the operation and remit of each subcommittee in line with the principles in this article 7-5 (and in relation to the health, safety and/or environment subcommittee in line with the principles in article 21) and each subcommittee shall take into account in its deliberations such guidelines approved by the management committee and the terms of this agreement

f) the management committee may establish such other subcommittees as the management committee may deem appropriate.

**Article 8**

**Discovery and appraisal**

8-1 Jauf discovery

a) prior to the signature date, the Jauf discovery was made in the Jauf reservoir in the deep gas contract area by The National Gas and Oil Authority /BAPCO.

b) in no circumstances shall contractor have the right to declare a discovery pursuant to this agreement by stating that there is a deposit of natural gas which is located in the Jauf reservoir or in communication with the Jauf reservoir, including in circumstances where, as a result of exploration operations, contractor considers that there are additional reserves in the Jauf reservoir in the deep gas contract area in excess of the Jauf discovery.

8-2

a) if a discovery is made, contractor shall immediately inform The National Gas and Oil Authority of the discovery; and promptly, but in no event later than the date thirty (30) days from the date of such discovery, provide The National Gas and Oil Authority with all available information regarding such discovery, including a preliminary identification of the discovery of non-associated gas or a discovery of crude oil.

b) if the contractor makes a preliminary identification of the discovery as a discovery of crude oil, the parties acknowledge and agree that the contractor shall have no right to undertake any petroleum operations in relation to that discovery.

c) if contractor decides to conduct a drill stem or production test of any well, in open hole or through perforated casing, it shall notify The National Gas and Oil Authority of the time of such test at least forty-eight (48) hours prior to the proposed test, and The National Gas and Oil Authority shall have the right to have a representative present during any such test.

d) not later than ninety (90) days prior to the end of the applicable exploration phase, the management committee shall recommend to The National Gas and Oil Authority the area corresponding with the possible extent of the reservoir subject of the discovery. Having regard for such recommendation, The National Gas and Oil Authority shall then determine the discovery area, provided that if contractor does not agree with The National Gas and Oil Authority's determination of the discovery area the matter shall be determined by the expert in accordance with article 32-2.

e) if the contractor determines that the discovery does not merit immediate appraisal the contractor may retain the discovery area during the exploration period so that in the event that an additional discovery is (or additional discoveries are) made then such discovery may then merit appraisal, either individually or in conjunction with such additional discovery or discoveries.

8-3 Appraisal plans

a) in order to avoid the relinquishment, at the end of the exploration period, of any discovery area granted to contractor by The National Gas and Oil Authority under article 3-3:

1) contractor must have proposed to the management committee an appraisal plan (the "appraisal plan"), not later than one hundred and twenty (120) days prior to the end of the exploration period (whether the end of the exploration period is at the end of the first exploration phase or is at the end of the second exploration phase) within the deadlines as are provided in this article 8;

2) contractor must have continued to implement the procedures associated with approval of the appraisal plan within the deadlines as are provided in this article 8; and

3) provided the contractor has declared there to be a commercial discovery: Firstly) submits a development plan; Secondly) receives approval of a development plan within the deadlines as are provided in this article 9.

b) where the contractor makes a discovery within one hundred and twenty (120) days of the end of the exploration period the contractor may retain any discovery area granted by The National Gas and Oil Authority past the end of the exploration period provided that the contractor will immediately inform The National Gas and Oil Authority of the discovery and, contractor shall comply with the requirements of article 8-3(a) except that contractor submits to the management committee a proposed appraisal plan not later than one hundred and twenty (120) days after the date of such discovery (even if such submission occurs after the end of the exploration period)

c) any contractor-proposed appraisal plan shall be in accordance with good international petroleum industry practices and designed to determine whether such discovery is a commercial discovery, and, with reasonable precision, the boundaries of the reservoir or reservoirs and shall include:

1) a proposed appraisal area corresponding with the possible extent of the reservoir (or reservoirs in the event that multiple discoveries are being appraised together);

2) the proposed appraisal work programme;

3) a proposed budget;

4) the proposed delivery point/points in relation to the proposed area for assessment;

5) a proposed health, safety and/or environment strategy and measures to implement the health, safety and/or environment strategy;

6) proposed revisions to the annual work programme and budget associated with the proposed appraisal plan. If the chairman does not, within ninety (90) days from the date of receiving a proposed appraisal plan from the contractor, notify the contractor that the management committee has not approved the contractor's proposed appraisal plan, then the management committee shall be deemed to have approved the contractor proposed appraisal plan.

d) contractor shall, within one hundred and twenty (120) days of the approval of the appraisal plan by the management committee, commence and then diligently pursue such appraisal plan, and complete such appraisal plan within two (2) years of the date of such discovery unless the management committee determines otherwise.

e) either party may, if there is no majority agreement among the management committee members regarding the contractor's proposed appraisal plan, initiate expert determination in accordance with article 7-4(e), by giving notice to the other party.

f) if, however, the expert revises the contractor's proposed appraisal plan, and the contractor does not agree with such revisions, then the contractor shall elect, by notice to The National Gas and Oil Authority within thirty (30) days of such expert determination, to either: (1) implement revisions made by the expert; or (2) immediately relinquish the discovery area.

**Article 9**

**Development**

9-1 Conditions for the development of the Jauf discovery by contractor

a) contractor shall qualify to develop the Jauf discovery only in the event that:

1) contractor makes a declaration to The National Gas and Oil Authority that there is a commercial discovery within the deep gas contract area as a direct result of a discovery or discoveries made by the contractor's drilling of exploration wells in the exploration period (being either the first exploration phase or the second exploration phase as applicable)(such commercial discovery being proposed by contractor as the "qualifying discovery"); and

2) contractor submits a development plan in relation to the Jauf discovery for approval of the management committee; and

3) at the same time as the submission of the development plan in accordance with article 9-1 (a)(2), the contractor submits a development plan in relation to the contractor-proposed qualifying discovery.

b) the parties acknowledge and agree that, in all circumstances, including if the contractor does not propose to develop the Jauf discovery, the development plan in relation to the Jauf discovery submitted pursuant to article 9-1 (a) (2) shall be in accordance with article 9-2(d) (and article 9-4 if contractor considers that the Jauf discovery could be developed with the qualifying discovery on an integrated basis) and shall provide full and complete details of the possible development of the j auf discovery.

c) under no circumstances shall the contractor have the right to take into account the Jauf discovery when considering whether there is sufficient natural gas capable of being produced commercially from the deep gas contract area to merit the declaration of a commercial discovery by the contractor.

d) if the contractor considers a commercial discovery to be capable of being the qualifying discovery, then the contractor shall notify The National Gas and Oil Authority and the management committee. The management committee shall have the right to review whether the commercial discovery is capable of being characterized as the qualifying discovery and to make a recommendation to The National Gas and Oil Authority. Upon receipt of a recommendation from the management committee pursuant to article 7-1(b)(4), then The National Gas and Oil Authority shall have the sole right to (1) approve the characterization of such commercial discovery as the qualifying discovery or to (2) reject the characterization of such commercial discovery as the qualifying discovery, provided that if the contractor does not agree with The National Gas and Oil Authority's determination the matter shall be determined by the expert in accordance with article 32-2.  The National Gas and Oil Authority shall have the right to request a third party reserves certification of the relevant discovery (or discoveries) to be undertaken by a recognized independent specialist in order to assess the reasonableness of contractor's declaration of the discovery or discoveries as a commercial discovery.  Contractor shall provide reasonable access to all necessary data and information to allow the certification to be completed expeditiously. The cost associated with the third party reserves certification shall be cost recoverable by the contractor and shall be classified as exploration costs.

e) if The National Gas and Oil Authority or the expert, as applicable, approves the characterization of a commercial discovery as the qualifying discovery and subject to contractor submitting a notice stating that contractor proposes to develop the Jauf discovery pursuant to article 9-1(f), then the parties acknowledge and agree that the development plan in relation to the Jauf discovery and the development plan in relation to the commercial discovery which The National Gas and Oil Authority approves as the qualifying discovery shall be prepared, submitted and agreed in a dual track process.  This means that, unless otherwise agreed by The National Gas and Oil Authority, both development plans must be submitted to the management committee on the same date, any revisions to the development plans must be made in the same time period and neither development plan can be agreed individually without the other development plan also being agreed on the same date, whether as a result of approval by the management committee or following the acceptance by contractor of revisions made by an expert pursuant to article 9-2(h). In addition, in the event that the contractor does not pursue either or both development plans diligently and expeditiously and in accordance with article 13-2(a) at all times, the contractor shall be deemed to have committed a material breach of this agreement and The National Gas and Oil Authority may exercise its right to terminate this agreement pursuant to article 29-1.

f) if the contractor makes its first declaration of commercial discovery to The National Gas and Oil Authority under this agreement, and submits the proposed development plans pursuant to articles 9-1 (a) (2) and 9-1(a)(3), then by no later than thirty (30) days after submission of the proposed development plans, the contractor shall submit to The National Gas and Oil Authority an irrevocable written notice stating whether the contractor proposes to develop the Jauf discovery.

1) if the contractor proposes to develop the Jauf discovery, then the provisions of this agreement relating to the Jauf discovery shall apply.

2) however if the contractor does not propose to develop the Jauf discovery then contractor shall relinquish the portion of the deep gas contract area that extend vertically upwards from the base of Jauf and the deep gas contract area shall be deemed to have been amended accordingly and shall extend vertically downwards from the base of Jauf.  In addition the contractor shall state to The National Gas and Oil Authority the reasons for contractor's decision to relinquish the Jauf reservoir. The parties acknowledge and agree that, following relinquishment: Firstly) the contractor shall have no right to perform the activities detailed in article 13-1(a) in relation to the Jauf discovery; Secondly) The National Gas and Oil Authority shall have the right to enter into any agreements or other arrangements with any third party (including affiliates of The National Gas and Oil Authority) for that party to undertake petroleum operations in relation to the jauf discovery; Thirdly) The contractor shall continue to implement the remaining provisions of this article 9 in relation to the commercial discovery declared pursuant to article 9-1(a)(1); Fourthly) The contractor shall continue to have the right to declare there to be a commercial discovery and propose to the management committee and The National Gas and Oil Authority a development plan in accordance with article 9-2 in respect of any discovery within the deep gas contract area; Fifthly) the references in this agreement to the Jauf discovery (including references to the development plan in respect of the Jauf discovery, the Jauf non-associated gas production period and the baseline fee) shall have no effect and the parties shall continue to give effect to the remaining provisions of this agreement.

9-2 Declaration of commercial discovery and development plans

a) The contractor has the right to determine the commerciality of any discovery that it makes, and, subject to article 8-3(a), has the right to retain a discovery during the exploration period that it chooses not to immediately develop, so that in the event that an additional discovery, or discoveries, is/are made then such discovery may then be developed in conjunction with such additional discovery or discoveries.  The contractor shall determine the commerciality of any discovery it makes either individually or combined with an additional discovery or discoveries which individually would not merit declaration as a commercial discovery but when combined merit declaration as a commercial discovery.

b) in order to avoid the relinquishment of an appraisal area at the end of the exploration period, subject to article 9-1:

1) The contractor must declare there to be a commercial discovery and have proposed to the management committee and The National Gas and Oil Authority a development plan (the "development plan") at least one hundred and eighty (180) days prior to the end of the exploration period (whether the end of the exploration period is at the end of the first exploration phase or is at the end of the second exploration phase); and

2) Contractor must have continued to implement the procedures associated with approval of the development plan within the deadlines provided in this article 9

c) Where the contractor completes, in accordance with article 8, an appraisal plan within one hundred and twenty (120) days of the end of the exploration period contractor may retain the appraisal area past the end of the exploration period provided that it declares there to be a commercial discovery and submits to the management committee and The National Gas and Oil Authority a proposed development plan within one hundred and eighty (180) days of the date of such completion (even if such declaration and submission occurs after the end of the exploration period), and then continues to implement the procedures associated with approval of the development plan within the deadlines provided in this article 9.

d) Any contractor proposed development plan shall include but not be limited to:

1) a proposed development area with proposed horizontal and vertical boundaries of the area;

2) a proposed abandonment plan for the development area, including cost estimates of abandonment;

3) the proposed development work programme including the design for drilling, completion, stimulation and hydraulic fracturing for deep tight gas reservoirs;

4) a proposed budget;

5) proposed point or points of delivery in respect of (1) non-associated gas and (2) associated liquids in relation to the proposed development area;

6) Reserve estimates;

7) a proposed development schedule and an estimated date for the commencement of production;

8) an anticipated production profile (of all produced fluids, including water);

9) an economic analysis;

10) a proposed health, safety and/or environment strategy and measures to implement the health, safety and/or environment strategy;

11) proposed revisions to the annual work programme and budget associated with the proposed development plan. The development plan shall otherwise be in accordance with good international petroleum industry practices.

e) if the chairman does not, within ninety (90) days from the date of receiving a proposed development plan from the contractor, either

1) notify the contractor that the management committee approves contractor proposed development plan; or

2) notify the contractor of any changes to the contractor's proposed development plan that The National Gas and Oil Authority considers to be: (1) reasonable in the context of the proper overall management of development of the Kingdom of Bahrain's petroleum resources; (2) in accordance with good international petroleum industry practices; and (3) otherwise in accordance with article 9-1 (d), The management committee shall be deemed to have approved such contractor proposed development plan.

f) contractor shall, within one hundred and eighty (180) days of the approval of the development plan by the management committee, commence, and then diligently pursue, such development plan.

g) in accordance with article 7-4(f), a party may, if there is no unanimous agreement among the management committee members regarding The National Gas and Oil Authority's proposed revisions to contractor's proposed development plan, initiate expert determination by giving the other party notice. In the event that the expert determines that The National Gas and Oil Authority's required revisions are: (1) reasonable in the context of the proper overall management of development of Bahrain's petroleum resources; (2) in accordance with good international petroleum industry practices; and (3) otherwise in accordance with article 9-1(d) then such The National Gas and Oil Authority revisions shall become part of the approved development plan. If such expert determines that The National Gas and Oil Authority's required revisions are not: (1) reasonable in the context of the proper overall management of development of Bahrain's petroleum resources; (2) in accordance with good international petroleum industry practices; and (3) otherwise in accordance with article 9-1(d), then such expert shall have the authority to determine what revisions to the contractor's proposed development plan, if any in the event that the contractor's proposed development plan was itself not in compliance with article 9-1(d), would be required in order to bring it into compliance with article 9-1(d).

9-3 The National Gas and Oil Authority declaration of commercial discovery

a) if by the end of any exploration phase in which a discovery has been made, the contractor has not presented either an appraisal plan or a development plan for such discovery, The National Gas and Oil Authority has the right, by written notice to the contractor, to declare such discovery to be a commercial discovery and instruct the contractor to develop the discovery. After receipt of said notice, the contractor shall have three (3) months to confirm by written notice to The National Gas and Oil Authority whether the contractor intends to develop such discovery.

b) if the contractor confirms within the said three (3) month period by written notice to The National Gas and Oil Authority that the contractor intends to develop such discovery, then the contractor shall be required to declare there to be a commercial discovery and to propose to the management committee a development plan in accordance with the relevant deadlines and to comply with the other provisions of article 9-2.

c) if the contractor:

1) fails to respond within the said three (3) month period; or

2) elects not to develop such discovery,

Then any such discovery shall become wholly owned by The National Gas and Oil Authority and the contractor shall be deemed to have relinquished all rights hereunder in respect of such discovery (including for the avoidance of doubt any rights to natural gas produced from such discovery), and the related discovery area.

9-4 integrated development plan

a) each of The National Gas and Oil Authority and the contractor has the right to propose to the management committee that either proposed or approved individual development plans may be incorporated into an integrated development plan and such development plans be developed on an integrated basis, provided that such integration is technically and commercially justified in the reasonable opinion of The National Gas and Oil Authority and the contractor. Each of The National Gas and Oil Authority and the contractor has the right to propose to the management committee that a development plan in relation to the Jauf discovery may be integrated with a development plan relating to another commercial discovery (including the qualifying discovery).

b) the management committee will consider any such proposal received in accordance with article 9-4(a).  In order to consider such proposal, the contractor shall provide to the management committee (1) the proposed integrated development plan and (2) the development plans for each development plans/areas on a standalone basis.

c) the management committee shall have the authority to determine whether to accept a proposal for integration pursuant to article 9-4(a), taking into consideration whether the proposed integration is technically and commercially justified. If there is no majority agreement among the management committee members regarding the proposal for integration, then the management committee shall be deemed to have rejected the proposal for integration.

d) if the management committee accepts a proposal for integration of development plans into an integrated development plan, then:

1) the management committee shall have the authority, following receipt of the development plans pursuant to article 9-4(b), to determine the stand alone costs of the individual development plans / development areas; and

2) each of The National Gas and Oil Authority and the contractor has the right to propose the inclusion of any additional development plan/areas and the resulting amendments to any integrated development plan (if applicable).

**Article 10**

**Right of government participation**

10-1 Right of government participation

a) The National Gas and Oil Authority has the right to participate through The National Gas and Oil Authority (or an affiliate of The National Gas and Oil Authority) as a contractor party in this agreement in relation to any development area, by acquiring a participating interest under this agreement of up to twenty per cent (20%) in any development area (the "right of government participation"). The National Gas and Oil Authority shall be entitled to exercise the right of government participation by notifying the contractor in writing of such election and the size of the participating interest to be acquired.

b) The National Gas and Oil Authority may exercise the right of government participation at any time prior to the date of approval of the relevant development plan by the management committee by nominating to the contractor in writing the name of the relevant entity acquiring the participating interest (the "government interest acquirer").

c) for the avoidance of doubt, The National Gas and Oil Authority may separately exercise the right of government participation in relation to each development area.

d) if The National Gas and Oil Authority elects to exercise the right of government participation in accordance with article 10-1 (a) and 10-1(b), then:

1) the effective date of such participation shall be the date of the notice by which the government exercises its right of government participation (the "right exercise date");

2) the government interest acquirer shall participate as a contractor party from the right exercise date, with all rights and obligations of contractor relating to the relevant participating interest, save as provided in and subject to the provisions of this article 10.

3) the government interest acquirer shall not have any liability to the other contractor party or parties to contribute its participating interest share of petroleum costs incurred before the right exercise date and its participating interest share of such petroleum costs shall be the responsibility of the other contractor party or parties, provided always that such other contractor party or parties shall be entitled to recover all such petroleum costs in accordance with article 14.

4) the participating interest assigned to the government interest acquirer shall be deemed to be held by the government and the government interest acquirer will be individually and separately liable (and not jointly and severally liable with the other contractor party or parties) for its participating interest share of the obligations, duties and liabilities under this agreement as a contractor party;

5) the government interest acquirer shall be liable to the other contractor party or parties to contribute its participating interest share of all petroleum costs incurred on or after the right exercise date (except for grant amounts payable by the Contractor in accordance with Article 15- 1(1) and Article 15-1(3)) and shall be entitled to recover all such petroleum costs in accordance with article 14;

6) the government interest acquirer shall not be required to provide a bank letter of guarantee or a parent company guarantee pursuant to article 6;

7) any failure by the government interest acquirer to perform any of its obligations or to satisfy any of its liabilities under this agreement as a contractor party shall not be considered as a default of the other contractor party or parties;

8) the parties shall execute such documents as may be necessary to effect the transfer of a participating interest and the joiner of the relevant entity as a contractor party to this agreement; and

9) where an operating agreement has been executed by the contractor parties prior to any exercise of the right of government participation, the government interest acquirer shall become a party to such agreement, with any amendments necessary to be consistent with the principles of this article 10.  Where an operating agreement is not in place prior to any exercise of the right of government participation, then, as long as reasonably possible before The National Gas and Oil Authority formally exercises the right of government participation under article 10.1 (b), The National Gas and Oil Authority, on behalf of the government interest acquirer, and the contractor party or parties shall begin negotiations in a good faith effort to reach agreement on an appropriate form of operating agreement before or as soon as reasonably possible after the right exercise date; provided, however, that such negotiations shall not delay approval of the development plan. The effective date of such operating agreement shall be the right exercise date.

10-2 provisions of any operating agreement

Any operating agreement entered into in relation to this agreement shall be consistent with the provisions of this article 10 and shall require the consent of The National Gas and Oil Authority to the terms and conditions of the operating agreement as a condition precedent to the operating agreement becoming effective between the parties to it.

**Article 11**

**Annual work programmes and budgets**

11-1 annual work programmes and budgets

a) within sixty (60) days from the effective date, the contractor shall submit to the management committee for approval an annual work programme and budget for the first contract year.

b) not later than ninety (90) days before the beginning of each following contract year, the contractor shall submit to the management committee for approval an annual work programme and budget to be carried out during the subsequent contract year. The format of the budget portion of each such element shall be determined by the management committee.

c) each annual work programme and budget, and any contractor proposed revisions to an annual work programme and budget, shall:

1) include sufficient work in order to meet the relevant work programme commitments according to the applicable timings pursuant to article “5” and additional exploration operations that contractor may wish to implement.

2) include sufficient work in order to meet the relevant work programme commitments according to the applicable timings associated with appraisal plans and development plans pursuant to article 8 and article 9, respectively.

3) include sufficient expenditure in order to meet the contractor's obligations under article 24-1; and

4) be in accordance with article 13-2 and otherwise in accordance with good international petroleum industry practices.

d) if the chairman does not, within thirty (30) days from the date of receipt of the contractor's proposed annual work programme and budget, or revision thereto, notify the contractor if the management committee's decision in respect of the contractor's proposed annual work programme and budget, or revision thereto, then the management committee shall be deemed to have approved such a proposed annual work programme and budget, or revision thereto.

e) if, within thirty (30) days from the date of receipt of the contractor's proposed annual work programme and budget, or revision thereto, the chairman notifies the contractor that there is no majority agreement among the management committee members, the contractor may initiate expert determination in accordance with article 7-4(e) regarding the contractor's proposed annual work programme and budget.

f) in the event that the contractor does not agree with the result of such an expert determination then the contractor shall elect, by notice to The National Gas and Oil Authority within thirty (30) days of such expert determination, to either: (1) implement the expert's revisions; or (2) terminate this agreement

g) notwithstanding the foregoing, in the event that the contractor fails to submit an annual work programme and budget for approval that: (1) includes sufficient work in order to meet the relevant work programme commitments; and (2) is in accordance with good international petroleum industry practices; then such failure shall be deemed a material breach and The National Gas and Oil Authority may in such a case terminate this agreement under article 29

h) The contractor shall not undertake any work or make any expenditure not provided for in an approved annual work programme and budget except as follows:

1) if expenditures for a line item of work in excess of the amount budgeted in an annual work programme and budget are necessary in order to carry out such line item of work then the contractor shall be authorized to make such excess expenditures up to but not exceeding ten percent (10%) of the amount budgeted for such line item of work, provided that the sum of such excess expenditure may not exceed five percent (5%) of the total annual work programme and budget for that contract year.  The contractor shall notify the management committee promptly upon it becoming aware that such excess expenditure is likely to be incurred and the amount thereof.  The contractor shall further notify the management committee promptly upon such excess expenditure actually being made.  It is further understood that each such excess expenditure shall not be recoverable as petroleum costs hereunder unless and until a formal revision of the applicable annual work programme and budget has been submitted and approved in accordance with this article 11;

2) not withstanding anything to the contrary in this agreement, in the event of emergency or extraordinary circumstances, the contractor may take such actions, incur commitments, make expenditures, and take any other action as the contractor may deem necessary to protect and safeguard life, property and the petroleum operations, and to prevent or mitigate pollution or other environmental damage, or generally to protect the interests of the parties, their affiliates and their respective servants.  The contractor shall promptly report to the management committee any such action taken, commitment incurred, or expenditure made, it being understood that all costs and expenses reasonably incurred in good faith in this regard by contractor shall be deemed included in the current approved annual work programme and budget for petroleum operations and recoverable as petroleum costs;

3) notwithstanding anything to the contrary in this agreement, in the event no annual work programme and budget has been approved by the management committee for a contract year, the contractor may take such actions, incur commitments, make expenditures, and take any other action in that contract year as the contractor may deem necessary to protect and safeguard life, property and the petroleum operations, and to prevent or mitigate pollution or other environmental damage. The contractor shall promptly report to the management committee any such action taken, commitment incurred, or expenditure made, it being understood that all costs and expenses reasonably incurred in good faith in this regard by contractor shall be recoverable as petroleum costs; and

11-2 five year plan

a) in addition to the obligations under article 11-1:

1) with the first proposed development plan submitted to the management committee pursuant to article 9; and

2) not later than sixty (60) days before the beginning of each contract year following the submission of the first proposed development plan pursuant to article 9; The contractor shall submit to the management committee for approval a five year plan. Each five year plan shall remain in force until such time as another five year plan has been approved pursuant to this article 11-2.

b) a five year plan, and any revisions to a five year plan, shall:

1) include sufficient work in order to meet the relevant development work programme commitments according to the applicable timings associated development plans pursuant to article 8 and article 9, respectively; and

2) be in accordance with article 13-2 and otherwise in accordance with good international petroleum industry practices

c) if the chairman does not, within thirty (30) days from the date of receipt of a proposed five year plan, or revision thereto, notify contractor of the management committee's decision in respect of the contractor's proposed five year plan, or revision thereto, then the management committee shall be deemed to have approved such five year plan, or revision thereto.

d) if, within thirty (30) days from the date of receipt of the contractor's proposed five year plan, or revision thereto, the chairman notifies the contractor that there is no majority agreement among the management committee members, the contractor may initiate expert determination in accordance with article 7-4(e) regarding a proposed five year plan, or revision thereof.

**Article 12**

**Unitization**

12-1 Unitization

a) if a reservoir within the deep gas contract area is in communication, even partly, with another reservoir outside of the deep gas contract area, The National Gas and Oil Authority may require by notice to the contractor that the development of the reservoir and the production of natural gas be carried out in collaboration with the other entity or entities that have the right to conduct petroleum operations in the area or areas outside of the deep gas contract area into which the reservoir extends.

b) in such a case, the contractor shall use best efforts to agree with such other entity or entities upon a collective proposal to The National Gas and Oil Authority for the common development of the reservoir.  Such a proposal, if approved by The National Gas and Oil Authority, shall be deemed a development plan for purposes of this agreement. If such proposal is not made within one hundred and eighty (180) days of The National Gas and Oil Authority's notice, or if such proposal is made but is not approved by The National Gas and Oil Authority, then The National Gas and Oil Authority may prepare a development plan for such common development.  Such a The National Gas and Oil Authority -prepared development plan shall be binding upon the contractor, and shall be deemed a development plan for purposes of this agreement, provided that the contractor may, if he disagrees with such development plan, elect to relinquish such reservoir, subject to contractor being deemed to have the obligations described in article 29-10, as applicable.

**Article 13**

**General rights and obligations of the parties**

13-1 contractor's general rights

Subject to the provisions of this agreement, and to the applicable laws in force from time to time, but in addition to any specific rights under this agreement, the contractor shall have the following rights:

a) the exclusive right to prospect for, explore, appraise, develop, produce, collect, store, treat, process, transport and export natural gas within the deep gas contract area as defined in appendix a and b except that the contractor has the right to perform such activities in relation to the Jauf discovery only to the extent that the contractor meets the requirements pursuant to article 9-1 (a); and the non-exclusive right to construct pipelines, storage and other facilities, where necessary, both inside and outside the deep gas contract area, up to the point or points of delivery, for purposes associated with natural gas produced within the deep gas contract area;

b) The contractor shall have no right to use or occupy any existing or future restricted sites that are selected by the Kingdom of Bahrain for defence purposes, for airfield or for satellite, mobile, cable or terrestrial telephone and/or other electronic or computer communication purposes, or for other industrial, public, religious or any other purposes and The National Gas and Oil Authority shall have no liability in relation to such restrictions.  The contractor's rights are also subject to the existing rights of third parties, and as provided in article 13-5, provided also that the contractor shall have no rights to extract, or take away, natural resources other than natural gas, and nothing in this agreement shall be deemed to confer any rights on the contractor other than those rights expressly described hereunder.

c) the right to produce natural gas from the deep gas contract area at the optimum efficient rate consistent with good international petroleum industry practices;

d) the right to take at the point or points of delivery, or at any other the points agreed upon under article 17-1(b)(2), its share of natural gas produced from the deep gas contract area and the legal title thereto and sell or dispose of its share of natural gas in accordance with article 14;

e) the right to use radio telephones and related communication and infrastructure facilities and exercise other ancillary rights as may be reasonably necessary for the conduct of petroleum operations;

f) the right, subject to any applicable confidentiality restrictions upon The National Gas and Oil Authority, to access and use all technical data available to The National Gas and Oil Authority pertinent to the deep gas contract area, including seismic, well information, samples, interpretations, maps, etc. Free of charge, subject to the cost of copying;

g) subject to the approval of The National Gas and Oil Authority, the right to purchase and use, quantities of natural gas as fuel gas as may be necessary in accordance with good international petroleum industry practices for the performance of petroleum operations, with the purchase price being:

1) prior to the first production commencement date, the government's official sales price per million British thermal units for major industrial customers in the kingdom of Bahrain; and

2) on and from the first production commencement date: Firstly where the source of such natural gas is the deep gas contract area, the gas price; or Secondly where the source of such natural gas is other than the deep gas contract area, the government's official sales price per million British thermal units for major industrial customers in the Kingdom of Bahrain. The other terms and conditions of such purchase and use shall be determined by The National Gas and Oil Authority. The National Gas and Oil Authority shall be the only source of fuel gas; and

h) any other rights conferred on the contractor pursuant to this agreement.

13-2 the contractor's general obligation

The contractor shall have the following obligations

(a) to conduct all petroleum operations in a diligent, safe, efficient and workmanlike manner in accordance with this agreement and good international petroleum industry practices;

(b) to comply with all applicable laws and regulations, including applicable health, safety and/or environment laws/regulations governing the deep gas contract area;

(c) to ensure that all equipment, materials, supplies, plant and installations used by contractor or its subcontractors comply with good international petroleum industry practices and are kept in safe and good working order;

(d) to provide, in accordance with good international petroleum industry practices, working conditions, living accommodation and access to medical attention and nursing care for all personnel employed in petroleum operations;

(e) to conduct petroleum operations in a way that will not unreasonably interfere with the existing rights of The National Gas and Oil Authority or third parties as notified by The National Gas and Oil Authority to contractor from time to time;

(f) to conduct petroleum operations at its sole risk, cost and expense and provide all funds necessary for the conduct of petroleum operations including funds for the purchase or lease of equipment, materials or supplies required for petroleum operations as well as for making payments to employees, agents and subcontractors.  Any natural gas produced shall be allocated in accordance with this agreement, and the contractor may not look to The National Gas and Oil Authority in the event that the contractor does not recover its costs as provided in this agreement;

(g) to ensure provision of all geological, geophysical, drilling, well, production and other information, data (both interpreted and uninterrupted), samples, reports etc. To The National Gas and Oil Authority that contractor may compile as may be required to be furnished to The National Gas and Oil Authority under the applicable laws or under this agreement and use reasonable efforts to inform The National Gas and Oil Authority of any information related to the project that may affect the decision of The National Gas and Oil Authority with respect to the project. The treatment between the parties must depend upon the trust, transparency and contractual obligations to disclose information;

(h) subject to article 23, to use its best endeavour’s to ensure that goods, services or facilities offered, supplied or otherwise made available to or put at the disposal of contractor in respect of petroleum operations, whether by sale, exchange, lease or other means (including those goods, services or facilities provided by the contractor or his affiliates) are obtained at competitive terms and conditions which are at least as favourable to the contractor as the terms and conditions on which the same, similar or equivalent goods, services or facilities are offered, supplied or otherwise made available to or put at the disposal of any other operator by any other person taking into consideration the prevailing circumstances;

(i) to install, operate, and maintain all satellite, mobile, cable or terrestrial telephone and/or other electronic or computer communications devices, equipment and installations in accordance with rules, regulations and standards in force from time to time in the Kingdom of Bahrain, and to use same exclusively in connection with petroleum operations. Such devices, installations and equipment shall be installed and operated in such a manner that the operation thereof shall not interfere with the operation of such satellite, mobile, cable or terrestrial telephone and/or other electronic or computer communications devices, equipment and installations as may be established or used by the government or any duly licensed telecommunications service provider;

(j) to appoint within ninety (90) days after the effective date, a technically competent and sufficiently experienced representative or representatives who shall be resident in the Kingdom of Bahrain and who shall have full authority to take such steps as may be the necessary to implement this agreement.  Such representative's appointment shall be subject to The National Gas and Oil Authority's consent;

(k) not to vent or flare any natural gas production other than as necessary for operational field use purposes and then only to the extent necessary unless otherwise approved by The National Gas and Oil Authority;

(l) not to create any charge or encumbrance over any assets, facilities or equipment, where the loss of such assets, facilities or equipment could reasonably be expected to have an adverse effect upon petroleum operations unless otherwise approved by the management committee;

(m) any non-associated gas produced by the contractor from the deep gas contract area prior to the first commercial production date shall be made available to The National Gas and Oil Authority at no cost to The National Gas and Oil Authority;

(n) subject to article 32, should petroleum operations be curtailed following an event which might give rise to a claim under the insurance programme arranged by contractor under article 25-4, to resume petroleum operations without delay, whether or not such event is covered by insurance, and prior to the receipt of the proceeds of any insurance claim; and

(o) if there is more than one entity comprising the contractor, then each such entity shall be jointly and severally liable for all of the obligations of the contractor hereunder (excluding the government interest acquirer, if applicable, pursuant to article 10-1 (d)(5)).

13-3 The National Gas and Oil Authority's general rights

Subject to the provisions of this agreement, and to the applicable laws in force from time to time, but in addition to any specific rights under this agreement, The National Gas and Oil Authority shall have the following rights:

(a) to manage petroleum operations in accordance with this agreement.

(b) full and complete access, for its representatives, to petroleum operations, with the right to observe the work being performed and to inspect all installations, facilities and equipment, provided that the exercise of such right shall not hinder, prejudice or otherwise materially and adversely affect the conduct of the petroleum operations by the contractor.  The National Gas and Oil Authority and the contractor shall coordinate with each other and agree on an appropriate scheduling of such inspections, providing that, in the event of an emergency, The National Gas and Oil Authority shall require immediate full and complete access and may give only limited advance notice of such inspection.

(c) for its representatives to be provided, at contractor's operation sites within and outside of the deep gas contract area, with reasonable office space, board, lodging and transportation, for the account of petroleum operations and on an equal basis with the contractor's personnel.

(d) to take at the point or points of delivery, or at the points agreed upon, its share of natural gas produced from the deep gas contract area

(e) which it may grant to third parties, to explore for, appraise, develop, produce, transport, and export petroleum located in areas outside of the boundaries of the deep gas contract area; along with the non-exclusive right, which it may also grant to third parties, to construct pipelines, storage and other facilities, both inside the deep gas contract area, for purposes associated with natural gas produced outside of the deep gas contract area, and, on an ancillary basis, for purposes associated with natural gas produced from within the deep gas contract area; along with the right, which it may grant to third parties, to prospect for and mine minerals or substances other than natural gas both within, and outside of, the deep gas contract area.  The contractor shall use its best efforts to avoid interference with any such other activities by the The National Gas and Oil Authority, the government, or any such third parties either within, or outside of, the deep gas contract area.  The National Gas and Oil Authority shall use its reasonable efforts, within the limits of its authority, to ensure that neither its own efforts, nor the efforts of the government, or any such third parties, shall interfere with petroleum operations in the deep gas contract area.

(f) to give consent or refuse consent, at The National Gas and Oil Authority's absolute discretion, to the entry by any contractor party into any financing arrangements that directly encumber or burden petroleum operations, by way of interest bearing loans or otherwise.

(g) to terminate this agreement pursuant to article 29.

(h) any other rights conferred on The National Gas and Oil Authority pursuant to this agreement.

13-4 The National Gas and Oil Authority's general obligations

The National Gas and Oil Authority shall have the following obligations:

(a) to use reasonable efforts, within the limits of its authority, to make available to the contractor the use of such land, sea or airspace within, and outside, the deep gas contract area as may reasonably be necessary to carry out petroleum operations including the construction, laying, operating and maintaining of onshore pipelines, facilities, cables and equipment, provided that if such use by contractor results in expense for the The National Gas and Oil Authority then the contractor shall reimburse The National Gas and Oil Authority for such expense, without creating any profit directly or indirectly for the The National Gas and Oil Authority;

(b) as soon as reasonably possible after the effective date, to provide to the contractor upon its request, subject to any applicable confidentiality restrictions upon The National Gas and Oil Authority, access and use all technical data available to NOGA pertinent to the deep gas contract area, including seismic, well information, samples, interpretations, maps, infrastructure drawings, equipment layouts, etc. Free of charge, subject to the cost of copying;

(c) to use reasonable efforts, within the limits of its authority, to provide to the contractor the necessary access to telephone and radio lines and frequencies as reasonably needed for the conduct of petroleum operations;

(d) to cause third parties with rights to conduct operations in respect of the deep gas contract area to take all measures reasonably possible to prevent any damage of any kind to any natural gas-bearing formations which may be encountered while drilling operations are in progress or upon abandonment of any well; and

(e) to use reasonable efforts, within the limits of its authority, to assist the contractor in its dealings with the applicable governmental authorities and affiliates of The National Gas and Oil Authority in connection with the petroleum operations.

13-5 limitation of rights

(a) it is understood that the rights reserved by The National Gas and Oil Authority in article 13 shall be exercised in such a manner so as not to materially prejudice, hinder or otherwise interfere with petroleum operations hereunder.

(b) the rights conferred on contractor by this agreement shall be exercised with due regard to the existing rights of The National Gas and Oil Authority, the government, governmental authorities and third parties and so as not to damage, or unreasonably impede or interfere with the property, operations, facilities and interest of such parties.

13-6 delays

Lack of and/or unavailability of any rigs, facilities, infrastructure etc. And any other circumstances caused by the need to co-ordinate infrastructural requirements with the work programmes of petroleum operators in the Kingdom of Bahrain shall not constitute a basis for the contractor to modify and change any work obligations contained in any work programme and budget or excuse the contractor from meeting any deadline set forth in article 8 and article 9.

13-7 ancillary agreements

Each party shall enter into, and shall procure the entry of any affiliates of the relevant party if applicable into, any and all such ancillary agreements.  Each such ancillary agreement shall be on terms consistent with the terms and conditions set out in appendix “f”.

13-8 Reasonable and prudent operator standard

Without prejudice to the generality of article 13-2, the contractor shall conduct all petroleum operations hereunder as a reasonable and prudent operator and, shall:

(a) design and conduct petroleum operations in compliance with the laws of, and other rules, regulations, codes, standards, practices and procedures applicable in, the Kingdom of Bahrain as amended from time to time and in compliance with internationally accepted rules, codes and standards applicable to the petroleum industry, as amended from time to time, taking into account the long term interest of the Kingdom of Bahrain;

(b) ensure that all machinery, plant and equipment used by the contractor in connection with the petroleum operations are of proper and sound construction and workmanship, and are kept in good operating condition;

(c) conduct petroleum operations within the limits of the approved annual work programmes and budgets prudently, safely diligently, efficiently and continuously in strict compliance with this agreement as well as performing daily activities that are necessary to ensure the complete and timely execution of approved annual work programmes and budgets while executing the same to achieve the best economic, technical and health, safety and/or environment results and to produce natural gas at the optimum rate set out by the contractor in strict consultation with The National Gas and Oil Authority, and determined by the technology and processes employed in the petroleum operations;

(d) plan, prepare and submit annual work programmes and budgets and five year plans and related modifications, if any, to the management committee for its approval in accordance with this agreement;

(e) award and execute contracts for the performance of petroleum operations pursuant to the approved annual work programmes and budgets;

(f) approve all contracts for purchases or for services in relation to petroleum operations, providing that such contracts are in respect of activities included in an approved annual work programme and budget;

(g) prepare monthly financial statements and reports, and develop accounting policies and procedures to be implemented under the accounting guidelines and procedure;

(h) develop the accounting system, procedures, and controls regarding purchasing and contracts (sub-contractor tender lists, tender evaluations, contracts and contract awards, purchase orders, and service orders), authorizations for expenditures, accounting and internal audit controls, cash management, and authorized expenditure approval levels, all in a manner consistent with this agreement and the accounting guidelines and procedure and approved by The National Gas and Oil Authority; and

(i) direct and coordinate internal and external financial, operational, contractual, public accounting, and other audits (preparing and presenting a report at calendar quarterly meetings which will detail significant findings from the previous audits and recommended corrective actions)

**Article 14**

**Cost recovery and production sharing**

14-1 baseline jauf non-associated gas production:

(a) The National Gas and Oil Authority and the contractor agrees that, for the period from the first commercial production date in relation to the development area containing the Jauf discovery for twenty (20) years (the "Jauf non-associated gas production period"), the contractor shall produce four hundred eighteen (418) billion standard cubic feet of non-associated gas from the Jauf discovery, being the minimum amount of non-associated gas in the Jauf discovery (the "total baseline Jauf non-associated gas production"), at a rate of fifty seven (57) million standard cubic feet /day (the "baseline Jauf non-associated gas production rate"). For the avoidance of doubt, if the contractor relinquishes all areas within the deep gas contract area that extend vertically above the base of the Jauf formation pursuant to article 9-1(f), there shall be no Jauf non-associated gas production period and, in those circumstances, the remaining provisions of article 14-1 shall not apply.

(b) subject to article 14-1(c), the contractor shall produce sufficient baseline Jauf non-associated gas production from the Jauf discovery to reach and maintain the baseline Jauf non-associated gas production rate for each calendar quarter during the Jauf non-associated gas production period, and by so doing, to produce the total baseline Jauf non-associated gas production at the baseline Jauf non-associated gas production rate during the Jauf non-associated gas production period. The contractor acknowledges and agrees that the contractor shall only be permitted to produce incremental Jauf non-associated gas production provided the contractor undertakes to The National Gas and Oil Authority, and The National Gas and Oil Authority is reasonably satisfied, that such incremental Jauf non-associated gas production will not impair the contractor's ability to continue to produce total baseline Jauf non-associated gas production at the baseline Jauf non-associated gas production rate.

(c) the contractor shall use all reasonable endeavour’s to optimize non-associated gas production in accordance with the annual work programme and budget, however, during the ramp up period, The National Gas and Oil Authority and the contractor agree that the contractor may be unable to produce sufficient baseline Jauf non-associated gas production to reach and maintain the baseline jauf non-associated gas production rate for any given calendar quarter.  During the ramp up period, the contractor being unable to produce sufficient baseline Jauf non-associated gas production to reach and maintain the baseline Jauf non-associated gas production rate shall give The National Gas and Oil Authority the right to require compensation for any volumes of shortfall calculated as the product of (1) the number of million standard cubic feet owed to The National Gas and Oil Authority, converted to million British thermal units at the caloric value at the relevant time, and (2) the applicable sales price under the Gas sale agreement, calculated in each calendar quarter and payable within one (1) month from the end of the relevant calendar quarter.

(d) in every calendar quarter of the Jauf non-associated gas production period after the ramp up period, in the event that contractor has failed to produce baseline Jauf non-associated gas production in accordance with the baseline Jauf non-associated gas production rate for such calendar quarter, The National Gas and Oil Authority and the contractor agree that the following shall apply:

(1) the contractor shall have the obligation, with notice to The National Gas and Oil Authority, to re-allocate non-Jauf non-associated gas production allocated to contractor pursuant to this article 14 as baseline Jauf non-associated gas production only to extent required to meet any volume of shortfall in baseline Jauf non-associated gas production for a given calendar quarter (such re-allocated production being "re¬allocated production");

(2) if the contractor is able to re-allocate the full volumes of shortfall in baseline Jauf non-associated gas production with re-allocated production, then the calendar quarter for which the re-allocation is made shall not be considered as a calendar quarter in which the contractor has not maintained the baseline Jauf non-associated gas production at the baseline Jauf non-associated gas production rate;

(3) if the contractor is not able to re-allocate the full volumes of shortfall in baseline Jauf non-associated gas production with re-allocated production and is required to make a cash payment pursuant to article 14-1(d)(9), then the calendar quarter under review shall be considered as a calendar quarter in which the contractor has not maintained the baseline Jauf non-associated gas production at the baseline Jauf non-associated gas production rate and The National Gas and Oil Authority shall have the right to receive cash compensation in accordance with this agreement;

(4) non-Jauf non-associated gas production to be re-allocated as re-allocated production shall be reallocated from any non-Jauf non-associated gas production allocated to the contractor pursuant to this article 14;

(5) the full re-allocation of volumes of shortfall in baseline Jauf non- associated gas production for the relevant calendar quarter for which the re-allocation is made must be completed in that calendar quarter;

(6) the re-allocated production shall not be treated as baseline Jauf non-associated gas production in the calculation of the baseline fee for that calendar quarter in accordance with article 14-2(b)(3);

(7) the contractor shall be able to recover development costs and operating costs related to the re-allocated production from available non-Jauf cost recovery non-associated gas from the development area in which the re-allocated production was produced; and

(8) if the contractor is unable to re-allocate sufficient non-associated gas production the contractor shall have the obligation, with notice to The National Gas and Oil Authority, to make a cash payment, calculated as the product of (1) the number of million standard cubic feet owed to The National Gas and Oil Authority, converted to million British thermal units at the caloric value at the relevant time, and (2) the applicable sales price under the Gas sale agreement, calculated in each calendar quarter and payable within one (1) month from the end of the relevant calendar quarter.

At the end of the Jouf Non-Associated Reservoir Gas Production Term (or in the event of (i) termination of the Agreement prior to the end of the Jouf Non-Associated Reservoir Gas Production Term, on the date of termination of the Agreement or (ii) the abandonment of the Development Area containing the Jouf Discovery prior to the end of the Jouf Reservoir Gas Production Term Al-Jawf Non-Associated Reservoir Gas production, on the date of abandonment of the Area), then NOGA shall review the Al-Jawf Non-associated Reservoir Gas production produced up to that point against the total Al-Jawf Non-associated Reservoir Gas production agreed to be produced by the Contractor during Duration of production of non-associated Al Jouf Reservoir gas (so that the difference is the “shortage amount”), and the contractor will be responsible for making up for the shortfall by providing cash compensation. The amount of cash compensation payable shall be calculated as the product of (i) the number of Million Standard Cubic Feet due to NOGA, converted to Millions of British Thermal Units in a timely manner, and (ii) the applicable selling price under the Gas Sales Agreement during The last quarter of the calendar year before the calculation date.

14-2 allocation of production

(a) in each calendar quarter from the first commercial production date, there shall be calculated:

(1) "total Jauf non-associated gas production", being all non-associated gas produced and saved from the Jauf discovery (but excluding non-associated gas used for petroleum operations other than fuel gas) as measured at the point or points of delivery and aggregated thereafter;

(2) "baseline Jauf non-associated gas production", being, in relation to a given period of time during the Jauf non-associated gas production period, the total non-associated gas production produced from the Jauf discovery up to and including the baseline Jauf non-associated gas production rate for such period of time;

(3) "incremental Jauf non-associated gas production", being, for a given period of time, the positive difference between the total Jauf non-associated gas production in such period and the baseline Jauf non-associated gas production in such period;

(4) "total non-Jauf non-associated gas production", being all non-associated gas produced and saved from each development area excluding the Jauf discovery (but excluding non-associated gas used for petroleum operations other than fuel gas) as measured at the point or points of delivery and aggregated thereafter;

(5) "profit non-Jauf non-associated gas", being, for a given period of time, the positive difference between total non-Jauf non-associated gas production in such period and the non¬Jauf cost recovery non-associated gas;

(6) "non-Jauf cost recovery non-associated gas", equals the relevant percentage of the non-Jauf non-associated gas production, calculated in accordance with article 14-3(d); and

(7) "profit non-associated gas", being the aggregate of (1) incremental Jauf non-associated gas production, (2) the profit non-Jauf non-associated gas, plus (3) the excess non-Jauf cost recovery non-associated gas (if any).

(b) baseline fee for each calendar quarter

(1) for each calendar quarter of the Jauf non-associated gas production period, total Jauf non-associated gas production will be allocated as either:

Firstly) baseline Jauf non-associated gas production; or

Secondly) baseline Jauf non-associated gas production and incremental Jauf non-associated gas production.

(2) subject to article 14-2(b)(3), The National Gas and Oil Authority will be allocated the entire baseline Jauf non-associated gas production and the contractor agrees that it shall only be entitled to the baseline fee per million standard cubic feet of baseline jauf non-associated gas production actually produced.

(3) the contractor shall receive the baseline fee out of any available non-Jauf non-associated gas production. The "baseline fee" shall be calculated:

Firstly) 700 Dollars per million standard cubic feet of baseline Jauf non-associated gas production produced during each of the first five contract years of the Jauf non-associated gas production period (with no escalation); and

Secondly) 150 Dollars per million standard cubic feet of baseline Jauf non-associated gas production produced during each of the contract years of the Jauf non-associated gas production period (escalated by two point five percent (2.5%) on the first anniversary of the commercial production date in respect of the Jauf discovery and each contract year thereafter).

In each case, multiplied by the number of million standard cubic feet of baseline Jauf non-associated gas production actually produced in such calendar quarter.

(4) subject to article 14-1:

Firstly) baseline Jauf non-associated gas production shall be allocated to The National Gas and Oil Authority;

Secondly) non-Jauf cost recovery non-associated gas shall be allocated in accordance with article 14-3; and

Thirdly) profit non-associated gas shall be allocated in accordance with article 14-4

(5) for the purposes of administering each party's allocations pursuant to this article 14

Firstly) the contractor shall prepare and provide to The National Gas and Oil Authority not later than thirty (30) days prior to the beginning of each calendar quarter an estimate (each an "estimate") expressed in million British thermal units per day of the total Jauf non-associated gas production, the baseline Jauf non-associated production, the incremental Jauf non-associated gas production, total non-Jauf non-associated gas production and any proposed reallocated production during such calendar quarter and its estimate of the petroleum costs related to non-associated gas production for such calendar quarter, the baseline fee, profit non-Jauf non-associated gas, non-Jauf cost recovery non-associated gas, the excess cost recovery non-associated gas (if any) and profit non-associated gas during such calendar quarter (such estimate to be expressed in dollars and million British thermal units); and

Secondly) not later than thirty (30) days after the last day of a calendar quarter, the contractor shall prepare and provide to The National Gas and Oil Authority a report (each a "statement of petroleum costs") setting forth the total Jauf non-associated gas production, the baseline Jauf non-associated gas production, the incremental Jauf non-associated gas production, total non-Jauf non-¬associated gas production and re-allocated production and/or cash compensation (if any) during the preceding calendar quarter, the petroleum costs related to non-¬associated gas production for such calendar quarter, the baseline fee, profit non-Jauf non-associated gas, non-Jauf cost recovery non-associated gas, the excess cost recovery non-associated gas (if any) and profit non-associated gas during such calendar quarter (such report to be expressed in dollars and million British thermal units); and

Thirdly) for the avoidance of doubt, non-associated gas production shall be lifted on a calendar quarterly basis. Each estimate shall be provided on an information only basis and any and all payments made in relation to the allocation of non-associated gas production shall be made at the end of the relevant calendar quarter.

14-3 Recovery of petroleum costs:

(a) Recovery of petroleum costs shall be governed by this article 14-3 as supplemented by article 14-4 in relation to the allocation of petroleum costs in an integrated development plan if applicable.

(b) all of the petroleum costs incurred by the contractor in accordance with an approved annual work programme and budget shall be classified as exploration expenditures, development costs or operating costs.

(c) Subject to article 14-3(d), commencing in the calendar quarter in which the first production commencement date in relation to a development area occurs, the contractor shall be entitled to recover petroleum costs relating to that development area by taking title at the point or points of delivery to quantities of non-Jauf cost recovery non-associated gas produced and saved hereunder.

(d) Notwithstanding article 14-3(c), in relation to petroleum costs incurred by the contractor in relation to the Jauf discovery, they classified as exploration expenditures, development costs or operating costs, the contractor shall be entitled to receive the baseline fee calculated in accordance with article 14-2(b)(3).

(e) the maximum percentage of total non-Jauf non-associated gas production that will be available as non-Jauf cost recovery non-associated gas, calculated separately for each development area on a calendar quarter by calendar quarter basis, is set out in the table below as the "cost recovery limit". Such cost recovery limit shall be applicable to the production of non-Jauf non-associated gas for each development area.

Recovery factor Cost recovery limit

Less than 1.00 50%

greater than or equal to 1.00 40%

(f) there shall be a "ring-fence" limit ascribed to each development area for cost recovery purposes in regard to development costs and operating costs, but there shall be no such limit with regard to exploration expenditures. In this way, subject to article 14-3(h) in respect of development costs and article 14-3(j) in respect of operating costs, the contractor shall be able to recover development costs and operating costs in respect of a particular commercial discovery only from available non-Jauf cost recovery petroleum from such commercial discovery, but the contractor shall be able to recover exploration expenditures from available non-Jauf cost recovery non-associated gas from all commercial discoveries.

(g) exploration expenditures incurred in relation to non-Jauf non-associated gas production prior to the date of the approval of the first development plan shall be consolidated as of the date of the approval of the first development plan and thereafter such amount shall be compounded each calendar quarter at the average rate of libor for such calendar quarter.  The resulting amount shall then be consolidated on the first production commencement date and shall thereafter be recoverable, without incurring any further interest, on a first priority basis out of non-Jauf cost recovery non-associated gas available for the purpose at the rate of five percent (5%) per calendar quarter; i.e. Depreciated on a straight-line basis over five (5) years.

(h) all other exploration expenditures incurred in relation to non-Jauf non-associated gas production (being exploration expenditures incurred in relation to non-Jauf non- associated gas production after the date of the approval of the first development plan) shall be consolidated at the end of each calendar quarter and shall be recoverable, on a second priority basis, out of non-Jauf cost recovery non-associated gas from existing commercial discoveries at a rate of five percent (5%) per calendar quarter; i.e. Depreciated on a straight-line basis over five (5) years.

(i) development costs incurred in relation to non-Jauf non-associated gas production shall be consolidated at the end of each calendar quarter and shall be recoverable, on a third priority basis, out of available non-Jauf cost recovery non-associated gas available for the purpose at the rate of five percent (5%) per calendar quarter; i.e. Depreciated on a straight-¬line basis over five (5) years.

(j) operating costs incurred in relation to non-Jauf non-associated gas production shall be recoverable in the same calendar quarter in which they have been incurred, on a fourth priority basis, out of available non-Jauf cost recovery non-associated gas available for the purpose.

(k) to the extent that non-Jauf cost recovery non-associated gas available for the purpose is insufficient in a calendar quarter to permit recovery of all petroleum costs related to non-Jauf non-associated gas production recoverable at that time, then that portion of such recoverable petroleum costs not recovered will be carried forward to the next succeeding calendar quarter for recovery out of non-Jauf cost recovery non-associated gas available for the purpose in such succeeding calendar quarter.

(l) to the extent that non-Jauf cost recovery non-associated gas available for the purpose in any calendar quarter exceeds the total of all petroleum costs related to non-Jauf non-associated gas production to be recovered during such calendar quarter including such petroleum costs carried forward in accordance with article 14-3(k), then the portion of such non-Jauf cost recovery non-associated gas available for the purpose in excess of such recoverable petroleum costs shall be "excess non-Jauf cost recovery non-associated gas" and added to profit non-associated gas described in article 14-4

14-4 allocation of petroleum costs in an integrated development plan

(a) in circumstances where the management committee has approved the incorporation into an integrated development plan of individual development plans (including a development plan in relation to the Jauf discovery) into an integrated development plan, The National Gas and Oil Authority and the contractor agree that petroleum costs incurred by the contractor on the one hand in relation to the Jauf discovery (for the purposes of this article 14-4 only, the "Jauf development") and, on the other hand, in relation to the development area which does not contain the Jauf discovery (for the purposes of this article 14-4 only, the "non-Jauf development") shall be allocated in accordance with this article 14-4

(b) development costs incurred in relation to the integrated development plan shall be allocated between the Jauf development and non-Jauf development as follows (subject to any amendments agreed pursuant to a review in accordance with article 14-4(c))

(1) the percentage of development costs which the contractor shall be able to recover as non-Jauf cost recovery non-associated gas from the integrated development plan pursuant to article 14-3 is equal to [1- (x / y)] \* 100 where

Firstly) x is the greater of the stand alone development costs of the jauf development detailed in the development plan in relation to the Jauf discovery submitted by the contractor pursuant to article 9-1(a)(2) and the portion of the baseline fee relating to capex calculated in accordance with article 14-2(b)(3)(Firstly) for fifty seven (57) million standard cubic feet per day for five (5) years; and

Secondly) y is the total development costs of the integrated development plan detailed in the relevant integrated development plan/area approved by the management committee pursuant to article 7-1(b)(7); and

(2) the remaining percentage of development costs after the calculation pursuant to article 14-4(b)(1) shall be allocated to the Jauf development.

(c) the percentages of development costs calculated in accordance with article 14-4(b) which, on the one hand, the contractor shall be able to recover as non-Jauf cost recovery non-associated gas and, on the other hand, shall be allocated to the Jauf development shall be reviewed by the management committee in any contract year in which an annual work programme and budget is submitted to the management committee which indicates that there are development activities proposed for the relevant contract year which, in the reasonable opinion of bothThe National Gas and Oil Authority and the contractor, are likely to result in material changes to the total development costs relating to the integrated development plan. For the avoidance of doubt, any changes approved by the management committee to the percentages of development costs calculated in accordance with article 14-4(b) or the mechanism for allocating such costs shall be effective on a prospective basis only.

(d) operating costs incurred in relation to the integrated development plan shall be allocated between the Jauf development and the non-Jauf development based on actual production.

14-5 Allocation of profit non-associated gas

(a) the contractor's share of profit non-associated gas shall be in accordance with the following table. The National Gas and Oil Authority's share of profit non-associated gas shall be the amount of profit non-associated gas production remaining after the subtraction of the contractor's share of profit non-associated gas.  the contractor shall be entitled to take its share of profit non-associated gas by taking title at the relevant point or points of delivery, to quantities of profit non-associated gas produced and saved hereunder in accordance with its share as set out in the following table.

Recovery factor the contractor profit Non-associated gas share The National Gas and Oil Authority profit non-associated gas share

Less than 1.00 75% 25%

1.00-1.50 65% 35%

1.51-1.75 57% 43%

1.76-2.00 47% 53%

Greater than 2.00 38% 62%

(b) the "Recovery factor" is the ratio of

(1) deep gas contract area-wide cumulative revenue received by the contractor from non-associated gas production as (a) baseline fee, (b) non-Jauf cost recovery non-associated gas and (c) profit non-associated gas from the effective date until the end of the last preceding calendar quarter, and

(2) deep gas contract area-wide cumulative petroleum costs incurred by the contractor over the same period.

(c) the recovery factor is to be rounded up to the nearest two decimal places. The recovery factor determines both the cost recovery limit for each development area and also the allocation of profit non-associated gas from each development area.

14-6 allocation of production after the expiry of the Jauf non-associated gas production period

The parties acknowledge and agree that, in the final contract year of the Jauf non-associated gas production period, The National Gas and Oil Authority may discuss with the contractor whether it is technically and commercially feasible to produce non- associated gas from the Jauf discovery after the expiry of the Jauf non-associated gas production period. In the absence of any agreement between The National Gas and Oil Authority and the contractor, the contractor shall relinquish the development area relating to the Jauf discovery.

14-7 associated liquids

(a) associated liquids obtained from baseline Jauf non-associated gas production shall be allocated to The National Gas and Oil Authority

(b) associated liquids obtained from incremental Jauf non-associated gas production shall be deemed to be incremental Jauf non-associated gas production for the purposes of this article 14.

(c) associated liquids obtained from non-Jauf non-associated gas production shall be deemed to be non-Jauf non-associated gas production for the purposes of this article 14

**Article 15**

**Bonuses**

15-1 bonuses

(a) The contractor shall pay bonus payments to The National Gas and Oil Authority in the units and at the times set out below. The contractor shall make bonus payments by means of bank draft, issued in favour of The National Gas and Oil Authority, or by electronics transfer of funds to a bank account designated by The National Gas and Oil Authority

(1) upon the signature date, five hundred thousand dollars (500,000 Dollars)

(2) upon commercial discovery (for each commercial discovery declared), one hundred thousand dollars (100,000 Dollars); and

(3) upon the commencement of production from the first commercial discovery in the deep gas contract area (applicable one time only) one hundred thousand dollars (100,000 Dollars)

(b) For the avoidance of doubt, in no circumstances are bonus payments made pursuant to article 15-1(a) cost recoverable and the contractor shall have no right to include such bonus payments as petroleum costs

**Article 16**

**Valuation of natural gas**

16-1 Price and adjustment to base price

(a) For each calendar quarter, non-associated gas shall be valued at the Gas price calculated in accordance with this article 16-1 for purposes of Cost recovery, allocation of profit non-associated gas, the Bahrain Income tax law, the provisions of article 18, and for all other purposes under this agreement.

(b) The "gas price" for non-associated gas in any calendar quarter in a Given contract year shall be determined in accordance with the following formula.

Gas Price = Base Price x Importance Coefficient [WF(1)] x Arithmetic Average CPI(P) / Arithmetic Average CPI(O) x Importance Coefficient WF(2) x Platts(P) / Arithmetic Average Platts(o)

Whereas:

“Basic price” means one dollar and seventy-five cents ($1.75/mBTU).

2) “Significance Coefficient [WF(1)]” means the importance factor of the CPI in US dollars given as a decimal value; (Note: the importance parameter must be approved)

(3) “Arithmetic mean CPI(P)” means the arithmetic mean of the monthly values of the Consumer Indicative Price in US dollars for the twelve months during the contractual year that is subject to revision.

(4) “Arithmetic Average CPI(O)” means the arithmetic average of the monthly values of the Consumer Indicative Price in US dollars, for twelve months during the date of signature of the Agreement

(5) “Significance Coefficient WF(2)” means the significance coefficient of the arithmetic average price of Crude Oil as published in the daily publications “Platt” for the Crude Oil Market, for delivery in the Arabian Gulf region stated in decimal values; (Note: Importance parameter must be approved)

“Platts(P)” means the arithmetic average per barrel of daily FOB Oil prices as published in Platts Crude Oil Market publications for one or more Crude Oils of a similar grade or quality during the twelve months of the Contractual Year in which undergo review; And

(7) “Platts(o)” means the arithmetic average per barrel of FOB daily oil prices as published in Platts Crude Oil Market publications for one or more Crude Oil of a similar grade or quality during the twelve months since The date the agreement was signed. 2-16 Buying gas without difficulties

16-2 purchase of non-associated gas

(a) The parties acknowledge and agree that the parties shall enter into a gas sales contract that shall include provisions to give effect to The following principles:

(1) the contractor shall sell all dry gas resulting from the contractor's allocation of non-associated gas to The National Gas and Oil Authority or an affiliate of The National Gas and Oil Authority pursuant to this agreement and the terms of any Gas sale agreement which the parties may enter into.

(2) The National Gas and Oil Authority or an affiliate of The National Gas and Oil Authority shall purchase all of the contractor's allocation of non-associated gas pursuant to this agreement; and

(3) the gas price shall be calculated in accordance with article 16-4

16-4 valuation of associated liquid

Except as provided in article 16-6, and subject to the provisions of article 18-1, the prices for all associated liquid, for purposes of cost recovery and all other purposes under this agreement, shall be calculated for each calendar quarter and shall be a single fob Bahrain dollar price per barrel of associated liquid (with "fob" being defined under the international chamber of commerce intercoms 2000) at the respective point(s) of delivery, as applicable. Such price shall be the weighted average fob dollar price per barrel of associated liquid actually received by the contractor (directly or through any of its affiliates) for the calendar quarter, from arms-length sales during such calendar quarter of associated liquid produced from the contract area and delivered at the respective point or points of delivery, as applicable. In the event of arms-length sales of such associated liquid during such calendar quarter on terms other than an fob dollar basis, the necessary adjustments shall be made in order to determine what the equivalent sale price would have been on an fob dollar basis. In the event that within a calendar quarter arms- length sales of more than one type of associated liquid occur from a single point of Delivery, then the price for all purposes under this agreement from such point of delivery shall be a single fob dollar price per barrel of associated liquid, representing the weighted average of the prices determined for each type of such associated liquid, in accordance with the respective volumes of each type of such associated liquid sold during such calendar quarter and delivered at such point of delivery. If no arms-length sales of associated liquid or liquid hydrocarbons sales are made during such calendar quarter at such point of delivery then such price shall be deemed to be the higher of: (1) the price actually received by the contractor (adjusted to an equivalent fob dollar price as applicable) at such point of delivery; and (2) the international market price for associated liquid of the same quality delivered on an fob dollar basis at such point of delivery.

16-5 reporting of arms-length sales of associated liquid

The contractor shall, within ten (10) business days from the expiry of each calendar quarter, provide to The National Gas and Oil Authority a statement certifying the applicable volume weighted average fob dollar associated liquid prices per barrel received by the contractor for such calendar quarter at the respective points of delivery, as applicable, obtained by contractor (directly or through any of its affiliates) as result of applicable arms-length sales of associated liquid during such calendar quarter, with copies of all relevant supporting sales documents. Such statements shall distinguish between term sales and spot sales (as applicable) and shall itemize volumes, customers, prices received and credit terms. Contractor shall allow the audit of the associated sales contracts by an independent internationally recognized accounting firm retained by and at the cost of The national gas and oil authority and contractor shall give the representatives of such accounting firm access to all relevant books and records necessary to perform such audit.

16-6 determination of market price of associated liquid

(a) If in respect of any calendar quarter in which the contractor has sales of associated liquid:

(1) there are no arms-length sales of associated liquid, as applicable, from applicable point or points of delivery, claimed by the contractor (directly or through any of its affiliates); or

(2) The National Gas and Oil Authority disputes the contractor's contention that it has made applicable arms-length sales then The National Gas and Oil Authority and the contractor shall meet within ten (10) business days from the date of notice given by either party, and shall attempt to agree upon a market price to be used for such production during such calendar quarter. The basis for such market price, in regard to associated liquid production, shall be the market price per barrel, valued on the basis of arms-length sales in the region for similar sales under similar conditions.

(b) Failing such agreement within thirty (30) business days from the date of such notice, either party shall have the right, by giving the other party justice, to have such market price determined by an expert, in accordance with article 32-2 and the procedure set forth in appendix e, according to the basis described in article 16-6(a).

(c) Pending any expert determination under article 16-6(b), the parties agree to use, for the applicable market prices for such calendar quarter, on a provisional basis, the price that was applicable for the most recent calendar quarter for which a market price has been determined pursuant to this article 16. The required adjustments due to the use of such provisional price shall be made immediately after the determination of the market price pursuant to article 16-6(b) above

**Article 17**

**Measurement of natural gas**

17- 1 Measurement of natural gas

(a) Natural gas production measurement shall be by methods and equipment generally accepted and customarily used in good international petroleum industry practices and approved by the management committee

(b) Before commencement of production from the deep gas contract area, the management committee shall agree on:

(1) the methods to be employed for measurement of volumes of natural gas production (including methods for both dry gas and associated liquids)

(2) the point or points, if any (such as in the case of testing a discovery), in addition to the point or points of delivery described in a development plan, at which natural gas shall be measured and the respective share allocated to the parties in accordance with the terms of this agreement.

(3) the frequency of inspections and testing of measurement equipment and relevant procedures; and

(4) the consequences of a determination of an error in measurement

(c) An applicable point of delivery for natural gas shall be onshore the Kingdom of Bahrain at the point set forth in the applicable development plan approved by the management committee in respect of the discovery.

(d) In relation to associated liquids, in accordance with the relevant development plan. The contractor shall procure and install gauges and other equipment as is reasonably necessary to measure all associated liquids at the point or points of delivery for associated liquids.

(e) The National Gas and Oil Authority may, at all reasonable times inspect and test the equipment used for measuring the volume and determining the quality of natural gas, provided that any such inspection or testing shall be carried out such a manner so as not unduly to interfere with petroleum operations.

(f) The contractor shall give The National Gas and Oil Authority timely notice of his intention to implement any such agreed alteration, or to conduct a test of measuring operations, and The National Gas and Oil Authority shall have the right to have its representatives present at and observe such operations.

(g) The contractor shall immediately replace any measurement equipment found to be defective. The contractor shall not, however, make any alteration in the agreed method or procedures for measurement or to the approved equipment without the written consent of the management committee.

(h) The contractor shall provide to The National Gas and Oil Authority calendar monthly reports showing the quantity of natural gas production hereunder within five (5) business days after the end of each calendar month on a reconciled basis.

(i) The contractor shall retain accurate records of all analysis and measurement of petroleum for a period of three (3) years after each such analysis or measurement was made. The National Gas and Oil Authority may, at any reasonable time, inspect such records and after the end of such period, the contractor shall transfer such records to The National Gas and Oil Authority, provided that contractor shall have the right to retain copies of such records

(j) If any dispute arises between the parties regarding measurement, or measurement and/or analysis records under this article 17 which cannot be resolved amicably, either party shall have the right, by giving; nonce to the other party, to have such dispute resolved by expert determination on the basis described in this article 17, and in accordance with procedure set forth in appendix e

**Article 18**

**Taxes and stability**

18-1 Bahrain income taxes

The contractor shall be subject to the Bahrain income tax law including, but not limited to the requirements of the Bahrain income tax law with respect to the filing of tax declarations, the assessment of tax and the keeping of records for review by authorized persons. The contractor shall file income tax declarations and pay taxes at the times and in the manner required by the Ministry of Finance and the Bahrain income tax law and shall, simultaneously with such filing, forward a copy of such lax declarations to The National Gas and Oil Authority.

18-2 applicable rate

In accordance with the provisions of the Bahrain income tax law, the income tax rate applicable to the contractor shall be forty six per cent (46%) and shall be levied on taxable income calculated in accordance with article 18-3 ('taxable income")

18-3 taxable income

Taxable income shall be calculated by reducing aggregate gross income by all reasonable and necessary aggregate expenditures incurred in connection with ail operations under this agreement. Operating expenditures, including those expenses losses and excess of deductions listed in article 4 of the Bahrain income tax law as in effect as at the dale of this agreement, shall be deducted in the period incurred all capital expenditures (e.g. Expenditures giving rise to assets having a useful life in excess of one year), shall be amortized on a straight line basis over a period of five years.

18-4 export taxes

With the exception of taxes imposed on the contractor by the Bahrain income tax law under the terms of this agreement, The National Gas and Oil Authority shall indemnify and hold the contractor harmless from any duties, sales tax, or other taxes or other charges in the nature of tax that might be imposed upon contractor by the Kingdom of Bahrain as result of contractor exercising its right under article 13-1(a) to export its share of petroleum production under this agreement. such indemnity shall not, however, extend to cover refined products.

18-5 taxes on abandonment fund

All taxes or other levies imposed by the Kingdom of Bahrain on any amounts paid into, or earned by, any abandonment fund under article 22-4(a)(b) shall be paid out of the abandonment fund.

18-6 stabilization

In the event that any changes to the laws, decrees, rules or regulations of the Kingdom of Bahrain (including to the Bahrain income tax laws or any application thereof) excluding any such changes to health, safety and/or environment laws/regulations, result in a material change in the contractor's fiscal position with respect to this agreement, this agreement shall be revised in order to provide for the restoration of the contractor's fiscal position to a level equivalent to what it would have been had such change not occurred.

**Article 19**

**Import customs and duties**

19-1 import customs and duties

(a) Contractor shall be solely responsible for the import and clearance of equipment, materials, goods and supplies as may be required to conduct petroleum operations in the Kingdom of Bahrain. Except as otherwise provided below, or as otherwise specifically provided in this agreement, contractor shall be subject to the laws of the Kingdom of Bahrain in regard to customs and the payment of all applicable import and export duties, including, but not limited to, any applicable requirements with respect to the filing of customs and duty declarations, the assessment of duties and the keeping of records for review by authorized persons. The contractor shall file and The National Gas and Oil Authority shall arrange, however, for the contractor to have the right to import, and export (as applicable), such equipment, materials, goods and supplies (including such equipment, materials and supplies provided by the contractor's subcontractors) under any applicable The National Gas and Oil Authority exemption from local customs duties or other charges on imports and on exports. The National Gas and Oil Authority shall assist the contractor in his applications for such exemptions and the contractor shall indicate in the applications for such exemptions that all such imports and/or exports are to be used/were used by the contractor in the petroleum operations and are consequently entitled to enjoy The National Gas and Oil Authority exemption. If permits for importation of equipment, materials, goods and supplies under this article 19-1(a) include the obligation to re-export, the contractor shall timely comply with such obligation. To the extent the contractor is unable to obtain The National Gas and Oil Authority exemption from local customs duties or other charges on imports and on exports as described herein, then the contractor shall be entitled to recover any such charges, duties or fees from the cost recovery petroleum. The National Gas and Oil Authority exemptions shall not be available to the contractor in regard to:

(1) Equipment, goods, materials and supplies for the personal use or consumption by the contractor's, or its subcontractors\* employees, consultants, or their families;

(2) Sedan cars, buses and trucks of less than three (3) tons capacity including all vehicles used for employee transport;

(3) Duties payable on equipment. Materials and supplies purchased within the Kingdom of Bahrain; or

(4) Goods and materials in respect of which customs duties have ahead been paid by the local importer or agent;

And all this to the extent that these commodities and materials are only and permanently intended for use in petroleum operations.

(b) In order to obtain the benefit of applicable The National Gas and Oil Authority exemptions as described in article 19-1(a) the contractor shall adhere to the regulations and procedures relevant thereto as laid down by the Ministry of Finance from time to time;

(c) Any subsequent sale or transfer of equipment. Goods, materials or supplies imported by the contractor under the exemption described in Article 19-1 (a) shall be reported within thirty (30) days of such sale or transfer to the Ministry of Finance and to The National Gas and Oil Authority. Applicable local customs duties taxes or other charges shall thereupon be payable by the contractor on the value of such goods or materials as at the date of such sale or transfer, and any applicable The National Gas and Oil Authority exemption shall not be applicable.

**Article 20**

**currency, banking, and exchange control**

20-1 Currency of payments

Any payments to be made under this agreement by the contractor to The National Gas and Oil Authority, or by The National Gas and Oil Authority to the contractor, shall be made in dollars (or such other currency as may be agreed between the parties). Such payments may be made by certified cheques in favour of the party concerned or, at the option of the receiving party, by electronic transfer of funds into a bank account (or accounts) designated by the receiving party.

20-2 contractor's rights

Subject to the Kingdom of Bahrain's laws of general application, The National Gas and Oil Authority shall use reasonable efforts to procure that the contractor, his affiliates, their subcontractors, and their respective personnel engaged in petroleum operations shall have the following rights during the term of this agreement:

(a) To open, maintain and operate bank accounts in foreign currencies both inside, and outside, the kingdom of Bahrain, and local currency bank accounts within the Kingdom of Bahrain;

(b) To import into the Kingdom of Bahrain funds in foreign currencies as may be required for petroleum operations;

(c) To purchase local currency with foreign currencies at the most favourable exchange rate legally available to it (and in any event at a rate of exchange no less favourable than the prevailing exchange rate of general application determined by the National Bank of Bahrain or such other financial institution as may be mutually agreed by the parties), without deductions or fees other than usual and customary banking charges, as may be necessary for petroleum operations and the performance obligations of the contractor hereunder;

(d) To convert local currency earned in connection with petroleum Operations into foreign currencies at the most favourable exchange rate legally available to it (and in any event at a rate of exchange no less favourable than the prevailing exchange rate of general application determined by the National Bank of Bahrain or such other financial institution as may be mutually agreed by the parties), without deductions or fees other than usual and customary banking charges;

(e) To retain outside the Kingdom of Bahrain any payments received from export sales of the contractor's share of natural gas production under this agreement, without any obligation to convert any such payments into local currency other than as may be required for operational purposes;

(f) To transfer outside the Kingdom of Bahrain foreign currency proceeds generated within the Kingdom of Bahrain, or repatriate sums imported pursuant to article 20-2(b), that are in excess of its immediate local requirements, subject to any applicable treaties between the Kingdom of Bahrain and any other country with respect to payments between the Kingdom of Bahrain and that country;

(g) To pay in foreign currencies partly or wholly outside the Kingdom of Bahrain any salaries, allowances and other benefits due to its expatriate employees assigned to work in the Kingdom of Bahrain for petroleum operations, without the requirement that funds used in making such payments must originate in the Kingdom of Bahrain; and

(h) To pay directly outside the Kingdom of Bahrain in foreign currencies its foreign contractors and sub-contractors working on petroleum operations, without the requirement that funds used in making such payments must originate in the Kingdom of Bahrain.

**Article 21**

**health, safety and environmental compliance**

21-1 contractor’s health, safety and environmental obligations

(a) Contractor's obligations under article 13-2, The contractor shall take all actions necessary, including on of the good international petroleum industry practices for the preventions of pollution, contamination or any other environmental harm to the environment, in order to prevent any harm to public health and any damage to the environment, including the surface. Subsurface, air, sea, springs or other freshwater animal life, plant life, crops and other natural resources and properties in the furtherance of this obligation the contractor shall:

(1) Follow the approved health, safety and/or environment management system at all times which shall be monitored by the management committee with from the health, safety and/or environment subcommittee to be formed by the Management committee;

(2) Take all necessary remedial action to clean-up and otherwise remedy any pollution or contamination of or other damage to the environment resulting from petroleum operations to the extent such pollution, contamination or other damage results from or is attributable to any failure to comply with health, safety and/or environment laws/regulations and good international petroleum industry practices;

(3) Take all necessary precautions against fire and any spillage or release of petroleum and take all necessary remedial action to clean-up and otherwise remedy any damage to the environmental resulting from petroleum operations, whether or not such damage is due to the fault of the contractor;

(4) Have in place at all times an emergency plan (the emergency plan) for dealing with spills, fires, release of petroleum, accident and other emergencies, designed to achieve rapid and effective emergency response;

(5) Design and operate all facilities, infrastructure and related assets installed by contractor within the deep gas contract area and utilized for petroleum operations consistent with the health, safety and/or environment management system;

(6) Take into consideration, where applicable, the standards in BAPCO’s health, safety and/or environment policy and

(7) Comply with all health, safety and/or environment laws/regulations including all or any permits, consents, licenses, authorizations, registrations and approvals required under the hsei laws/regulations.

(b) The contractor shall submit a draft of its proposed health, safety and/or environment management system (incorporating the emergency plan) to the management committee for approval with the lust development plan and the management committee shall advise the contractor of its approval or disapproval of the contractor's proposed management system within ninety (90) days from the receipt of such proposal. The management committee and the subcommittee shall from time to lime review details of the health, safety and/or environment management system (including post-submission procedures for additional development plans) and the contractors implementation and fulfilment tin in preparing the health, safety and/or environment management system contractor shall take into consideration where applicable, the following standards:

(1) International association of oil and gas producers reports - safety;

(2) International association of pulling contractors – drilling safety manual;

(3) International association of geophysical contractors – operations safety manual;

(4) American conference of governmental industrial hygienists threshold limited values for chemical substances in the work environment;

(5) Requirements of the environment protection agency in the United States of America in respect of deep tight gas petroleum operations;

(6) BAPCO’s health, safety and/or environment policy requirements; and

(7) All health, safety and/or environment laws/regulations including:

Firstly) Ministerial Decision no 1 of 1998 in respect of environmental assessment of projects;

Secondly) Ministerial Decision no 10 of 1999 and its amendments environmental standards (air & water);

Thirdly) Ministerial Decision no 10 of 2006 with respect to air pollutant emissions;

Fourthly) Ministerial Decision no 3 of 2006 with respect to management of hazardous materials; and

Fifthly) Ministerial Decision no 4 of 2006 with respect to management of hazardous chemicals.

(c) As part of the health, safety and/or environment management system, the contractor shall establish and implement a program for regular health, safety and/or environment audits which shall be carried out in the conduct of petroleum operations. The purpose of such health, safety and/or environment audits is to periodically review health, safety and/or environment systems and procedures, including actual practice and performance, to verify that the health, safety and/or environment aspects of the health, safety and/or environment management system are being implemented in accordance with the policies and standards of the health, safety and/or environment management system. The contractor shall, at a minimum, conduct such health, safety and/or environment audit in accordance with the health, safety and/or environment management system. The National Gas and Oil Authority and/or BAPCO shall have the right to participate in any health, safety and/or environment audit carried out by the contractor.

(d) The contractor shall as a reasonable and prudent operator ensure that its employees, contractors and subcontractors undertaking petroleum operations manage health, safety and/or environment issues in a manner consistent with the requirements of this article 21. Without limitation to the preceding sentence, the contractor shall ensure that all contracts entered into between the contractor and its subcontractors relating to petroleum operations shall include the provisions describing the requirements for the contractor's implementation of pertinent environmental plans.

(e) The contractor shall establish and enforce rules and policies for his employees, contractors and subcontractors undertaking petroleum operations which are consistent with those generally followed in the international petroleum industry under similar circumstances.

(f) Upon reasonable advance notice to the contractor, The National Gas and Oil Authority shall have the right, at its own risk and expense, to conduct its own health, safety and/or environment audits or other investigations, provided that any such audit or other investigations shall be conducted in such a way that minimizes interference with the petroleum operations

(g) The contractor shall, using good international petroleum industry practices, engage a recognized international environmental consulting, firm selected by the contractor and acceptable to The National Gas and Oil Authority and approved by the general directorate of environment and wildlife protection to conduct and complete in accordance with good international petroleum industry practices and applicable health, safety and/or environment laws/regulations

(1) An initial baseline environmental survey of the specific area of influence of any significant new petroleum operation such as seismic acquisition, drilling and development operations (a "project") in order to determine the status of the environment, human beings and local communities, the flora and fauna in the specific area of influence of such project as soon as possible following the effective date;

(2) A final baseline environmental survey of the specific area of influence of any project in order to determine the status of the environment, human beings and local communities, the flora and fauna in the specific area of influence of such project as of the third anniversary of the effective date provided that the management committee environmental survey at the relevant time.

(h) the contractor shall, using good international petroleum industry practices, conduct environmental impact assessments in accordance with the requirements of ministerial decision no 1 of 1998 in respect of environment assessment of project before conducting a project before undertaking any major changes to existing project, in each case in accordance with the health, safety and/or environment management system and relevant health, safety and/or environment laws/regulations, in order to determine the likely effect on the environment, human beings and local communities, the flora and fauna in the pertinent portion of the deep gas contract area and in the adjoining or neighbouring areas as a consequence of such petroleum operations. The contractor shall provide any such environmental impact study, along with the environmental plan as described in article 21-1(k), to The National Gas and Oil Authority, the health, safety and/or environment sub-committee of the management committee and also obtain prior approval to commence any activities from the general directorate of environment and wildlife protection as per the requirements of the ministerial decision no 1 of 1998 in respect of environmental assessment of projects.

(i) Contractor shall ensure that:

(1) The pertinent environmental impact assessments and environmental plans are provided to his employees and to his subcontractors in order to ensure wariness of the measures and methods of environmental protection required to be used in carrying out the petroleum operates;

(2) The contracts entered into between the contractor and his subcontractors relating to petroleum operations shall include the provisions describing the requirements for the contractor’s implementation of pertinent environmental plans

(j) While conducting petroleum operations the contractor shall:

(1) Ensure that the storage, transport, disposal and/or discharge of all substances associated with petroleum operations shall be undertaken in a safe and environmentally sound manner and in accordance with the health, safety and/or environment management system and relevant health, safety and/or environment laws/regulations; and

(2) Take all measures reasonably possible to prevent any damage of any kind to any petroleum-bearing formations which may be encountered while drilling operations are in progress or upon abandonment of any well.  The contractor shall also carefully preserve the shuaiba aquifer and any fresh water sources discovered in the course of such operation and shall promptly provide The National Gas and Oil Authority with a description. Of the location of such sources along with all pertinent data.

(k) The contractor shall also, prior to performing any project undertake such measures as are prescribed in the management system and relevant health, safety and/or environment laws/regulations in respect of the prevention of pollution or contamination of or other environmental damage and for carrying out` on activities. All such measures shall be followed in order to minimize pollution or contamination or other environmental damage and following, to the extent appropriate to the respective study taking into account the type of operations to which such environmental plan relates:

(1) Proposed access cutting and safe disposal of any waste arising as per the requirements of ministerial decision no (3) of 2006 with respect to the management of hazardous materials;

(2) Clearing and timber salvage;

(3) Wildlife and habitat protection;

(4) Fuel storage and handling;

(5) Use of explosives;

(6) Camps and staging;

(7) Liquid and solid waste disposal as per the requirements of ministerial decision no 3 of 2006 with respect to the management of hazardous materials;

(8) Cultural and archaeological sites;

(9) Selection of drilling sites;

(10) Terrain stabilization;

(11) Protection of freshwater sources;

(12) Blow out prevention plan;

(13) Flaring during completion and testing of wells;

(14) Abandonment of wells, facilities and the deep gas contract area and adjacent areas affected by petroleum operations;

(15) Rig dismantling and site completion;

(16) Noise control;

(17) Debris disposal; and

(18) Protection of natural drainage and water flow;

(l) If The National Gas and Oil Authority is reasonably of the opinion that any facilities or other installations of the contractor, or any petroleum operations conducted by the contractor, are endangering or may endanger persons 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 an unreasonable degree or otherwise to an extent that is not allowed or permitted under health, safety and/or environment laws/regulations, The National Gas and Oil Authority may require the contractor to take remedial measures according to a schedule proposed by The National Gas and Oil Authority that is reasonable in accordance with the circumstances. The National Gas and Oil Authority may also require the contractor to discontinue petroleum operations in whole or in part to the extent required in accordance with the circumstances until contractor has taken such remedial measures.

(m) in the event that the contractor fails to perform such remedial measures then The National Gas and Oil Authority, after giving the contractor reasonable notice, may take any action which may be necessary in the circumstances and the contractor shall then be responsible to reimburse The National Gas and Oil Authority. Within seven (7) days after having received from The National Gas and Oil Authority an accounting of any such expenditures, for the full cost reasonably incurred by The National Gas and Oil Authority exceeding any amount for which the contractor otherwise would have been indemnified in this article 21-1(m)

(n) In the event of a natural gas and/or oil spill, fire, accident, or other emergency arising from petroleum operations the contractor shall immediately notify The National Gas and Oil Authority, BAPCO. The operator of the Bahrain fit (from time to time) and Ministry of Interior's Civil Defence Directorate shall promptly implement the applicable provisions of the health, safety and/or environment management system in respect of natural gas or oil spill and incident contingency planning, and shall clean-up or other remedy the pollution, contamination and/or other damage.  The order of priority for actions shall be the protection of: (Firstly) life; (Secondly) the environment: and (Thirdly) property.  In the event that the contractor fails to perform these obligations then The National Gas and Oil Authority, after giving the contractor reasonable notice in the circumstances, may take and action which maybe necessary and the contractor shall then be responsible to reimburse The National Gas and Oil Authority. Within thirty (30) days after having received from The National Gas and Oil Authority an accounting of any such expenditures, for the full cost reasonably incurred by The National Gas and Oil Authority together with such interest as may be determined in appendix d of this agreement.

(o) The contractor shall be responsible for and shall fully indemnify The National Gas and Oil Authority and the Kingdom of Bahrain from and against any loss, cost liability, claim, damage or expense whatsoever arising out of any environmental pollution or other damage to the environment resulting from petroleum operations whether or not such pollution or other damage is due to the negligence of the contractor, his agents, Subcontractors or other representatives.  Furthermore, the contractor shall use its best endeavours to mitigate and remedy the effect of any such pollution or damage to the environment in accordance with good international petroleum industry practices.

P) The Contractor shall bear responsibility, and undertake to fully indemnify the National Oil and Gas Authority and the Kingdom of Bahrain, for and against any loss, cost, liability, claim, compensation or expense resulting from any environmental pollution or other environmental damage resulting from oil operations, whether such pollution or Other damages are attributable to negligence on the part of the contractor or not. The parties acknowledge and agree that conducting petroleum operations in compliance with health, safety and/or environment laws/regulations is of fundamental importance to the Kingdom of Bahrain and furthermore any breach of this article 21 shall be considered a material breach by the contractor.

(q) The obligations and liability of the contractor for any environmental pollution, contamination or other damage to the environment (including damage to air, water, groundwater and soil) hereunder shall be limited to damage to the environment which:

(1) Occurs after the effective date of the Agreement: and

(2) Results from any act or omission of the contractor.

In no event shall the contractor be liable for indirect or consequential damages or losses save to the extent of any such indirect or consequential damages or losses that are the subject of any settlement in favour of any third party who has incurred or suffered such damages or losses.

**Article 22**

**Use, ownership, and abandonment of assets**

22-1 Use of existing infrastructure

The National Gas and Oil Authority shall use reasonable efforts to obtain for the contractor, in connection with the contractor's share of natural gas production, access to all existing production, transportation, treatment and export facilities and other infrastructure up to the point or points of delivery in the Kingdom of Bahrain on terms no less favourable to the contractor than those associated with any other bona tide arm's length user of such facilities and infrastructure. The contractor shall use reasonable efforts to utilize for petroleum operations existing transportation. Treatment and export facilities and other infrastructure in the Kingdom of Bahrain, to the extent they are available on terms no less favourable to the contractor than those associated with any other bona fide arm's length user of such facilities and infrastructure To the extent that they are available on terms no less detailed to the Contractor than those associated with any user of those facilities and infrastructure on a commercial basis out of good faith.

22-2 The National Gas and Oil Authority rights to the contractor assets

All contractor rights, title, and interest to: (Firstly) assets brought into the Kingdom of Bahrain, by the contractor for petroleum operations, other than such assets brought into the Kingdom of Bahrain on a temporary entry basis; or (Secondly) assets acquired by the contractor within the Kingdom of Bahrain, shall be subject to the following:

(a) On the date that the acquisition of any land, or any related rights, acquired by the contractor for petroleum operations becomes effective, The National Gas and Oil Authority shall have the right to require the contractor to transfer to The National Gas and Oil Authority, free of any charges or encumbrances. all rights, title, and interest to such land.

(b) On and from the date that the acquisition of data and other information (including documents, reports, cutting samples, open hole logs, velocity data, etc) in relation to the interval between the surface and the base Unayzah formation (the "shallow reservoirs") acquired by the contractor in connection with petroleum operations. becomes effective until the expiry or earlier termination of this agreement, the contractor shall transfer to The National Gas and Oil Authority. free of any charges or encumbrances, all rights, title and interest to such data and other information,

(c) Upon the expiry or earlier termination of this agreement, the contractor shall transfer unconditionally and immediately to The National Gas and Oil Authority, free of any charges or encumbrances. all rights, title, and interest to any assets other than land and data and other information transferred to The National Gas and Oil Authority in accordance with articles 22-2(a) and (b), whether fixed or moveable, acquired and owned by the contractor for use in petroleum operations either inside or outside the deep gas contract area.

22-3 The rights of third parties to access the assets of the contractor

If any assets are not needed by the contractor on an exclusive basis for petroleum operations, and if the joint use thereof by the contractor and third parties designated by The National Gas and Oil Authority would not harm, prejudice, hinder, delay or otherwise materially interfere with petroleum operations hereunder, then the contractor shall make such assets available for use by such third parties. Use of such assets shall be subject to the conclusion of a written agreement between the contractor and such third parties (subject to prior approval by the The National Gas and Oil Authority), defining their respective rights, obligations and liabilities in consequence of such joint use thereof. and provided that any payment received by contractor from such third parties in respect of the access to and/or use of such assets shall be credited to the operating account.

22-4 Sale of surplus assets

Contractor may sell within the Kingdom of Bahrain any surplus assets of any nature no longer required for petroleum operations, other than those brought into the Kingdom of Bahrain on temporary entry basis. By giving notice to The National Gas and Oil Authority describing such assets The National Gas and Oil Authority may, by giving the contractor notice within thirty (30) days of the contractor's notice, buy such assets by paying the contractor the net book value of the asset. In such an event The National Gas and Oil Authority shall be responsible for abandoning such asset and the contractor shall have no further liability in regard to such abandonment.  If The National Gas and Oil Authority does not so respond to the contractor within such thirty (30) day period then the contractor shall be free to sell such Assets to a third party at a negotiated price. In either event the asset sold and the unrecovered net book value of the asset will be removed from the petroleum cost account. Any positive difference between the proceeds of sale and the net book value of the asset shall be credited against petroleum costs due for cost recovery in the calendar quarter of the asset sale. However, should the contractor sell such assets at a price lower than the net book value, any loss shall be for the sole account of the contractor. Any such sale shall be subject to:

(a) The third party buyers paying any applicable customs duties not previously paid by the contractor.

(b) The third party buyers agreeing to be bound, to the benefit of The National Gas and Oil Authority, by the contractor's abandonment obligations as described in this agreement, and with The National Gas and Oil Authority being provided with a copy of such agreement.

(c) Agreement by The National Gas and Oil Authority, which shall not be unreasonably withheld, that such buyer's abandonment obligations are subject to adequate security.

22-5 Ending the process and abandoning the area

(a) Upon: (Firstly) the contractor's voluntary decommissioning of an asset; (Secondly) the contractor's partial relinquishment of the deep gas contract area; (Thirdly) early termination of this agreement; or (Fourthly) expiry of this agreement, the contractor shall:

(1) Consult with The National Gas and Oil Authority on the terms and conditions of any and all abandonment activities proposed to be undertaken by the contractor, including abandonment activities pursuant to an abandonment plan. prior to proposing such abandonment activities to the management committee (in an annual work programme and budget or an abandonment plan, as applicable),

(2) Remove relevant fixed assets, equipment, facilities and installations in a manner consistent with good international petroleum industry practices and according to an abandonment plan approved by the management committee in consultation with The National Gas and Oil Authority, which approval shall not be unreasonably withheld, and pursuant to, in the case of fixed assets, such abandonment plan,

(3) Perform all necessary site restoration in accordance with the good international petroleum industry practices and in a manner approved by the management committee in consultation with The National Gas and Oil Authority, and pursuant to, in the case of fixed assets, the associated abandonment plan proposed by the contractor and approved by the management committee in accordance with article 22-5(a) above, and take all other action necessary to prevent hazards to human life, to property, or the environment.

(b) Under no circumstances shall any expenditures incurred by the contractor in performing any abandonment work approved in the relevant contract year's annual work programme and budget in relation to the development area containing the Jauf discovery be cost recoverable per the terms of this agreement

22-6 abandonment fund

(a) In order to finance the decommissioning of all fixed assets such as gathering facilities, wells, pipelines, separating and/or processing facilities and terminals. the parties shall open, in regard to each development plan, a joint escrow account at a bank of good international repute to be agreed to by the management committee. This account shall be known as the "abandonment fund" for the associated development plan and shall be administered for value. The structure of the escrow account and the terms for the administration of the abandonment fund money shall be agreed to by the management committee. All money allocated to the abandonment fund shall be classified as operating costs. The first abandonment fund shall be designed to also finance, as may be applicable, the abandonment of the any wells drilled prior to approval of the first development plan. In no event shall an abandonment fund exceed ten percent (10%) of all capital costs incurred in the associated development plan.

(b) The contractor shall commence making contributions to the abandonment fund in the first calendar quarter following the earlier of (Firstly) the calendar quarter when seventy percent (70%) of petroleum reserves identified in the associated development plan have been recovered and (Secondly) the start of the fifteenth (15) contract year,whichever occurs first.

(c) The contractor shall transfer funds on a calendar quarterly basis to the abandonment fund according to the following formula:

(c) QAT - ((COA x (ERCE/EUR) x (PARES/ARES))- CAF

Where:

QAT: Is the amount of funds to be transferred to the abandonment fund for that calendar quarter.

COA: is the estimated cost of abandonment operations established pursuant to article 22-5, up to the limit established in article 22-6(a).

EUR: is the expected ultimate recovery for the development area.

ERCE: is the expected recovery for the development area at the end of the Agreement.

ARES: is the estimated petroleum reserves remaining to be recovered from the development area from the end of the calendar quarter in which the abandonment fund was opened until the end of the Agreement.

PARES: is the cumulative production of petroleum from the development area from the end of the calendar quarter in which the abandonment fund was opened until the end of the Agreement.

CAF: is the abandonment fund balance at the end of the previous calendar quarter.

(d) If, at any time prior to the termination of this agreement, the contractor intends to abandon any fixed asset located either within the contract area or in a relinquished area, then the contractor shall give timely notice to The National Gas and Oil Authority prior to such abandonment and consult with The National Gas and Oil Authority on the specific details of the proposed abandonment (including the allocation of the associated abandonment fund to each fixed asset). The National Gas and Oil Authority may elect, within thirty (30) days of such notice, to take ownership of such asset by paying the contractor the net book value of such asset. In the event of such an election by The National Gas and Oil Authority the appropriate portion of the associated abandonment fund shall be transferred to The National Gas and Oil Authority at the time The National Gas and Oil Authority commences decommissioning of such fixed asset or termination of this agreement, whichever comes first.

(e) Upon the expiry or early termination of this agreement, the contractor shall notify The National Gas and Oil Authority of all fixed assets and consult with The National Gas and Oil Authority on the specific details of the proposed abandonment (including the allocation of the associated abandonment fund to each fixed asset). The National Gas and Oil Authority may elect, within thirty (30) days such notice, to take ownership of any assets with no consideration payable by The National Gas and Oil Authority to the contractor. An appropriate portion of the abandonment fund, in accordance with the respective assets to be abandoned, shall be determined by the management committee and shall be transferred to the contractor or to The National Gas and Oil Authority, as the case may be, whichever is responsible for abandoning such fixed assets. If The National Gas and Oil Authority elects to continue to use or to abandon any fixed assets, then The National Gas and Oil Authority may abandon such fixed assets as and when it decides. Abandoning of any fixed assets, by the contractor, in accordance with all applicable laws and good international petroleum industry practices.

(f) In the event there are insufficient funds in the abandonment fund to enable the contractor to complete abandonment operations for which the contractor is responsible, the contractor shall, in spite of any applicable termination of this agreement, continue to remain responsible for the completion of such abandonment at its sole cost, and shall indemnity The National Gas and Oil Authority from and against any loss, damage or liability of any nature whatsoever connected with such fixed assets.

(g) If The National Gas and Oil Authority takes ownership of any fixed assets pursuant to articles 22-2(c), 22-5(d) or 22-6(e), then the contractor shall be released from all responsibility and liability pertaining to such fixed assets, inclusive of the obligation to pay any additional funds should there be insufficient funds in an abandonment fund on and from the date on which The National Gas and Oil Authority takes ownership of such fixed assets. The National Gas and Oil Authority shall indemnify the contractor from and against any loss, damage or liability of any nature whatsoever connected with such fixed assets arising on or after the date on which The National Gas and Oil Authority takes ownership of such fixed assets.

(h) Not later than one (1) year prior to the calendar year in which the earlier of (Firstly) seventy percent (70%) of the petroleum reserves identified in a development plan are expected to be recovered and (Secondly) the start of the fifteenth (15) contract year, contractor shall propose an associated abandonment plan and an estimate of the cost of abandonment operations for approval by the management committee. Thereafter the contractor shall annually examine the estimated costs of the associated abandonment plan and, if appropriate, revise the estimate, and any such revisions shall be submitted for approval by the management committee.

(i) In the event that there are excess funds in any applicable abandonment fund following completion of all abandonment operations in regard to a development area, then such excess shall be distributed between The National Gas and Oil Authority and the contractor in proportion to the ratio of profit non-associated gas received by them from the associated development area during the preceding ten (10) years.

**Article 23**

**Preference for local services, goods, and employees**

23-1 preference for local services and facilities

(a) The contractor shall use The National Gas and Oil Authority/BAPCO services and facilities for petroleum operations available as of the effective date to the extent that they are acceptable for the intended purposes and are available from The National Gas and Oil Authority/BAPCO and on terms that are no less favourable to the contractor than those otherwise available from third parties in the Kingdom of Bahrain. The contractor has the right, in the context of any such services and facilities available from The National Gas and Oil Authority/BAPCO, to terms no less favourable to the contractor than those agreed with any other non-affiliate of The National Gas and Oil Authority using such services and/or facilities.

(b) Subject to article 23-1(a), the contractor shall select subcontractors for the supply of services required for petroleum operations from among companies that are nationals of the Kingdom of Bahrain, or companies that are controlled by persons who are nationals of the Kingdom of Bahrain, provided that:

(1) Such companies can demonstrate that they have the capability to deliver such services according to the necessary standard on a timely basis.

(2) The cost of such services from such a company does not exceed the cost of such services available from other companies by more than ten percent (10%).

(3) The terms and conditions, other than price, applicable to such services are substantially competitive with those available from other companies.

Subject to article 19-1(a), the contractor shall have the right to engage the services of any affiliates of the contractor or The National Gas and Oil Authority, and other persons of his own choosing, as subcontractors for the carrying out of petroleum operations as long as the costs of such services are substantially competitive with those available from other companies.

23-2 preference for local goods

(a) The contractor shall select vendors for the supply of goods required for petroleum operations from among companies that are nationals of the Kingdom of Bahrain, or companies that are controlled by persons who are nationals of the Kingdom of Bahrain, provided that:

(1) Such companies can demonstrate that they have the capability to deliver such goods according to the necessary standard on a timely basis.

(2) The cost of such services from such a company does not exceed the cost of such goods available from other companies by more than ten percent (10%).

(3) The terms and conditions, other than price, applicable to such goods are substantially competitive with those available from other companies.

(b) The contractor shall give first priority to such companies that manufacture the required goods in the Kingdom of Bahrain, provided that they meet the criteria as is described above in this article 23-2

23-3 obligations under bilateral and multilateral treaties

The application of articles 23-1 and 23-2 shall be without prejudice to the Kingdom of Bahrain's obligations under bilateral and multilateral treaties which are in force in the Kingdom of Bahrain.

23-4 preference for local employees

(a) Subject to the labour laws of the Kingdom of Bahrain and any executive decisions issued by the Ministry of Labour arising therefrom, the contractor shall employ nationals of the Kingdom of Bahrain for the implementation of petroleum operations provided that:

(1) Such persons have the required qualifications.

(2) The cost associated with the employment of such persons does not substantially exceed the cost of employment of qualified persons from other countries.

(3) The terms and conditions, aside from price, applicable to the employment of such persons are substantially competitive with those available in connection with persons from other countries.

(b) In the event that insufficient numbers of qualified nationals of the Kingdom of Bahrain are available for the implementation of petroleum operations then the contractor shall employ nationals of other Gulf Cooperation Council nationals on the same basis as is described above in this article 23-4.

(c) In the event that insufficient numbers of qualified nationals of other Gulf Cooperation Council nations are available for the implementation of petroleum operations then the contractor may employ nationals of other countries.

**Article 24**

**Training and transfer of technology**

24-1 training

(a) The contractor shall provide training for nationals of the Kingdom of Bahrain, including both nationals of the Kingdom of Bahrain employed by the contractor as well as employees of The National Gas and Oil Authority.  The contractor shall make annual expenditures for this purpose of (Firstly) no less than fifty thousand dollars (50,000 Dollars) prior to the contractor's submission of the first development plan to the management committee for approval, and (Secondly) no less than one hundred thousand dollars (100,000 Dollars) subsequent to such submission. Such annual expenditure shall be clearly stated in the relevant annual work programme and budget. Such annual expenditure shall be in accordance with a training plan that shall be included as part of the relevant annual work programme and budget and approved by the management committee. Such expenditures shall be classified as follows:

(1) Exploration expenditures if they were made prior to the contractor's submission of the first development plan to the management committee for approval.

(2) Development costs if they were made after the contractor's submission of the first development plan to the management committee for approval.

(3) Operating costs if they are made after the first petroleum production commencement date, as appropriate.

(b) It is recognised that this agreement has been entered into by the parties with the intention of giving effect to certain principles relating to the Bahrainisation of the project at all levels of petroleum operations, including the following:

(1) The parties recognise that the success of the project will rely heavily upon the contractor's ability to train and develop a sufficient number of highly qualified Bahrainis to fill positions which arise in the conduct of petroleum operations by the contractor.

(2) The contractor will implement an annual plan, in a form acceptable to The National Gas and Oil Authority and in accordance with article 24-1(a), to ensure that Bahrainis develop expertise in each of the areas necessary to implement the petroleum operations undertaken by the contractor.

(3) After the approval of a development plan, the contractor shall, from time to time, identify two Bahraini employees of the contractor or, in consultation with The National Gas and Oil Authority, Bahraini employees of The National Gas and Oil Authority and The National Gas and Oil Authority's affiliates, for managerial positions and above within the petroleum operations undertaken by the contractor with particular attention to such employees filling critical senior positions and shall provide access to suitable leadership and management training programs for employees including cross-posting and training within and outside of petroleum operations within the Kingdom of Bahrain as appropriate.

(4) The contractor shall, at all times during the term, maintain a high level of training and development programmes for Bahraini employees of the contractor through a proper assessment of performance and identification of gaps in skills required to assume responsibility of operations in the development plan proposed by the contractor to the management committee for approval.

24-2 transfer of technology

The contractor shall apply in good international petroleum industry practices the petroleum operations, including: exploration technology; development technology, including technology that can improve the economic yield performance of petroleum reservoirs; and proprietary and/or patented technology. The contractor shall transfer such technology by way of an element of the respective training and development programmes pursuant to article 24-1. If any such proprietary or patented technology is restricted by a third party, then the contractor shall, to the extent reasonably possible, attempt to obtain permission for the transfer of such restricted technology. The technology transferred under this agreement shall remain the exclusive property of the owner; either the contractor, one or more of his affiliates or a third party; as applicable. and shall be subject to the confidentiality restrictions described in article 26-3

24-3 Social contribution fund

(a) During the term of this agreement, The contractor shall create a social contribution fund to which it will contribute the amounts detailed below in each contract year. The social contribution fund shall be applied towards causes identified by The National Gas and Oil Authority including social, educational, health or other similar projects in the Kingdom of Bahrain.

**Recovery factor Contractor's contribution**

**(dollars per contract year)**

Less than 1.00 Nothing

1.00-1.50 1,000,000 Dollars

1.51-1.75 1500000 Dollars

1.76-2.00 2,000,000 Dollars

Greater than 2.00 2,500,000 Dollars

(b) The contractor shall not be required to make any contribution to the social contribution fund until the contract year following the first calendar quarter in which the Recovery factor is greater than 1.

(c) The application of the social contribution fund shall be supervised by The National Gas and Oil Authority in coordination with the appropriate authorities in the Kingdom of Bahrain

(d) Contributions to the social contribution fund shall be cost recoverable as operating costs pursuant to article 14.

**Article 25**

**Liabilities, indemnification and insurance**

25-1 liabilities and indemnification

Except as otherwise set forth in this agreement

(a) The National Gas and Oil Authority, the government, their affiliates, its affiliates, sub-contractors, and their respective management and personnel (the "The National Gas and Oil Authority Group") shall not be liable for and the contractor shall indemnify and hold The National Gas and Oil Authority Group harmless from and against any and all injury, sickness, death, loss, action, claim, damage, cost, liability or expense (including loss of or damage to equipment, property and materials), howsoever caused arising out of or related to petroleum operations conducted by or on behalf of the contractor, even if accidental, save and to the extent that such injury, sickness, death, loss, action, claim, damage, cost, liability or expense has been caused by the negligence or wrongful act of any member of The National Gas and Oil Authority Group.

(b) The National Gas and Oil Authority shall indemnify and hold the contractor, its affiliates, sub-contractors, and their respective management and personnel (the "contractor group") harmless from and against any and all such injury, sickness, death, loss, action, claim, damage, cost, liability or expense (including loss of or damage to equipment, property and materials) to the extent caused by such negligence or wrongful act on the part of any member of The National Gas and Oil Authority Group.

25-2 Contractor responsibility for loss of natural gas

Subject to articles 25-1(a) and 25-2, the contractor shall be responsible for all losses of natural gas that result from the contractor's wilful misconduct. The National Gas and Oil Authority may, by written notice to the contractor, at any time cause any such loss to be applied to reduce the contractor's share of profit non-associated gas.

25-3 Consequential losses

Without prejudice to laws of the Kingdom of Bahrain, in no event shall The National Gas and Oil Authority or the contractor be liable to the other for any indirect or consequential loss or damage arising out of or related to this agreement, including inability to produce natural gas, lost production or loss of or delay in production of natural gas

25-4 Contractor's insurance

Without prejudice to the contractor's liabilities as described in article 25-1, the contractor shall, during the term of this agreement, maintain and obtain insurance coverage for and in relation to petroleum operations for such amounts and against such risks as are prudently insured in accordance with good international petroleum industry practices, including but not limited to the contractors indemnity obligations as are described in article 25-1. The contractor shall consult The National Gas and Oil Authority on the proposed insurance programme including the limits, coverage, deductibles and other terms thereof and the specific risks against which the contractor does not propose to procure insurance cover and against which the contractor shall self insure and be fully liable to ensure that the proposed insurance programme provides sufficient coverage in the reasonable opinion of both the contractor and The National Gas and Oil Authority. The contractor shall, within ninety (90) days of the effective date, submit to the management committee for approval such a proposed insurance programme - inclusive of limits, coverage, deductibles and other terms thereof. The contractor shall, within sixty (60) days of approval of the insurance Programme by the management committee, provide to the management committee certificates evidencing that the applicable coverage is in effect and shall provide an Undertaking to The National Gas and Oil Authority stating that the contractor shall self insure and be fully liable for any risks as are prudently insured in accordance with good international petroleum industry practices against which the contractor does not procure insurance. The contractor shall also submit to the management committee for approval any proposed subsequent insurance programme not less than sixty (60) days prior to any renewal. The contractor shall provide to The National Gas and Oil Authority copies of applicable certificates within thirty (30) days of any request made by The National Gas and Oil Authority. Such insurance policies shall name The National Gas and Oil Authority and the government as additional insured (or as additional "loss payees"), shall waive subrogation against The National Gas and Oil Authority and the government, and shall provide that they may not be cancelled except upon thirty (30) days prior notice to The National Gas and Oil Authority. The contractor shall actively pursue any claims against. Insurers. Any amount received by the contractor from such insurance shall be applied and accounted for an accordance with the accounting procedure. The contractor shall not self-insure or insure through affiliates without the specific poor approval of The National Gas and Oil Authority. The contractor may use its normal worldwide insurance programmes and coverage to satisfy these insurance obligations only with the specific prior written approval of The National Gas and Oil Authority. Such insurance shall, without prejudice to the generality of the foregoing, cover:

(a) Loss or damage to all installations, equipment and other assets for so long as they are used in or in connection with petroleum operations.

(b) Loss, damage or injury caused by pollution in the course of or as a result of petroleum operations.

(c) Loss of any property or damage or bodily injury suffered by any party in the course of or as a result of petroleum operations.

(d) Any claim for which any member of The National Gas and Oil Authority group may be liable relating to the loss of property or damage or bodily injury suffered by any party in the course of or as a result of petroleum operations for which the contractor is liable to indemnify The National Gas and Oil Authority Group under article 25-1.

(e) The cost of cleaning up operations following any accident in the course of or as a result of petroleum operations.

(f) Loss of natural gas that has been produced to the surface, nominating the contractor and The National Gas and Oil Authority as joint beneficiaries.

25-5 Sub-contractor insurance

The contractor shall be responsible for his subcontractors obtaining and maintaining insurance as described article 25-4, and discharging to The National Gas and Oil Authority the obligations described in article 25-4, applied mutatis mutandis to such subcontractors.

**Article 26**

**Data, information and confidentiality**

26-1 Data and information relating to the deep gas contract area

(a) Without prejudice to the laws of the Kingdom of Bahrain and subject to any applicable confidentiality agreements entered into by The National Gas and Oil Authority. The contractor shall have access to, in an original or reproducible form of good quality and on tape or other media (including electronic or computer records) where relevant, all geological, geophysical, petrophysical, engineering, well, production and other information and data relating to the deep gas contract area obtained by The National Gas and Oil Authority and/or BAPCO prior to the effective date of this agreement.

(b) The contractor shall record, in an original or reproducible form of good quality and on tape or other media (including electronic or computer records) where relevant, all geological, geophysical, petrophysical and engineering information and data relating to the deep gas contract area obtained by the contractor in the course of conducting petroleum operations and shall deliver a copy of all such information and data, including the interpretation thereof and logs, tests and records of wells, and any other information obtained by the contractor consistent with good international petroleum industry practices to The National Gas and Oil Authority as soon as reasonably possible after the same has come into the possession of the contractor.

(c) The contractor shall keep logs and records of the drilling, deepening, plugging or decommissioning of wells consistent with good international petroleum industry practices and containing particulars of:

(1)The layers through which the well was drilled

(2) The casing, drill pipe, tubing and down-hole equipment run in the well and modifications and alterations thereof

(3) Petroleum, water and valuable mineral resources and any other information consistent with good international petroleum industry practices

(d) The information required by articles 26-1(c) shall be submitted to The National Gas and Oil Authority in the form of well completion reports within ninety (90) days from completion of the well in question.

(e) With prior notice to The National Gas and Oil Authority, the contractor may if necessary remove from the Kingdom of Bahrain, for the purpose of laboratory examination or analysis, petrological specimens (including cores and cuttings) or samples of natural gas found in the deep gas contract area and characteristic samples of the strata or water encountered in a well and seismic data on tape or other media. Upon request, the contractor will provide The National Gas and Oil Authority with copies or equivalent samples and specimens of the materials which contractor proposes to remove from the Kingdom of Bahrain.

(f) The contractor shall supply to The National Gas and Oil Authority on a timely basis (or as otherwise specifically provided below):

(1) Daily reports on drilling operations and weekly reports on field geophysical surveys as soon as they are available.

(2) Within ten (10) days after the end of each calendar month, a report on the progress of petroleum operations during the preceding calendar month, covering:

Firstly) A description of the petroleum operations carried out and the factual information obtained including natural gas production data from the deep gas contract area overall and on a well by well basis.

Secondly) A description of the deep gas contract area in which the contractor has operated.

Thirdly) A map indicating the location of all wells and other petroleum operations.

(3) Within three (3) months of the end of each contract year an annual report summarizing the matters specified in article 26-1(f) for the preceding contract year.

(4) Reports on completion of major elements of petroleum operations, inclusive of contractor's interpretations of data obtained as result of petroleum operations, or unforeseen events.

(5) Other reports as may reasonably be requested by the management committee. Additionally, the contractor will inform the The National Gas and Oil Authority of all discoveries other than natural gas, such as discoveries of non-petroleum natural resources

The daily and weekly reports required to be submitted to The National Gas and Oil Authority pursuant to this article 26-1 shall be submitted in the original language of the reports and all other reports and records required to be submitted to The National Gas and Oil Authority pursuant to this article 26 shall be submitted in the English language.

(G) The contractor shall ensure the transfer of all data provided to The National Gas and Oil Authority in accordance with this article 26 to an electronic integrated database compatible with The National Gas and Oil Authority's requirements (including in relation to the configuration of the database) in the Kingdom of Bahrain, at a location agreed by the parties, and shall provide reasonable access to such database to The National Gas and Oil Authority and its affiliates. Upon expiry or termination of this agreement, as applicable, The National Gas and Oil Authority shall have the exclusive right to use such database and/or grant access to such database to The National Gas and Oil Authority's affiliates or third parties.

(h) At the request of The National Gas and Oil Authority, the contractor shall keep and store on behalf of The National Gas and Oil Authority and for the account of petroleum operations, such data related to petroleum operations as The National Gas and Oil Authority may reasonably request to be kept and stored from time to time, for a period of up to three (3) years, and with respect to seismic tapes and data, up to five (5) years from the date on which such data was made available to The National Gas and Oil Authority. The contractor shall keep and store such data in a sound and prudent manner. The contractor shall, in a timely manner after receiving a written The National Gas and Oil Authority, subject to any exceptions that The National Gas and Oil Authority may give its prior written consent to.

(I) Upon termination of this Agreement, all data shall be returned to the National Oil and Gas Authority. Notwithstanding such termination, the National Oil and Gas Authority may require the Contractor, and the Contractor shall, for a period not exceeding one (1) year from the termination of this Agreement, retain and store the seismic tapes and data outside the Kingdom of Bahrain in a sound and prudent manner. During such period, the National Oil and Gas Authority may request in writing, and the Contractor shall be obliged to provide to the National Oil and Gas Authority by the specified date after receipt of such written request, copies of such seismic tapes and data. The National Oil and Gas Authority shall compensate the Contractor for the actual cost of making the copies.

26-2 Data and information related to shallow reservoirs

The Contractor shall be obliged to record in original form or on a medium capable of being reproduced in good quality and on tape or by any other means (including electronic or computer recordings), as appropriate, all geological, geophysical, petrophysical and engineering information and data relating to the shallow reservoirs and to the extent that the Contractor obtains such information and data in the course of conducting petroleum operations, provided that the Contractor shall not be obliged to obtain such information and data under this Agreement, and the Contractor shall provide a copy of such information and data, including interpretations and records of its well charges, tests and records and any other data obtained by the Contractor in accordance with good international oil industry practice to the National Oil and Gas Authority within a period not exceeding thirty (30) days after such information and data is obtained and for the avoidance of doubt, the National Oil and Gas Authority shall have the right to provide such data to any party.

26-3 Confidentiality

(a) All data and other information which the Contractor develops and/or acquires and/or obtains in any manner whatsoever under this Agreement (including the Contractor's interpretations of data resulting from petroleum operations and/or other reports or documents prepared on the basis of such data or other information) shall become the property of the National Oil and Gas Authority, except as excluded by the National Oil and Gas Authority by virtue of its prior written approval. However, and subject to the provisions of this Article 22-2, the Contractor shall be absolutely free to use any such information In connection with the implementation of the Petroleum Transactions, this Agreement, together with such information, shall be treated as strictly confidential and, accordingly, neither Party shall disclose the same - except as otherwise provided in this Agreement - without the prior written consent of the other Party (provided that such consent shall not be unreasonably withheld) :

(1) In regard to information that has come into the public domain otherwise than by breach by any such party of its confidentiality obligations under this article 26-3

(2) If, and only the extent as, required by applicable law.

(3) If required by the disclosure provisions of the applicable stock market (stock exchange) in which the shares of the disclosed party are listed

(4) If necessary to the extent reasonably required by dispute resolution proceedings under article 32

(5) If such disclosure is to:

Firstly) Any affiliate of the disclosing party.

Secondly) Attorneys and/or consultants of the disclosing party.

Thirdly) Banks or other financial institutions; provided that the disclosing party obtains a written agreement from the party to whom it wishes to make such disclosure that such party will abide by a confidentiality undertaking in terms consistent with and no less stringent than the terms of this article 26-3. In all such circumstances, the disclosing party shall hold the other party harmless from any breach of such confidentiality obligation. If an attorney is required to disclose the contents of this document under the applicable professional conduct rules of that attorney's regulator or bar association, he shall be deemed to have been required to do so by law.

(6) If disclosure is to a prospective bona fide assignee of all or a portion of contractor's interest in this agreement provided that prior to making any such disclosure the contractor shall obtain a written undertaking of confidentiality from the intended recipient in terms consistent with and no less stringent than the terms of this article 26-3.

(7) If disclosure is reasonably necessary to be made by The National Gas and Oil Authority, or the contractor, by way of implementation of this agreement or in the course of petroleum operations to contractors or subcontractors, as applicable. Provided that prior to making any such disclosure the disclosing party shall obtain a written undertaking of confidentiality from the intended recipient in terms consistent with and no less stringent than the terms of this article 26-3

(b) The contractor shall not sell any of the information described in article 26-3(a)

(c)The National Gas and Oil Authority shall have the right to disclose to third parties any of the information described in article 26-3(a) which is associated with any portion of the deep gas contract area that has been relinquished by the contractor or which is associated with any portion of the deep gas contract area after expiry or early termination of this agreement. The National Gas and Oil Authority shall also have the right to disclose to third parties any of the Information described in article 26-3(a) to third parties in regard to upon relinquished portions of the deep gas contract area four (4) years after the date that such information has been generated or otherwise obtained by the contractor. The information described in article 26-3 shall remain the property of the The National Gas and Oil Authority and must timely be returned to the The National Gas and Oil Authority upon expiry or early termination or of this agreement, or upon relinquishment of areas within the deep gas contract area, in regard to any such information that is associated with such relinquished area.

**Article 27**

**Records, reports, accounts and audit**

27-1 records, accounts and reports

The contractor shall be required to keep in the Kingdom of Bahrain clear and accurate accounts and records of all petroleum operations and petroleum costs, which shall at all reasonable times be available to The National Gas and Oil Authority and/or The National Gas and Oil Authority's authorized representatives, upon request. Such accounts shall be kept in accordance with the accounting procedure. The contractor shall, within thirty (30) business days from receiving any request from The National Gas and Oil Authority, make available, in a meaningful form, any and all such information related to petroleum operations and petroleum costs as reasonably requested by The National Gas and Oil Authority. The National Gas and Oil Authority shall have the right at all reasonable times to inspect all records and documents kept by the contractor hereunder.

27-2 profit and loss statement, balance sheet, and cash flow statement

In accordance with the requirements of the commercial companies law of Bahrain (Law promulegated by Legislative decree no 21 of 2001), the contractor shall submit to The National Gas and Oil Authority a profit and loss statement in relation to the petroleum operations for each contract year by march 31 of the following contract year, to show the net profit or loss from the petroleum operations for such contract year. The contractor shall, concurrently, submit a year-end balance sheet and cash-flow statement for such contract year to The National Gas and Oil Authority.

27-3 financial, operations and insurance programme reporting

**A.** The contractor shall keep The National Gas and Oil Authority fully informed as to the progress and results of all petroleum operations, and shall give financial information concerning such operations concurrently with the technical information to be provided under article 26-1.

B. The parties agree that, after the approval of a development plan, no more than once every three (3) years at the request of The National Gas and Oil Authority. An internationally recognized, independent consultant shall be appointed jointly by The National Gas and Oil Authority and the contractor to provide a written report to The National Gas and Oil Authority and the contractor on the extent to which the contractor has complied with its obligations to conduct petroleum operations in accordance with this agreement. The costs of such consultancy services shall be borne by the contractor and shall be cost recoverable as operating costs.

C. The parties agree that, after the approval of a development plan, an internationally recognised, independent consultant may, no more than once every three (3) years at the request of The National Gas and Oil Authority, be appointed by the contractor to provide its assessment of the extent to which the insurance programme proposed or arranged by the contractor pursuant to article 25-4 complies with the requirement of that article.  Any recommendations included in such assessment shall be discussed by the management committee and, to the extent approved by the management committee, shall be adopted by the contractor. The costs of the assessment shall be borne by the contractor and shall be cost recoverable as operating costs.

27-4 Statement of petroleum costs

**A.** The contractor shall provide to The National Gas and Oil Authority, in respect of each calendar quarter, the estimate and the statement of petroleum costs, each prepared in accordance with the accounting guidelines and procedure.

B. Subject to The National Gas and Oil Authority's audit rights as described in articles 27-3(b) and article 27-5, provided that the statement of petroleum costs is prepared in accordance with the accounting guidelines & procedure, each such statement shall be presumed to be true and correct and the contractor may include the petroleum costs stated in such statement into the petroleum cost account.

C. Unless the accounting guidelines and procedure specifically provides otherwise, costs that are not supported by an approved work programme and budget cannot be entered in the petroleum cost account without the approval of the management committee.

27-5 The National Gas and Oil Authority's audit rights

**A.** The National Oil Authority and/or its representatives have the right, by giving prior written notice to the Contractor, and at the expense of the National Oil and Gas Authority, to audit the books of account, records and files of the Contractor in relation to Petroleum Operations for any quarter of a calendar year, even after the lapse of two years (2) from the end of the relevant calendar quarter.

B. Within thirty (30) days from the date of conclusion of its audit, The National Gas and Oil Authority shall give to the contractor a draft audit report. The parties shall meet within thirty (30) days from the date of receipt by the contractor of the audit report and shall endeavour to reach a mutually satisfactory agreement and to settle the matter by making any required adjustments. If no such agreement is reached within sixty (60) days from the date of the parties' first meeting, then either party may at any time thereafter refer the matter for settlement pursuant to article 32-2. The petroleum cost account shall be adjusted pursuant to the determinations made there under.

**Article 28**

**Assignment**

28-1 assignment

No assignment, mortgage, pledge, charge, or other encumbrance shall be made by the contractor or by any party comprising the contractor of any of its rights and/or obligations under this agreement other than in accordance with this article 28-1. Any attempted assignment or encumbrance made in breach of the provisions of this article 24-1 shall be null and void. The provisions of this agreement shall inure to the benefit of and be binding upon the permitted assigns and successors in interest of the parties.

**A.** subject to the requirements of this article 28-1(g), any contractor party may, upon not less than ninety (90) days prior notice to The National Gas and Oil Authority, assign all or any undivided portion of its participating interest to any of its wholly-owned affiliates.

B. subject to the requirements of this article 28-1, any contractor party may, with the prior written consent of The National Gas and Oil Authority (which consent shall not be unreasonably withheld, consistent with the criteria described in article 28-1(g)), assign all or any undivided portion of its participating interest to a non-affiliate.

C. if any contractor party wishes to make an assignment pursuant to article 28-1(b), it shall give prior notice to The National Gas and Oil Authority, specifying therein the name and address of the proposed assignee and the terms, price and conditions of the proposed assignment.

D. within thirty (30) days of receipt of the notice referred to in article 28-1(c), The National Gas and Oil Authority shall notify the assigning contractor party whether it elects to acquire such participating interest. In making such election, The National Gas and Oil Authority may choose to acquire such participating interest on its behalf or on behalf of any entity wholly owned by the government. The National Gas and Oil Authority may not elect any other entity to acquire such participating interest.

E. if The National Gas and Oil Authority elects not to acquire the assigning contractor party's participating interest pursuant to article 28-1(d), or if The National Gas and Oil Authority does not issue the notice described in article 28-1(d) within the thirty (30) day period described in that article, the assigning contractor party may assign such participating interest to the proposed assignee on terms no more favourable than those set forth in the notice provided in accordance with article 28-1(c), such assignment to be completed within a period of one hundred eighty (180) days (or such period as may be necessary to obtain requisite approval of the government, not to exceed a further one hundred eighty (180) days) from the date of the notice of the prospective assignment.

F. information regarding a proposed assignment provided to The National Gas and Oil Authority pursuant to article 28-1(c) shall be treated as confidential and shall be used by The National Gas and Oil Authority for the sole purpose of evaluating whether to request assignment of such participating interest to it.

G. it shall be a condition precedent to any assignment made pursuant to articles 28-1(a) or 28-1(b) above that, unless otherwise expressly agreed to by The National Gas and Oil Authority in writing, the assignee shall:

1. enter into a written agreement with The National Gas and Oil Authority, in a pre-approved form as attached hereto as (Appendix i) or in a form approved by The National Gas and Oil Authority's legal counsel and consistent with good international petroleum industry practices, which shall provide that such assignee agrees to be bound by all of the terms and conditions of this agreement.

2. provide to The National Gas and Oil Authority the bank letter of guarantee, and or parent company guarantees required pursuant to articles 6-1 and 6-2.

3. have the technical and financial ability commensurate with the responsibilities and obligations that would be imposed on it under this agreement.

4. not be an entity incorporated in a country, or controlled directly or indirectly by an entity which is incorporated in a country, with which the government, for policy reasons, has restricted trade or business, or with which The National Gas and Oil Authority and/or the government cannot otherwise legally do business.

H. no assignment shall be permitted which would result in any contractor party, either assignor or assignee, holding a participating interest of less than ten percent (10%), except where The National Gas and Oil Authority may, in special circumstances, so permit.

I. subject to article 28-1(k), a change in control of a contractor party shall be deemed an assignment of its undivided interest, rights and obligations under this agreement requiring compliance with the terms of this article 28-1.

J. article 28-1(1) does not apply to a change of control of the ultimate parent company of a contractor party. In the event of a change in Control of the ultimate parent company of a contractor party, within thirty (30) days of such change in control, the relevant contractor party shall notify The National Gas and Oil Authority of the change in control. Within thirty (30) days of receipt of such notice, The National Gas and Oil Authority shall notify that contractor party whether it elects to acquire such contractor party's participating interest at a fair market price to be agreed by The National Gas and Oil Authority and such contractor party and in the absence of such an agreement, either The National Gas and Oil Authority or such contractor party may refer the matter to an expert in accordance with article 32.2. In making such election, The National Gas and Oil Authority may choose to acquire such participating interest on its behalf or on behalf of any entity owned by the government. If a matter is referred to an expert pursuant to this article 28-1 (j), in addition to the requirements set out in appendix (5), any such expert must be an internationally recognised banking and financial advisory firm.

K. without prejudice to article 13-3(f), a contractor party may. With the prior consent of The National Gas and Oil Authority (which consent shall not be unreasonably withheld, consistent with the criteria described as follows in this article 28-1(k)), mortgage, pledge, charge or otherwise encumber all or any undivided portion of its interest under this agreement for the purposes of collateral for the financing of its obligations under this agreement, provided that:

1) such party shall remain liable for all its obligations relating to such interest.

2) the encumbrance shall be without prejudice and shall be expressly subordinated to the rights of The National Gas and Oil Authority under this agreement.

3) the secured party shall agree in writing with The National Gas and Oil Authority that, in the event that the secured party or any other person claiming by, through or under the secured party shall seek to enforce the encumbrance or, directly or indirectly, effectively to exercise or control the exercise of any of the rights of the contractor under this agreement (or any agreement or instrument entered into in connection herewith or therewith), the same shall be treated as a further assignment subject to the conditions of this article 28-1,and the secured party is obliged to comply with the requirements of this section 28-1, and the secured party is obtained to comply with the requirements of this section 28-1 person to abide by this article.

4) such party has given reasonable notice of such encumbrances and provides to The National Gas and Oil Authority a certified copy of the executed instruments evidencing the encumbrances.

5) the lender is a major international financial institution in good standing.

6) the lender is not an entity incorporated in a country, or controlled directly or indirectly by a entity which is incorporated in a country, with which the government, for policy reasons, has restricted trade or business, and with which The National Gas and Oil Authority and/or the government cannot otherwise legally do business.

l. the applicable contractor party wishing to make an assignment hereunder, or to mortgage, pledge or otherwise encumber its rights and obligations under this agreement, shall provide to The National Gas and Oil Authority by notice the pertinent documents and/or information as described in article 28-1(c), or article 24-1, as applicable, along with any other information that The National Gas and Oil Authority might reasonably require. If The National Gas and Oil Authority has not, within ninety (90) days following such notification to The National Gas and Oil Authority, notified such party of The National Gas and Oil Authority's decision, or any objection by The National Gas and Oil Authority, as applicable, such assignment or encumbrance shall be deemed to be approved, or not objected to, as applicable, by The National Gas and Oil Authority, provided that such information provided by the applicable contractor party is accurate and complete.

m. in the event that any contractor party assigns its entire participating interest under this article 28-1, then the applicable assignee shall assume the rights and obligations of that contractor party under this agreement.

n. in the event that any contractor party assigns a portion of its participating interest under this article 28-1, then the applicable assignee that assume the rights and obligations of that contractor party under this agreement to the extent of the participating interest so assigned, and the contractor party shall retain its rights and obligations under this agreement to the extent of its remaining participating interest.  Notwithstanding, however, that all the contractor parties (inclusive of the assignee but exclusive of the government interest acquirer if applicable) shall remain jointly and severally liable hereunder.

o. The National Gas and Oil Authority shall have the unrestricted right to assign its rights and obligations under this agreement, in whole or in part, to BAPCO or The National Gas and Oil Authority Holding or to any wholly-owned affiliate of The National Gas and Oil Authority, provided thatThe National Gas and Oil Authority shall also contemporaneously assign the guarantees provided in accordance with article 6 to the assignee of the rights and obligations under this agreement, and The National Gas and Oil Authority shall notify the contractor of any such assignment in writing.

p. the guarantees provided in compliance with article 6 by a contractor party (other than the government interest acquirer if applicable) that assigns its rights and obligations in accordance with this article 28-1 shall cease upon the effective date of the assignment of all of that contractor party's participating interest.  In the case of the assignment of only part of such contractor party's participating interest, the guarantees provided in accordance with article 6 shall be reduced in proportion to the participating interest being assigned. The assignee of such contractor party's participating interest shall, in turn, provide The National Gas and Oil Authority with guarantees in compliance with article 6.

q. in the event that the government interest acquirer assigns its participating interest under this article 28-1, in whole or in part, to a non-affiliate, such assignee shall be deemed to be contractor party (other than the government interest acquirer) for the purposes of this agreement and shall, on or prior to the effective date of that assignment, deliver to The National Gas and Oil Authority guarantees in accordance with article 6 as though the reference to the effective date in that article 6 was to the effective date of that assignment.  Notwithstanding anything to the contrary in this agreement, the government interest acquirer shall not assign its participating interest under this article 28-1, in whole or in part; to a non-affiliate, unless the other contractor parties have provided their prior written consent to such assignment, which shall not be unreasonably withheld.

**Article 29**

**Termination**

29-1 termination of agreement by The National Gas and Oil Authority

Subject to articles 29-8 and 29-9 and in addition to any other termination rights under this agreement, The National Gas and Oil Authority may, if one of the following events of termination occur, terminate this agreement by giving written notice to the contractor:

**A.** The contractor has knowingly submitted any false statement to The National Gas and Oil Authority in any manner which was a material consideration in the signing of this agreement

B. The contractor has not provided to The National Gas and Oil Authority with the documents, and/or the legal opinion, as required under preamble (e) and (f)

C. The contractor has failed to comply with any final determination or award made by an expert or by arbitrators under article 32; or,

D. The contractor has committed a material breach of this agreement.

29-2 termination by The National Gas and Oil Authority in respect of any contractor party

**A.** Subject to articles 29-8 and 29-9 and in addition to any other termination rights under this agreement, The National Gas and Oil Authority may, if one of the following events of termination occurs in respect of a contractor party (that contractor party being the "defaulting contractor party"), terminate this agreement with respect to the defaulting contractor party only by giving written notice to each contractor party:

1. Any contractor party been adjudged bankrupt by a competent court or enters into or scheme of composition with its creditors or takes advantage of any law for the benefit of debtors.

2. Any contractor party has passed a resolution to apply to a competent court for liquidation unless the liquidation is for the purpose of amalgamation or internal reconstruction of which The National Gas and Oil Authority has been given prior notice and where The National Gas and Oil Authority has advised the contractor party by notice that it is satisfied that contractor party's performance under this agreement would not be adversely affected as a result and has given its approval of such amalgamation or internal reconstruction, which approval shall not be unreasonably withheld.

3. Any contractor party has assigned any interest in this agreement without the prior written consent of The National Gas and Oil Authority as is required under article 28-1

4. Any contractor party has failed to make any monetary payment required by law to The National Gas and Oil Authority or to the Kingdom of Bahrain as required under this agreement by the due date or within such further period after the due date as may thereafter have been specified by The National Gas and Oil Authority or by the Kingdom of Bahrain, as applicable.

5. Any contractor party has failed to comply with any final determination or award made by an expert or by arbitrators under article 32

6. If the events described in article 29-2(a)(1) or article 29-2(a)(2) have occurred in regard to a company which has given a financial security instrument under article 6; or if such company has for any reason failed to perform under such financial security instrument, as applicable.

B. This agreement shall not be terminated with respect to any contractor party that is not the subject of an event of termination pursuant to article 29-2(a) (being a "non-defaulting contractor party''), provided that one or more non-defaulting contractor parties agrees to accept the assignment of the defaulting contractor party's participating interest (each being an "accepting contractor party ).

C. In cases falling under article 29-2(a), The National Gas and Oil Authority shall have the right upon giving thirty (30) days notice to the contractor, to demand that the defaulting contractor party assign its participating interest to the accepting contractor party or parties.  In such event, the defaulting contractor party shall forthwith assign, unconditionally and without consideration, to the accepting contractor party its entire participating interest. If there are two or more accepting contractor parties, such assignment shall be made in proportionate shares corresponding to the proportion which the accepting contractor party's participating interest bears to the total participating interests of all the accepting contractor parties.  Each accepting contractor part shall hereby agree to accept such share and assume responsibility for all the rights and obligations relating to such participating interest under this agreement, including any obligations which are outstanding as of the date of assignment of thereafter.  For the avoidance of doubt, if an accepting contractor party has provided guarantees under article 6, such accepting contractor party acknowledges and agrees that the guaranteed obligations shall be increased to include such obligations relating to the participating interest so assigned. The rights and obligation off a non-defaulting contractor party under this agreement shall not be affected by the termination of this agreement in relation to the contractor party

D. If the defaulting contractor parties participating interest is not assigned in its entirety pursuant to article 29-2 (c) then The National Gas and Oil Authority shall have the right to elect in the notice made pursuant to article 29-2(c) to receive the assignment of the portion of the participating interest of the defaulting contractor party that is not assigned pursuant to article 29-2(c).  In this case, the defaulting contracting party is obliged to assign it, which has not been done in accordance with Article 29-2(c). In this case, the defaulting contracting party is obliged to unconditionally renounce, immediately and free of charge, its entire share in the partnership to the benefit of the National Oil and Gas Authority. In accordance with this Agreement, NOGA agrees to accept such participation interest and assume responsibility for all rights and obligations relating to such participation interest under this Agreement including any obligations relating to such participation interest under this Agreement including any obligations that have not been fulfilled up to the date of If the National Oil and Gas Authority does not choose to receive this assignment, and if the National Oil and Gas Company does not choose to receive this assignment, then this Agreement shall be terminated immediately by providing written notice to each Contracting Party.

29-3 defaulting party's obligations and rights upon termination by The National Gas and Oil Authority

The following provisions shall apply in relation to the “defaulting party" being the contractor in the event of any termination as a result of the occurrence of a termination event as described in article 29-1 and being the defaulting contractor party in the event of any termination as a result of the occurrence of a termination event as described in article 29-2:

**A.** the defaulting party shall have no further obligations or liabilities other than those accrued under this agreement up to the time of such termination. Provided, however, without limitation, that such obligations on the part of the defaulting party shall be deemed:

1. to include payment of any amounts under article 5-2 associated with any unperformed elements of any applicable exploration work programme commitments or article 5-4 as applicable

2. to include payment of any amounts owed to The National Gas and Oil Authority pursuant to article 14-1

3. to include all obligations under the then applicable annual work programme and budget, which obligations shall, at The National Gas and Oil Authority's option, be fulfilled by the defaulting party either by performance of such obligations in full in accordance with their terms or by payment in dollars to The National Gas and Oil Authority of any outstanding balance of unexpended amounts in the budget element of such annual work programme and budget

4. to include all obligations under article 22-5

5. to include obligations as may be applicable under article 4-5

6. not to include any obligation (other than described in article 29-3(a)(2), to pay any budgetary amounts associated with, or to perform any unperformed elements of: (Firstly) applicable assessment plans; (Secondly) applicable appraisal plans; or (Thirdly) applicable development plans.

B. the defaulting party shall have no further rights against The National Gas and Oil Authority other than those accrued under this agreement up to the time of such termination.  In the event of such a termination pursuant to article 29-1, the defaulting party shall relinquish the entire deep gas contract area and that such rights on the part of the defaulting party shall be deemed:

(Firstly) not to include rights to any share of production subsequent to such termination, regardless of whether the defaulting party had recovered its petroleum c08t8 as of the date of termination; or (Secondly) any rights to assets brought into the Kingdom of Bahrain under this agreement except for assets that were brought through customs with a temporary status.

29-4 The National Gas and Oil Authority's obligations and rights upon termination by The National Gas and Oil Authority.

Upon termination of this agreement in its entirety by The National Gas and Oil Authority pursuant to article 29-1 or termination of this agreement in respect of a defaulting contractor party only pursuant to article 29-2, The National Gas and Oil Authority shall: (Firstly) have no obligations or liabilities to the defaulting party other than those that may have accrued under this agreement up to the time of such termination. (Secondly) have the rights against the defaulting party that may have accrued under this agreement up to the time of such termination.

29-5 termination of agreement by the contractor

Subject to articles 29-8 and 29-9 and in addition to any termination rights under this agreement, the contractor shall have the right to terminate this agreement if The National Gas and Oil Authority has committed a material breach of this agreement or failed to comply with any final determination or award made by an expert or by arbitrators under article 32.

29-6 the contractor’s obligations and rights upon termination by the contractor

**A.** In the event of any termination as result of the occurrence of a termination event as described in article 29-5, the contractor shall have no further obligations or liabilities other than those accrued under this agreement up to the time of such termination. Provided, however, that such obligations on the part of the contractor shall he deemed:

1) To include all obligations under article 22-5

2) To include payment of any amounts owed to The National Gas and Oil Authority pursuant to article 14-1.

3) To include obligations as may be applicable under article 4-5

4) Not to include payment of any amounts in the event of non- performance of work programme commitments pursuant to article 5-2 (or article 5-4 if applicable) unless the payment was due at the time of termination.

5) Not to include any obligations under the then applicable annual work programme and budget, unless the contractor was already in breach of the agreement in that regard at the time of such termination and had not cured within the time provided under article 29-8

6) Not to include any obligation other than described in article 29-3(a)(2), to pay any budgetary amounts associated with, or to perform any unperformed elements of: (Firstly) applicable assessment plans; (Secondly) applicable appraisal plans; or (Thirdly) applicable development plans.

B. In the event of any termination as result of the occurrence of a termination event as described in article 29-5:

1. The contractor shall relinquish the entire deep gas contract area

2. The contractor shall have no further rights against The National Gas and Oil Authority other than those accrued under this agreement up to the time of such termination. which accrued rights shall be deemed: (Firstly) not to include rights to any share of production subsequent to such termination, regardless of whether the contractor had recovered its petroleum costs as of the date of termination; or (Secondly) any rights to assets brought into the kingdom of Bahrain under this agreement except for assets that were brought through customs with a temporary status.

29-7 The National Gas and Oil Authority’s obligations and rights upon termination by the contractor Upon termination of this agreement by the contractor pursuant to article 29-5 The National Gas and Oil Authority shall: (Firstly) have no further obligations or liabilities to the contractor other than those that may have accrued under this agreement up to the time of such termination; (Secondly) have the rights against the contractor that may have accrued under this agreement up to the time of such termination.

29-8

**A.** If the breach (as per article 29-1 or 29-5, as applicable) is not reasonably capable of being cured then the non defaulting party may immediately give a notice of termination to the defaulting party. If the breach by the defaulting contractor party (as per article 29-2) is not reasonably capable of being cured then The National Gas and Oil Authority (being the non-defaulting party for the purposes of this article 29-8) may immediately give a notice of termination to the defaulting contractor party.

B. If the breach is reasonably capable of being cured then the non-defaulting party shall as soon as reasonably possible after becoming aware of such breach give the defaulting party a ninety (90) day notice to cure specifying the applicable event of termination as per article 29.1, 29.2 or 29.5, as applicable.  If a defaulting party, either: (i) cures the breach within such ninety (90) day notice period; or (ii) does promptly and diligently commence an appropriate cure, in accordance with good international petroleum industry practices, as soon as reasonably possible subsequent to receiving such notice to cure, and has continued diligently to implement such cure up to the end of such ninety (90) day period; then the non-defaulting party shall have no right to terminate this agreement.  If, however, the defaulting party either:  (Firstly) fails to cure the breach within such 90 day notice period; or (Secondly) does not promptly and diligently commence an appropriate cure, in accordance with good international petroleum industry practices, as soon as reasonably possible subsequent to receiving such notice to cure, and/or has not continued diligently to implement such cure up to the end of such 90 day period; then the non-defaulting party shall have the right to terminate this agreement by giving a notice of termination to the defaulting party. Such termination shall be effective upon issuance or said notice.

C. For the avoidance of doubt, the failure on the part of the contractor to fulfil the minimum work programme commitments at the end of either exploration phase is not subject to being remedied under this article 29-8.

29-9 option to terminate subject to confirmation by arbitration

If a party has given the other party a notice of termination under article 29-1 or 29-5 (with The National Gas and Oil Authority being the party that has given the defaulting contractor party being the other party a notice of termination under article 29-2), or if such party has given the other party a notice to cure under article 29-8, but is of the opinion that both an event of termination, as described in article 29-1, 29-2 or 29-5, as applicable, has occurred, and that the other party has failed to cure, or to commence to cure, as provided in article 29-8, then such party may elect between:

**A.** Termination effective upon notice as described in article 29-8

B. Termination subject to confirmation as result of arbitral of the issues (Firstly) whether the applicable termination event did in fact occur; and/or whether cure was in fact not perform or commenced, as applicable, in accordance with article 29-8; in such a case the term of this agreement will be tolled, including but not limited to any applicable time period, for the period of time between the initiation of arbitration under article 29-8 and either:  (Firstly) the issuance of any arbitral award; or (Secondly) the agreed upon date of settlement; as may be applicable.

29-10 termination as result of relinquishment

Subject to the contractor having the same obligations and rights as it would under article 29-3, contractor shall have the right to terminate this agreement:

**A.** With respect to any development area in which natural gas is being produced, or that prior thereto had produced natural gas, upon giving at least one hundred and eighty (180) days notice of its intention to do so; and

B. With respect to any part of the deep gas contract area, upon giving ninety (90) days notice of its intention to terminate the Agreement.

29-11 termination in the case of extended force majeure

Subject to the contractor having the same obligations and rights as it would under article 29-6 the contractor shall have the right to terminate this agreement in the event that force majeure, pursuant to article 30, prevents the contractor from performing under this agreement for a period of more than two years.

29-12 termination by agreement of the parties

This agreement may be terminated by express agreement of the parties.

29-13 handover upon termination

Upon expiration of the term of this agreement (or a period within the term including the Jauf non-associated gas production period) or termination of this agreement, the parties shall cooperate to effect the transfer of operations and assets to The National Gas and Oil Authority in a diligent and expeditious manner, including the entry into a delivery of such agreements required to effect the transfer of operations and assets.

**Article 30**

**Force majeure**

30-1 definition of force majeure

"force majeure" means any event or combination of events that:

**A.** not reasonably within the control of the affected party, excluding (without limitation)

1. The unavailability of funds;

2. The inability to provide security;

3. The unavailability of seismic crews or drilling rigs; and/or

4. Changes in market conditions or financial hardship

B. which has prevented the performance, or delayed the performance, of the affected party under this agreement, or prevented (or delayed) the effected party from exercising its rights under this agreement.

C. was unforeseeable, or which, if foreseeable, could not have been reasonably provided for in a way that would have permitted the affected party to perform, and/or to exercise its rights, including the following events:

D. explosions, earthquake, tsunami, flood, fire, storm, epidemic and any other natural physical disaster or natural calamities.

E. war (declared or undeclared), act of war, invasion, hostilities, embargo, blockage or other enemy action due to war.

F. revolution, rebellion, civil commotion, riot, insurrection, terrorist acts or the threat of terrorist acts, seizure or act of sabotage.

G. strike, lockout or other labour or industrial disturbance.

H. closing or unavailability of harbours, ports or other facilities required for the transport or export of natural gas.

30-2 Notice requirements and duty to mitigate

In the event of force majeure, the affected party shall give prompt written notice to the other party of the event causing the delay or prevention stating the date, extent likely duration and cause thereof, and shall use all reasonable endeavours to mitigate and overcome the effect of such force majeure, or eliminate the cause thereof, as may be applicable, as soon as reasonably possible. The affected party shall also promptly notify the other party as soon as the force majeure event has been removed and" no longer prevents it from discharging which have been suspended pursuant to article 30-3. And shall thereafter compliance with such obligations as soon as possible.

30-3 consequence of force majeure - suspension of obligation

Save with regard to the payment of any monies due under this agreement, if and to the extent that the performance of any party to this agreement is delayed or prevented due to force majeure, the obligations of the affected party shall be suspended and neither party shall be liable to the other party in respect d any such failure or delay, provided that the affected party shall have, in accordance with article 30-2, used all reasonable endeavours to mitigate and overcome the effect of such force majeure, or to eliminate the cause thereof, as maybe applicable, as soon reasonably possible.

30-4 consequences of force majeure - tolling of term of agreement

If and to the extent that as a result of force majeure the performance by a party is delayed or prevented a party is prevented from exercising performing any obligations under this agreement due to force majeure, then (Firstly) the period of such delay or prevention: (Secondly) the period which may be necessary for the restoration of any damage caused by the even force majeure and (Thirdly) as may be reasonably necessary for recommencing the work shall add time periods set forth in respect of the relevant agreement where the time for the performance of the performance of any obligation or the exercise of any right depend thereon, and the term and any time period under this agreement shall be extended for the force majeure as may be agreed by the parties.

30-5 burden of proof on party claiming force majeure

The party asserting the claim of force majeure shall have the burden of proving that the circumstances constitute valid grounds for a claim of force majeure. In accordance with article 30-1, and that such party has.in accordance with article 30-3, used all reasonable endeavours to mitigate overcome the effect of such force majeure, or to eliminate the cause thereof as maybe applicable, as reasonably possible.

Article 31

Governing law

31-3 governing law

**A.** This agreement shall be governed by, construed and interpreted in accordance with the laws of the Kingdom of Bahrain, and any arbitral tribunal constituted pursuant to article 32-3 or expert determination pursuant to article 32-2 shall apply the laws of the Kingdom of Bahrain. However, if and to the extent that there is any absence of provisions in such laws to determine an issue arising hereunder, such issue shall be determined in accordance with the laws of England and Wales as may be applicable, and with reference to good international petroleum industry practices.

B. The parties, their affiliates, subcontractors, and their respective servants shall, while in the Kingdom of Bahrain, be subject to the laws, regulations, and decrees as may be in force from time to the Kingdom of Bahrain.

**Article 32**

**Settlement of disputes**

32-1 notice of dispute and amicable negotiations

**A.** Upon the occurrence of any dispute, controversy or claim arising out of or in relation to this agreement or the petroleum operations carried out under this agreement, including the existence, validity, interpretation, performance, breach, or termination of this agreement (a "dispute "), either party may commence the dispute resolution process by providing the other party with notice in writing of the existence of that dispute and the relief requested ("notice of dispute").

B. Upon receipt by either party of a notice of dispute, the parties shall, in good faith and using all reasonable efforts in the spirit of cooperation, attempt amicably to settle such dispute.

C. If the parties have not resolved the dispute in accordance with article 32-1(b) by means of a written settlement agreement within thirty (30) days of delivery of the notice of dispute, (Firstly) the Minister of Oil and Gas Affairs of the Government and (Secondly) the President (or equivalent individual) of each of the applicable contractor parties shall, in good faith and using all reasonable efforts in the spirit of cooperation, attempt amicably to settle such dispute.

D. If the parties have not resolved the dispute in accordance with article 32-1(c) by means of a written settlement agreement within forty (40) days of delivery of the notice of dispute (or such earlier date as the parties to the dispute may agree), the dispute shall be settled by expert determination in accordance with article 28-3 or arbitration in accordance with article 28-4.

32-2 expert determination

**A.** Provided that articles 32-1(a), 32-1(b) and 32-1(c) have been complied with, disputes contemplated and arising under the terms of articles 4-2(a)(3), 4-8(d), 5-2(d), 5-4(d), 7-4(f), 8-3(e), 9-1(d), 9-2(g), 11-1(e), 11-2(d), 16-6(b), 17-1(j), 27-5(b) and 28-1(j) may be referred to expert determination in accordance with the procedure set out in appendix (e). In addition, and also subject to 32-1(b) the parties may also agree in writing to refer any other dispute to such expert determination.

B. The parties agree that the decision of such sole expert or panel of experts shall be final and binding upon the parties and shall not be subject to arbitration.

C. Any dispute referred to expert determination will be considered by one (1) expert only unless a party elects that the dispute be determined by a panel of three (3) experts in accordance with appendix (e).

32-3 international arbitration

**A.** Except where the parties are able to amicably settle a dispute in accordance with article 32-1 or have elected to refer the dispute to expert determination under article 32-2, the parties hereby agree to settle that dispute by arbitration in accordance with the arbitration rules issued by the provisions of the United Nations Commission on International Trade Law (UNCITRAL) applicable on the date Respondent received the Notice of Arbitration (the “Rules”).

B. The number of arbitrators shall be three (3). Each of the parties shall appoint one (1) arbitrator within thirty (30) days of the issuance of notice of arbitration pursuant to the rules. The two (2) arbitrators thus appointed shall, within thirty (30) days of their appointment, choose the third arbitrator, who shall act as the presiding arbitrator of the tribunal.  If either party fails to appoint an arbitrator as provided herein, or if the two (2) arbitrators appointed by the parties are unable or fail to agree upon the third arbitrator within thirty (30) days of their appointment, or such other period of time as the parties may agree in writing, then the third arbitrator shall be appointed by the International cChamber of Commerce acting in accordance with any rules adopted by the International Chamber of Commerce for this purpose. All arbitrators to be appointed shall be of a nationality different from that of any of the parties.

C. Any award or other decision of the arbitral tribunal shall be given by a majority of the arbitrators.

D. In the case of questions of procedure, when there is no majority or when the arbitral tribunal so authorizes, the presiding arbitrator may decide on his own.

E. The place of arbitration shall be London, United Kingdom.

F. The Language to be used in the arbitral proceedings shall be English.

G. Any party may make an application to any court having jurisdiction for enforcement of any award (including any award granting interim measures) against the other party and for the obtaining of any evidence (whether by production of documents or testimony of witnesses) which the arbitrators direct shall be admitted in the arbitration.

H. Each party shall have the right to seek interim measures, including injunctions, from any court of competent jurisdiction in order to preserve the rights of such party pending the arbitral proceedings.

I. The parties shall not appeal the decision and any award of the arbitration tribunal to any court which would otherwise have jurisdiction in any matter arising in the course of the arbitration or out of the decision and any award, except if such appeal is permitted under the applicable law. However, any party may make an application to any court having jurisdiction for registration of the decision and any award, for judgement on the decision and any award to be entered and/or for enforcement of any award.

32-4 confidentiality

To the extent permitted by any applicable law, and subject to the rules of any applicable stock exchange having authority over one or more of The National Gas and Oil Authority and each of the contractor parties, the parties shall maintain the confidentiality of all expert determinations and/or arbitral proceedings, and shall not disclose the outcome of such proceedings or the reasoning of the experts or tribunal in such proceedings or any materials in the proceedings which are not otherwise in the public domain, including materials created for the purpose of the arbitration or expert determination and all other documents or evidence given by a party, witness, expert or any other person.

**Article 33**

**Registration of branch and incorporation of companies**

33-1 Office in Bahrain

Within three (3) calendar months from the effective date, the contractor or affiliate acting on behalf of the contractor shall open an office in the Kingdom of Bahrain, in the charge of a person empowered to receive any notices duly given under the provisions of article 34. Upon the contractor's request, The National Gas and Oil Authority shall (at the contractor's sole cost) assist the contractor in opening such an office, and with obtaining the documents needed for the purposes of registration thereof.

33-2 incorporation of a company

Prior to commencing petroleum operations, the contractor shall register a legal entity in the Kingdom of Bahrain by registering a branch of the contractor pursuant to Commercial Companies Law no. 21 of 2001, part 14.

33-3 incorporation of a joint venture company

If The National Gas and Oil Authority exercises the right of government participation pursuant to article 10-1, then the parties shall meet to discuss whether to incorporate a joint venture company to have responsibility for the management, coordination, implementation and conduct of the day to day petroleum operations on behalf of the contractor parties (including the government interest acquirer).

**Article 34**

**Notices**

34-1 notices

**A.** All notices required to be given under the agreement shall be written in the English language, and delivered by courier, sent by registered mail (postage prepaid), or sent by facsimile to the relevant addresses of the parties specified below in article 34-1(b).  Notices received during business hours on working days are deemed to be received upon receipt.  Notices received outside of business hours are deemed to be received on the next working day.  The addressee of any notice given hereunder shall, immediately upon receipt thereof, acknowledge such receipt by facsimile, whenever requested to do so by the sender.

B. All notices hereunder, as well as any studies, reports, documents and communications provided by the contractor to The National Gas and Oil Authority or vice versa shall be delivered at, or sent to, the following addresses of the parties:

If to The National Gas and Oil Authority:

Po box 1435

Manama

The Kingdom of Bahrain

Attention: Minister of Oil & Gas Affairs

Fax number: +973 1729 3007

If to the contractor:

Occidental of Bahrain deep gas, llc

5 green way plaza

suite 110

Houston, Texas 77046-0504

Attention: Vice President, Worldwide Exploration

Fax number:  +1 713 985 1900

Or to such other address as a party may from time to time specify by notice to the other party.

**Article 35**

**Miscellaneous**

35-1 entire agreement

This agreement supersedes and replaces any previous agreement or understanding between the parties, whether oral or written, on the subject matter hereof, prior to the execution date of this agreement.

35-2 amendment

**A.** This agreement shall not be amended, modified, varied or supplemented in any respect except by an instrument in writing signed by all the parties, which shall state the date upon which the amendment or modification shall become effective.

35-3 waiver

No party shall be deemed to have waived, released or otherwise modified any of its rights hereunder unless such party has expressly indicated its intention to do so in a written instrument duly signed by such party, provided further that any such instrument shall relate only to such matter to which it expressly refers, and therefore shall not apply to any subsequent or other matter.

35-4 reference to laws and regulations

Reference to any law or regulation includes a reference to that law or regulation as from time to time may be amended, extended or re-enacted.

35- 5 Language of documents

Any and all documents required under or resulting from or connected with or necessary to implement this agreement, including but not limited to reports, accounting books and records, and plans, shall all be prepared and delivered in the English language.

35-6 measurement of time

In this agreement all measurements of time shall be fixed and computed pursuant to the gregorian calendar.

35-7 conflict of interest

Each party shall he responsible that no director, employee or agent of a party or its affiliates, subcontractors, or vendors shall give to or receive from any director, employee or agent of the other party or its affiliates any commission, fee, rebate or any gift or entertainment of significant cost or value in connection with this agreement, or enter into any business arrangement with any director, employee or agent of such other party or its affiliates other than as a representative of such party or its affiliates, without prior written notification thereof to such other party. Each party shall promptly notify the other party of any violation of this article 35-7 and Any consideration received as a result of such violation shall be paid over or credited to such other party.

 Any representative authorized by a party may audit any and all records of the other party and any subcontractor or vendor for the sole purpose of determining whether there has been compliance with this article 35-7.

35-8 related parties transactions

The contractor shall declare to The National Gas and Oil Authority any and all agreements, arrangements and transactions of a similar nature with parties related to the contractor (as determined in accordance with accepted International Financial Reporting Standards) which (Firstly) have been entered into prior to the effective date and are in place on the effective date or (Secondly) the contractor proposes to enter into on or after the effective date and, in either case, are proposed to be used in relation to petroleum operations conducted by the contractor pursuant to this agreement.

35-9 conflict between body of agreement and appendices

In the event of any conflict between any provisions in the body of this agreement and any provision in the appendices, the provision in this main body shall prevail.

35-10 warranty of validity

Each party represents and warrants to the other party that this agreement and any document delivered under or pursuant to this agreement has been duly and validly authorized, signed and delivered by such party, and therefore constitutes a valid, effective and binding obligation of such party, and is enforceable in accordance with the terms and conditions herein contained.

35-11 effective date

**A.** "effective date" shall mean the date immediately following the day on which The National Gas and Oil Authority obtains the necessary approvals and authorizations and the law ratifying this agreement is published in the Official Gazette of the Kingdom of Bahrain.  Upon receipt of the necessary approvals and authorizations and the publishing of the law ratifying the agreement in the Official Gazette of the Kingdom of Bahrain, The National Gas and Oil Authority shall promptly inform the contractor of the exact date of the effective date.

B. If The National Gas and Oil Authority is unable to obtain the necessary approvals, authorizations and ratifications as may be necessary from the Kingdom of Bahrain and its associated entities, then this agreement shall be deemed null and void and neither party shall have any claim against the other based on this or any other agreement, representation or other grounds of whatsoever nature.

C. In witness whereof the parties have caused this agreement to be executed as of the date first set forth above by their respective representatives thereunto duly authorised.

For and on behalf of the Occidental of Bahrain deep gas, llc, on behalf of the National Oil and Gas Authority

Signed:

Signed: Name: His Excellency Dr. Abdul Hussain Bin Ali

Name: Mirza

Title: Title: Minister of Energy

**Appendix “a”**

**Map of the deep gas contract area**

**Appendix "B’ Deep gas contract area description**

**Part One**

The deep gas contract area extends vertically from the base of unayzah geological marker to the base of the basement formation (all reservoirs older than unayzah formation as shown in the type log defining the base of the unayzah and the unayzah stratigraphic cross-section figures).

The contractor has the right to develop and produce all n on-associated gas reservoirs in the interval below the top of the jubah formation and above the basement formation within the deep gas contract area.

Part Two

Well

Base of Unayzah

(feet, measured depth)

Base of Jauf (feet, measured depth)

A-279

10.458

11.505

A -311

11.294

12.713

A-367

11.340

14.057

A-370

11.972

13.496

A-371

12.303

-

A-578

12.625

-

A-579

12.563

-

A-580

11.440

12.854

A-581

10.672

11.990

A-743

11.514

-

(Diagram of a cross-section of the layers of the Unaizah Formation)

**Part Three**

**Appendix “C”**

**Jauf discovery polygon**

**Appendix D**

**Accounting guidelines and procedure**

The purpose of this accounting guidelines and procedure is to establish a fair and equitable method for determining charges and their allocation to the petroleum costs accounts, and to provide a method for controlling expenditure against approved budgets.

**Section One - general provisions**

**A. DEFINITIONS**

The definitions set forth in article 1-1 of the agreement shall apply equally whenever used in this accounting guidelines and procedure. In addition, the following definitions shall also apply whenever any of the words and expressions described below (whether in the singular or in the plural) are used in the accounting guidelines and procedure.

**(1) "accrual basis'"** shall have the meaning assigned to it in this section 1 (b).

**(2) "commercial rate of exchange"** shall mean:

(a) The arithmetic average of buying and selling rates of exchange as quoted in the financial times of London, or such other publication unanimously selected by the parties, on the last business day of the previous calendar month or as otherwise mutually agreed by the parties; and

(b) Whenever a currency concerned has been bought under a forward contract in the Forex market the rate of exchange shall be the rate at which such currency was purchased by the contractor.

**(3) "material"** shall mean any property, equipment, materials, machinery, articles and supplies whatever, acquired or held for use in or with respect to the petroleum operations hereunder.

**(4) "non-recoverable cost account"** shall mean the account or set of account- maintained by the contractor pursuant to section 1(b) to record ail amounts paid by the contractor that are not cost recoverable under the terms of tins agreement, and hence qualify as **“non-recoverable costs".**

**(5) "petroleum costs account"** shall mean each of the separate accounts of set of accounts for each development area maintained by the contractor pursuant to section 1(b) to record the petroleum costs incurred and revenues obtained in connection with the petroleum operations performed under this Agreement.

**(6) "statement of petroleum costs''** shall have the meaning assigned to it in section 3.

(7) Any reference to an **"article”** shall be deemed to be a reference to an article in the main body of the agreement. and any reference to a **"section"** shall be deemed to be a reference to a' section in this accounting guidelines & procedure.

**(b). Petroleum costs account and currency**

**(1) The contractor's obligation to establish and maintain records the contractor shall open and maintain, in accordance with generally accepted and recognized international accounting principles consistent with the prevailing good and recognized practices, all such accounting books and records as may be necessary to record in reasonable detail expenditures and petroleum costs incurred and the revenues obtained by the contractor.**

 The contractor's accounts shall be maintained in the English language.

**(2) Accrual basis**

The contractor's accounts shall at all times, unless otherwise specified hereunder, be maintained on an accrual basis.  "accrual basis" means that basis of accounting under which revenue, costs and expenses are regarded as applicable to the period in which they are earned or incurred, regardless of when they are actually invoiced, received or paid.

(3) Availability for inspection by The National Gas and Oil Authority

The contractor shall, at all time, make available for inspection by The National Gas and Oil Authority or its authorized representatives all of its accounts and records in accordance with article 28.

**(4) Currency exchange**

The contractor's accounts and records, including without limitation those relating to the statements of petroleum costs, shall be kept in dollars. All expenditures in non-dollar currency shall be converted into dollars at the commercial rate of exchange. The contractor shall maintain a complete record of all exchange rates used in translating any non-dollars expenditure into dollars. Gains or losses, if any, realized by the contractor from the exchange of currency required for petroleum operations shall be credited or charged, as the case may be, to the operating account.

**(5) Rounding and calculations**

All calculations shall be extended to six (6) decimal places, with the final results rounded to two (2) decimal places in case of currency and zero decimal places in case of quantity. While rounding, if the figure to the right of the decimal place to be rounded is from one to four (1-4), it should be treated as zero (0) and five (5) and above rounded up by one (1).

**(c) Statements**

(1) The contractor shall submit to The National Gas and Oil Authority a profit and loss statement, balance sheet and cash flow statement for each contract year, together with the reports set forth in this section 1(c) under and in accordance with the provisions of article 27.

(2) The contractor will provide The National Gas and Oil Authority no later than 30 days prior to the beginning of each calendar quarter with the estimate pursuant to article 14-2(b)(5)Firstly).

(3) The contractor will provide The National Gas and Oil Authority no later than 30 days after the end of each calendar quarter with the statement of petroleum costs pursuant to article 14-2(b)(5)Secondly).

(4) The contractor shall prepare and submit to the management committee for approval the annual work programme and budget in accordance with article 11-1.  The format of such budget shall be determined by the management committee and shall include estimates of the status of the work under the current annual work programme and budget which shall not be executed by the end of that contract year and which shall be carried forward to the following contract year, if any.

(d) Correctness of statements

So long as the statements provided pursuant to section 1(c)(2) and (3) reflect a clear and accurate account and record of such costs and calculations, which can be supported by the contractor's records, and so long as such statements are prepared and supplied timely in accordance with this agreement, each such statement shall be presumed to be true and correct in accordance with article 27-4, subject to The National Gas and Oil Authority's right to audit pursuant to article 27-5.

**(e) Limitations for non-budge items**

The management committee may authorize the contractor to make expenditures for any items of work not included in the annual work program and budget.

**(f) Prevalence of the agreement**

In the event of any inconsistency or conflict between any provision of this accounting guidelines and procedure and the articles of the agreement, the articles of the agreement shall always prevail.

**(g) Revision of this accounting procedure**

By mutual written agreement between The National Gas and Oil Authority and the contractor this accounting guidelines and procedure may be revised from time to time.

**(h) Confidentiality of information**

All information obtained by any party under the provisions of this accounting guidelines and procedure shall be confidential and accordingly shall be subject to the provisions of article 26 of the agreement.

**Section 2 - classification and allocation of petroleum operations charges**

According to article 14, all of the petroleum costs incurred by the contractor in accordance with an approved annual work program and budget shall be classified as exploration expenditures, development costs or operating costs.  The classification will be made in accordance with article 1-1 and article 14 of the Exploration and Production Sharing Agreement.

Furthermore, the contractor shall be entitled to recover petroleum costs relating to a particular development area out of production from that development area only while petroleum costs incurred by contractor in relation to the Jauf discovery are not subject to cost recovery and will not entitle contractor to compensation other than the fee set forth in article 14-2.

The contractor shall be required to maintain a separate petroleum costs account for each development area and Jauf costs directly attributable to any development area shall be allocated to the petroleum costs account pertaining to that development area.  Costs shared by more than one development area, none of which includes the Jauf discovery, shall be allocated between those development areas based on the relative benefit each development area receives from the costs incurred.  Costs shared between the development area containing the Jauf discovery and other development areas as well as costs related to an integrated development of Jauf and non-Jauf reservoirs shall be allocated in accordance with article 14-4.

As part of the quarterly estimate and statement of petroleum costs the contractor shall provide a reconciliation between total petroleum costs incurred or expected to be incurred during the period and the amounts allocated to the individual petroleum costs accounts, including the principles and keys employed in the allocation.

**Section 3 - basis of charges to petroleum costs account**

Subject to the provisions of this agreement and of this accounting guidelines & procedure, the contractor shall charge the petroleum costs accounts with all petroleum costs (but no item shall be charged more than once), according to the following principles:

(1) All goods and services provided by the contractor parties and their affiliates shall be at cost and shall not be structured to generate a profit.

(2) Any receipt, offset, credit or refund actually received by a contractor party or its affiliate from any person, whose corresponding cost was previously included as a petroleum cost, shall be credited to the petroleum costs account and shall reduce petroleum costs.  Such receipts, offsets, credits and refunds shall include insurance proceeds.

Petroleum costs shall include but shall not be limited to the following items:

**A. Personnel related costs**

(1) The salaries, wages and related costs of:

(Firstly) Employees of the contractor;

(Secondly) Employees of the contractor's affiliates and/or entities comprising the contractor temporarily or permanently assigned in the Kingdom of Bahrain;

(Thirdly) Employees of the contractor's affiliates and/or entities comprising the contractor outside the Kingdom of Bahrain temporarily and directly engaged in petroleum operations, shall be chargeable to the petroleum costs account.

(2) Costs for salaries, wages and related costs may be charged to the petroleum costs account on an actual basis or at a rate based upon the average cost in accordance with the contractor's usual practice.

(3) Reasonable expenses (including related travel costs) of those employees whose salaries, wages and related costs are chargeable to the petroleum costs account or for which expenses the employees are reimbursed under the usual practice of the contractor shall be chargeable to the petroleum costs account.

(4) The costs of the provision of all training in accordance with article 24 shall be included as petroleum costs and shall be cost-recoverable.

**(b) Transportation**

Transportation of material necessary for the performance of petroleum operations, including costs of packaging, brokerage, insurance and other related costs.

**(c) Buildings**

Building costs, maintenance and related costs and rents paid for ail offices, houses, camps, warehouses and other types of buildings (all in the Kingdom of Bahrain), and the cost of equipment, installations, furniture, fixtures and supplies necessary for the operations of such buildings and facilities. Furniture, fixtures shall be of a reasonable standard for an effective and functional work environment in compliance with health and safety regulations and as per good international petroleum industry practices.

**(d) Services**

(1) The cost of services provided by consultants and advisors, contract services, and other services procured from outside sources, rentals or compensation paid or incurred (after deduction of all discounts actually received) for the use of any equipment and facilities, and generally any and all services and works performed by contractors and subcontractors in connection with the petroleum operations.

(2) The cost of services rendered by the contractor parties and/or their affiliates in connection with petroleum operations pursuant to technology and shareholder support agreements.

(3) The cost of material furnished by the contractor parties that are used in petroleum operations and/or their affiliates. The basis for charging the operating account for the materials provided by the contractor parties and their affiliates is contained in section 3(m).

(e) Insurance and claims

(1) Premiums paid for insurance required by local law or otherwise taken by the contractor in accordance with the provisions of article 25 of the agreement for and in respect of the petroleum operations hereunder, and with respect of those international insurance policies subscribed to by the contractor, a share of premiums proportional to petroleum operations carried out under this agreement shall be charged to the petroleum costs account.

(2) All actual expenditures incurred and paid by the contractor in settlement of any and the losses, claims, damages and judgements and any other expenses, including legal services and payment of deductibles, shall be charged as aforesaid, provided however, that the contractor shall procure and maintain insurance coverage against such losses, claims, damages and judgements in accordance with requirements of this agreement. If the contractor does not comply with the terms of this section 3(e)(2), the contractor shall not in any event charge the petroleum costs account for such expenditures.

For the avoidance of doubt, the petroleum costs account shall be credited with the proceeds of all settlements and payments received from insurers or others in relation to petroleum operations.

**(f) Damages and losses**

(1) Costs necessary for the maintenance, repair or replacement of materials held for use in petroleum operations, which costs result from damages or losses incurred by fire. Rood, storm, theft, accident or any other cause, which are not in fact recovered from insurance maintained pursuant to this agreement, as well as expenditures incurred in the settlement of all losses, claims, damages and judgements related to such maintenance, repair or replacement of materials held for use in petroleum operations.

(2) All costs and expenses necessary to indemnify NOGA and its affiliates or to replace or repair damages or losses in connection with petroleum operations, which have not been paid out of insurance proceeds.

**g. Legal expenses**

All costs and expenses of litigation or legal services otherwise necessary or expedient for and in respect of the petroleum operations hereunder, including attorneys' fees and expenses, together with all judgements obtained against the parties or any of them on account of the petroleum operations under the agreement, and actual expenses incurred by the contractor in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the petroleum operations hereunder. In the event that actions or claims affecting the interests hereunder shall be handled by the legal staff of the contractor or its affiliates, a charge commensurate with the cost of providing and furnishing such services shall be made to the petroleum costs account. For the avoidance of doubt, any costs and expenses incurred by the contractor relating to litigation or arbitration between the contractor parties shall be characterized as non-recoverable costs.

**h. Energy and utilities expenses**

Charges for fuel, electricity, heat, or other energy sources, water and other utilities used in petroleum operations.

**i. Communications charges**

Costs of acquiring, leasing, installing, operating or otherwise using, repairing and maintaining communications systems used for petroleum operations, including telephone (land line and mobile) and radio, microwave and satellite facilities.

**J. Information technology and automation systems**

Costs of developing, studying, consulting, acquiring, installing, operating or otherwise using, repairing and maintaining information technology and automation systems used for petroleum operations, including hardware, software and software licenses.

**k. General operations charges**

(a) Expenditures necessary for the acquisition, maintenance, renewal or relinquishment of licenses, permits and contractual rights acquired and maintained in force for the conduct of petroleum operations in accordance with the provisions of the agreement.

(b) Costs incurred in connection with the construction, pre- fabrication, fabrication, installation, tie-ins, procurement, commissioning, testing and start-up of facilities related to petroleum operations.

(c) Costs of health, safety and environmental programs, including surveys, environmental impact assessments, and environmental baseline assessments undertaken for petroleum operations, in accordance with the agreement or as required by the laws of the Kingdom of Bahrain or as otherwise agreed between the government and the contractor or as directed by the management committee. The above shall include archaeological and geophysical surveys relating to the identification and protection of cultural resources, the environment and related surveys, ecological reviews, pollution containment charges and costs for the removal of equipment and debris.

(d) The costs of decommissioning and abandonment of wells and facilities in the deep gas contract area as provided for in the agreement.

**l. Contractor party offices in the Kingdom of Bahrain**

Unless otherwise recoverable pursuant to the provisions of this accounting guidelines & procedure, the costs of the personnel, and related office costs, performing administrative, legal, accounting, purchasing, treasury, employee relation computer services, technical support and other similar functions in offices of the contractor parties in the Kingdom of Bahrain shall not be charged under the preceding provisions of this accounting guidelines and procedure.

**m. materials**

**1. Materials purchased by the contractor**

Material purchased for the petroleum operations shall be treated as inventory (working capital) and be charged to the petroleum costs account as and when used in operations.  Material purchased shall be charged at the price paid by the relevant contractor party or their affiliates after deduction of all discounts actually received. The said price shall include expenses including but not limited to examination and tracking fees, transportation fees and insurance loading and unloading duties, customs duties for import as well as fees and expenses which are directly related to the purchase of such materials, and applicable taxes, if any, for the production of such materials.

**2. Material burnished by the contractor**

Material required for petroleum operations shall be purchased for direct charge under section 3(m)( 1) whenever practicable, except that the contractor parties may furnish such material from its stocks under the following conditions:

(1) New material transferred from the contractor's stock or other properties shall be charged at the lower of the original purchase price and the current market price.

(2) Excluding drilling materials including drilling bits, material which is equal to new, but superficially worn and is sufficiently re-conditioned to be suitable for re-use, shall be charged at no more than seventy five percent (75%) of the lower of the original purchase price or current market price. This category shall include, but not be limited to, material that has undergone a reconditioning process and has been restored to fully serviceable condition.

(3) Material which cannot be classified in accordance with sections 3(m)(2)(1) and 3(m)(2)(2), being material suitable for use in its original function only after repair or reconditioning or material which has been downgraded for use under reduced service conditions, shall be charged at fifty percent (50%) of the lower of the original purchase price and current market price, and all costs of repair and reconditioning shall be deemed included in such charge.

(4) Tanks, derricks, buildings and other material involving erection costs, shall be charged at applicable percentage of the original purchase prices for similar unassembled new material.

(5) Import duties, directly applicable taxes and transportation costs shall be added to the costs mentioned in sections 3(m)(2)(1) to 3(m)(2)(4). Upon submittal of the supporting documents.

**3. Warranty of material purchased or furnished by the contractor**

(1) In the event that any material purchased by the contractor or its affiliates pursuant to section 3(m)(1) is defective and in respect of which there exists a manufacturer's or supplier's guarantee or warranty, express or implied, contractor shall use its reasonable endeavour's to recover from the manufacturer or supplier in question under such guarantee or warranty, and any adjustment received by contractor from such manufacturer or supplier shall be credited to the petroleum costs account, if such material constitutes a petroleum cost.

(2) If any materials (but covered by Section 3)(m)(3)(1)) were purchased or supplied by the Contractor under Section 3(m)(3)(1) or 3(m)2 thereof If a defect was found at the time of purchase or submission, or the defect was discovered shortly after its purchase or renewal, then the contractor shall record these expenses incurred in the account of oil expenses if these materials constitute oil expenses.

**4. Premium prices**

Whenever immediately required material is not readily obtainable at the customary supply points and at prices specified in this appendix due to national emergencies, strikes or other unusual circumstances over which the contractor has no control, the contractor may charge for the required material on the basis of the direct cost and expense incurred for procuring such material, in making it suitable for use, and in moving it to the location at which such material is required.

**n. Equipment and facilities rendered by the contractor or its affiliates**

Equipment and facilities owned by the contractor or any of its affiliates may. With the prior written approval of The National Gas and Oil Authority (which approval shall not be unreasonably withheld), be utilized in the petroleum operations. For the use of any such owned equipment and facilities, the operating account (or the expenditure account) shall be charged on a competitive basis, which shall not exceed the average commercial rates for similar facilities and equipment. Such cost shall be determined according to the cost accounting of the contractor or the respective affiliates, such that no gain or loss accrues to the contractor and provided that such cost is not higher than the international cost for equipment and facilities of similar quality on similar terms, prevailing at the time such equipment and facilities are rendered.

**o. Taxes**

Subject to the provisions of the agreement, all local taxes of every kind (other than income tax), levies, fees, duties, imposts or any other such charge, if any, assessed or levied, in connection with the petroleum operations and which have been paid by the contractor or its affiliates or The National Gas and Oil Authority in the Kingdom of Bahrain for the benefit of the petroleum operations hereunder.

**p. Inventories taking**

(1) At reasonable intervals, at least once annually, inventories (working capital) shall be taken by the contractor of the material as is ordinarily considered controllable.

(2) A reconciliation shall be made between the inventory and the records of stock held in the petroleum costs account, and a list of surpluses and shortages shall be determined by the contractor. Relevant financial adjustments shall be made by the contractor for surpluses and shortages, with relevant explanations where available.

(3) If the contractor determines it is appropriate to dispose of any surplus material, it must advise The National Gas and Oil Authority of the proposed disposals having a value in the petroleum costs account of one hundred thousand dollars (100,000 Dollars) or more.

**q. Other expenditure**

Any other legitimate costs and expenses, other than those covered by the foregoing provisions of this section 3 incurred by the contractor for the performance of the petroleum operations will be charged to the petroleum costs account, provided such charges are approved by the management committee, such approval not to be unreasonably withheld. For the avoidance of doubt, bonus payments paid pursuant to article 15 shall not be chargeable to the petroleum costs account and shall not be cost recoverable. The same shall also apply to any costs associated with Jauf development.

**r. Administrative overhead charges**

(1) While the contractor is conducting the petroleum operations under the agreement, overhead costs over and above the expenses directly associated with the petroleum operations, other than those chargeable pursuant to the preceding provisions of this section 3 shall be deemed to be petroleum costs and shall be calculated as follows:

(a) five per cent (5%) of the first ten million dollars (10,000,000 Dollars) of the aggregate of all exploration costs and development costs excluding interest; three per cent (3%) of the next ten million dollars (10,000,000 Dollars) of the aggregate of all exploration costs and development costs, excluding interest; and thereafter two per cent (2%) of all exploration costs and development costs, excluding interest; and

(b) five percent (5%) of all operating costs for the first five (5) years after the production commencement date; four percent (4%) for the next five (5) years; three percent (3%) for the next five (5) years; two percent (2%) for the next five (5) years; and one percent (1%) for each year thereafter.

(2) Such overhead charges shall be considered compensation for the indirect services and costs for the contractor's offices outside the Kingdom of Bahrain not otherwise directly chargeable, and related to performing administrative, purchasing, legal, accounting, treasury, tax, employee relations, technical direction and know how and other functions for the benefit of the petroleum operations.  Such charges shall also include services of all personnel of the contractor's parent company (if any) in offices outside the Kingdom of Bahrain not otherwise chargeable, including salaries and wages, plus applicable burdens and expenses of such personnel.  Overhead charges under this section shall be characterized as development costs.

(3) The statement of petroleum costs shall separately include a detailed statement of overhead costs charged under the agreement.

**Appendix e**

**Procedure for expert determination**

The purpose of this appendix e is to establish the methods and rules for appointing experts pursuant to the agreement.

1. A party seeking to refer a matter for expert determination may submit to the other party the names of three (3) experts. and the other party shall, within thirty (30) days, by notice to the other, choose one (1) of the said experts as the expert or give notice to the other party that none of the three (3) named experts is acceptable. In this case, the expert will be appointed by the Expert Appointment Centre of the International Chamber of Commerce in Paris (“Expert Appointment Centre”) – at the request of either party – in accordance with the procedures set forth in Article 2 of this Agreement. If the receiving party does not select one (1) of the three (3) named experts, and also does not give notice rejecting all nominees, the party who submitted the names of three (3) experts may select (1) of the said experts as the expert.

2. In case the Expert appointment centre shall appoint the expert according to sections 1 or 4(d) of this appendix e, both parties shall submit to the Expert appointment centre within thirty (30) days from the date on which the receiving party has given notice as stated in section 4(d) hereof; a list of up to five (5) experts stated in order of priority. If a party- fails to submit such list within the time limit prescribed, the Expert appointment centre shall appoint the expert from the list submitted by the other party.  If the parties each submit a list, the Expert appointment centre shall:

(a) Appoint as the expert any expert included in both lists as submitted by the parties in order of priority; or

(b) If none of the experts is named in both lists, the Expert appointment centre shall appoint as the expert one (1) of the experts included in any one of the lists submitted by the parties.

3. Notwithstanding the foregoing, the party desiring expert determination may elect, or the other party receiving the notice may elect, within the aforesaid thirty (30) day period as stated in section 1 hereof; to have a panel of three (3) experts, none of whom need to be mentioned in aforesaid notice, to be appointed under and determine the matter in accordance with section 4 of the appendix.

4. Wherever in this appendix e three (3) experts are appointed to determine any matter, said experts shall constitute a panel which shall be appointed in the following manner:

(a) Each party shall be entitled to appoint one (1) expert.

(b) The party desiring expert determination shall give notice to that effect the other and shall in said notice appoint the first expert to the panel.

(c) The party receiving said notice shall within thirty (30) days, by notice to the other, appoint the second expert to the panel, and if it shall tail to do so within this period, such appointment shall be made, at the request of the other party, by the Expert appointment centre.

(d) The two (2) experts so appointed shall, within thirty (30) days, appoint the third expert to the panel, and if they shall fail to do so within this period, such appointment shall be made at the request of either party by the Expert appointment centre according to the procedure set out under section 2 of the Appendix

5. An expert shall be an independent and impartial person of international standing with relevant qualifications and experience.  In particular, no person shall be appointed to act as an expert under this appendix e unless he shall be qualified by education, training and experience to determine the subject matter, fluent in the English language and he shall not be an employee, agent, or representative or have any financial interest in any of the parties or their affiliates.

6. The expert or panel of experts appointed pursuant to this appendix “e” shall promptly fix a reasonable time and place for receiving submissions or information from the parties. and said expert or panel of experts may make such other inquiries and require such other evidence as may be necessary for determining the matter, keeping the parties duly informed.  All information and data submitted by any of the parties as confidential shall be and remain confidential to the expert (experts) and to the other party, provided that a party receiving such confidential material may have an internationally recognized expert adviser, and/or counsel examine the confidential material and advise that party on a professional basis without compromising said confidentiality.  Both parties shall have the right to make representations to the expert or panel of experts.

7. The expert or panel of experts shall render its decision within ninety (90) days after the date of the appointment of the expert or, in the case of a panel of experts, the third expert. If the expert (experts) fail to render a decision within this time period, either party may request a new expert or a new panel of experts, in which case the appointment of the preceding expert or panel of experts shall cease.

8. In the event that a panel of experts is to determine the matter, such panel shall make its decision by the affirmative vote of a majority of the panel members.

9. An expert or panel of experts shall render decisions independently and objectively, based on good international petroleum industry practices, taking into account usual commercial considerations within the oil and gas industry for comparable areas and further in accordance with the terms and conditions of this agreement.

10. the determination of the expert or panel of experts shall be final and binding upon the parties concerned, except in the case of fraud or manifest error. The award of the expert or panel of experts and the findings upon which it is based shall be given in writing.

11. each party agrees to bear the costs, fees and expenses of the expert determination, including the fees of the expert(s), in equal portions. Each party shall bear its own costs, fees and expenses, including those of all counsel, advisors, witnesses and employees retained by such party.

12. an expert (experts) appointed pursuant to this appendix e may not be a citizen or permanent resident of the Kingdom of Bahrain, nor employed by The National Gas and Oil Authority or the contractor or any of their affiliates.

**Appendix “f”**

**Ancillary agreements**

**(a) Gas Sale Agreement**

The National Gas and Oil Authority or an affiliate of the Kingdom of Bahrain (the non-associated gas buyer") shall enter into an agreement for the sale of dry gas resulting from the contractor's allocation of non-associated gas (the "Gas sale agreement"); with the contractor, which shall set out the terms and conditions governing the sale of dry gas as per the provisions of articles 16-1 and 16-2.

**(b) Associated liquid sales agreement**

The National Gas and Oil Authority or an affiliate of the Kingdom of Bahrain (the "associated liquid buyer") shall enter into an agreement for the sale of associated liquid resulting from the contractor's allocation of non-associated gas (“the associated liquid sales agreement") with the contractor, which shall set out the terms and conditions governing the sale of associated liquid as per the provisions of articles 16-3, 16-4, 16-5 and 16-6.

**(c) BAPCO cooperation agreement**

BAPCO (upon procurement of The National Gas and Oil Authority) and the contractor shall enter into a cooperation agreement (the "BAPCO cooperation agreement"), which shall set out the terms and conditions governing the relationship between BAPCO and the contractor.

**(d) Tatweer cooperation agreement**

Tatweer (upon procurement of the contractor), The National Gas and Oil Authority and the contractor shall enter into a cooperation agreement (the "Tatweer cooperation agreement"), which shall set out the terms and conditions governing the relationship between Tatweer, The National Gas and Oil Authority and the contractor including an express statement from the parties that each party acknowledges and agrees that this agreement is stand alone and fully independent of any other project related to petroleum operations in the Kingdom of Bahrain.

**(e) Banagas cooperation agreement**

Banagas (upon procurement of The National Gas and Oil Authority) and the contractor shall enter into a cooperation agreement (the "banagas cooperation agreement"), which shall set out the terms and conditions governing the relationship between banagas and the contractor.

**Appendix g**

**Form of bank letter of guarantee**

Signal: [Date]

The National Gas and Oil Authority

Po box 1435

Manama

The Kingdom of Bahrain

Attn: His Excellency The Minister

Signal: our irrevocable letter of guarantee no: [insert ref]

Gentlemen:

By order of our client. [ ] (the contractor), we, [ ] (the bank), having its registered office at [ ] ([ ] license number [ ]), hereby confirm the following:

1. **Establishment of letter of guarantee**

We hereby establish this irrevocable letter of guarantee no: [ ] in your favour, according to which we hereby undertake and guarantee to pay to you unconditionally and immediately and without any protest or objection from the contractor, the bank and or any other person, the amount of [ ] United States Dollars (American Dollar) in the event the contractor has failed to fulfil its obligations to complete the [ ] exploration phase work programme commitments, pursuant to the signed exploration and production sharing agreement for Bahrain onshore deep gas between The National Gas and Oil Authority and the contractor, effective as of [ ] **(Exploration and Production Sharing Agreement ESPA).**

**2. Payments under the letter of guarantee**

Payment of the guarantee to complete the minimum work programme commitments under this letter of guarantee is available to you against presentation of a written request by you for payment in the form of exhibit (1) hereto and a copy of the applicable notice given to the contractor that the minimum work programme commitments have not been fulfilled in accordance with article 5 of the Exploration and production sharing agreement. Such payment shall be made immediately and without any protest or objection from the contractor, the bank and/or any other person.

**3. Reduction of the letter of guarantee amount:**

The total amount available hereunder shall be reduced in the amount stated in and only after delivery of, a signed notice from The National Gas and Oil Authority in the form of exhibit 2(b) attached to this Agreement.

**4. Interest for late payment:**

If the bank does not pay the claimed amount under this letter of guarantee within five (5) working days of our receipt of the notice, then The National Gas and Oil Authority shall be entitled to receive interest on the amount payable at a daily rate of Libor to be paid by the bank to The National Gas and Oil Authority for any such delay.  In case of any dispute between The National Gas and Oil Authority and the bank in respect of this request, the bank shall deposit the amount requested in an escrow account with the National Bank of Bahrain (main branch) to be paid in accordance with an award by the arbitrator pursuant to any arbitration undertaken in connection with the above referenced letter of guarantee.

**5. Validity of this letter of guarantee**

(a) This letter of guarantee is valid from [ ] to [ ].

(b) We hereby, irrevocably and unconditionally, guarantee the payment of all amounts under this letter of guarantee not having been reduced in accordance with item 3 above, without any protest or objection from the contractor, the bank and/or any other person, immediately within five (5) working days of receipt by us of your written notice.

(b) If requested by us to you in writing, you shall return to us the original letter of guarantee upon its expiry or upon the fulfilment of its terms, whichever may first occur.

**6. Governing law and dispute resolution**

(a) this letter of guarantee shall be governed by and construed in accordance with the laws of the Kingdom of Bahrain.

(b) all disputes in respect of all aspects of this letter of guarantee, if not firstly, and as a prerequisite procedure, amicably resolved, shall be finally settled in accordance with the UNCITRAL arbitration rules in effect on the date on which the proceeding is instituted.  Such proceedings shall be undertaken by a sole arbitrator, mutually selected by The National Gas and Oil Authority and the bank. If The National Gas and Oil Authority and the bank do not agree on the identity of the arbitrator within thirty (30) days of the notice from one party to the other to initiate an arbitration proceeding, then the president of the Civil Court of Appeals of the Kingdom of Bahrain shall appoint such arbitrator.

The arbitration proceeding shall take place in Manama, Kingdom of Bahrain, and shall be conducted in the English language.

For [ ] for [ ]

Authorised signatory authorised signatory

**Exhibit (1)**

**[The National Gas and Oil Authority letterhead]**

Request for payment under irrevocable letter of Guarantee no...............

Date :

[ ] (address)

Signal: irrevocable letter of guarantee no......

Gentlemen:

Please be advised that we hereby request immediately and without any protest or objection from the contractor, the bank and/or any other person, payment as defined in your above referenced letter of guarantee and that:

1. [ ] (the contractor) did not fulfil its minimum work programme commitments, pursuant to article 5 of the exploration and production sharing agreement in respect of onshore deep gas between The National Gas and Oil Authority, and the contractor, effective as of [ ] (the Exploration and production sharing agreement) within the period specified therein and we are entitled to and hereby request full and immediate payment under the above referenced the letter of guarantee.

2. TheThe National Gas and Oil Authority has notified the Contractor at least seven (7) days prior to the date of this letter that he (First) has not fulfilled the minimum obligations of the Exploration Phase Work Program. We enclose herewith a copy of the written notice submitted by the contracting party.

3. This request for payment is in the amount of United States dollars (American Dollar).  Please transfer these funds to our account no.......  at (name of bank) within five (5) working days of receiving this request.

4. If the bank does not pay the claimed amount under this letter of guarantee within the above-defined five (5) working days, then The National Gas and Oil Authority shall be entitled to receive interest on the amount payable at a daily rate of Libor for the USD to be paid by the bank to The National Gas and Oil Authority for any such delay pursuant to this request.

In case of any dispute between The National Gas and Oil Authority and the bank in respect of this request, the bank shall deposit the amount requested in an escrow account with the National Bank of Bahrain (main branch) to be paid in accordance with an award by the arbitrator pursuant to any arbitration undertaken in connection with the above referenced letter of guarantee.

The National Gas and Oil Authority

Signature

Title

Copy to the contractor

**Exhibit (2)**

**[The National Gas and Oil Authority letterhead]**

Notice of reduction of irrevocable letter of guarantee

Date.... () (address)

Signal: irrevocable letter of guarantee no......

Gentlemen:

The attached certificate from ( ) (the contractor), countersigned by The National Gas and Oil Authority, certifies that the referenced item of work has been completed in accordance with article 5 of the exploration and production sharing agreement in respect of onshore deep gas between The National Gas and Oil Authority and the contractor, effective as of ( ), and that all technical data related thereto has been delivered to The National Gas and Oil Authority.

You are hereby authorized and instructed to reduce the amount of the above referenced letter of guaranty by the amount of.................. United States Dollars (American Dollar........) And to notify the contractor of this reduction.

The National Gas and Oil Authority

Signature

Title

Copy to the contractor

**Appendix “h”**

**Form of parent company guarantee**

**1-** An exploration and production sharing agreement (hereafter the agreement) in respect of petroleum operations relating to Bahrain deep gas was executed on ( \_\_\_\_\_\_2011) between The National Gas and Oil Authority of the Kingdom of Bahrain and Occidental of Bahrain deep gas. LLC (hereafter the contractor party), a company incorporated under the laws of Delaware, USA.

**2-** his guarantee is hereby given as of (\_\_\_\_\_ 2011) to The National Gas and Oil Authority by……………………..a company incorporated under the laws of……………………..and having its registered office in being the ultimate parent company of the company **(parent company)**.

**3-** Parent company represents and warrants to The National Gas and Oil Authority that parent company is the ultimate parent company of the contractor party and the (direct/indirect) owner of all of the issued and outstanding equity share capital of the contractor party. Parent company, by this guarantee, irrevocably and unconditionally guarantees to The National Gas and Oil Authority, that it shall provide to the contractor party all technical resources that the contractor party may require to meet on a timely basis its obligations (as defined in section 4).

**4-** Parent company, by this guarantee, irrevocably and unconditionally, guarantees to The National Gas and Oil Authority, as principal obliger and not m is surety, the due. Timely, prompt, full, and complete performance by the contractor part of all terms, provisions, conditions, obligations, and agreements to be performed in accordance with the agreement, as well as any and all amendments to the agreement which may subsequently be executed by The national gas and oil authority and contractor (collectively referred to in this Warranty as the "Agreement")

**5-** If the contractor party fails to perform any or all of its obligations to the extent required by the agreement or commits any breach of these obligations, and fails to remedy any such breach within the time limits therefor contained in the agreement, parent company shall, upon receiving The National Gas and Oil Authority's written request, forthwith perform or cause to be performed the contractor party's unfulfilled obligations in accordance with the agreement, free of offsets, without restriction or conditions not otherwise contained in the agreement, and notwithstanding any contesting or objection by the contractor party parent company waives any right it may have of first requiring The National Gas and Oil Authority to proceed against or enforce any other rights or other guarantee or security with respect to or claim payment from either the contractor party or contractor before making a demand against or claiming from parent company under this guarantee. In the event and to the extent that parent company performs the contractor party's obligations to be performed by it in accordance with the agreement, parent company shall be entitled to and shall receive all of the rights and benefits to which the contractor party is entitled under the agreement, and shall procure the settlement of the contractor party's liabilities and losses or damages arising out of the contractor party's failure to perform its obligations to the extent required by the agreement.

**6-** As separate and primary obligations, parent company shall indemnify and hold The National Gas and Oil Authority harmless against all costs, liabilities, losses and/or damages resulting from or arising out of the contractor party's breach of its obligations, and/or parent company's breach of this guarantee.

**7-** The National Gas and Oil Authority shall have the right, at its option, in the event of default by parent company to perform this guarantee, to engage another party, other than parent company or the nominee of parent company to perform the unfulfilled obligations of the contractor party, and parent company hereby undertakes to pay any and all reasonable additional costs thereby incurred by The National Gas and Oil Authority.

**8-** This guarantee shall ensure to the benefit of The National Gas and Oil Authority and its successors and permitted assigns.  The National Oil and Gas Authority may, at any time, assign and/or transfer any or all of its rights under this guarantee to one of the entities wholly owned by the National Oil and Gas Authority, to which the rights of the National Oil and Gas Authority shall immediately devolve by notifying the parent company of this assignment. Parent company shall not, without the prior written consent of The National Gas and Oil Authority, assign or transfer any or all of its obligations hereunder, but may cause others to perform its obligations hereunder.

**9-** This guarantee is a continuing guarantee and shall be effective as of the effective date of the agreement, and remain in force until the contractor party has no further obligations and/or parent company has no further obligations pursuant to or arising out of sections 4, 5, 6 and/or 7 of this guarantee upon which date it shall be automatically cancelled; provided, however, that notwithstanding any provision contained in this guarantee the liability of parent company for its obligations pursuant to this guarantee shall in no event exceed the contractor party's liability for its obligations under the agreement existing at the time of The National Gas and Oil Authority's request pursuant to section 3.

**10-** Parent company's obligations shall not be exonerated by the following described actions, circumstance, matter, or thing which, but for this provision, might operate to release or otherwise exonerate parent company from its obligations including, without limitation, and whether or not known to parent company or The National Gas and Oil Authority.

(a) Any amendment, modification, extension, indulgence, time, waiver, or concession granted to the contractor or the contractor party, whether as to payment, time, performance, or otherwise;

(b) The taking, variation, renewal, or refusal or neglect to perfect or enforce the agreement or any rights or remedies against or securities granted by the contractor or the contractor party;

(c) Any legal limitation, disability, incapacity or other similar circumstances relating to the contractor or the contractor party;

(d) Any unenforceability, invalidity, or frustration of any obligations of contractor or the contractor party, with the intent that parent company's obligations hereunder shall remain in full force and this guarantee shall be construed accordingly as if there were no such unenforceability, invalidity, or frustration; and/or

(e) The bankruptcy or insolvency of the contractor or the contractor party.

**11-** no failure to exercise, and no delay in exercising on the part of The National Gas and Oil Authority, any right, power, or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or privilege preclude any other or further exercise thereof, or the exercise of any other right, power, or privilege. No waiver by The National Gas and Oil Authority shall be effective unless it is in writing.

**12-** the rights and remedies of The National Gas and Oil Authority herein provided are cumulative and not exclusive of any rights or remedies provided by law. The guarantee shall not be reduced or defeated by any other compensation which The National Gas and Oil Authority receives on account of any breach, claim, liability or loss by the contractor or the contractor party.

**13-** if any provision of this guarantee is prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate the remaining provisions hereof, or affect the validity or enforceability of such provision in any other jurisdiction.

**14-** terms defined in the agreement shall have the same meanings in this guarantee, except as otherwise defined herein.

**15-** this guarantee shall be governed by, subject to, and construed and interpreted in accordance with the existing laws of the Kingdom of Bahrain. Any dispute between The National Gas and Oil Authority and parent company regarding this guarantee which cannot be settled amicably between them within three (3) months from the date such dispute arises, shall be submitted to and finally settled by arbitration in accordance with the agreement, mutatis mutandis.

Signed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Appendix “i”**

**Form of assumption deed**

This deed of adherence (this "deed") is made on the ( ) day of ( );

Between:

(1) ( ) from ( ); and ( ) (Note: Information about the other continuing parties to the Agreement (collectively, the “Continuing Parties”) shall be added;

(2) ( ) from ( ), (referred to as “the assignor”); And

(3) ( ) from ( ), (referred to as “the assignee”).

Whereas:

(a) Pursuant to an exploration and production sharing agreement (the Agreement) executed on ( ) between The National Gas and Oil Authority and ( ), the contractor party/parties was/were empowered to act as the contractor in respect of Bahrain deep gas on and subject to the terms of that Exploration and production sharing agreement.

(b) The National Gas and Oil Authority, the continuing parties (the assignee) and the assignor are the current parties to the Exploration and production sharing agreement.

**(general assignment option - assignments pursuant to article 28-1(a) or 28-1(b):**

(c) The assigning party wishes to assign (its entire shareholding interest) pro rata (write the percentage) of its shareholding (“the waived share”) to the assigning party.

(d) The National Gas and Oil Authority has elected not to acquire the assigned interest pursuant to article 28-1 of the Exploration and production sharing agreement, and has agreed to consent to the assignment upon and subject to the terms and conditions of this deed.

(e) The assignment is subject to and conditional upon the assignee entering into this deed).

defaulting party assignment option - assignments pursuant to article 29-2(a):

(c) The assignor is a defaulting contractor party for the purposes of article 29-2(a) of the Exploration and production sharing agreement.

(d) The National Gas and Oil Authority has elected not to receive the assignment of the participating interest of the assignor (the "assigned interest") pursuant to article 29-2(**D**) of the Exploration and production sharing agreement, and has agreed to consent to the assignment upon and subject to the terms and conditions of this deed.

(e) The assignee is an accepting contractor party for the purposes of article 29-2**(B)** of the Exploration and production sharing agreement and has agreed to assume the assigned interest of the assignor).

(###) the assignor, the assignee, The National Gas and Oil Authority and the continuing parties propose to formalise such assignment upon and subject to the terms and conditions of this deed.

It is agreed as follows:

**1- Definition and interpretation:**

**1-1 in this deed, unless the context otherwise requires:**

(**“existing interest"** means the assignee's participating interest immediately prior to the assignment becoming effective).

**"assignment"** means the assignment by the assignor pursuant to article 28-1 and article 29-2(b) of the Exploration and production sharing agreement of the assigned interest to the assignee.

**(general assignment option:  "effective date"** means the date on which the assignee has complied with articles 28-1(g) or 28-1(q) of the Exploration and production sharing agreement and clause 5 of this deed.)

**(default party assignment option:  "effective date"** means the date on which The National Gas and Oil Authority gave notice to the contractor pursuant to article 29-2(c) of the Exploration and production sharing agreement).

1-2 in this deed, unless the context otherwise requires, terms which are defined in the Exploration and production sharing agreement shall have the same meaning when used in this deed, and article 1-1 of the Exploration and production sharing agreement shall also apply herein.

**2- Consent**

The National Gas and Oil Authority hereby consents to the assignment as and from the effective date.

**3- Assumption and assignor's continuing obligation**

3-1 the assignee, as and from the effective date, shall observe, perform and discharge all and any past, present or future obligations or liabilities of the assignor by in or under the Exploration and production sharing agreement to the extent of the assigned interest as if it were a party to the Exploration and production sharing agreement holding a participating interest equal to the assigned interest.

3-2 the assignor shall observe, perform and discharge all and any past, present or future obligations or liabilities by in or under the Exploration and production sharing agreement to the extent of the assigned interest up to and including the effective date, but shall pro tanto be released from such obligations and liabilities to the extent, but not otherwise, that the assignee shall actually observe, perform and discharge the same in accordance with clause 3-1.  The assignor is discharged and released from all obligations and liabilities incurred or accruing by in or under the Exploration and production sharing agreement to the extent of the assigned interest from and after the effective date.

**4- Exploration and production sharing agreement**

4-1 the assignee shall as and from the effective date be entitled to exercise all or any rights\* remedies, powers, authorities or privileges conferred by the Exploration and production sharing agreement upon a party to the extent of the assigned interest (and the existing interest). As and from the effective date the assignee shall be a party to the Exploration and production sharing agreement having a participating interest equal to (the assigned interest) (the aggregate of the assigned interest and the existing interest) and the Exploration and production sharing agreement shall be deemed amended accordingly, to the effect that as and from the effective date the participating interests of parties in the Exploration and production sharing agreement shall be as follows:

4-2 Both the National Oil and Gas Authority and the continuing parties acknowledge that, according to this bond, the provisions of the general waiver option have been complied with: Article 28-1) (option of waiver by the defaulting party: Articles 28-1 and 29-2 (a)) of the Exploration and Production Sharing Agreement in relation to assignment.

**5- Guarantee**

**(general assignment option:**  The National Gas and Oil Authority acknowledges and agrees that the Guarantees provided in compliance with article 6 of the Exploration and production sharing agreement by the assignor shall (cease upon the effective date)(be reduced in proportion to the assigned interest). The assignee shall, in turn, provide The National Gas and Oil Authority with guarantees in compliance with article 6 of the Exploration and production sharing agreement.)

**(defaulting party assignment option:**  The National Gas and Oil Authority acknowledges and agrees that, notwithstanding any other provision of this deed and article 28-1(q) of the Exploration and production sharing agreement, The National Gas and Oil Authority shall not require the assignee nor any of the continuing parties to:

5-1 increase the value of the guarantees provided by such parties, pursuant to article 6-1 of the Exploration and production sharing agreement;

5-2 provide an additional guarantee or guarantees (whether pursuant to article 6-1 or otherwise),

As a consequence of the termination of the Exploration and production sharing agreement with respect to the assignor pursuant to article 29-2 thereof.)

**6- General**

6-1 the obligations and liabilities of each party to this deed shall be several and not joint nor collective, each being responsible for discharge of its own.

6-2 for the purpose of article 34 of the Exploration and production sharing agreement, the nominated address of the assignee shall be as follows:

6-3 article 31 (governing law), article 32 (dispute resolution) and article 35 (miscellaneous) of the Exploration and production sharing agreement shall apply to this deed mutatis mutandis as if set out herein except as otherwise provided.

6-4 each party shall be responsible for the cost of review of this deed otherwise all costs of and incidental to the deed and all stamp duty and other disbursements thereon shall be paid and borne by the assignee.

In witness whereof this deed has been duly executed and delivered on the date first set out above.